



**Testimony of Stephen Dyer
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Chairmen Cupp and Patterson. Other distinguished members of the Primary and Secondary Education Subcommittee. Let me first of all say it's good to be home. As a former Chairman of this fine subcommittee, I feel I'm one of the few (if any) who will testify before you that knows exactly what you're going through right now. In fact, I can accurately say I am the *only* Ohioan who can say they know *exactly* what you're going through.

Because 10 years ago, I went through the same thing you folks are – trying to implement a school funding model that effectively costs out the needs of kids across the state, while dealing with district-level runs that initially show huge increases going to the least needy school districts in our state while some of the neediest receive little, if any, increases.

Now imagine doing what you're doing right now, only finding out every month you're *losing* \$250 million in revenue. Because that's what we faced 10 years ago during the Great Recession.

Yet despite all that, we did fix that formula. It won a national award from the Education Commission of the States. Contrary to popular belief, it contained zero spending mandates (you may count All-Day Kindergarten, but districts could seek waivers from that). But, most importantly for Ohioans, it provided more state than local revenue for education in the 2010-2011 school year – the only year on record that has ever happened. If there has ever been a year where it could be credibly argued that the state met its *DeRolph* mandate, it was that year.

Though to be clear, *I* wouldn't make that argument.

I'm not telling you this to toot my horn. Well, maybe a little. But the reason I tell you this is to let you know that if we could fix this 10 years ago in *that* economic environment, you can definitely fix it today.

And because of your work already, school funding in Ohio is well on its way to meeting the constitutional mandate of a thorough and efficient school funding system.

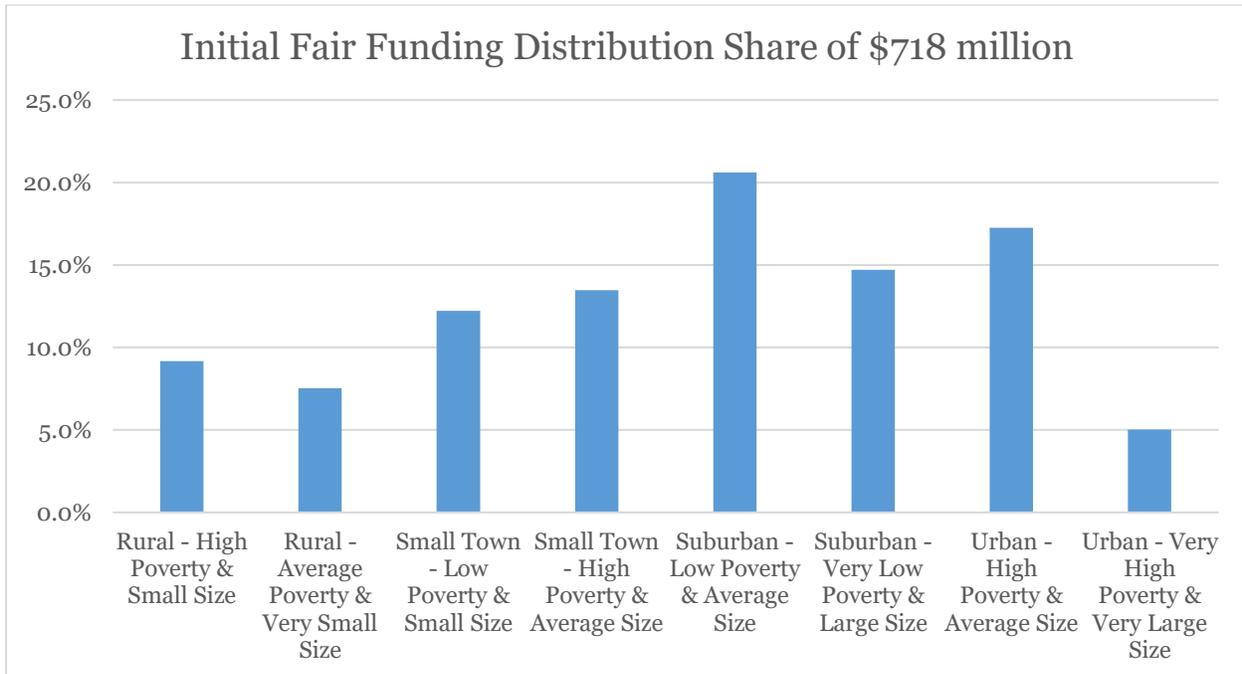
But there is work to do.

