

Testimony of Stephen Dyer
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Chairman Cupp, Ranking Member Phillips and members of the Primary and Secondary Education Subcommittee. It is always an honor to come before you – the members of the subcommittee I chaired not so long ago. Your task is a difficult, unenviable and important one. I know and respect the challenge before you. As one of the view in this state who has gone through what you are going through, I sympathize.

And let's be honest, the budget as presented to you by the governor isn't doing you any favors, and to be fair, few proposals have done this subcommittee any favors over the years. While there are many things in this budget we could discuss, and I would be happy to speak with you outside this hearing about them, I'd like to focus on two things: the funding and charter school provisions. I'll start with funding.

School Funding

Problem: Where did this formula come from?

I do not envy you having to piece together what to do with this school funding proposal. It is full of a whole bunch of formulas, complete with limits and standard deviations and unnecessary complexity. For example, here's just one paragraph of the language on calculating state share:

“If the district's median income index is greater than ~~or equal to the district's valuation index~~ the upper limit, then the district's ~~wealth index~~ capacity measure shall be equal to {the district's valuation index + [(the district's median income index – the upper limit) X (0.20 in fiscal year 2016 or 0.40 in fiscal year 2017)]}.”

Go ahead and figure that out. Am I suggesting that there shouldn't be complexity in a school funding formula? Far from it. I did author much of the Evidence Based Model, after all. What I am saying is the complexity should be based on something other than what we guess will help kids. I am fascinated to read the evidence suggesting that subtracting the upper limit from the state's median income index, then multiplying that by .2 in FY16 and .4 in FY17 will ensure my 5 and 10 year old will have a more enriching educational experience.

But I think I'm going to be waiting a while. And that really is the fundamental issue with this and nearly every school funding formula in this state: they bear little, if any relationship to what kids need in the classroom, focusing instead on what the state's willing to spend. What *really* matters is what kids *need* us to spend.

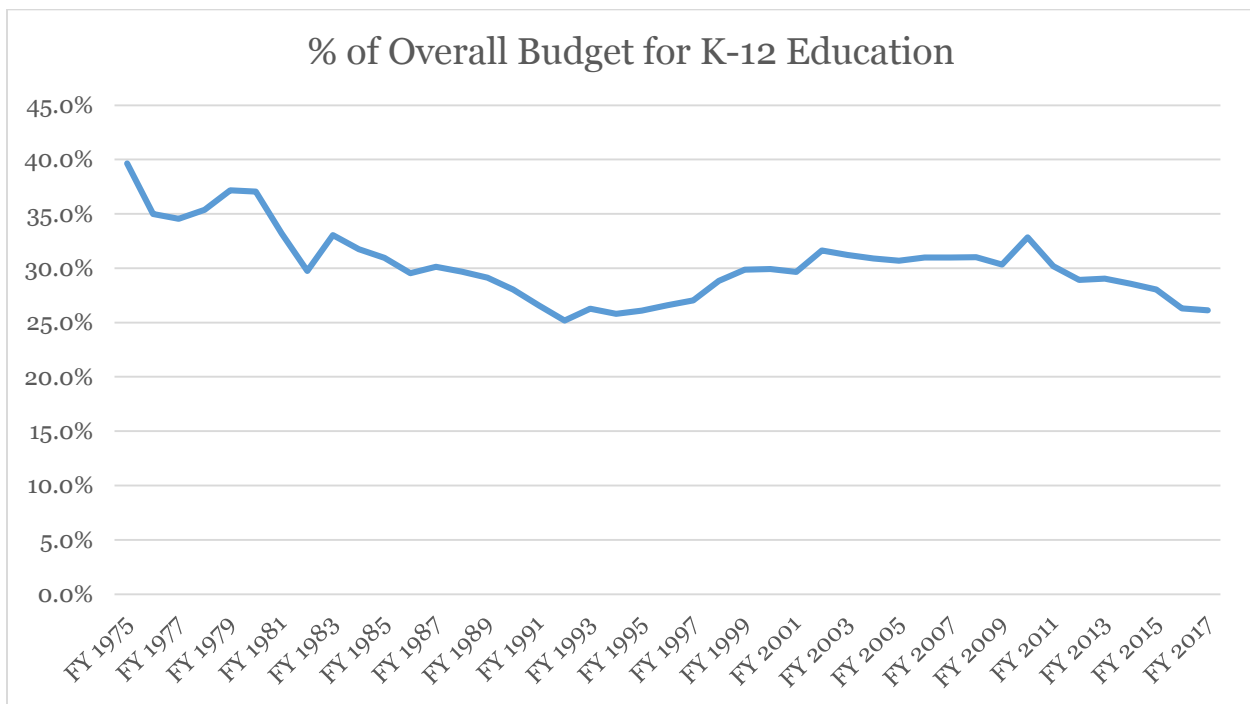
Another example: Where did the extra \$100 per pupil come from? I'll tell you where – thin air. Yes, the amount is based loosely on the building blocks formula, which at least *tried* to estimate a cost of education. But that calculation was made about 10 years ago.

