



Constellation Schools LLC

"The Right Choice for Parents and a Real Chance for Children!"

**Ohio House of Representatives
House Finance Committee
Testimony on HB 102
December 12, 2017**

Chairman Smith, Vice Chair Ryan, Ranking Member Cera and committee members, I wish to thank you for allowing me this opportunity to testify before you today.

My name is Thomas Babb and I am the Chief Financial Officer and a founding member of Constellation Schools, which has successfully managed community schools in Northeast Ohio since the fall of 1998. My testimony is in support of HB 102, which I believe will lead to an equitable source of education funding for all public school students in the state of Ohio.

In 1962, economist Milton Friedman devoted an entire chapter of his book "Capitalism and Freedom" to the role of government in education. As a college student in the late 1970's, reading this chapter was a required part of the economics course I took toward completion of my bachelors of science in accountancy degree. Mr. Friedman outlined a system of education funding where every public school child would be allocated monies to be used for their education, regardless of where the child is educated. The state would be responsible for providing funds and for licensing teachers and schools to operate. This concept has had a profound effect on me in the nearly forty years since my reading it, leading me into the community school and school choice movements.

As a Treasurer and CFO of community schools in Ohio, starting with the first schools to open, I have seen many legislative changes enacted during my tenure. In the past few years, community schools have come under intense scrutiny resulting in severe overhauls of community school laws and regulations while our funding has eroded when compared to traditional districts. Attached to this testimony are four schedules which track total per pupil revenues for our schools compared to the traditional district that our schools are located within. In fiscal year 2002 our schools received approximately 75% of the revenues that the districts received. For the first few years' community school funding improved when compared to traditional districts. During the last ten years the general trend of the difference in funding has been to grow wider. As of fiscal year 2016 the funding of our community schools is approximately 50% of the funding received by the districts. Understanding that the basic funding of community schools comes from state foundation, federal grants and whatever grants and fees can be raised, it is not surprising that as districts pass operating and permanent improvement levies, we find community school funding losing ground.

The problem with this funding disparity is the same that existed within public districts when the DeRolph case was ruled on multiple times during the late 1990's and early 2000's. That is, "Is it right to allow students that are publicly educated to have access to widely different resources simply because they live in an area where community schools are allowed to operate?" I say that the answer is and should be a resounding NO.

Our students are typically the most underserved and neediest in the state. Most live in poverty and many have parents or guardians that struggle to make ends meet. Some may not have a positive adult role model in their lives outside of school. Our schools attract students with special education needs that often cost significantly more than the services required to assist them. Add to this the three challenges that all community schools face; finding and maintaining appropriate facilities that function appropriately as positive educational environments; providing up to date technology for students to use and be ready for the workforce of the future and, most importantly, recruiting and retaining the most talented and dedicated teachers that we can find.

In recent years, community schools have faced increasing compliance rubrics which we have had to follow and manage without any increase in resources to pay for the staff needed to manage these issues. Our teachers leave our schools at a rate approaching 15% per year because we cannot provide competitive salaries. This is further aggravated by the amount of professional development we provide our teachers who are mostly young and often recent college graduates. Buildings are very difficult to find in a condition that is reasonable to invest monies in to repair and bring up to current building code. Community schools have to rely on bond financing, mortgage financing and where available grants to obtain buildings. We often pay a premium in interest rates and financing covenants because of the tenuous nature of our schools; that is that we can be closed due to underperformance, inadequate finances or a change in state law. Understandably, lenders are cautious when dealing with community schools. Leases are often for buildings that are less than suitable as a school and are often overpriced because they are the only space available in many neighborhoods. We face the same financing issue with technology which should be provided to each student as a regular part of their educational careers. Finally, as previously stated, we attract students with special education needs that are often severe. One or two student that need one-on-one aides or require placement with an outside program can quickly bleed an otherwise financially sound school of the financial resources to continue to operate effectively.

Despite all of these obstacles our schools provide an education that is generally better than the districts in which we operate. This is a win for all of us because our students receive a good education at a cost significantly less to the taxpayers of Ohio than many of the alternatives. Our schools struggle every day to meet the needs of our students with the resources we have because our expenses are increasing faster than our revenues. This last year the increase in base funding per student was \$10 which was a 0.167% increase from fiscal year 2017. The current rate of inflation over the past twelve months is 2.04%. Unless, we receive a serious increase in our funding we will continue to struggle to provide the education that our children deserve.

To conclude, I believe that HB 102 is a step in the right direction to provide equitable primary and secondary education funding for all students in the state of Ohio. Passage of this bill would provide the type of government involvement in education envisioned by Milton Friedman fifty-five years ago when he wrote his book mentioned in my opening comments. I look forward to the day when every child in Ohio will have access to the high quality education they deserve. I urge you to move forward with HB 102 and prove to our children how much we value them and their future.

Thank you for the opportunity to provide this testimony. I hope that committee members find this information useful and that due consideration be given to advancing HB 102.

