

Testimony on Substitute House Bill 305

Thank you Chair Oelslager, Chair Callender, Ranking Member Cera, and House Finance Committee members for giving me the opportunity today to provide interested party testimony today on Substitute House Bill 305.

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.

The Fordham Institute has long advocated for reforms that put Ohio students and parents at the center of school funding policy. We strongly support principles such as “funds following students” to the schools in which they actually attend, and “weighted student funding,” in which extra resources are devoted, for example, to low-income, special-education, and English language learning students.

The plan developed by Speaker Cupp and Representative Patterson proposes some important improvements that would better align Ohio’s funding system with these core principles. We strongly support the following aspects of the plan:

- **Funding all school districts via the funding formula**, instead of through caps and guarantees. A good funding formula drives resources to the places that most need state support. Ensuring that the formula is actually being used to determine funding amounts is critical to a fair, well-functioning system.
- **Increasing the funding for economically disadvantaged students**. To its credit, Ohio has long recognized the additional costs of supporting low-income students, and the funding plan in HB 305 builds upon this system by increasing the categorical amounts for disadvantaged students.
- **Funding schools of choice directly rather than through a “pass-through” method**, whereby charter and voucher students are first counted in their home district and then funds designated for their education are deducted. Moving away from the current model would be a step in the right direction, but as I’ll discuss in more detail later the shift must be done with utmost care.

Of course, there is always room for improvement, especially with something as complicated as a school funding plan. Here are a couple of our immediate concerns:

- **Uncertainty about a funding source**. Even with a proposed six-year phase-in, the \$2 billion per year sticker price (more according to some estimates) will be a heavy lift for future General Assemblies. Is it fair to kick that can down the road to future lawmakers? Will they be pressured to raise taxes to fully implement the plan? If so, which ones? Will funding need to be cut for other programs? Again, which ones? If legislators are unable to fully fund the significant outlays demanded under this proposal, will they be accused of failing to properly fund Ohio schools? Could they be subject to another of school funding lawsuits because of this plan? These are important questions.
- **Interdistrict open enrollment**. While the plan’s approach to funding students based on where they attend school is commendable, it should not create disincentives for districts to accept non-resident students. It appears that wealthier districts will be heavily disincentivized from participating in open enrollment and providing important opportunities to students from higher

poverty districts. This could reduce the already limited options available to families in some areas. We suggest either retaining the current funding structure for open enrollment, or requiring all Ohio districts to accept interdistrict open enrollees on a space available basis.

As for charter schools, we've noted on multiple occasions the large shortfalls, relative to their local districts, that they face in terms of overall taxpayer funding. Despite educating children of similar backgrounds, brick-and-mortar charters in the Ohio Eight cities receive on average about \$4,000 per-pupil less than the local districts. The discrepancy is due to the fact that local funding, with limited exceptions, does not follow students to charter schools.

As a matter of fairness to charter students—most of whom come from low-income families or are students of color—the state should work towards funding equity for charters. While the substitute House Bill improves upon the initial version of the plan, the treatment of public charter schools remains concerning. On a positive note, recent estimates indicate that Ohio Eight charters would see an average funding increase of \$1,389 per pupil under this plan. This is a step in the right direction. **Unfortunately, the plan does not narrow funding gaps between Ohio's urban charters and urban districts.** Because the average funding for Ohio Eight districts increases \$1,713 per pupil, the funding gap actually grows. This inequity puts charters at a tremendous disadvantage relative to their nearby districts in competing for talented teachers and offering comparable academic and non-academic supports. Also worth noting are the relatively small increases that general-education charter high schools would see under the proposal, often below \$1,000 per pupil. One of the state's finest urban high schools—Dayton Early College Academy (DECA)—actually *loses* \$82 per student under the plan.

Leveling the playing field between charters and districts is a heavy lift, but the following tweaks to the funding plan would improve equity for charters:

- **Calculate charters' base costs in exactly the same way as districts.** To its credit, the updated plan generally moves charters into the same base-cost model as districts. But, without any obvious policy rationale, it doesn't provide full base amounts in three of the cost components. If the plan has indeed captured the costs of educating a student for all districts, it should apply just the same for charters.
- **Revisit the base cost model for operating high schools.** The base cost model calls for fewer teachers per student in grades 9-12, hence lowering the assumed costs. Such an approach might be okay for entire districts, which can allocate centralized resources to high schools, but it hurts standalone high schools that may actually face higher costs. For instance, high schools may need to purchase expensive science equipment, pay higher salaries to attract teachers, fund extracurriculars and athletics, or offer college and career counseling. Though it could further increase the plan's price tag, it may be worth reviewing the cost assumptions for standalone high schools.
- **Incorporate the recently enacted supplemental funding program for quality charters.** With the backing of Governor DeWine, this \$30-million-per-year initiative provides up to an additional \$1,750 per economically disadvantaged student to charters that qualify based on academic performance. These dollars help narrow funding gaps, provide extra resources that enable charters to serve more students, and make Ohio a more attractive locale for excellent national charter networks. The plan should include—and make permanent—this valuable charter funding initiative.

Last, we recommend several changes to House Bill 305 to ensure that charters are treated fairly over the long term. They are as follows:

- **Ensure charters are *not* subject to a line-item appropriation.** In any move to direct fund charters, whether via House Bill 305 or another piece of reform legislation, clear statutory language must be added to ensure charters are funded through the main, multi-billion-dollar K–12 education appropriation in the state budget. This could be done by copying existing statutory language used to fund school districts and joint vocational districts. In other words, charters should never be funded via a line item that exposes them to unilateral budget cuts or a targeted veto.
- **Remove language that calls for a study of charter school costs.** The developers of this funding model have asserted that it captures the costs of educating a typical student. That model applies to all Ohio districts, large and small, urban and rural. If that model works for districts, why wouldn't it apply to charters?
- **Ensure charter representation on a School Funding Oversight Commission.** The latest version of House Bill 305 calls for a commission that would make recommendations about how to adjust the formula in the years to come. Unfortunately, charters would not be represented—eight school district officials would be appointed, along with legislators and parents—leaving them devoid of a voice in matters of funding. If such a commission is deemed necessary, charters should have a seat at the table

In conclusion, we believe that Substitute House Bill 305 has important strengths that would significantly improve the state's funding system. Yet uncertainties remain around financing the plan's costs and its approach to funding public charter schools. Thank you for the opportunity to provide testimony, and I'm happy to answer any questions.