The Simulations

The reason runs are so important is they show us where our ideas aren't quite working the way we think they would. This happens every year of a new budget, let alone new funding formula. The Fair Funding plan is no different.

I don't imagine many of you believe that having Ohio's wealthier suburban districts swallow up more than 1/3 of your proposed \$718 million annual increase, while the state's biggest urban districts only got 5 percent of the increase is a fair result. Nor is granting Northern Local in Perry County – the district that originally sued the state over its failure to properly fund education – flat funding.

Again, the runs are talking to you. Something isn't working the way we need it to.



There are many reasons *why* this may not be working right. It could be as simple as this formula isn't fully funded yet, so we won't see the full effect until next budget. But to be clear, without seeing the underlying calculations (teacher salary, per pupil amounts for several elements), it's tough for me to say exactly why. But I can point you in directions. So let me try to give you a few broad areas to examine, based on where we found the problems 10 years ago.

Formula Elements

I want to commend the work you and the working group have already done to identify elements of a child's world class education. You've done the hard work. You've asked the right questions. Putting mental health services into the funding formula is groundbreaking and will help keep our students healthy and safe.

However, there are some areas I think you could look at that could address the distribution issue you have.

1) Student-Teacher Ratios

- a. Problem: All the evidence I've ever seen on student-teacher ratios, especially in the early grades, shows many fewer students than the formula currently calculates – anywhere from 15-17:1 ratios are what I've seen in the literature for grades K-3. My guess as to why you chose the 20:1 Kindergarten ratio and 23:1 Grades 1-3 ratio were because you have a fairly high teacher salary. And that's



good. The fatal flaw of the initial plan 10 years ago was it used a very low teacher salary with no benefits. I don't know what teacher salary you're using, but I can infer from your higher than normal ratios that it's significant and, importantly, accurate.

However, when you apply higher ratios, you inherently hurt districts with lots of students. So this element is probably tamping down funding in the large, urban districts like Cleveland, Columbus, etc.

- b. Solution: It depends what you want to do here, but there are several options. The first is to reduce the early grade ratios to the teens – 17:1 or 18:1, while reducing the high school ratio to 25:1. This would benefit all districts, but especially those with the most students – the urban districts that under the current version only receive 5 percent of the additional projected revenue. The other way you could handle it (which would be cheaper) is to only apply those smaller ratios to districts based on their economically disadvantaged rate. And you could choose whatever percentage you want it to be, whether it's 50 percent or 75 percent. This would direct the additional funding to one of the most effective poverty-fighting tools we have – small class sizes in early grades – to the districts with the highest poverty rates.

2) Specialist Teachers

- a. Problem: Generally, specialist teacher funding, if they're differentiated in a school funding formula, are linked to core teachers in some way, something like one for every 4, 5 or 6 core teachers. Tying these teachers instead to numbers of students – especially the pretty high rate of one for every 150 students – would seem to shortchange specialist teachers everywhere, but especially smaller districts, which tend to be rural and poor ones.
- b. Solution: Again, it's hard for me to tell without seeing the underlying calculations, but if the specialist teacher funding were tied to the number of core teachers, it would help fix this issue. As an example (and I am NOT saying you have to do this, I'm just showing by way of example), 10 years ago, we provided one specialist teacher for every 4-5 core teachers, depending on the grade. That worked out to about one for every 60-70 students – more than double the amount this initial formula calls for.