Think costs have changed at all since then? Sure. Yet all the increases in the last budget and this one are simply based on whole numbers, not reality.

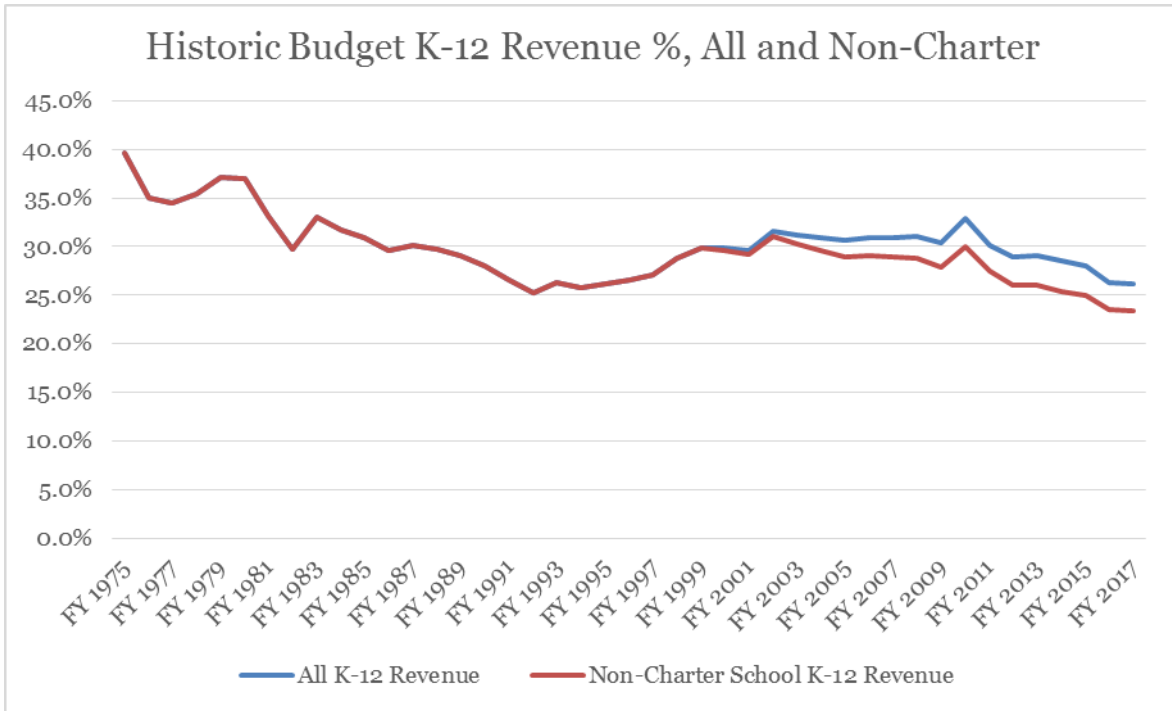
Much of the rhetoric on this budget has been oversold as well. For example, it is now settled fact that this budget does *not* represent a \$700 million increase, as was first claimed. In fact, thanks to continued erosion of state reimbursements for lost tangible personal property and public utility taxes, the increase is only about \$450 million, or roughly the equivalent of what is sent to poorer performing charter schools from higher performing districts every year. But that's another story for a bit later.

In fact, more than 1/2 of school districts will receive less state revenue in this budget than they received in the 2009 budget I helped shepherd through this committee – and that was during an historic recession where our revenue projections were revised down monthly by \$250 million.

