



**House Finance Primary and Secondary Education Subcommittee  
House Bill 64 Testimony  
Ohio School Boards Association  
Buckeye Association of School Administrators  
Ohio Association of School Business Officials  
March 5, 2015**

Good morning, Chairman Cupp, Vice Chairman Derickson, Ranking Member Phillips, and members of the House Finance Primary and Secondary Education Subcommittee. Thank you for the opportunity to speak to you today regarding House Bill (HB) 64. My name is Barbara Shaner, Associate Executive Director for the Ohio Association of School Business Officials (OASBO). Joining me today for this testimony and in answering your questions are Damon Asbury, Director of Legislative Services for the Ohio School Boards Association (OSBA) and Thomas Ash, Director of Government Relations for the Buckeye Association of School Administrators (BASA).

Our organizations represent public school district boards of education, superintendents, treasurers/CFOs, business managers and other school business officials from around the state. Our members of course have a keen interest in the provisions proposed in HB 64. We are here today to offer our thoughts on the bill.

As you are well aware, the issues surrounding funding for public education have generated a complicated, high profile, and even controversial policy debate for many years. Those who have been around long enough to remember know the funding debate pre-dates the *DeRolph* lawsuit filed in the early '90s and first decided by the Ohio Supreme Court in 1997. Further, it would not be an exaggeration to say we have experienced at least five different school funding formulas since that first court decision.

These various formulas have all generally represented improvements in funding for the education of students. While budget restraints have sometimes hampered the full implementation of the formulas, attempts have been made to address the many diverse needs of students across the state as the Supreme Court directed. Additionally, many Ohio school districts have enjoyed the benefit of the expansive Ohio School Facilities Commission (OFSC) program, largely based on the evidence offered in that *DeRolph* court case.

However, it is our position that the current school funding formula established in HB 59, and the proposed changes contained in HB 64, still fall short in meeting the needs of all students. With the help of Dr. Howard Fleeter, consultant for the Ohio Education Policy Institute (OEPI), we have identified wide gaps in available resources for some districts. Dr. Fleeter will point out some of the technical reasons for this shortfall. We hope you will consider making changes to HB 64 to ensure that all students in Ohio, no matter their zip code, will have access to a high quality education. We feel certain that goal is attainable, and we stand ready to join you in that effort.

In the meantime, we wish to outline a few concerns we have with specific provisions of the HB 64 school funding proposal. While we will rely on Dr. Fleeter for a discussion of the mechanics of the

formula, our comments will go to the public policy and philosophical changes proposed in the way we fund schools.

To begin the discussion, we would point out that the purpose of a foundation funding formula is to distribute state resources to districts and their students in a way that ensures a certain amount of equity across the state. Every formula adopted since *DeRolph* has been designed to drive more funding to districts whose residents have a lower capacity to fund their own schools locally. In fact, it is safe to say that states across the country utilizing a foundation funding formula are doing so to address this issue. If this were not the purpose for utilizing a formula, the state could simply distribute funds on an equal per-pupil basis.

Therefore, we agree with Governor Kasich's premise that state aid should be directed based on the capacity of local districts and their communities' ability to provide local funding. The question that must be asked is whether or not the current and proposed formulas function in the appropriate way.

The bottom line is this — does a district have the necessary resources to serve its students? What programs and courses can be offered to students? Currently, there is a wide range of education opportunities available among the districts across the state. Ohio's school funding formula should be calibrated in such a way that allows every district to prepare its students for college or a successful career. We believe the current funding formula (adopted in HB 59) and the proposed changes in HB 64 have made progress, but fall short of this objective.

The following list represents the fundamental concerns we have with the funding related changes found in HB 64.

*Tom Ash will now continue the testimony.*

### **Transitional Aid Guarantee**

House Bill 64 would phase down the transitional aid guarantee for districts. Based on a district's total (i.e. state and local) available resources, the guarantee amount would be reduced by 1%. This policy change assumes the school district is receiving too much money from the state because the formula does not produce as much funding for the district as it received the previous year.

It is our understanding that proponents of the phase-down assert that changes in the districts' circumstance (such as the loss of students or an increase in property values) are the causes for a district receiving transitional aid funds. Yet no direct correlation can be found between these changes in districts and the fact they qualify for transitional aid. Further, there is no evident connection between the proposed loss of these funds and the extent to which district circumstances have changed.

