

House Finance Committee

Testimony in Support of H.B. 305 - The Fair Funding Plan for Ohio's Schools - Distribution
Model

Jared Bunting, CFO

Trimble Local Schools

Michael P. Hanlon, Jr., Ph.D., Superintendent

Chardon Local Schools

Mike Sobul, CFO

Granville Exempted Village Schools

November 13, 2019

11:00 AM – Room 331

Chairman Oelslager, Vice Chair Scherer, ranking member Cera, and members of the House Finance Committee, my name is Michael Hanlon. I am the Superintendent of Chardon Local Schools in Geauga County, and for the past two years have served as co-chair of the Fair School Funding Workgroup's Subgroup on Distribution, along with my colleague Jared Bunting, Treasurer and Chief Financial Officer of Trimble Local Schools in Athens County. We appreciate the opportunity to meet with you today and to introduce you to the methodology in HB 305 by which the new school funding formula will calculate each district's local share of the funding partnership between the state and individual districts that has traditionally existed in Ohio.

We respectfully suggest to you that we are introducing you today to the distribution methodology in HB 305 because the third partner in our efforts, Mike Sobul,

former Treasurer and CFO of Granville Schools, cannot be with us because of family illness. Mike contributed mightily to the deliberations of every aspect of the Workgroup's effort. He also has been the architect who developed many of the calculations within the model and we want to be sure he is present to provide the background and developmental concepts so that we can fully respond to your questions. We anticipate that Mike will be with us when we conclude our testimony next week.

The partnership in school district funding between the state and local districts needs to be a sensitive and accurate balance so that the local share that is demanded of the district's taxpayers is commensurate with that district's capacity to raise funds through local taxation. The Workgroup has paid particular attention to this challenge, at least in part, because the current system is so complicated that few people fully understand it, and because it has created such severe and inexplicable anomalies in the treatment of districts with similar per pupil property and income wealth. In addition, the current model can cause the local share of a district to change even though the property and income wealth of a district may have remained virtually unchanged. The Subgroup sought a methodology that would be easily understood, that would rely on both the property wealth and income wealth of every district, could be applied in the same manner to every district and would reflect exclusively the circumstances of the individual district, without any volatility due of changes elsewhere in the State.

HB 305's method for distributing state assistance is based upon each district's calculated local share, a measure of the capacity of a district's taxpayers to raise money locally in order to meet its legal obligation to help fund its schools. The balance is to be paid by the state. That local capacity is determined by taking into consideration the district's property wealth per pupil and two measures of income wealth: the median Federal Adjusted Gross Income per residential return per pupil times the number of

returns, and the district's total residential Federal Adjusted Gross Income. (The latter number tends to be more volatile than the median per return, so both numbers are used to assure consistency.) The formula uses the lower of the average of the most recent three years of taxable value, or the most recent year. The same would be true for the income measures. My colleague, Mr. Bunting, will explain the general application of these components within the distribution model.

The calculation of the local share is based 60% on the property valuation per pupil and 20% each on the two income measures. Once the total capacity per pupil has been determined, the total local share would be 2.3 % of the three calculated per pupil amounts. After originally announcing the Fair Funding Plan, the forerunner of HB 305, the local share percentage was changed from 2.25% to the 2.3% for districts with the same capacity as the state median, with higher wealth districts being charged as much as 2.5%, and lower wealth districts as low as 2.0%. This variable rate adjustment was included to address the equity concern expressed over the original distribution model.

The table you have been provided shows an example of how the local shares of two districts would be calculated. (This table was developed when the local percentage for all districts would still be calculated at 2.25%). It shows two districts with differing property and income figures and that District 1, which is far wealthier on property valuation and total income, having a local share almost \$1,300 higher than District 2, even before the introduction of the variable percentages based upon capacity.

In addition to the basic local share calculation, the primary distribution formula includes three other mechanisms that are designed to distribute resources to districts which, because of their characteristics, do not have sufficient capacity to generate enough

revenue locally to appropriately fund their educational programs. The current version of these mechanisms is merged together into a single three-tier program.

“Tier One Targeted Assistance” uses the same measures of capacity that are used in determining the state and local shares of base cost and provides graduated aid to districts based on combined property and income wealth. A district whose overall capacity per pupil is less than 120 percent of the State’s median capacity per pupil qualifies for wealth-based Targeted Assistance. The amount of assistance per pupil increases as per pupil capacity decreases.

“Tier Two Targeted Assistance” uses the same base measure as Tier One, but the additional aid is determined by the capacity of the district to raise funds locally as measured by dollars generated per pupil per mill of property taxation. A district qualifies for Tier Two funding if its overall capacity is below the statewide median capacity. The amount of aid increases as a district’s capacity decreases.

“Tier Three Targeted Assistance” is designed to account for dislocation caused by using enrollment based on where a student is taught to determine state aid rather than the current designation of Average Daily Membership. When high percentages of students leave a district to be educated elsewhere, that district may appear, in the funding formula, to be less poor than it otherwise might be. Tier Three creates a funding source for these districts if they also have high percentages of economically disadvantaged students as measured by the wealth factor in the FY 2019 Targeted Assistance program. Any district that meets two criteria – having at least 12 percent of its resident students leaving the district to be educated and having a FY 2019 Targeted Assistance Wealth Index above 1.6 – receives Tier Three Targeted Assistance aid. This aid is outside the guarantee calculation for funding for FY 2020 and FY 2021. A district would receive this funding on top of all

other funding even if its overall calculated aid after a base guarantee is the same as FY 2019 funding.

Thank you Chairman Oelslager and members of the House Finance Committee for the opportunity to provide this overview of the Fair Funding Plan Distribution Model. We are pleased to respond to questions concerning this approach to ensuring appropriate funding for Ohio's students.