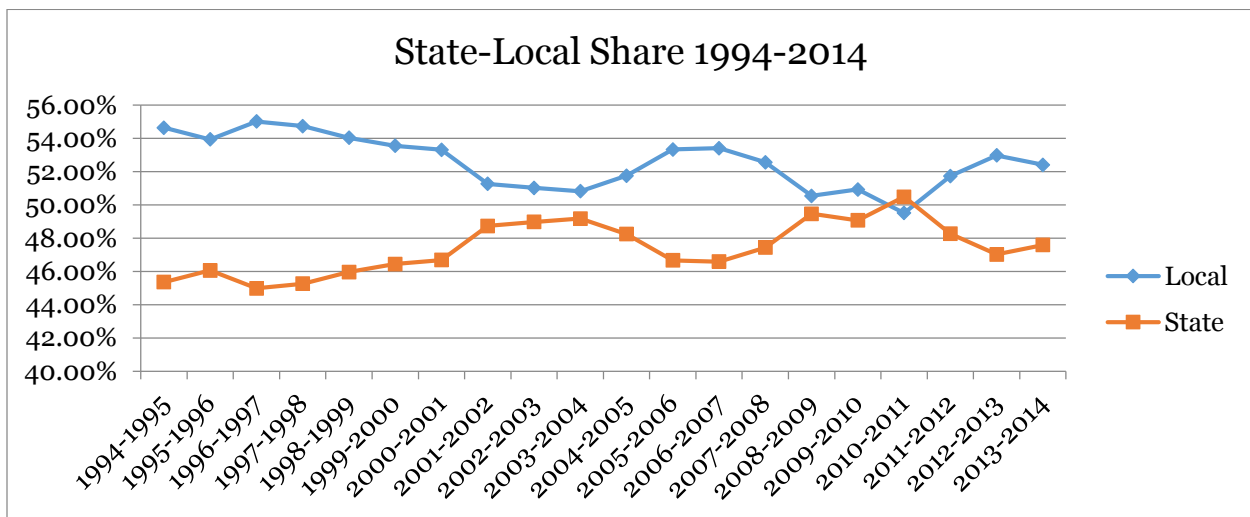
Yes, the state is spending more on education today than it has in the past. But we're spending more *overall* than we ever have. What really matters is what percentage of that historically large spend is going to K-12 education. And we know now that this budget will represent the smallest share of the education spend since the early 1990s. Here's a graph of the LSC historic tables:



And once charter school deductions are removed, the state share is even more strikingly small for kids in local public schools.



Why does this matter? Because with more state money than ever in this budget, we should be able to start righting the *DeRolph* ship – whose voyage has seemingly strayed way off course – and quickly. I am proud to say that the first year of the budget I helped put through this subcommittee was the only time on record that more state than local money went into education – the only year it can be really argued that the state met its constitutional mandate. We’re now back to roughly the same state-local split we had in the *DeRolph* years.



And isn't this the whole problem, after all? That we are failing to live up to the idea that the Ohio Supreme Court so clearly stated a generation ago – namely the state had to reduce the reliance on local property taxes to pay for schools?

Instead, this budget actually *punishes children in communities whose adults won't tax themselves enough*. That, frankly, is a perversion of the Supreme Court's ruling and, ultimately, the Ohio Constitution. It was none other than Jefferson who penned the Land Ordinance of 1785 that set aside the heart of every Ohio township for "public schools". Those were his words. That commitment to see every child in every community have access to the same opportunities the men of means who founded our county had was truly remarkable – in my view the great American Revolution. It is this principle that the Ohio Constitution sought to further define in 1851 – a principle made even clearer in four *DeRolph* rulings.

To now say that the state will only support you once you've tapped out your ability to extract the right amount of blood from the property tax stone is really anathema to our state's founding principles.

And it leads to truly unfair outcomes, such as 90 Appalachian districts seeing state funding cuts. Perhaps no outcome better quantifies this formula's fundamental problems than looking at who loses the most equivalent mills and who gains the most. I always look at cuts and increases in terms of how many mills a community will have to raise – or not raise – in order to accommodate the state's formula change.

Scioto Valley residents, who make \$25,162, have to raise more than 5 mills to replace their cut – among the state's largest losses. Western Local residents, who make a bit less at \$24,223 will see the equivalent of 24.8 mills in new state money coming to their district – among the state's largest relative increases.

