

State House Testimony

May 29, 2019

Chairman Dolan and distinguished members of the Senate Finance Committee, my name is Emily Hatfield and I represent Olentangy Local School District in Delaware and Franklin Counties as the district's Treasurer and Chief Financial Officer. Our Superintendent Mr. Mark Raiff and myself are here to speak on behalf of our Board of Education, Administrators, and equally important, our fellow residents and taxpayers. I testified before the House Primary and Secondary Education Finance committee on April 11, in support of the Cupp-Patterson Fair School Funding Plan. It has been very disappointing to see that this plan is not receiving the attention and support it deserves from Legislators. Today, we return to testify in support of the Fair School Funding Plan before the Senate Finance committee with our colleagues from Whitehall City School District, Licking Heights Local School District and Pickerington City Schools. Our school districts are very different, but each of us suffers significant financial adversity under the current funding formula and the CAPS instituted within. Adding wrap around funding does not provide our students with the financial support they deserve.

I will take a moment to introduce our colleagues to you: Whitehall City Schools Superintendent Mr. Brian Hamler and Treasurer/CFO Mr. Steve McAfee, Licking Heights Local Schools Superintendent Mr. Philip Wagner and Treasurer/CFO Todd Griffith and Pickerington City Schools Treasurer/CFO Mr. Ryan Jenkins. Each will each take a few minutes to address the committee. Mr. Raiff and I will conclude the testimony for our group.

WHITEHALL CITY SCHOOLS-

Whitehall City Schools is an urban district of five square miles on the east side of Columbus. There are currently 3209 K-12 students enrolled in our schools. Over 80% receive free or reduced lunch. Fourteen percent are learning to speak English. Twenty percent will not spend the majority of the year in our schools due to mobility in and out of the City. Our demographics present some tough challenges, and we are struggling financially to meet these challenges.

The current school funding formula took effect in Fiscal Year 2014. Over the past five years of its existence, our General Fund expenditures of \$187 million exceeded revenue of \$183.4 million, reducing our cash balance 26%.

Do we have a spending problem? Not according to data compiled by the Ohio Department of Education. Our operating spending per pupil is nearly \$1,500 below the state average, placing us among the 20% of districts with the lowest operating expenses per pupil.

Are our local taxpayers not paying their fair share? Not according to tax rates published by the Ohio Department of Taxation. Our homeowners currently pay an effective property tax rate of 47.74 mills compared to a statewide average of 33.34 mills. They are going beyond, especially considering our

median income is 27% below the statewide average. They are paying a higher rate, with less ability to do so.

Our problem clearly is state funding. The CAP significantly impacts our District. For example, this fiscal year we will only receive 75% of what the formula says we should. Our kids receive significantly less state funding than kids in other districts with comparable wealth. The current formula uses a local wealth measurement based 50% on property valuation and 50% on federal adjusted gross income. Our Local Wealth per Pupil is \$67,896, the fifth lowest in the State. Fifty other districts have a Local Wealth per Pupil less than \$100,000. The actual average funding per pupil to that group is \$9,484. Whitehall receives \$7,165. This is unequivocally not fair to our students and taxpayers.

The school funding provisions in House Bill 166 make matters worse, freezing foundation funding amounts for 2 years, making zero progress towards equity. House Bill 166 proposes additional funding used for student wellness services. Though well intentioned, these 'additional funds' do nothing to fix our biggest problem of CAPPED funding. If a house is collapsing, do you fix it by building a small addition? That's what House Bill 166 is attempting to do with school funding. To fix the house, you have to repair the foundation. To fix school funding, you have to overhaul the foundation formula.

The Cupp-Patterson school funding workgroup has the solution. I stand united with my colleagues from very different school districts to respectfully ask you to adopt the Fair School Funding Plan.

LICKING HEIGHTS LOCAL SCHOOLS -

Licking Heights Local School District is rapidly growing with a current enrollment of nearly 4,600 K-12 students. Over the decade, our enrollment has increased by more than 50%. The growth combined with the gain cap adversely impacts our student to teacher ratios. Many of our Kindergarten classrooms are at 28 students per class. Our school district is diverse in many ways:

- 40% of our students are on the free and reduced lunch program.
- Nearly 13% of our students are ELL and 16 languages are spoken in the district

The state funding gain cap has hurt Licking Heights for years leaving our community to fill the gap through very high local taxes. This year alone, the gain cap cost our community nearly \$11 million. Licking Heights receives less than 50% of what the state funding formula calculates. Over the last six years, we have lost \$50 million due to the state funding gain cap. We have the highest property tax rate in Licking County while most of the surrounding districts are wealthier. As a result of rapid growth, a large portion of our tax revenue goes to servicing debt and not operations. We are building our fourth new building in 17 years.

The district manages a lean budget. Licking Heights' expenditure per pupil is well below the state average. We spend in the bottom 20% of districts statewide. We are concerned. Our class sizes are so large and with limited staff, we lack areas we can cut to balance our budget. Without state funding reform, we will be in fiscal emergency in three years with insurmountable deficits beyond.

Pickerington Schools –

Pickerington Schools has grown from a small, rural district to its current enrollment of nearly 10,500 students served in our 15 school buildings during the 2018-2019 school year. Pickerington will increase its enrollment by over 500 students in the next four years. The current provision of HB 166 will completely freeze funding for Pickerington Schools during FY20 and FY21 and will not account for any new funding for the day-to-day instruction of students. While we are greatly appreciative of the Student Wellness and Success Funds, we do not believe the addition of these funds will adequately cover the additional cost of critical educational services needed for all students.

