

Ohio House Finance Committee

Senate Bill 376

Testimony in Support of the Proposed Fair Funding Plan for Ohio's Schools – Summary

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Chairman Dolan, Vice Chair Burke and Ranking Minority Member Sykes and members of the Senate Finance Committee – thank you for allowing me the opportunity to testify today in support of the Fair Funding Plan and Senate Bill 376. My name is Ryan Pendelton. I am the CFO of Akron City Schools, located in Summit County. I have been honored to serve as co-chairperson of the Base Cost Subcommittee of the Cupp-Patterson School Funding Workgroup.

Introduction

November 15th, just over two weeks ago today, marked three years since the very first meeting of the Cupp-Patterson Work Group. Now, we are excited to have had the opportunity to share with you the Senate version of the Cupp-Patterson Fair School Funding Plan incorporated in Substitute SB 376, which we believe to be a thoroughly justifiable plan to provide Ohio's youth with what they need in order to experience a high quality educational opportunity.

On behalf of the educational leaders who have served on our workgroup, I want to express our gratitude to Speaker Cupp and Representative Patterson for the trust they have placed in us to help them create the Ohio Fair School Funding Plan.

During previous testimony, dedicated educators have described a comprehensive, transparent, objectively determined and thoroughly justifiable school funding model that references national norms and research, and practices in other states, but relies heavily upon Ohio expertise and data.

The result is substitute SB 376 which thoroughly and effectively addresses one basic tenet: Ohio must provide the educational opportunities that every student needs to be successful, and ensure that every district has the resources to satisfy those very diverse student needs.

The three necessary components for meeting those goals include:

1. Determining an individual student's "base costs;"
2. Determining a fair local share of the shared joint funding responsibility for every district;
3. Determining the cost of additional support services necessary to assist students with additional needs, and ensure the smooth operation of successful school districts;

Summary of the Plan

This plan funds students through a meticulously constructed base cost and provides other funding components to support Ohio's youth in a variety of important ways. This comprehensive plan starts with the moment students are picked up in the morning until they log off their school computer at 11:59 p.m that night. Everything educationally that occurs between those two events has been considered.

Earlier, I described the development of the new per pupil Base Cost - a painstaking process of determining, component-by-component, the necessary instructional and support personnel, services and building and district leadership essential in providing every public school student with basic foundation funding for a quality educational opportunity.

Jenni Logan, CFO of Lakota Schools in Butler County, revealed that for the first time, the state would provide full funding for Special Education for students with disabilities as well as additional monies for catastrophic Special Education situations. She also described changes from specific dollar amounts for existing Special Education and English Learner categories to weights, so that increases in base cost amounts would be automatically and proportionately applied to these categories.

Claudia Zaler, CFO of Waverly Schools, discussed the results of three major national studies regarding the needs of Economically Disadvantaged students that led to the conclusion that Ohio's current funding level for this population is woefully inadequate. She indicated that the bill provides an immediate prioritized 55% increase in the state's per pupil amount for these

students, pending the outcome of a thorough study of the needs of this population. The bill also calls for every 4-year-old, designated Economically Disadvantaged, to be provided access to at least one year of quality preschool.

Michael Hanlon, Superintendent of Chardon Local Schools, and Jared Bunting, CFO of Trimble Local Schools, led you through the most critical aspect of the formula – a balanced method for determining a school district’s local share that is applied uniformly and fairly to every school district in the state. This calculation consists of a 60% reliance on property valuation and 40% on resident income. District capacity, as determined by both property and income wealth, is multiplied by a percentage – often referred to as a “charge off” – in order to determine a district’s local share of the calculated funding amounts. Under the previous formula, more than 350 of the state’s 610 districts were on a guarantee, thereby being paid more state aid than the formula called for, and approximately 140 districts received less than the formula said they were owed.

Scot Prebles, Superintendent of Forest Hills Local, and Steve McAfee, CFO at Logan Elm Local, discussed the bill’s provision that calls for the state to fund transferring students where they are taught; including students who transfer from their resident district through open enrollment or to community schools, as well as when taking advantage of vouchers. This eliminates the need for transfers of money from the resident districts to the location where these students will be educated.

They also explained the new Base Cost formula for community schools, which uses the same components that are used to construct the new traditional school Base Cost, with some adjustments to reflect the differences in their circumstances.

Jerry Brockway, recently retired former superintendent, first at the Ashtabula County ESC and then the Ashtabula County Area Career Tech Center, and Carrie Herringshaw, CFO of Penta Career Center, described the inclusion of a new Base Cost formula for career tech centers that utilizes the same format as that for traditional schools but adjusts for the lower pupil/teacher ratios to accommodate the “hands-on” instructional environment in those specialized schools.