What's significant about these two outcomes?

The districts are in the same county and actually share a border. Yet one loses about the largest equivalent millage and the other gains about the largest equivalent millage.

No formula should work like that. In fact, if it does, then it's *not* working. This is why I've said that if you have to rob Peter to pay Paul you don't have enough for either. And your formula's inadequate, no matter how equitable the money is distributed. If I have \$36 and I'm taking three friends to a movie that costs \$10 to get in, and I equally distribute the \$36 amount among us four, no one will get into the movie. Because I don't have enough money. Period.

Solution: Back to Basics

While the task may seem daunting, I believe this subcommittee can fix many things with this formula.

State-Local Share: Perhaps the simplest thing to do is bring the formula back to basics by asking this question: What do you want the formula to do? I agree with the governor that the formula should help districts that need it so kids in those districts can

have a chance at the same opportunities as kids in more fortunate districts. That's Jefferson's dream, after all.

But the problem is this formula doesn't really look at what a district raises. It looks at valuation and income. Both are helpful, but they really miss the point. What the state should be doing is ensuring that all kids in all communities have an equal shot at a great education. The way to do that is calculate a state-local mix based on ***what the community actually raises***, not on what we think or wish they would raise. There are a couple ways to do this. One way is to look at a combination of what a district raises on a mill and raises *per pupil* on a mill. Then split them into quintiles and base the state share upon where the district rests in each quintile. So districts that raise the most on a mill and the most per pupil will get the least state share, and the districts that raise the least on a mill overall and per pupil will get the largest state share.

But I prefer a simpler method: Return to the 20-mill charge off. Two budgets ago, the state kept the 22-mill charge off from House Bill 1. Dropping the 2 mills would be about \$500 million – or roughly the equivalent of the net increase in this budget over last. But the distribution would be far more equitable because it's based on what districts actually raise. It essentially bases the charge off on what a district receives when it gets to the floor – where many districts currently reside anyway.

I would like to see the charge off calculated on what a district actually raises on a mill, multiplied by 20, rather than the previous method of using valuation.

Then the state picks up the cost over that 20 mills. Simple. Effective. Affordable.

Oh, and we've had a 20-mill charge off before. So it's not unprecedented either.

Methodology: I think, Mr. Chairman, you and I are in agreement that there is not a whole lot of evidence backing up the formula changes in this budget. Forget the random \$100 per pupil increase. What about the special ed weight increases? Or the poverty increases? Or any other changes? They seem awfully haphazard.'

When we did the evidence-based model, we based it on research that indicated what kids needed to have a high-quality education. I've attached the research behind each element of that model to my testimony.

I am not doing this to suggest we go back to the EBM (though I surely wouldn't object), but I am suggesting we return to the *methodology* that brought us the EBM – namely basing our funding on research that indicates the funded element will lead to better student outcomes. For example, researchⁱ indicates that having classes under 17 for K-3 grades reduces dropout rates by 100% or more. So let's fund that.

Achieve, Inc. found in 2007ⁱⁱ that the state needed to spend another \$3.8 billion to adequately fund a high-quality education. That would be \$4.3 billion today, in inflation-adjusted dollars. The EBM estimated it would take another \$3.3 billion. Other estimates over the years have put the figure at between \$2 billion to \$4 billion.

This is to say that any objective examination of the cost of education in Ohio demonstrates clearly that the state is not living up to those obligations. This is why I always felt that the School Funding Advisory Council was the most important part of the EBM. It would constantly calculate the necessary elements of a high-quality education and force legislators to defy their expertise to change it.

I've attached the SFAC report from 2010 – the only year it met – to show you how school funding could really work in Ohio. And, frankly, this is the only rational way it *should* work: Figure out the cost and commit to funding it. At its core, school funding is pretty simple, even if the politics are not.

Charter School Reform

The governor (and the authors of HB 2) should be commended for taking on this beast. Ohio's charter schools are a national joke, as was made clear in the Plain Dealer and Beacon Journal Monday. National charter school advocates say we need to nuke the whole system and start over. I agree. Completely.

I would be remiss if I didn't publicly commend the work of the quality-focused charter community in this state over the last two years. Their stance has been politically courageous and absolutely necessary to achieve the progress we're making on this issue.