We believe the rationale for reducing transitional aid funding is flawed. An example which shows that the formula itself plays a role in districts receiving transitional aid can be found in the last budget process in 2013. The number of districts on the transitional aid guarantee in the original budget proposal (HB 59) was nearly 400. When the legislature finalized the budget later in June, fewer than 200 districts were on the guarantee. The same student numbers and property valuation data were used for both versions of HB 59. The key driver for what changed between the two proposals was the basic aid per pupil amount — \$5000 in the original proposal and \$5742 in the final version of the budget. The total dollar amount funded through the guarantee went from \$416 million for Fiscal Year (FY) 2015 in the original proposal down to \$159 million in the final bill. This demonstrates the danger in moving to eliminate these transitional aid funds.

While it is unlikely that any formula will perfectly address the wide range of school district circumstances across the state, the decision to reduce transitional aid funds should be considered carefully. Again, we must determine whether or not these districts have the necessary resources to serve students. Districts across Ohio have already pared back programs in recent years as a result of

the state's economic crisis, and further reductions may be devastating. In some cases, HB 64's reduction in state aid from phasing down transitional aid may represent the salaries of multiple numbers of teachers, thereby reducing instructional opportunities for students. We do not support this policy change.

### **Tangible Personal Property Tax Reimbursements**

Separate from the funding formula changes found in proposed HB 64, is a measure which would re-activate a phase-out of the Tangible Personal Property (TPP) and Public Utility Tangible Personal Property Tax (PUTPP) replacement payments to school districts. High wealth districts would lose up to 2% of total available resources from their replacement payments, and low wealth districts would lose up to 1% of total resources, prorated by quintile. It should be noted that these losses could occur in addition to losses in transitional aid.

Many of the districts still receiving these replacement funds rely on them heavily and would have extreme difficulty in raising the lost revenue locally. TPP and PUTPP replacement funds were originally intended to phase out over time as the state school funding formula accounted for the loss (increased formula aid to replace the TPP loss). Because of many changes in the school funding formula over the years, that has not happened.

Additionally, our understanding of the original intent of the Commercial Activity Tax (CAT), the state tax enacted for purposes of replacing local TPP tax losses, was that the majority of the revenue would go to schools. We believe the reduction in replacement payments as proposed does not honor this intent. We do acknowledge and appreciate the "freeze" the legislature placed on the reduction of these replacement payments for the current biennium.

We request if there are to be reductions in TPP and PUTPP replacement payments, these reductions be offset by increases in state aid through an improved school funding formula.

### **Balance Reserves**

According to testimony provided by the administration on HB 64, the level of school district carryover balances projected in five-year forecasts is sufficient to withstand reductions in TPP and PUTPP replacement payments as well as reductions in the transitional aid guarantee proposed in the bill.

However, it is our position that there are valid reasons for districts' carryover balances, including cash flow protection for future expenditures, levy management, and concerns about future reductions in state and local revenues. Additionally, five-year forecasts are meant to be used as a planning tool for districts. Policies vary from district to district as to the assumptions made in developing the forecast. Therefore, painting districts' ability to withstand reductions with a broad brush because of perceived large carryover balances may be ill-advised.

*Damon Asbury will now continue the testimony.*

### **Student Counts**

FY 2015 marks the first school year when student counts for purposes of school district funding are changed to regularly updated enrollment counts, rather than the traditional October count week method. Three times each school year — October, March and June — districts are required to update enrollment data and report the district's Full Time Equivalent (FTE) number of students. The state will then adjust funding for the district based on the total FTE for the year.

This process means that the last enrollment update in June could result in changes to a district's state funding for the year, with the final adjustment made after the school year is substantially over and expenditures finalized. This creates instability for districts. Not only have they set their budgets and programs at the beginning of the school year based on the number of students enrolled, an adjustment in the last payments of the year could be problematic.

We suggest that if this system of updated enrollment is retained, the final update of the year in June be carried over to the following school year. This would allow the FTE numbers from the March update to drive the district's funding for the fiscal year, creating somewhat more stability.

### **Pupil Transportation**

Pupil transportation presents a significant challenge for many school districts. In many areas of the state, students would face great challenges in getting to school were it not for the option to ride a school bus. And rural districts often encompass a large geographic area but have low-density populations.

The funding formula for transportation services should incentivize efficiencies and account for specific circumstances among districts.