They also described a temporary new tiered funding formula for ESCs, which provides every ESC with additional monies but with declining per pupil amounts as the number of pupils served increases.

Michael Tefs, Superintendent of Wooster City Schools and Cajon Keeton, CFO at Benton-Carroll-Salem, detailed the per pupil amounts for technology included in the Base Cost calculations, noting that monies were included for bringing Internet services to the districts, distributing the Internet within the district's various buildings and classrooms and providing a Chromebook or equivalent device for every child, grades 1 - 12.

And finally, Dalton Summers, Superintendent of River View Local, and Kevin Lillie, CFO of Geneva Area Schools, described some of the many improvements in the transportation funding model, including a \$45 million annual bus purchase program - the first state bus purchase program in more than a decade - a temporary weighted increase for nontraditional riders and a change in the calculation of Special Education transportation dollars.

Studies and Oversight

This bill acknowledges that we owe it to the citizens to study some of the most challenging issues facing K-12 schooling.

In the early 2000's, Ohio adopted its current method of weight-based funding for special education students— nearly 20 years ago. We recognize technology, remedial practices and educational philosophy have significantly evolved since that time. The number of students we are honored to serve, as well as their unique and sometimes complex needs have also changed. Senate Bill 376, therefore, seeks an in-depth review to ensure that our special education practices and funding are meeting these students' needs today and will in the future. The bill also provides for other important studies, such as:

English Language Learners face significant barriers in the learning process and this bill calls for ODE to conduct a cost study to determine the validity of current funding or to recommend a change.

Throughout this process, the effects of poverty on our Economically Disadvantaged Students has been a major focus. The funds that we are providing to districts for their Economically Disadvantaged Students is not based on research or best practices. This bill calls for a study to answer this critical question.

The cost of transportation is significant for each of the state's school districts. A comprehensive study is long overdue and this bill would authorize a study of school transportation.

This bill would establish a commission comprised of four legislators, three school superintendents, three schools treasurers, three teachers, three school board members, and three citizens to make recommendations to the legislature, if needed, to adjust SB 376's provisions to better meet the needs of our children. We know that our current funding formula is stuck in time and changes to it over the years have distorted it. This commission would ensure that we are keeping pace as changes invariably take place in the K-12 educational landscape.

How This Can be Paid For

Ohio does not have a functioning funding formula for its schools. In both good and bad financial times, Ohioans struggle with the effects of school funding as inequities continue to exist between school districts year after year. This lack of a viable funding model wreaks havoc on our school systems. Residents have grown weary of hearing about the need for levies, and businesses and families can't comprehend how school funding works.

This plan would be phased in over six years and would cost an estimated \$1,999,600,166 according to the Legislative Service Commission's calculation of the difference between FY 2021's estimated state aid after transfers, but before any reductions due to COVID-19 and a fully funded SB 376 . So the question becomes, can Ohio's current tax structure accommodate the needs of the new funding formula? Stated another way, is it possible to pay for SB 376's funding increases without requiring tax increases?

The current budget includes several small education expenditures being paid from non-general revenue fund accounts that are now being underwritten within the formula. Repurposing those funds and including them within the formula would reduce the \$1.999 Billion target by \$50 million.

The current two year budget includes \$675 million in Health and Wellness monies proposed by the Governor. If just \$200 million of the Health and Wellness annual \$300 million plus were repurposed to the formula for the economically disadvantaged, and other programs which provide for similar services, the target would drop to \$1.75 billion.

During the period FY2012 through FY2019, the state deposited approximately \$28 billion into the "Rainy Day Fund," an average of \$350 million per year. If \$250 million of that capacity were repurposed every year to the SB 376 formula, the target would drop to \$1.5 billion.

Also, during that period, the average year-over-year increase in primary and secondary funding was \$295 million. If, after returning to economic normalcy, the state were to average yearly increases of \$250 million for primary and secondary education, in the sixth year, the target would be reached.

On Monday, November 23rd, Sen. Blessing sent an undated letter to some of his colleagues in the Senate indicating that, at the request of Sen. Huffman, he, some of the caucus staff (presumably Republican), and LSC had been researching the full costs of the HB 305/SB 376 school funding plan.

The letter went on to state that, from his perspective, the total annual cost of the plan was \$3.5 billion, not the \$2.0 billion projected by the bill's sponsors (detailed in the LSC cost tracker, a copy of which you have been supplied).

The letter further stated that thousands of teachers had not been included in the costs of the plan, and, as such, those teachers would require an additional \$1.494 billion each year and that each subsequent teacher compensation update would increase costs by another \$1.4 billion annually,

As you will note from your perusal of the LSC cost tracker, the HB 305/SB 376 school funding formula does **NOT** fund teachers; instead **it funds students**, with almost all of its funding components establishing a per pupil funding amount, just as all of its predecessors have. The letter did not indicate any code sections or bill line numbers that call for the funding of teachers, **because there are none**.

