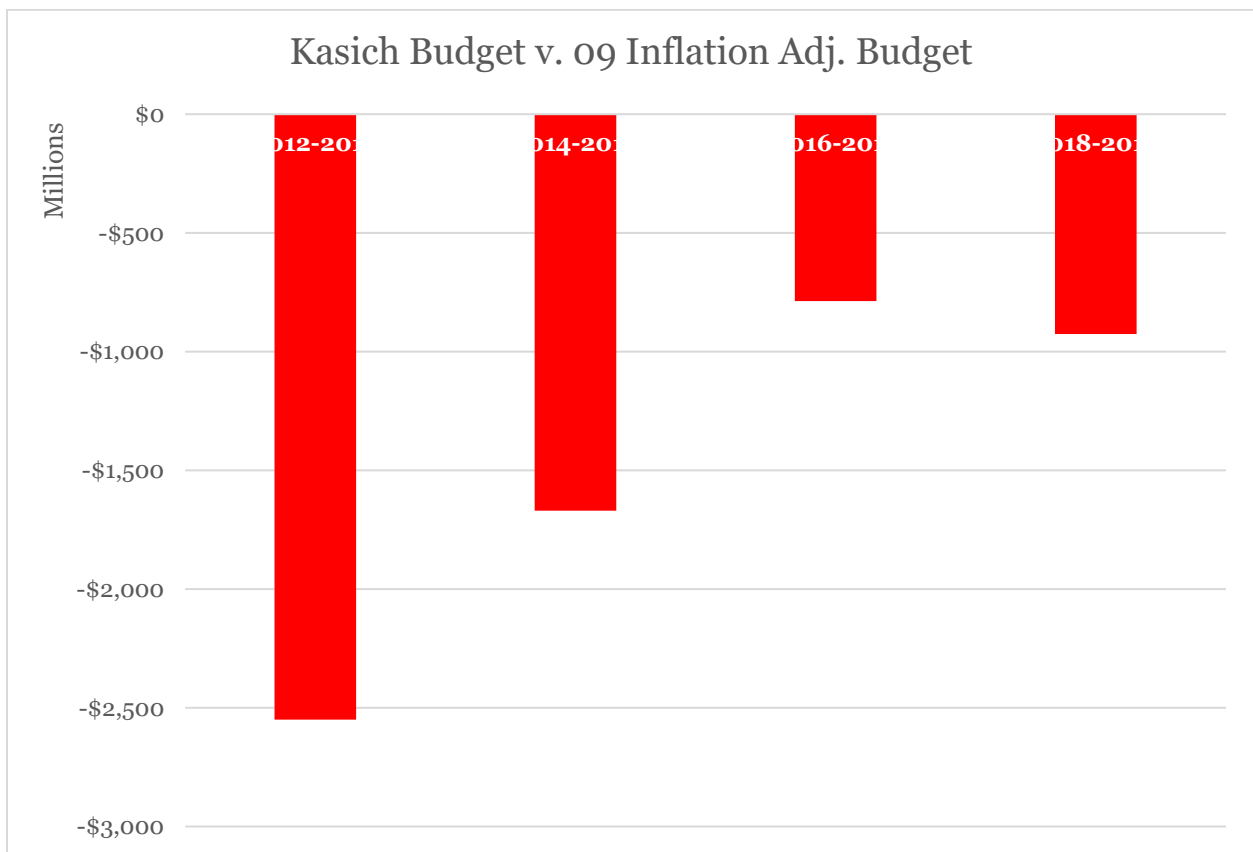


**Testimony of Stephen Dyer
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Innovation Ohio**

Chairman Cupp, Ranking Member Miller and the rest of the Primary and Secondary Education Subcommittee. First of all, let me say I understand what you're going through. As a former chairman of this prestigious subcommittee, I have a unique perspective toward your work. When I was chairman, we had revenue downgrades of as high as \$250 million during the Great Recession. I know what it's like to do more with less. And less. And less.

However, I also believe that we are part of a brotherhood. And as a brother, I feel I can speak perhaps more freely, as brothers (and sisters) are able to do. So I will spend a few moments describing what I feel are issues that can be fixed in this proposed executive school funding budget. But I really want to implore that this subcommittee do the hard work necessary to fix our state's approach to school funding that has been so lacking for so long. Overall, this budget is providing less to students than the budget I handled during the Great Recession, adjusted for inflation.



