



Thank you Chair Cupp, Ranking Member Miller, and committee members for giving me the opportunity to provide testimony today on House Bill 49.

My name is Chad Aldis, and I am the Vice President for Ohio Policy and Advocacy at the Thomas B. Fordham Institute. The Fordham Institute is an education-focused nonprofit that conducts research, analysis, and policy advocacy with offices in Columbus, Dayton, and Washington, D.C. Our Dayton office, through the affiliated Thomas B. Fordham Foundation, is also a charter school sponsor.

As opposed to past years, Governor Kasich's as-introduced budget includes relatively few education proposals. Given the magnitude and number of changes over the past six years, this is generally a good thing. While it's still early in the budget process, we'd encourage the House to focus on the most critical adjustments needed to foster a high-performing educational system. It's important that students, teachers, principals, and school districts have some stability and essential policy changes should be made in a thoughtful way.

My comments address four primary areas: school funding, charter schools, private school choice, and general education provisions.

School Funding

1. Last week, Fordham released a report¹ analyzing Ohio's school funding system. While finding a number of strengths, including the funding formula's ability to effectively allocate resources to students and districts with the greatest need, the report also recommended several important changes. It's time for the legislature to start addressing these problematic policies, and not wait for another day.
 - a. **Caps and guarantees.** Caps and guarantees undercut the state's own formula and the core principle that Ohio provides funding to districts based on the students whom they are responsible for educating. For example, the guarantee holds harmless certain districts with declining enrollment, effectively delivering state aid to educate "phantom students" who are no longer enrolled in that district. *To ensure that all districts are funded according to the formula, legislators should—over time—eliminate the cap and guarantee.*
 - b. **Pass-through funding.** Students exercising choice—e.g., charters, inter-district open enrollment, and private school choice vouchers—are included in their home district's funding calculation. State funds are then deducted from their district and transferred to their school of choice. More Ohio students are choosing non-home-district options every year, making this "pass-through" structure increasingly problematic. It creates the illusion that pupils exercising choice are "taking" money from their home district, when

¹ <https://edexcellence.net/articles/report-foreword-a-formula-that-works>

in fact state dollars go to the school that educates the child—as indeed they should. In addition, the inclusion of choice students in a district’s formula makes it look needier than it actually is (i.e., the district appears to have more kids to educate relative to its local tax base). This in turn distorts the calculations that ultimately determine the state’s funding obligation to that district. *To create a cleaner and more efficient funding formula, legislators should eliminate the pass-through and instead fund schools of choice directly from the state.*

- c. **Phantom property tax revenue.** Since the mid-1970s, state law has prohibited districts from capturing additional tax revenue when property values rise due to inflation. While this law—referred to as “tax reduction factors”—protects homeowners from abrupt tax hikes, it also denies districts a certain amount of local revenue. But the state’s formula automatically and incorrectly assumes the district earns tax revenue on that additional value—sometimes called “phantom revenue.” This in turn causes a miscalculation of the state’s funding obligation under the formula. *To ensure fair funding calculations, legislators should discount the value of property that is impacted by tax reduction factors in the state funding formula.*
2. **Incentive funding for third grade reading proficiency and high school graduation rates.** These initiatives should either be reworked or eliminated. As currently structured, the formula used to calculate the funding amounts spreads a little money to everyone, but fails to be a strong incentive for higher performance. A better approach might be to give larger awards to districts that reach a very high bar or show significant gains in year to year performance. If reworked, it’s important to have funding available for districts that improve; otherwise, almost all funds would simply go to the lowest-poverty districts.

Charter Schools

1. **Charter school oversight.** We support the significant increase requested in the executive budget for charter school and sponsor oversight. This is consistent with both the sponsor evaluation requirements and the stronger accountability measures passed in House Bill 2.
2. **\$25 million charter facility grant fund.** Last biennium, a \$25 million charter facility grant competition was funded to allow high performing charter schools to expand or replicate. It’s not in this year’s proposed budget, but we request that it be added. Ohio has some great charter schools, but we haven’t facilitated the growth and expansion of our high performers. In a recent Fordham report, we found some of the lowest numbers on record of startup charters in 2015 and 2016. Just eight new schools opened in these years. The legislature should help make Ohio an attractive place for excellent charters to do business. An allotment for facility dollars would accelerate the growth of much needed quality charters in Ohio. Without an incentive, the status quo in Ohio, where a low performing charter school is almost as likely as a high performer to replicate, will continue.