The changes in the budget make sense. Coming down harder on sponsors is absolutely necessary. However, it is a deeply flawed approach for Ohio.

Problem: Ohio's Issues are Deeper than Sponsors

Since the charter program began, sponsors have been expected to oversee the sector, rein in miscreants and close failures. Instead, we're now spending about \$1 billion on a system whose schools earned more Fs on the state report card than As, Bs and Cs combined.ⁱⁱⁱ

Even in the Big 8 urban districts, district buildings there outperform their charter counterparts, despite significantly higher poverty rates.

In the 2012-2013 school year, more than 1/2 of the money sent to charter schools went from districts that outperformed the charter or performance measures.^{iv}

From 2005 to 2012, the state spent \$1.4 billion on charters that didn't receive a single C-equivalent grade on the report card, and the vast majority of those schools stayed open every year in that period.

That is not good, and it is a sound indictment of sponsor oversight. Doubling down on this trickle-down edu-nomics – as this budget does – without moving to close the schools themselves doesn't seem to make sense in this state. After all, kids are in the schools, not the sponsors.

In the 2013 CREDO study about charter schools, that pro-charter group found the best way to improve a state's charter sector was to close poor performers. Quick. According to them, you know what you've got with a charter after 3 years. Yet here in Ohio, you're

allowed to fail for 6-7 years before you have to fear being shut down. That's way too long.

I believe any true charter school reform will do three things: close down failing schools more quickly, allow for absolute financial transparency of schools, sponsors and operators in the context of the schools' operations, and fund charters without harming the funding for the 90% of Ohio kids who aren't in charters.

I know there is some controversy about this last claim, but let me help dispel it here. Below are several columns from the June #2 payment from last school year. I chose Columbus for you to look at, for this is the district in which we are speaking now. As you can see, prior to the charter deduction, kids in Columbus got \$3,774. After the charter schools received their kids and funding, kids in Columbus got \$2,711 – more than \$1,000 less state money per pupil.

District	Total Calculated State Funding	Total Additional Aid Items	Total ADM	Per Pupil Pre-Charter	Community School Deduction	Resident Community School ADM	Per Pupil Post-Charter
Columbus City SD	\$ 249,010,351	\$ 7,237,268	67898	\$ 3,774	\$ (116,502,613)	16358	\$ 2,711

The statewide average is about \$250 per pupil lost in state revenue. Remember that barely half of all kids in charters come from the Big 8. Slightly less than half do not.

This forces districts to backfill lost state revenue with local revenue. Or cuts. Either way, 90% of Ohio's school children will receive fewer opportunities because of how Ohio funds its charter schools. And Ohio's property taxpayers will have to make good on the lost state revenue – *increasing* the reliance on property taxes to fund schools, which is, of course, contrary to four Supreme Court rulings.

In fact, in a report we are set to release shortly, you will see that kids in 86 school districts lose per pupil funding ***even including local revenues*** because the charter deduction is so much more per pupil than they would have received from the state. And every district's reliance on local property taxes is increased – in some districts by more than 50%^v.

Here are the top 25 districts whose children lose the most per pupil funding:

District Name	County	Per pupil State- Local Pre- Charter FY14	Per pupil State- Local Post- Charter FY14	Per Pupil Difference FY14
Lordstown Local	Trumbull	\$ 6,437	\$ 6,258	-179
New Boston Local	Scioto	\$ 7,608	\$ 7,433	-175
LaBrae Local	Trumbull	\$ 7,881	\$ 7,771	-110
Niles City	Trumbull	\$ 7,661	\$ 7,553	-108
Warren City	Trumbull	\$ 9,084	\$ 8,976	-108
Middletown City	Butler	\$ 7,619	\$ 7,538	-81
Zanesville City	Muskingum	\$ 7,197	\$ 7,121	-76
Weathersfield Local	Trumbull	\$ 7,325	\$ 7,257	-69
Monroe Local SD	Butler	\$ 5,491	\$ 5,423	-68
Bettsville Local	Seneca	\$ 10,339	\$ 10,272	-67
Springfield Local	Lucas	\$ 6,806	\$ 6,741	-65
Millcreek-West Unity Local	Williams	\$ 8,847	\$ 8,788	-59
Belpre City	Washington	\$ 5,490	\$ 5,435	-55
River Valley Local	Marion	\$ 6,159	\$ 6,112	-47
Howland Local	Trumbull	\$ 7,558	\$ 7,512	-46
Tuslaw Local	Stark	\$ 7,966	\$ 7,920	-46
Riverside Local	Lake	\$ 6,936	\$ 6,892	-44
Field Local	Portage	\$ 6,341	\$ 6,298	-43
Plain Local	Stark	\$ 7,078	\$ 7,037	-41
Delphos City	Allen	\$ 6,251	\$ 6,211	-40
Wilmington City	Clinton	\$ 6,626	\$ 6,587	-40
Hopewell-Loudon Local	Seneca	\$ 7,393	\$ 7,355	-38
Girard City	Trumbull	\$ 7,153	\$ 7,119	-34
Franklin City	Warren	\$ 6,952	\$ 6,919	-33
Brookfield Local	Trumbull	\$ 7,451	\$ 7,420	-31