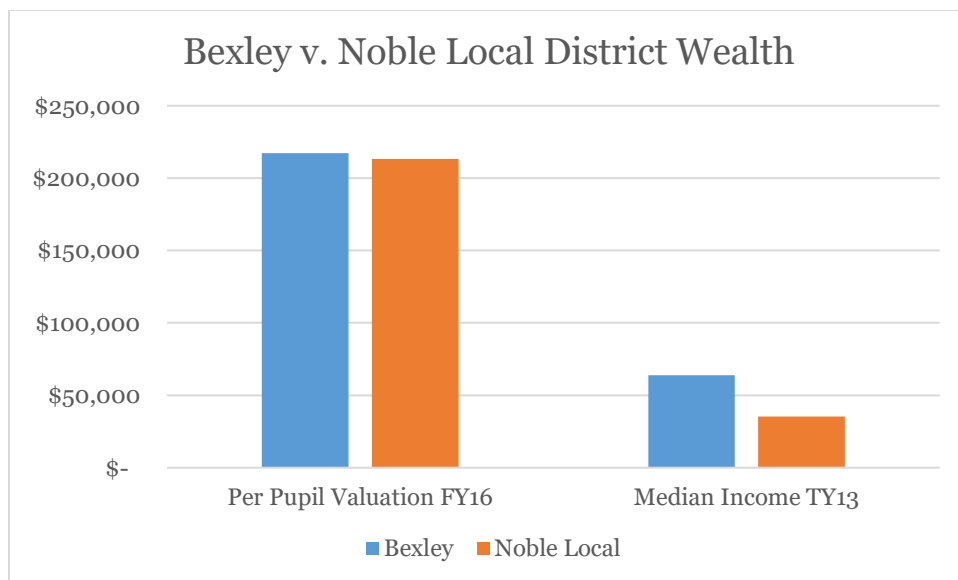
Now, let's deal with the specific components of this plan.

Transportation

As you all learned in the LSC portion of your testimony, the state's commitment to transportation is dropping in this budget. In previous school funding formulas, transportation was NOT included in the foundation. Now it is. While there remains a state mandate to provide transportation, as usual for Ohio, the cost is being increasingly borne by local property taxpayers. The state used to provide a "guarantee" of 60 percent of the cost. But under this budget, that "guarantee" percentage will drop to 25 percent. This means that 276 school districts will see drops in their transportation funding. However, there is no requisite drop in transportation *need*. And that's the major problem. The state is simply stepping away from the table and telling districts to fend for themselves (and provide transportation to charter and private school students while they're at it). Transportation is, perhaps, the single most elemental provision of a public education, for if the students can't reach your buildings, you can't possibly reach those students. The state should remove transportation funding from the formula and return to the 60 percent guarantee.

Per Pupil Valuation

One of the fundamental flaws of this formula is its dogged adherence to the misguided reliance on per pupil valuation. Why is this misguided? Because per pupil valuation has nothing to do with a district's relative wealth; it has more to do with the number of students in the district. For example, the per pupil valuation in Bexley is about the same as Noble Local. So for the formula's purposes, it looks like they are of similar wealth.



My colleagues, this simply defies logic and, well, one's eyes. I've been to both districts. One community has mansions. The other has shacks in hollers with dirt floors and burn piles. Any calculation that suggests these two districts have similar wealth is simply a bad calculus. And it should not play *any* role in determining the resource needs for these districts.

Categorical Funding

One of the major issues with Ohio's current formula is the categorical funding for special education and other measures are written in law as fixed funding amounts. Until recently, they used to be a weight, which would be applied to the per pupil funding base amount. The problem with making it a fixed amount is you are essentially permanently freezing funding below the need. For example, the top special education category of \$25,637 in FY17 would need to pay for \$26,919 in FY19, according to NASA's inflation charts. So that would mean that Special Ed would be about \$1,282 short by the end of this budget. While this budget does not increase the base per pupil funding amount, a system of weights is more effective and accurate. When the weights were calculated, they were expressed as a percentage of the base aid. Converting them to straight funding amounts means the calculation is necessarily wrong because it is no longer related to the base funding amount. The categoricals should be restored to percentages of the base funding amount.

Performance Bonuses

These "bonuses" only represent .5 percent of funding, but it is *all* based on test scores, which we know are inexorably tied to a school and district's demographic make up. If we're going to provide small bonuses, base that performance on scores that outperform demographics, if it's going to be used at all. I can predict 3 out of 4 school district Performance Index Scores based solely on the district's percentage of economically disadvantaged students. Lets give bonuses to those districts whose performance exceeds expectations.