3. **Charter school per pupil facility funding.** The National Charter School Resource Center of the United States Department of Education released a report² in January detailing the facility challenges faced by Ohio charter schools. The average charter school spends \$800 per pupil for facility costs but currently receives only \$200 per pupil, and this amount would be maintained under the governor's proposal. To minimize the use of dollars intended for classroom instruction being spent on facilities, we recommend increasing the per-pupil funding amount to \$400 over the biennium.
4. **Sponsor evaluation system.** While we strongly support the robust accountability represented by the sponsor evaluation system, the system still needs improvements. Specifically, the compliance portion should be streamlined to use an audit-like process to sample required documents and gauge compliance, the academic accountability portion should be reworked to better reflect student growth, and sponsors should have the ability to review the rating and consult with ODE prior to a final rating being issued publicly.

Private School Choice

1. **Continued expansion of income-based voucher program.** Low-income students, regardless of their assigned school building, continue to face the biggest education challenges. We support Governor Kasich's continued expansion of the income-based EdChoice Scholarship to serve students through grade 5.
2. **Second EdChoice application window.** The as-introduced version proposes eliminating the second application window if, based upon available funding, all scholarships are projected to be used. We believe this provision should be eliminated—and current law maintained—as removing the second window limits choice options. If the proposed language is maintained, the second application window should only be eliminated when the number of applications exceeds the available funding by 20 percent or more. Otherwise, normal attrition or scholarship awardees deciding not use a scholarship would result in scholarships going unused.
3. **EdChoice, failing schools model.** The EdChoice Scholarship with eligibility based upon public school performance has stagnated of late because of the state's safe harbor provisions. The better policy option might be to shift the entire program away from public school performance, which creates conflict/tension, and toward income-based eligibility. As noted earlier, low-income students are most limited in their educational options. Ohio is one of only a couple of states that awards scholarships based upon public school performance. Most states base eligibility on income.

General Education Provisions

1. **Summative grade rating calculation.** The current summative grade calculation when it's implemented in 2017-18 is likely to result in the overwhelming majority of high poverty schools

² <https://www.charterschoolcenter.org/publication/analysis-charter-school-facility-landscape-ohio>

and districts—regardless of their effectiveness—getting a D or an F. This will happen because current law weighs grade components that tend to correlate with poverty at about 80 percent of the overall grade. Growth, a factor that doesn't correlate with poverty, accounts for only 20 percent of a school district's grade. Serious consideration should be given to increasing the weight of student growth on the overall school grade.

2. **Graduation rate calculation.** While graduation rate is a standard, generally accepted measure, Ohio should explore calculating rates in another manner. Current practice removes a student from a high school's graduating cohort, even if she transfers as late as the twelfth grade. In turn, the school that had educated her for three high school years is not held accountable for graduating the student, yet her final school is held fully accountable. This tends to advantage traditional high schools at the expense of dropout recovery and some online schools that often enroll students late in their high school careers. The net result is that school districts, whether they utilize it or not, have a direct incentive to encourage credit deficient upperclassmen to transfer to other high schools.
3. **Long-term education outcomes.** Ohio should continue to take steps that enable the measurement of long-term education outcomes like post-secondary credentials, college completion, and career success. Some states, including Ohio, have already started down this path. It would provide valuable information that could be used to find effective career and technical programs and identify measures of success beyond simple math and reading scores.
4. **Industry-recognized credentials.** We fully support Governor Kasich's proposal to establish a committee to develop and regularly update a list of industry-recognized credentials. To have a robust set of options for students who chose to pursue a path other than a four year college, it's critical that we make those options clear, easily understood, and accessible.
5. **College credit plus.** The budget makes a number of significant changes to the college credit plus program. While we'd be happy to weigh in on any of the changes, we want to commend the budget's explicit emphasis on ensuring that participating students are college ready before taking CCP classes. This is an incredibly popular program, but for it to be successful long-term it needs to deliver high-quality, college-level instruction and not be a remedial program.
6. **Teacher externships.** The proposed requirement that teachers have externships with businesses is a response to a very real disconnect between schools and the workplace. But there are ways to address that disconnect other than adding to the already full plates of educators. We recommend that this provision be removed.

Thank you for the opportunity to provide testimony on House Bill 49. I'm happy to answer any questions that you may have.