3) Guidance Counselors

- a. Problem: As all of us acknowledge, the earlier we get kids thinking about careers and lifelong learning, the better. Providing funding for only a guidance counselor in the high school seems to be short of what students need.
- b. Solution: Students in today's fast-paced economy need guidance starting far earlier than high school. Providing guidance counselors into the middle school grades and providing more of them would help our students better navigate our more complex employment world.



4) **Building Staff**

- a. Problem: Providing funding for principals, librarians and other building-level personnel based on a student ratio seems a bit out of place. For example, having a librarian for every 1,000 students would, in the case of some districts, provide a librarian for every 3-4 buildings.
- b. Solution: Provide building personnel based on buildings rather than student numbers. This is just a practical matter. Every building needs a principal, support staff and at least one librarian. So fund them based on that.

Indexing the Problem

One of the keys to us fixing what happened 10 years ago is we found Han Solo.

Let me explain.

I have always contended that the reason the Star Wars prequels failed to garner the widespread love of the original three was because the second prequel didn't have Han Solo (or a character like him) – a wisecracking, street smart character who didn't quite buy all this Jedi/Force/Destiny stuff. He was grounded in the real world. He was the guy those audience members who weren't buying the magical part of the movies could relate to.

You didn't need to believe in the Force to believe in Han Solo. Because Han Solo was us.

Back to school funding.

The EBM's Han Solo was the Education Challenge Factor – an index that calculated a school district's extra-curricular challenges (and I don't mean football teams). It took into account a district's relative poverty (income and property) and its parents' educational attainment level – what we've known for years is the single most important determinant of a student's [success](#). Those were merged into a number that we applied to many of the formula elements. Here's an outline of it below.

College Attainment Factor (CAF)	Local Wealth Factor (LWF)	Adjusted Poverty Factor (APF)	ECF Total
(Adults over 25 with a college degree) / (Total population) / (Highest % district)	[(Local wealth per pupil) / (Standard deviation above average)] x weight	(% of economically disadvantaged students) / (Highest % district)	(((CAF + LWF + APF) x 0.65) + [0.75 x 3]) / 3

Why did we decide to apply the ECF to the formula elements? Because it's hard to find, for example, teachers who want to teach in districts where the parents don't value education that



much and will more likely impede than support their children's learning. Likewise, it's difficult to find field trip opportunities in districts that are located far away from those opportunities.

The ECF did a lot of the heavy lifting for the EBM – leveling out a lot of the original inequities in the formula.