With great respect,

Thomas F. Babb

Thomas F. Babb, M.A., CPA
Chief Financial Officer
Constellation Schools

Constellation Schools Revenue Averages by District

Constellation Schools - District Location

For the Years 2002 through 2016

Cleveland Municipal School District			
Fiscal Year	District	Constellation	Constellation % of District
2002	\$9,896	\$7,793	78.75%
2003	\$10,287	\$7,238	70.36%
2004	\$10,830	\$8,096	74.76%
2005	\$11,613	\$8,986	77.38%
2006	\$12,015	\$8,460	70.41%
2007	\$13,670	\$11,156	81.61%
2008	\$14,153	\$9,987	70.56%
2009	\$14,581	\$10,280	70.50%
2010	\$14,400	\$10,145	70.45%
2011	\$15,759	\$10,367	65.78%
2012	\$15,464	\$10,028	64.85%
2013	\$19,871	\$9,633	48.48%
2014	\$16,179	\$10,010	61.87%
2015	\$20,875	\$9,910	47.47%
2016	\$21,215	\$9,883	46.58%

Funding Increases between 2002 to 2016			
Dollars	\$11,319	\$2,090	18.46%
Percent	114.38%	26.82%	

Sources of Information:

District: Ohio Department of Education Cupp Report

Constellation: Revenue = Audit Report Statement of Cash Flows

Student FTE = ODE Funding Report - Final Versions

Constellation Schools Revenue Averages by District

Constellation Schools - District Location

For the Years 2002 through 2016

Lorain City School District			
Fiscal Year	District	Constellation Schools	Constellation % of District
2002	\$8,114	\$6,416	79.07%
2003	\$9,018	\$7,226	80.13%
2004	\$9,836	\$8,811	89.58%
2005	\$10,394	\$8,267	79.54%
2006	\$10,926	\$8,635	79.03%
2007	\$10,833	\$7,043	65.01%
2008	\$10,924	\$6,800	62.25%
2009	\$12,081	\$9,858	81.60%
2010	\$12,304	\$10,139	82.40%
2011	\$12,318	\$10,119	82.15%
2012	\$12,243	\$9,656	78.87%
2013	\$17,549	\$9,211	52.49%
2014	\$14,390	\$9,655	67.10%
2015	\$19,080	\$9,673	50.70%
2016	\$19,748	\$9,825	49.75%

Funding Increases between 2002 to 2016			
Dollars	\$11,634	\$3,409	29.30%
Percent	143.38%	53.13%	

Sources of Information:

District: Ohio Department of Education Cupp Report

Constellation: Revenue = Audit Report Statement of Cash Flows

Student FTE = ODE Funding Report - Final Versions

Note: 2002 Constellation does not include federal start up grant equal to \$1,757 per student.

Constellation Schools Revenue Averages by District

Constellation Schools - District Location

For the Years 2002 through 2016

Elyria City School District			
Fiscal Year	District	Constellation Schools	Constellation % of District
2002	\$8,443	\$7,450	88.24%
2003	\$8,859	\$6,472	73.06%
2004	\$8,759	\$7,709	88.01%
2005	\$9,204	\$6,794	73.82%
2006	\$9,796	\$6,972	71.17%
2007	\$10,451	\$7,103	67.96%
2008	\$10,490	\$7,877	75.09%
2009	\$10,569	\$8,060	76.26%
2010	\$10,519	\$8,294	78.85%
2011	\$11,010	\$8,864	80.51%
2012	\$11,428	\$8,246	72.16%
2013	\$12,788	\$8,238	64.42%
2014	\$11,871	\$8,014	67.51%
2015	\$14,042	\$7,838	55.82%
2016	\$15,526	\$8,187	52.73%

Funding Increases between 2002 to 2016			
Dollars	\$7,083	\$737	10.41%
Percent	83.89%	9.89%	

Sources of Information:

District: Ohio Department of Education Cupp Report

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Constellation Schools Revenue Averages by District

Constellation Schools - District Location

For the Years 2002 through 2016

Parma City School District			
Fiscal Year	District	Constellation Schools	Constellation % of District
2002	\$8,764	\$6,547	74.70%
2003	\$8,962	\$6,383	71.22%
2004	\$8,561	\$6,581	76.87%
2005	\$9,463	\$6,769	71.53%
2006	\$10,063	\$6,405	63.65%
2007	\$10,750	\$6,896	64.15%
2008	\$10,890	\$6,800	62.44%
2009	\$11,111	\$7,529	67.76%
2010	\$11,377	\$7,676	67.47%
2011	\$11,670	\$7,910	67.78%
2012	\$12,331	\$7,852	63.68%
2013	\$13,723	\$7,632	55.61%
2014	\$11,751	\$8,342	70.99%
2015	\$14,228	\$8,172	57.44%
2016	\$14,382	\$8,255	57.40%

Funding Increases between 2002 to 2016			
Dollars	\$5,618	\$1,708	30.40%
Percent	64.10%	26.09%	

Sources of Information:

District: Ohio Department of Education Cupp Report

Constellation: Revenue = Audit Report Statement of Cash Flows

Student FTE = ODE Funding Report - Final Versions