For instance, the formula should:

- Provide funding for EVERY child who rides a school bus — not just for those students required by state law to be transported.
- Reward schools for efficiency (districts that maximize the number of students utilizing each school bus throughout the school day).
- Incentivize (rather than mandate) that students within one to two miles of their school be transported (the state only requires schools to transport K-5 students who live more than two miles from school).
- Incentivize school districts to provide transportation for high school students, even though the state does not require the practice.
- Contain provisions to compensate districts for the transportation of students to schools which are not part of the district (i.e., private schools and community schools).
- Include an adjustment to better support rural districts with low density and low wealth and low density.
- Operate separately from the education funding formula — thus, not being affected by funding guarantees or caps, or limited by a line-item appropriation amount — to ensure districts actually receive the state transportation funding levels to which they are entitled.

Also, we urge this committee to recommend that school bus purchase funds be made available for districts that need it most. Data would show that the safest way for students to get to school is on a yellow school bus. Yet the average age of Ohio's school bus fleet is 15 years. Because of the recent economic stress experienced by districts, bus purchases have been postponed. This leads to higher maintenance and repair costs and could raise safety concerns.

### **Community School Levy Proposal**

House Bill 64 allows for community schools sponsored by "exemplary" sponsors to partner with the resident school district to receive funding from a local tax levy. Boards of education would have to approve the community school levy before it could be posed to the voters. **We oppose this provision.**

First, community schools already receive revenue from local taxes. The statewide average funding on a per pupil basis in FY 2015 is \$7607, all deducted from the public school districts of residence. Meanwhile, the statewide average per-pupil state aid for traditional public schools is \$4184.

The difference between what a school district receives from the state for a community school student and what is deducted from the district's state funds must be made up by the district using local tax dollars. Further, a district does not receive the full basic aid amount from the state for any of its students, as is the case for community schools.

Second, community schools have been promoted as a more economic option for delivering education services to students. Yet the state provides for them (through state and local means) the full per-pupil funding amount that is produced through the foundation formula — basic aid, special education, and other formula components. It seems unnecessary to adopt options for additional local tax dollars. Voters should not be asked to subsidize community schools beyond what is already provided.

If this provision is adopted, local board discretion should be maintained. However, if a levy is to be proposed on behalf of a community school, it should be a stand alone levy, with the community school bearing all election costs.

### **Conclusion**

In addition to input on the funding portions of HB 64, we have identified some education policy issues in the bill on which we would like to comment. Attached is an addendum to our testimony listing those provisions and our requests. In particular, it is worth noting the section covering the mandate relief measures (page 1). Also, please note our specific requests for expanding and protecting flexibility for local school districts associated with a number of provisions in the bill.

Thank you for hearing our testimony today. We hope you will consider our comments and concerns as you consider the policy provisions in HB 64, and as you work to improve Ohio's school funding formula. We will be happy to address your questions.

## **Addendum to OSBA, BASA, and OASBO Testimony on HB 64**

### **Education Public Policy Provisions in HB 64**

In addition to the school funding provisions in the proposed budget bill, there are a number of education public policy proposals. The following is a list of concerns and comments on these provisions:

#### **Limits on Assessments**

While we understand the interest in addressing concerns about the amount of time students spend on assessments, HB 64 limits the time spent on some local assessments that may be valuable to inform instruction for students. Districts should have discretion over the local assessments they deem best for students. **We urge you to remove the language limiting time on local assessments from the bill (found on page 680 of the bill; lines 21160 – 21162).**

We request the language for HB 64's 1% limit on the amount of time students spend on state mandated tests be changed to remove the reference to content review. Content review can be an important part of the learning process, with its value not limited to test preparation. **We believe the only restriction should be on actual testing, practice tests, and the practicing of test-taking skills (found on pages 681 & 682).**

Under the bill, school districts must post information on their website about all the assessments administered by the districts and how the district is complying with the limitation on state and local testing time. We do not oppose the requirement for posting testing information on a district's website. **However, we request the removal of the language requiring the compliance posting (if the limits on local testing are removed from the bill, this provision will be unnecessary) (found on page 682). Further, the Ohio Department of Education should also be required to post details about the state's required tests on their own website.**

#### **School District Accountability**

House Bill 64 changes the "prepared for success" component of the school district report card to only include the 4-year cohort students, removing the 5-year cohort. We are unclear on the rationale for this change. **We suggest that this change be removed from the bill (provision found on page 714).**

House Bill 64 includes a number of provisions that provide "mandate relief" for high performing school districts. In general, we believe these provisions should apply to all school districts. **We urge you to amend these provisions in a way that allows all school districts to take advantage of opportunities for more local flexibility (found on pages 725 – 727).**