Guarantee

Let me first say if your formula has more than a handful of districts on guarantees or gain caps, it's inadequate. Period. However, capping the guarantee is especially pernicious. Because it sounds reasonable, but with even a fingernail scratch one can see the problems. Let's say you have a district with 1,000 students in two buildings of 500 each. Let's say you lose 50 students, which is the 5 percent threshold. That means you lose 25 students in each of the two buildings. So instead of 500 in each, you now have 475. Does anyone *really* believe that there are 5 percent *fewer* needs in each building? You will have the same HVAC costs, same need for custodial staff, same teaching staff (unless all 25 come out of 1 class), same administrative/coaching/support staff. Yet now the state says it's going to stop "paying for students who aren't there." Which is a nice soundbite until you realize that if those 25 kids aren't there, there remain the same number of staff needed to educate those remaining students. Except now, you have less state money with which to do it, forcing an even greater reliance on local property taxpayers to fund their education. I seem to remember the Ohio Supreme Court saying that was unconstitutional a few times. One other issue is what percentage of the student loss comes from school choice programs, most of which are performing *worse* than the district that lost the student to the option? If the state is aggressively trying to drive down the student census in some communities, should those communities then be

forced to raise their local property taxes to pay for this state-sanctioned exodus? I would say, “No.”

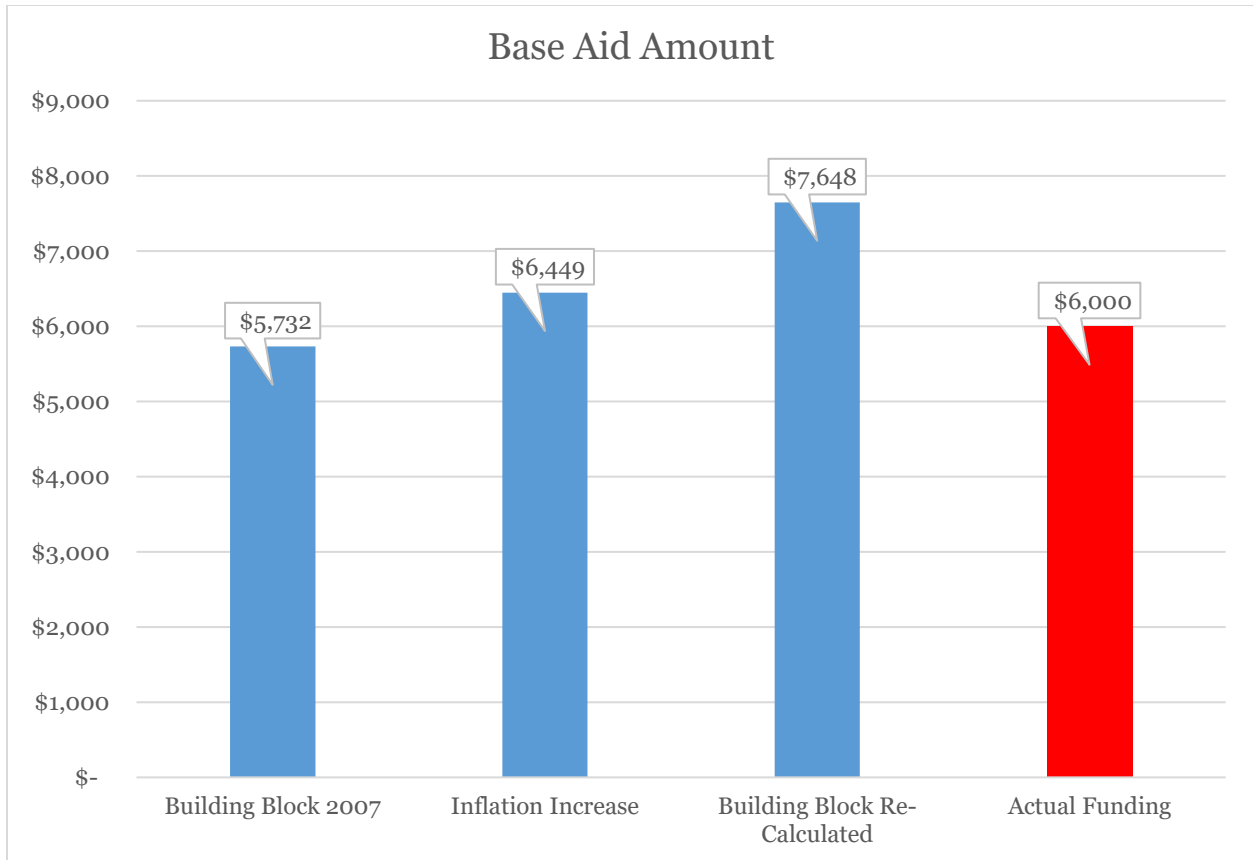
Charters and Vouchers