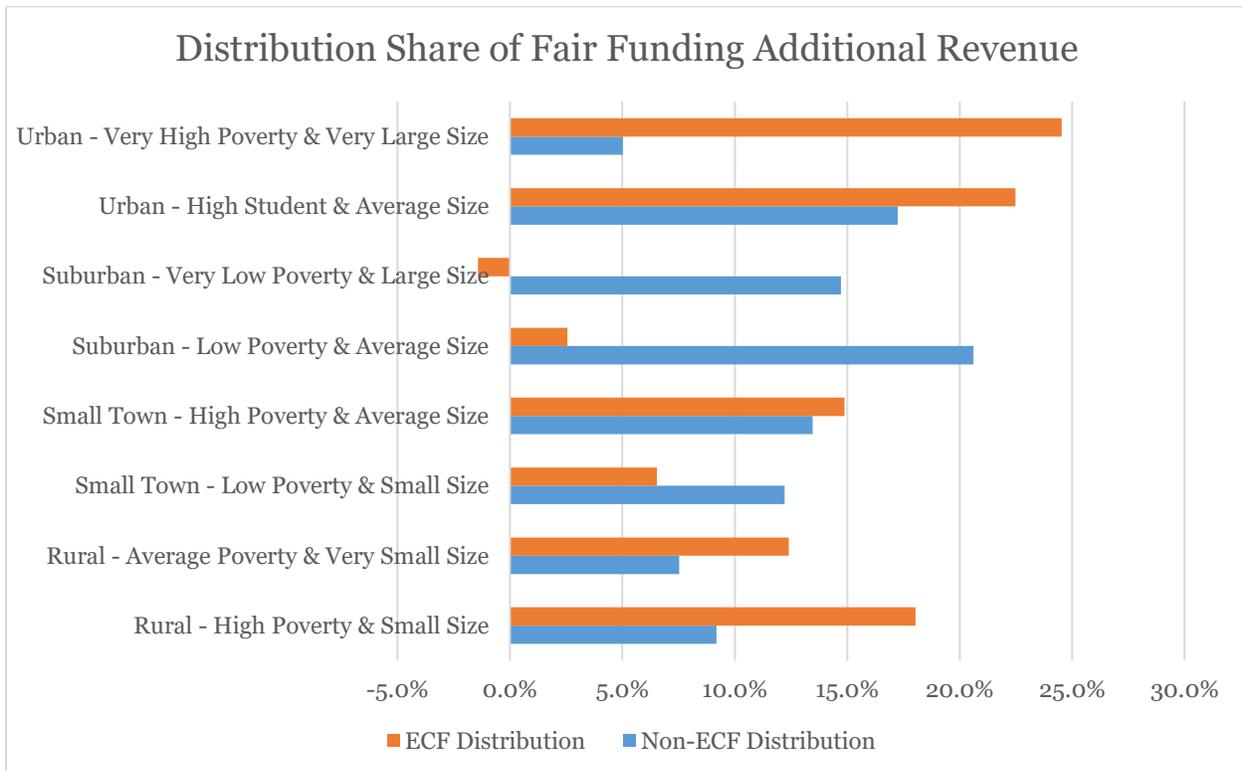
The Fair Funding formula doesn't have a similar mechanism to account for the more difficult challenges districts that are poor and whose students don't have much support from parents face in finding talent and overcoming those barriers, especially in districts that are the most challenged.

So, for example, the plan assumes it will be just as easy to find the mental health professionals the formula envisions in Olentangy, Cleveland and New Boston. And those professionals will be equally successful in either place.

That's probably not an accurate assessment.

What effect would an ECF-like thing have on the Fair Funding plan? I'm not going to use dollar figures here because I don't know which elements of the formula the authors would want to apply it to. And I'm using ECF figures from 10 years ago. So I don't want to suggest you have to figure out how to find even *more* money than you currently have. What ECF *can* do is more effectively distribute the money already laid out.

I can also show you how the distributions work if you applied the 10-year-old ECF to all of a district's funding (which is *not* how it should work, but this is just an exercise). Here's the result:



What you'll see is that instead of only receiving 5 percent of the formula's benefit, the state's Big Urban districts would see about 1/4 of the benefit with an ECF. Likewise, poor, rural and small town districts would see about 1/3 of the benefit.

Meanwhile, the state's wealthiest suburban districts would see a small bump, or even a slight cut, depending on the category.

I want to be extremely clear: I am not saying this is how the distribution should look.

What I *am* saying is that this is a lot closer to what a *fair* distribution should resemble. And since this is being dubbed the "Fair" plan, it would indeed appear that an ECF-like mechanism could significantly improve that part of the plan.

The plan is currently missing Han Solo. But there's still time to release him from the carbonite.

You just need to get into Jabba's Palace and do it.

Local Share



I understand the idea of mixing property and income wealth when you are calculating local share. You're trying to get to the property rich, income poor problem districts like Danbury and Coventry have.

However, I don't think it's as accurate a calculation as it could be. Generally, a school district's primary local funding source is property taxes. And while more money than ever is being collected through school district income taxes, it is *property* taxes that still fund most of a typical school district's local share.

So adjusting a district's local share based on something a district can't raise money on – a district's poverty level – doesn't seem fair. I have always said the fairest way to calculate local share is to base the amount on what **a district actually collects in local taxes the prior year**. So, for example, if you want the charge off to be 22.5 mills, then calculate a state's local share based upon what the district **actually raises on 22.5 mills**.