Certainly, the cost of teachers, and other personnel, contribute to the calculation of the per pupil amounts, but the state's obligation to fund schools **begins and ends with funding students** through the formula.

To be sure, there are thousands of teachers across Ohio who are funded by district discretionary funds and federal dollars. **None of them**, however, constitute a fiscal responsibility of the state under current law and none would be a fiscal responsibility of the state under the provisions of HB 305/SB 376.

To further clarify, **the state's obligation is to fund students through a funding formula consisting of a number of funding components and categories with a variety of per pupil funding amounts**.

The letter goes on to say that additional costs such as Pre-K, special education, gifted education, ESC's, economically disadvantaged students, and transportation were not measured because the bills did not change those components. However, a close examination of the LSC cost tracker will reveal that a total of \$768.4 million in those same categories has been added in both HB 305 and SB 376 with approximately \$316.1 million specifically intended for economically disadvantaged students.

The letter does point out that periodic adjustments will need to be made to account for inflationary changes in costs and perhaps to modify the per pupil calculations due to technology improvements or changes in instructional practices and/or philosophy. The Oversight Commission established in both HB 305 and SB 376 was created, in large part, to provide periodic recommendations to the General Assembly to address those issues.

However, the huge increases attributed to these adjustments in the letter will not occur, as they are also based upon the same incorrect assumptions

mentioned above. The state is not obligated to pay all teachers as presumed in the letter, and salary related increases will most likely be less than inflationary measures because highly paid senior employees regularly retire, and are typically replaced by younger employees at less than half the rate.

Since the original letter was sent, the bills' sponsors have made numerous attempts to speak with Senator Blessing about the contents of the letter, but, to date, he has declined to do so.

As a result, we concluded that it was essential that we provide you with this information today, so that you would not be misled about the true cost of the bills.

Conclusion

This is a comprehensive, transparent and justifiable school funding model that is fair to every district and leaves nothing to chance. It is the most comprehensive and complete proposal seen in decades.

Change is not easy. But, what we have today, what we must endure every budget cycle and what residents must face in the local voting booths makes all of us uncomfortable. All we have to show from our current formula is continued inequities across the state, and that is inexcusable. As the state recovers from COVID-19 and funds become available, this formula would cause funding to flow where it is needed and would make an immediate impact for students in the classroom.

Today, the Class of 2033 is enrolled in kindergarten classrooms across the state of Ohio. Today is the right time to adopt this plan, so we can begin immediately to provide our children the resources they need. What will we say to the class of 2034, 2035 or the class of 2040 if we do not act now? We cannot remain silent while year after year we see these students moving through our classrooms enduring the impact of a broken formula. We can do better for them and by doing so have a positive long term impact on our communities and the state's economy.

Senate Bill 376 was three years in the making. Ohio's youth need you to adopt this plan in its entirety, now, before the end of the year, so it can help guide your educational decisions as you enter what will surely be a chaotic

budget deliberation next spring and for other budget deliberations in years to come.

Thank you.

H.B. 305 Substitute Bill (L-133-0626-6) Summary by Component without Phase-ins, FY 2021