In its current version, HB 166 would create oppressive financial difficulties for Pickerington Schools. Funding losses would extend *beyond the next biennium*—ostensibly any funding formula that ensues in FY22 or later would begin with the end of the previous biennium funding amounts. **Hence, the funding amounts that are installed for FY20 and FY21 may have powerful residual effects for Pickerington and other capped schools beyond the biennium.**

We urge the Senate to consider amendments for growing school districts to be able to incur additional funding for student growth. I urge the Senate to consider the full ramifications of a funding approach that would financially harm these districts for years to come. Additional data is attached to the written testimony.

OLENTANGY LOCAL SCHOOL DISTRICT –

Olentangy Local School District is a locally funded district. We are heavily reliant on local tax dollars to support our operations as *just* 6% of our overall general fund budget comes from the State to support the education of our students. For this reason, we have continued to lobby for fair funding over the past several years.

Olentangy is a unique school district. We have continuously grown from an average daily enrollment of 10,700 in 2006 to 20,209 students in 2018. That is an increase of 9,509 students, nearly double our entire enrollment, in just over a decade. During that same time, our state funding has DECREASED over \$30 per pupil. Our growth has continued into the current fiscal year. The district's average student enrollment has increased another 400 students in this fiscal year alone to reach 20,609. Our enrollment projections continue to climb, adding more than 1,700 k-12 students by 2023. With the flat funding proposed in HB166, our community will have to pass a minimum of an additional 5 mills to simply operate current programs. It will take an additional 2 to 3 mills to support operating costs for the additional facilities needed to house those students. The State funding received by our district does not come close to making an impact in funding our student growth year over year.

As illustrated in the testimony of our colleagues, the current funding formula is not effective for more districts than just Olentangy. Wealth calculations, expressed as State Share Indexes, pits one district against another through artificial guarantees and caps placed on funding. As an example, Olentangy currently has a State Share Index of 34.5 and receives approximately \$600 per pupil in Total Funding. A similar wealth district with a State Share Index of 33.4, less than one point difference, receives approximately \$2,523 per pupil in Total Formula Funding. Olentangy is one of many districts that does not receive fair funding per pupil due to the CAPS in the formula. The district in the example I shared receives four times the funding per pupil than Olentangy with approximately one-eighth the student population. Like Whitehall, Olentangy receives less than 75% of its Funding. The current formula does not work to support our students, nor our colleague's students, fairly. (Statistics: School Funding Payment Report or SFPR March Payment #2 2019.)

The Fair School Funding Plan does what HB166 and the current formula does not. The Plan:

- Provides a base funding calculation that supports smaller districts through staffing minimums.
- Includes a transparent calculation to establish local capacity to participate in district funding.
- Provides funding directly to where students are educated.
- Maintains local control of expenditures.
- Includes a phased-out approach of artificial guarantees and caps.

The Fair School Funding Plan ultimately has the ability to facilitate fair funding for all students in our state. We urge this committee to support a new funding model, which funds students where they are educated in an equitable manner, allowing funding to flow to districts that continue to experience student population growth.

Thank you for your time today. We welcome any questions you may have.

Pickerington Schools – Additional Data

Expected Growth

	2019	2020	2021	2022	2023
District Enrollment (Head Count)	10,451	10,583	10,740	10,822	10,986
Less Open Enrollment In	0.0	0.0	0.0	0.0	0.0
Plus Open Enrollment Out	106.1	106.1	106.1	106.1	106.1
Less 80% of JVS/Plus 20% Contract JVS	102.88	102.9	102.9	102.9	102.9
Plus Brick and Mortar Charter	99.2	99.2	99.2	99.2	99.2
Plus E-School Enrollment	100.7	100.7	100.7	100.7	100.7
Plus Scholarship ADM	39.7	39.7	39.7	39.7	39.7
Formula ADM	10,580.9	10,701.0	10,857.6	10,939.9	11,096.4
Total ADM	10,683.8	10,803.8	10,960.5	11,042.8	11,199.2

As the graphic shows, Pickerington will increase its District ‘head count’ by about 300 students during the current biennium, and by over 500 students by 2023.

Loss in State Aid due to Cap

HB 49 (132nd GA, which contains the current SFPR formula) allows for a 3% gain cap for districts like Pickerington Schools, which are growing. In fact, HB 49 has a ‘sliding scale’ for the gain cap, which recognizes school districts that are growing:

1. At a rate greater than 6% from FY14 to FY16—6% gain cap
2. Between 3% and 6% from FY14 to FY16—gain cap equal to amount of growth during that period (e.g., school district ADM increases 4%, gain cap is 4%)
3. And up to 3% from FY14 to FY16—3% gain cap

Even with the gain cap of 3% during this biennium, Pickerington has grown fast enough that some of our formula funding has dropped off because of the cap.

	2020 Capped Calcs.	2021 Capped Calcs.	2022 Capped Calcs.	2023 Capped Calcs.	Grand Total Loss in State Aid
Growth Cap	1.03	1.03	1.03	1.03	
Total Formula Funding (Line N)	\$57,448,262.04	\$59,151,352.43	\$60,929,479.52	\$62,716,557.33	
HB 166 Funding Levels (*HB 166 affects FY22 and FY23 calculations due to	\$55,778,757.69	\$55,778,757.69	\$57,487,138.70	\$59,170,946.29	
Calculated Loss in Funding	\$1,669,504.34	\$3,372,594.74	\$3,442,340.82	\$3,545,611.04	
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