Here are the 25 school districts whose reliance on using local taxes to fund their kids' educations are most greatly increased:

District Name	County	State Share Pre-charter	State Share Post Charter	Charter Difference
Brooklyn City	Cuyahoga	7.0%	2.5%	-64.0%
Lordstown Local	Trumbull	13.6%	6.1%	-55.5%
Richmond Heights Local	Cuyahoga	12.1%	5.5%	-54.7%
Woodridge Local	Summit	6.8%	4.1%	-39.9%
Columbus City	Franklin	38.8%	25.7%	-33.8%
Parma City	Cuyahoga	23.5%	16.9%	-28.0%
Cincinnati City	Hamilton	37.9%	27.9%	-26.5%
Warrensville Heights City	Cuyahoga	34.9%	26.7%	-23.4%
Springfield Local	Lucas	23.3%	17.9%	-22.9%
Westlake City	Cuyahoga	6.6%	5.3%	-19.4%
Maumee City	Lucas	19.3%	15.6%	-19.2%
Groveport Madison Local	Franklin	55.4%	45.1%	-18.7%
Princeton City	Hamilton	8.6%	7.0%	-18.5%
Bedford City	Cuyahoga	19.3%	15.8%	-18.2%
Copley-Fairlawn City	Summit	7.0%	5.8%	-17.8%
Rossford Exempted Village	Wood	13.1%	10.9%	-16.8%
Euclid City	Cuyahoga	44.0%	36.8%	-16.3%
Field Local	Portage	42.5%	35.7%	-16.1%
Riverside Local	Lake	21.9%	18.4%	-15.8%
Wickliffe City	Lake	13.8%	11.7%	-15.1%
Berea City	Cuyahoga	13.2%	11.2%	-14.9%
Avon Lake City	Lorain	7.9%	6.7%	-14.9%
Vandalia-Butler City	Montgomery	17.8%	15.2%	-14.8%
Rocky River City	Cuyahoga	4.8%	4.1%	-14.3%
Cleveland Municipal City	Cuyahoga	66.9%	57.4%	-14.3%

And when you consider that all this is being done for a sector that receives more Fs than As, Bs and Cs combined, and that every district loses money and children to charters, and that Appalachian districts lose the third highest amount of money, behind only Columbus and Cleveland, or that Olentangy sends more than \$1 million to charter schools, you can see something isn't right.

Just as an aside, there are only 5 charters in the state that get an A or B on value added measures and don't get a D or F somewhere else on the report card. That's right: 5 of about 400 schools. And out of the 5,187 financial transfers made between charters and districts that received report card grades in the 2012-2013 school year, only 1 went from a district to a charter that outperformed the district on all 8 report card measures. Meanwhile, 1,067 went from districts that outperformed the charter on all. In 384 out of Ohio's 612 districts, every dime sent to charters went to charters that performed worse than the district.

Solutions: We Know What Works, So Let's Do That

Here are some ideas I've put together that I think can help improve our struggling charter sector quickly, while allowing the charters that are doing a great job to thrive. These are based on what successful states have done, as well as research that has indicated what can have a positive impact on a charter sector's performance.