Component	Estimated Aid After Transfers (Current Law Before Reductions) FY21	Proposed without Phase-ins (L-0626-6) FY21	\$ Change L-0626-6 to Current Law FY21
Traditional School Districts			
Opportunity Grant/State Share of Base Cost	\$ 3,726,686,690	\$ 4,979,984,553	\$ 1,253,297,863
Targeted Assistance/Capacity Aid	\$ 1,095,384,774	\$ 950,309,138	\$ (145,075,635)
Special Education Additional Aid	\$ 639,558,166	\$ 782,887,139	\$ 143,328,973
Disadvantaged Pupil Impact Aid	\$ 358,052,840	\$ 617,903,981	\$ 259,851,140
Gifted Funds	\$ 74,189,558	\$ 92,781,409	\$ 18,591,851
English Learner Funds	\$ 24,664,718	\$ 36,660,793	\$ 11,996,075
K-3 Literacy Funds (eliminated in new model)	\$ 92,983,203	\$ -	\$ (92,983,203)
Performance Bonuses (eliminated in new model)	\$ 30,983,114	\$ -	\$ (30,983,114)
Temporary Transitional Aid	\$ 256,966,000	\$ 275,329,378	\$ 18,363,378
Supplemental Targeted Assistance	\$ -	\$ 56,355,399	\$ 56,355,399
Base Transportation + Efficiency Adjustment	\$ 408,694,312	\$ 565,170,147	\$ 156,475,835
Transportation Supplement	\$ 54,781,295	\$ 33,715,668	\$ (21,065,628)
Separate Transportation Guarantee	\$ -	\$ 9,643,598	\$ 9,643,598
Career-Technical Education Funds	\$ 49,770,913	\$ 54,351,150	\$ 4,580,236
Enrollment Growth Supplement	\$ 23,000,000	\$ -	\$ (23,000,000)
Traditional District Total	\$ 6,835,715,583	\$ 8,455,092,352	\$ 1,619,376,769
Joint Vocational School Districts			
Opportunity Grant/State Share of Base Cost	\$ 161,650,919	\$ 271,856,477	\$ 110,205,558
Special Education Additional Aid	\$ 37,198,456	\$ 50,882,824	\$ 13,684,368
Disadvantaged Pupil Impact Aid	\$ 6,278,571	\$ 11,021,377	\$ 4,742,805
English Learner Funds	\$ 108,615	\$ 252,919	\$ 144,305
Graduation Bonus (eliminated in new model)	\$ 4,498,193	\$ -	\$ (4,498,193)
Temporary Transitional Aid	\$ 20,424,889	\$ 503,255	\$ (19,921,634)
Career-Technical Education Funds	\$ 93,282,531	\$ 108,104,021	\$ 14,821,491
JVSD Total	\$ 323,442,174	\$ 442,620,873	\$ 119,178,699
Traditional District and JVSD Foundation Aid Total	\$ 7,159,157,757	\$ 8,897,713,225	\$ 1,738,555,469
School Choice Program			
	Estimated Transfers + Direct Payment FY21	Proposed Direct Payment without Phase-ins (L-0626-6) FY21	\$ Change L-0626-6 to Current Law FY21
Community and STEM Schools			
Opportunity Grant/State Share of Base Cost	\$ 632,894,388	\$ 728,986,896	\$ 96,092,508
Targeted Assistance (eliminated in new model)	\$ 22,008,540	\$ -	\$ (22,008,540)
Special Education Additional Aid	\$ 122,700,709	\$ 136,334,121	\$ 13,633,412
Disadvantaged Pupil Impact Aid	\$ 59,128,445	\$ 110,792,358	\$ 51,663,913
English Learner Funds	\$ 6,882,086	\$ 8,524,592	\$ 1,642,506
Transportation Funds	\$ 2,346,050	\$ 3,329,785	\$ 983,735
Career-Technical Education Funds	\$ 17,663,039	\$ 19,383,083	\$ 1,720,045
K-3 Literacy Funds (eliminated in new model)	\$ 9,736,704	\$ -	\$ (9,736,704)
Performance Bonuses (eliminated in new model)	\$ 1,226,969	\$ -	\$ (1,226,969)
Community and STEM School Foundation Total	\$ 874,586,930	\$ 1,007,350,836	\$ 132,763,906
Scholarships			
Traditional EdChoice Scholarship	\$ 165,000,000	\$ 165,000,000	\$ -
Autism Scholarship	\$ 102,000,000	\$ 102,000,000	\$ -
Jon Peterson Special Needs Scholarship	\$ 84,000,000	\$ 84,000,000	\$ -
Cleveland Scholarship	\$ 49,901,887	\$ 49,901,887	\$ -
Scholarships Total	\$ 400,901,887	\$ 400,901,887	\$ -
Community and STEM School and Scholarship Total	\$ 1,275,488,817	\$ 1,408,252,723	\$ 132,763,906
Other			
Preschool Special Education	\$ 110,000,000	\$ 139,000,000	\$ 29,000,000
Special Education Transportation	\$ 60,469,219	\$ 135,000,000	\$ 74,530,781
Educational Service Center State Subsidy	\$ 40,000,000	\$ 53,300,000	\$ 13,300,000
Catastrophic Cost Supplement (replaced with 10% of Special Ed allocations)	\$ 40,000,000	\$ -	\$ (40,000,000)
Special Education at CBDDs for School-Age Students	\$ 30,500,000	\$ 35,000,000	\$ 4,500,000
School Bus Purchase (<i>intent language in proposed</i>)	\$ 20,000,000	\$ 45,000,000	\$ 25,000,000
Career Exploration Funding	\$ -	\$ 16,700,000	\$ 16,700,000
Education Studies	\$ -	\$ 5,000,000	\$ 5,000,000
Transportation Collaboration Grants (<i>intent language</i>)	\$ -	\$ 250,000	\$ 250,000
Other Total	\$ 300,969,219	\$ 429,250,000	\$ 128,280,781
Grand Total	\$ 8,735,615,792	\$ 10,735,215,948	\$ 1,999,600,156