Guys, we are now spending about \$1.2 billion on charter schools and vouchers that have done little to improve educational outcomes for their students. Beyond the folly of dropping more money after bad, I think we can all agree that forcing local property taxpayers to subsidize these worse-performing options is unsustainable at these funding levels. I welcome the attempt to develop a separate funding system and stream for Ohio’s school options. The days of reducing opportunities for students of parents who choose to send their children to the local school district to pay for worse-performing options other parents choose for their students should end. Students in Columbus, for example, lose about \$1,200 a year in state funding because the state pays so much more for students from Columbus who go to charters than for those same students if they attended Columbus City Schools.

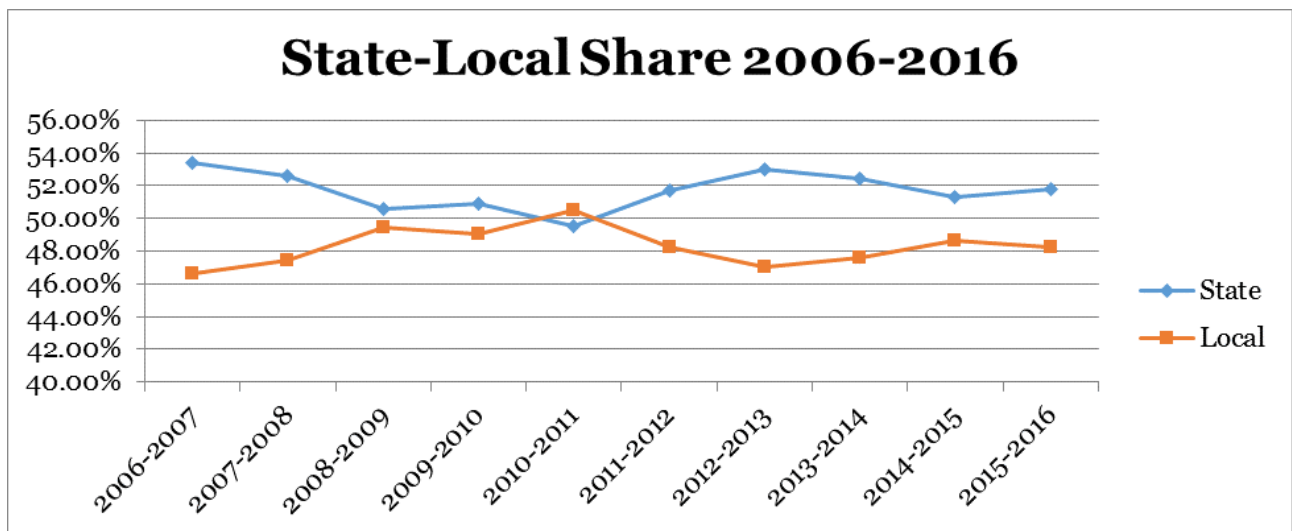
Call to Arms

I come before you about 8 years to the day that we took final testimony in this same subcommittee on House Bill 1. That bill contained the Evidence Based Model of school funding, which calculated that the amount we were spending in 2009 was about \$3 billion short of what the state *needed* to be spending based on student need. Back then, we were told we were living in Fantasy Land if we thought the state would commit \$3 billion over 10 years to fully implement the EBM. Which is why I had a fully funded EBM school funding run completed at the time – a run I’ve provided to you as a supplement to my testimony. Why do I bring this up? Because this budget would have been the one that fully implemented the EBM. And isn’t it ironic that we’re coming up on what should have been a fully funded school funding model in the same budget that’s cutting income taxes in two years by about the amount we “crazily” suggested *increasing* investment in our kids over 10 years?