Basing it on valuation runs you into an HB 920 problem. Basing it on what districts actually raise eliminates the HB 920 problem. Also, I would prefer a 20-mill charge off since no district would be below that. In the meantime, I would suggest having the state pick up the difference between 22.5 mills and a district's lower millage at the same rate as the OSFC share calculation.

Just as an aside.

Full Funding

Again, I don't have access to the individual elements of the formula, so these are just general suggestions based upon the only previous experience Ohio has had developing one of these things.

One suggestion I would leave you with is to release a simulation of what a fully funded plan would provide students. It is the only way to hold the next and future General Assemblies accountable. As you know, the first *DeRolph* lawsuit was filed in 1991. We are now in our third generation of students who have gone through an unconstitutionally funded education system.

This is ridiculous. And I think everyone in this room knows that.

I also think it's better to develop a formula that calculates student need than just throwing more money into a residually budgeted distribution, which is what we currently have.

However, I want to see what this plan will look like when fully funded. It could also point you in directions to fix the phased in portion.

For example, you may be phasing in elements that benefit wealthier districts earlier than you are to the less wealthy ones. The obvious benefit to wealthy districts is lifting the cap. Look, I get that you want to eliminate caps and guarantees. And even with a fully funded EBM, we couldn't get some districts off the guarantee.



But lifting caps means huge wealthy district increases. I get that for years the state has tamped down funding in wealthy districts so more funding could be directed toward less wealthy ones. But undoing this 30-year Robin Hood problem in one budget seems a bit much, especially if the elements that benefit the less wealthy districts are phased in slower.

Look at the fully funded formula and see if you can phase out the cap over a longer period so you can phase in need-based funding over a shorter period. That will only happen if you can look at the fully funded formula and adjust the phase-ins and phase-outs to develop a more equitable distribution throughout the formula's phasing-in period.

I would also urge you to establish a non-partisan panel of experts to examine this formula every 2-3 years. We need to de-politicize school funding. The best way to do that is to professionalize it. Have these pros look at the formula and make recommendations during each budget. That would go a long way toward ending the school funding war, or at least turn it into a skirmish.

Charter Funding

I won't spend much time here, but I wholeheartedly support the direct funding idea you have put forward, along with the commitment to develop a charter-specific funding formula. Charters don't bus kids, pay their teachers about 1/3 less, yet get paid based on the same cost structure as districts. You're on the right track here. And while removing charter school students from a district's ADM can hurt district funding, there are ways to account for that issue. Simply put, this is the way charter funding has to go.

The deduction method we currently use forces each student in Columbus and Cincinnati, for example, to receive about \$1,200 less from the state than the state says those students need. Districts have to use local revenue to subsidize hundreds of millions of dollars a year lost in state revenue to charters – most of which perform no better or worse than the districts from whence they receive their students. And about 100 districts don't have enough local revenue to make up the difference, so their kids actually get less overall funding because of the charter deduction system.

This madness must end. And I'm glad you're looking to fix this. Kudos.

Conclusion

As the only person in this state who has gone through what you're currently experiencing, let me bottom line how we fixed almost your exact problem 10 years ago.

- 1) We picked a more defensible teacher salary.
- 2) We phased in the charge off drop from 23 to 20 mills over the entire plan's implementation rather than just the first year, and used that savings to implement formula elements that benefitted poorer districts earlier.



- 3) We added the educational attainment level of parents element to the ECF (a first in the nation) and applied it to more of the formula elements to account for the challenges (or lack thereof) in each district.

We did other things too, but that was pretty much it. Simple, right?

Not really. But you guys have already spent about two years on this, have awesome support staff and a built-in network of validators, not to mention an economy that isn't shedding hundreds of thousands of workers every month.

You are in a far superior position to get this right than I ever was.

So do it.

No pressure.

And if you need any help or suggestions, or want a sounding board, please do reach out. I want you to succeed. Because if you do, our kids will succeed. And that's the whole point.