- ✓ **Fund charters based on what it costs the *charter* to educate the child, not the district.**
- ✓ **Direct fund charters from the state, not have it come out of the district's aid.**
- ✓ **Allow high performing charters access to a new state fund that would essentially constitute a local funding amount.**
 - Letting charters go for levies is fraught with issues. The cleanest way to make up a charter's lack of local funding is create a fund at the state level that would provide essentially the same amount as a local levy, but only to charters that are doing a good job, not unlike what is proposed on capital funding.
- ✓ **Allow high performing charter schools to collect capital funding.**
 - One of the real problems in Ohio is charters have to go to ne'er do well operators to fund their buildings. This would help that problem. The major difference between this idea and the budget proposal is it would focus on the quality of the *school*, not the sponsor.
- ✓ **Close charters after 3-4 years of failing, not 6-7.**
- ✓ **Adopt the national standards for charter school sponsors.**
- ✓ **Require all sponsors, schools and operators to adhere to the same open records and meetings laws as any public school and district, including having all their financial records and contracts open for inspection.**
- ✓ **Require anyone overseeing, operating or running a charter to file reports with the Ohio Ethics Commission so we can see any potential conflicts of interest.**

In addition, two years ago, I started a group called Great Schools for All that included a diverse group of voices, including Students First and others, that developed several ideas to tackle some of the outstanding issues with charters, focusing on transparency, accountability and fostering better collaboration between charters and districts.

- ✓ **Charter schools, their board members, sponsors and operators should meet the same public records, open meetings and financial reporting requirements as traditional public schools**
- ✓ **Charter school operator performance will be included on the state's Annual Report**
- ✓ **Charter school operators' books should be open for public inspection**

- ✓ **Charter schools and their sponsors should be required to re-pay the taxpayers of Ohio if a charter school closes prior to the end of the academic year.**
- ✓ **Adopt tough charter authorizer standards based on national standards**
- ✓ **If a charter school is closed for academic failure, or is rejected for sponsorship, another cannot open in the same location or apply to another sponsor**
- ✓ **ODE should have strong authority to reject the expansion of poor performing charters in Ohio, rather than approving them on a first-come, first-served basis**
- ✓ **Allow charter schools to partner with districts and educational service centers for shared services**
- ✓ **Allow non-conversion charter schools to become part of districts, as well as allowing district schools to become charter schools**
- ✓ **Prioritize access to surplus district physical space to high-performing charter schools who are partnering and collaborating with traditional public districts**
- ✓ **Incentivize districts and high-performing charter schools to work together on educational improvement strategies, creating a clearinghouse at the Ohio Department of Education of best practices in both systems**

I have a bill draft version of these points, if it would help your deliberations. I've also attached what the SFAC recommended on better charter-local public school collaboration and cooperation. This subcommittee was made up of equal parts pro and anti-charter folks. And they unanimously agreed to these measures.

Suffice it to say that if these ideas all are adopted, we will be well on our way to true charter reform. Then maybe our system will be revered rather than reviled. And, more importantly, our kids will actually have a chance to succeed, regardless of what type of school they attend.

ⁱ Achilles, C. (1999). *Let's put kids first, finally: Getting class size right*. Thousand Oaks: Corwin Press; American Educational Research Association. (2003). *Class size: Counting students can count. Research Points: Essential Information for Education Policy, 1(2)*; Gerber, S., Finn, J., Achilles, C., & Boyd-Zaharias, J. (2001). Teacher aides and students' academic achievement. *Educational Evaluation and Policy Analysis, 23(2)*, 123-143.; Grissmer, D. (1999). Class size: Issues and new findings. *Educational*

Evaluation and Policy Analysis, 21(2). [Entire Issue]; Mishel, Lawrence & Rothstein, R. (Eds.). (2002). *The class size debate*. Washington, DC: Economic Policy Institute; Nye, B., Hedges, L.V., & Konstantopoulos, S. (2002). Do low-achieving students benefit more from small classes? Evidence from the Tennessee class size experiment. *Educational Evaluation & Policy Analysis* 24(3), 201-217.

ii Achieve, Inc. 2007. *Creating a World-Class Education System In Ohio*. 55.

http://www.achieve.org/files/World_Class_Edu_Ohio_FINAL.pdf

iii Ohio Report Card data

iv <http://innovationohio.org/2013/02/14/report-unfair-funding-how-charter-schools-win-traditional-schools-lose/>

v Both these calculations are based on local revenue data from the Ohio Report Card and the June #2 payment from the 2013-2014 school year,.