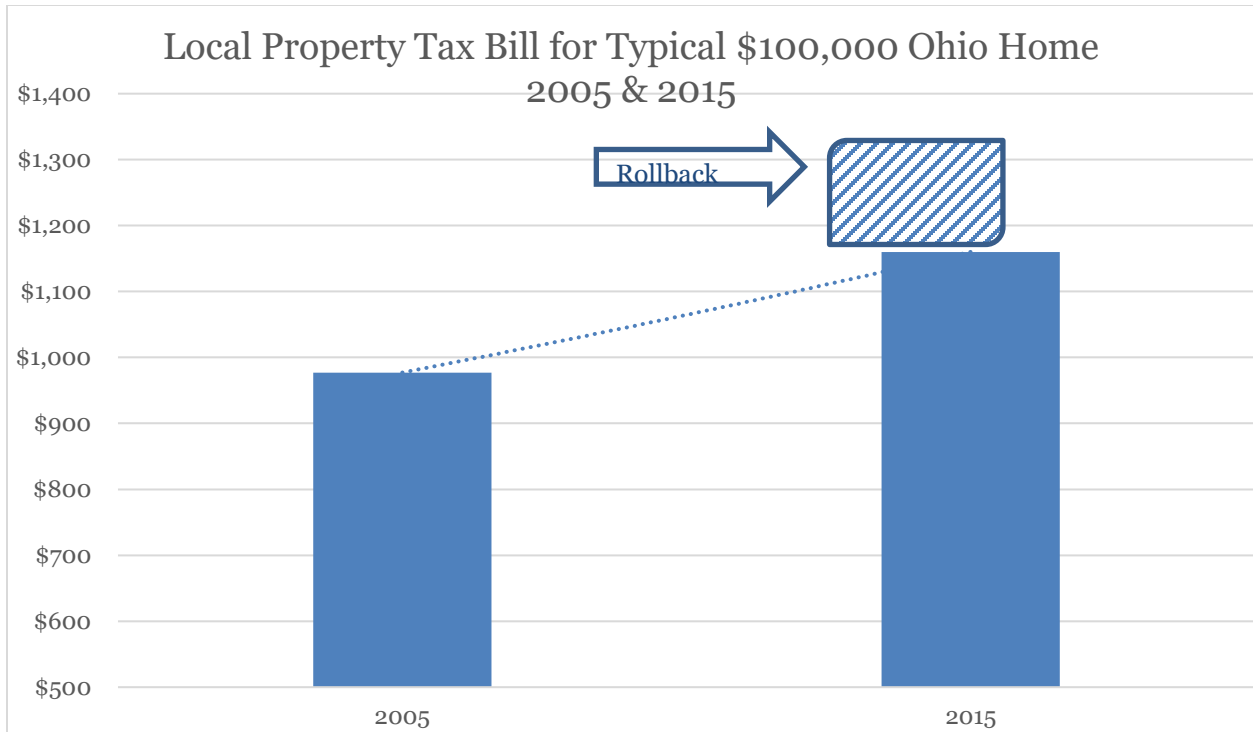
Anyway, I know the EBM ship has sailed. I’m not saying let’s return to the EBM. There were issues with it, I think everyone would agree. But it had a feature I think we can also agree upon – it was based on *something* – a systemic calculus that was to be examined every year by a non-political School Funding Advisory Council. This premise – that we should base our school funding model on something that bears a resemblance to the actual *cost* of providing a thorough and effective education to all students, regardless of zip code, and commit to funding it, no matter how tough or long the commitment, is something we all need to approach. The current funding model sets the base funding amount at \$6,000 per pupil. Where did that number come from? Arbitrary increases from \$5,732. Where did *that* amount come from? The Building Blocks formula from 2007. However, as the chart below indicates, \$6,000 isn’t anywhere near where even the Building Blocks would put the need today. I’m not saying let’s go back to Building Blocks. What I’m saying is the per pupil funding amount in the current model bears zero relationship to the actual *cost* of implementing a thorough and efficient education to every student, regardless of zip code.



