

Mike Sobul Testimony on HB 166

Chairman Oelslager, Vice-Chairman Scherer, Ranking Member Cera and members of the House Finance Committee, thank you for the opportunity to be here today to promote the proposals of the Cupp-Patterson Fair School Funding Plan. My name is Mike Sobul, Chief Financial Officer/Treasurer of the Granville Exempted Village School District. Prior to my time in Granville, I served for nearly 25 years as an Administrator and Assistant Administrator in the Tax Analysis Division of the Ohio Department of Taxation. I have been working with the members of the Cupp-Patterson Workgroup for the past 18 months, assisting in the development of the base cost and state and local distribution provisions. During my career with the Department of Taxation, I spent a considerable amount of time working on school funding reform during the Voinovich, Taft, and Strickland Administrations.

In my testimony today, I am going to concentrate on how funds will be distributed across our diverse 610 school districts in Ohio. That is, the way the determination of the state and local shares of base cost are to be determined. To understand the need for a new distribution method, the flaws of the current system must be recognized. You heard from Tom Hosler's testimony that only 101 of the 610 districts in the state were being funded at the level the current broken distribution formula is calculating. The other 509 districts are either capped (167), meaning they are getting less than the formula calculates or guaranteed (342) where they are getting more than the formula calculates. The current distribution formula uses a combination of property valuation and income to determine district wealth. However, it only uses income in some cases and not others, in manners that are neither consistent nor rational. The current distribution formula also determines each district's wealth in relation to every other district's wealth. So a change in valuation in District A could make District B, located at the other end of the state, either wealthier or poorer, impacting District B's state aid. This is a formula that is broken. An example of how broken the system is can be found on slide 5. Districts with similar wealth under our current system vary widely in their per pupil foundation aid from highs of \$12,000 to \$14,000 per student all the way down to only \$5,000 in Maple Heights or \$7,105 per pupil in Whitehall. This makes absolutely no sense when their district wealth is virtually the same.

The proposed distribution formula outlined on slide 6 uses a combination of property valuation (60% weight) and income (40% weight) to determine every district's capacity to generate revenue locally. Only a change in your own district's valuation, income, or enrollment can impact that district's overall capacity to generate revenue locally.

The overall impact of the new formula and distribution is that it drives more money to lower capacity districts. In slide 7, you can see the formula allocates more funds to lower capacity or lower wealth districts. For example, our poorest districts are receiving an average of \$8,799 under our new Fair Funding plan while our high wealth districts on average are only receiving \$2,593. However, initial simulations did expose an issue for some of our districts with high concentrations of poverty across the state. We heard the concerns from these communities and have identified solutions. Workgroup members will be consulting with representatives from these districts next week to fully vet the solution, but we're confident we have a solid plan

moving forward. This illustrates a key advantage of the Cupp Patterson Fair School Funding Plan. Because it is transparent and logical, it is easy to go in and make adjustments when needs arise.

After applying the adjustment described above, in the districts in the lowest wealth quintile, the average two-year increase in state aid under the Cupp-Patterson proposal is estimated at \$602 per pupil. In the highest wealth quintile, the average is \$308 per pupil. This shows that the majority of additional funding is being driven to districts with the least capacity to generate money locally. In slide 8, you'll see that the New Fair School Funding Plan results in 84% of the districts funded using the formula. This lifts the state out of the dysfunctional current system where only 18% of the districts are actually receiving what the formula said they should receive to 84% of the districts.

Mr. Chairman, I would conclude my formal comments by saying the proposed formula is not perfect, but it is very good. In a state as diverse as Ohio, if perfection is goal, the effort will fail. This formula and distribution methodology being proposed are rational and explainable. Importantly, they are also adjustable and scalable, meaning over time they can be altered as information becomes available to make further improvements to the formula without having to blow up the base structure. Thank you for the opportunity to be here today. I would be happy to answer any questions committee members might have.