One exception to our support for the mandate relief provided in the bill is the provision that would allow districts to be released from the obligation to maintain service agreements with an Education Service Center (ESC). This provision is unnecessary as flexibility already exists for districts unhappy with the ESC in their area. Districts can choose the ESC they wish to work with, and they are permitted to determine which services the ESC will provide. We believe this change would complicate the funding process for all ESCs because of the funding for these services has typically followed the students. **We urge you to remove this provision from the bill.**

The provision in HB 64 that allows districts under certain circumstances to hire someone to teach subjects for which they are deemed qualified, without obtaining a license. While this provision is already available to districts, the individual is limited to teaching for only 12 hours within a week. The HB 64 provision increases the maximum number of hours to 40. We believe anyone serving as a non-licensed teacher under proposed 3302.16 (E) should be a member of the State Teachers Retirement System (STRS). **We urge you to amend this provision to require these individuals to be members of STRS.**

### **Employee Evaluations**

House Bill 64 creates flexibility for the local district to utilize shared attribution and to reduce the student progress percentage of the evaluation for teachers down to 25%. While there may be other issues related to the Ohio Teacher Evaluation System (OTES), **we support this new option allowing more local control (found on page 922).**

House Bill 64 includes a new requirement for districts to conduct evaluations for school counselors. We believe counselor evaluations should be left to local districts. If standards are to be adopted (as proposed by the bill), districts will have a basis for their evaluation of counselors. However, the role of counselors are different from district to district, and by grade level. ODE could provide a framework or sample evaluation, but districts should have discretion to utilize the sample, or to develop their own. **We oppose a one-size-fits-all counselor evaluation (found on pages 925 – 927).**

### **Innovation**

House Bill 64 provides for a new competency based education pilot program paid for with grant monies. The grants are open to school districts, community schools and STEM schools. However, we think districts might be more apt to apply for a pilot program grant if they could implement the competency based education plan in a smaller subset of their district (i.e., a grade level or building). **We urge you to amend the language to ensure that districts have flexibility for developing plans for smaller subsets of the district. Also, the requirement that districts incorporate partnerships with specific entities when participating in the pilot program be changed from “shall” to “may” making it permissive (found on page 728 – 729).**

### **School Choice**

House Bill 64 provides specific new benefits to community schools sponsored by an “exemplary” sponsor. We believe there should be rules for how long the school needs to be with that sponsor. A community school that has performed poorly or has no track-record, should not be afforded the benefits contained in this provision. **We suggest the inclusion of requirement that a school needs to have been with the “exemplary” sponsor for at least three years to be eligible for these new benefits (these provisions can be found on page 684).**

The bill increases the voucher amount for high school students under the EdChoice Scholarship program. This is concerning, particularly since local tax dollars are included in these scholarships and deducted from school districts. **We oppose any increase in the dollar amounts for EdChoice scholarships (found on page 739).**

Currently, school districts have the ability to convert a school or classroom to a community school under Ohio law. HB 64 would eliminate this option, and school districts and ESCs could no longer sponsor conversion schools. Additionally, all districts and ESCs would have to go through ODE to be approved to sponsor community schools. **We oppose this provision (found on page 788).**

Community school sponsor evaluations — the bill would give discretion to ODE on the intervals for community school evaluations (not annually as required under current law). We oppose this provision, particularly since the bill also provides new access to public preschool funding, facility funding, and other benefits for exemplary community schools (mentioned above). **To qualify for these benefits, exemplary sponsors should be evaluated at least every other year. Also, we think effective sponsors should be evaluated every year (found on page 797).**

House Bill 64 would allow ODE to do an Request For Proposal (RFP) for five new community schools. We oppose this expansion of charter/community schools. Ohio’s system of charter schools as a whole has proven to be ineffective in providing high quality options for students. The reform measures in this bill should be allowed to take root, and the results evaluated before any expansion of the program. **We oppose this expansion of community schools (found on page 816, line 25330).**

### **College Credit Plus**

Not addressed in HB 64 is a concern that has been identified with the College Credit Plus (CCP) program. The funding mechanism for CCP is based on a maximum of 30 credits for any one student each school year, prorated for credits earned less than 30. However, particularly for districts with Early College High School Programs, students may earn more than 30 hours each year, yet there is no provision to address this from a funding perspective. **It is our position that districts should be permitted to charge students tuition for any credits earned over 30 in a year, or 120 during in four years on a means tested basis.**