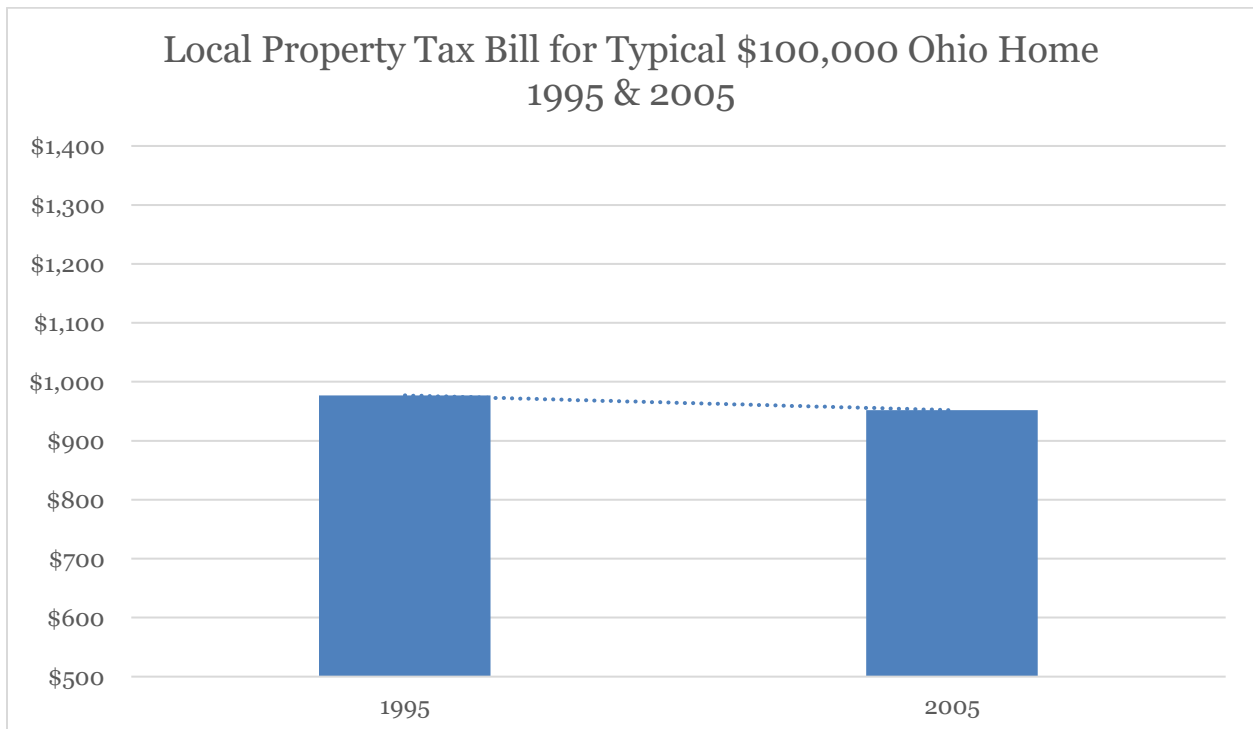
As you can see, the only time on record that more state than local revenue went to education was the second year of the HB 1 budget.



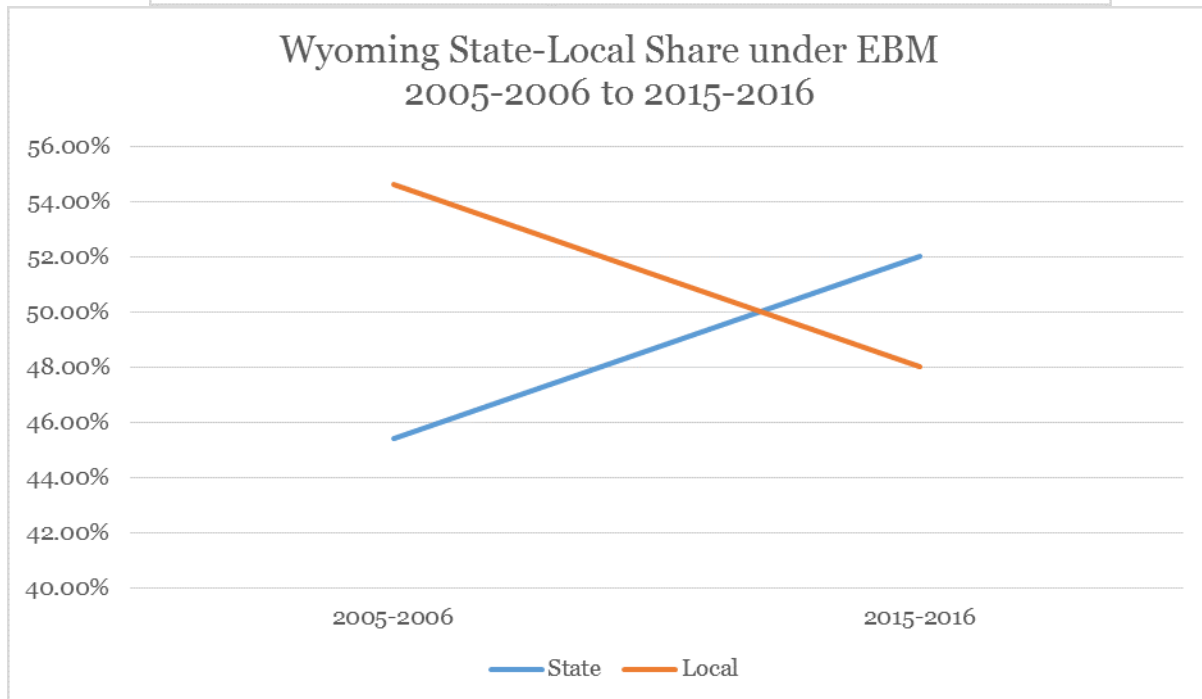
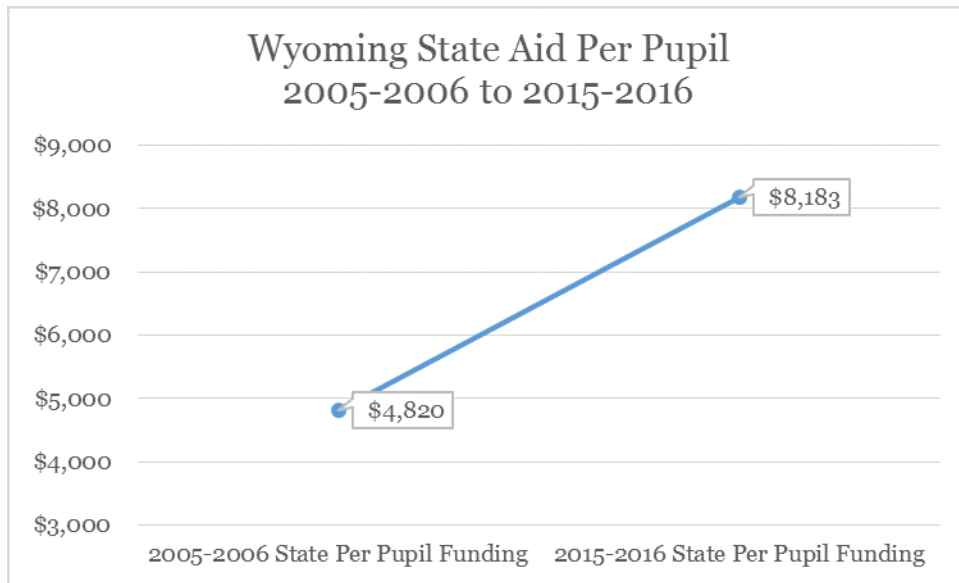
As a result of the state's step back from the table, property taxes are at an all-time high, both in total collections (\$1 billion more than 2005, according to the Ohio Department of Taxation) and average millage.



Lest you think that property taxes have *always* gone up, between 1995 and 2005, it actually went *down* as the state committed more to education funding during the *DeRolph* years.

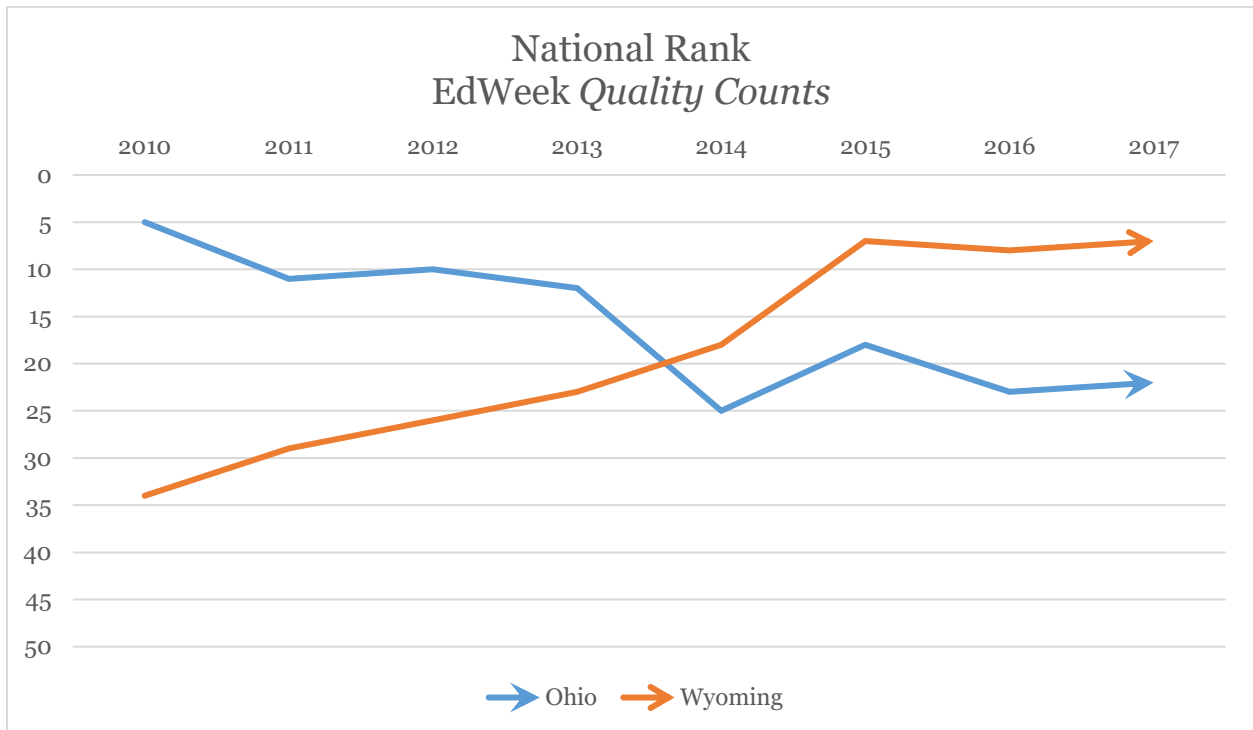


The fix for Ohio’s school funding woes can be found if one decides to “light out for the territory”, in the words of Huck Finn. In 2005, Wyoming adopted the same modified Evidence Based Model that Ohio adopted in 2009. Wyoming, too, was reacting to a school funding ruling by their Supreme Court, though theirs was much closer to the formula’s actual adoption than ours in 2009, which came 7 years after the Court dropped jurisdiction over the case. The two charts below show you the result of their commitment.



The state now has nearly doubled its per pupil funding commitment to its local school districts while drastically reducing the reliance on local property taxes. Yes, this year they had to cut back by 2 percent because of a dip in oil and gas prices. But they still did

this 10-year commitment without any state income tax. In a deeply Republican, conservative state – the home of Dick Cheney – political leaders have found deep pride in their commitment to their education system. Sen. Tom Barrasso actually mentioned how proud he was during Betsy DeVos’ confirmation hearing. Wyoming received the only A for school finance in the *Education Week* annual Quality Counts report. They now have the 7th rated school system in the country. In 2010, Ohio had the 5th highest. Now we’re in the middle of the pack.



People have asked me, “How can a Ruby Red state like Wyoming do in a few years what Ohio hasn’t been able to do over decades?” I hope to study this over the next several weeks and months, but I think it begins with leadership and commitment. The bottom line is this: You cannot fear the cost. We all know Ohio’s formula is woefully short of what kids need. We know it. I know you know this, Mr. Chairman.

But we can’t be afraid of the truth. The reason we put out the 10-year fully phased in EBM estimate was to hold the state to account. Maybe if we are completely transparent about how short our current funding levels are, then politicians, regardless of party, will be forced to follow through on promises. At least that was the theory.

I am asking you, my colleagues, to fearlessly attack this problem. I know there’s “no money” in this budget, but there is \$3.1 billion for another income tax cut that amounts to about \$40 for the average Ohioan. Again, without a thought, we cut taxes in two years by the same amount we were considered crazy to increase state education funding *over 10 years*.

We also know how the formula should work, Mr. Chairman. Calculate cost based on what students actually need and set the charge off at 20 mills, which is the floor at which districts will receive inflationary growth on their local revenue. No more crazy state share indexing. No more per pupil valuations. Simple. Here's what a district needs based on what they actually need. Here's how much they *actually* raise on 20 mills. We fund the rest.

This system means that no district would ever need to go to the ballot to fund basic educational needs. Levies are drastically reduced. Student needs are met. One no longer needs a statistics Ph.D. to figure out the state formula and, most importantly, kids can learn in the environments they deserve.

We can play around with guarantees and gain caps. As I said earlier, though, all those indicate is how inadequate a system is. And fixing an inadequate system without addressing its inadequacies is also inadequate. If I have \$36 and I'm taking 3 friends to a movie that costs \$10 each, none of us get in, even if I distribute the money equitably. None of us will see the movie because there's not enough money for all of us to see it.

Until we, as a state, commit to principles that actually will deliver a high-quality education to every child in the state, we're shifting deck chairs on the Titanic. Don't do *that*. Do the other thing. Now.