



Testimony for the Ohio Senate
Primary and Secondary Education Committee
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Testimony on HB 110
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Chairman Brenner, Vice-Chair Blessing, Ranking Member Fedor, and members of the Senate Primary/Secondary Education Committee, good morning. My name is Tom Hosler and I am the Superintendent of Perrysburg Schools, located in Northwest Ohio. I have been honored to serve as co-chairperson of the Base Cost Subcommittee of the Cupp-Patterson School Funding Workgroup along with Akron Public Schools CFO Ryan Pendleton. Today, we are offering additional testimony in support of House Bill 110. Joining us today to help answer questions is Mike Sobul of Forecast5 Analytics, a former school treasurer and State Department of Taxation Research Director.

Ryan and I are two educators, with a combined 37 years of experience as treasurer and superintendent, who are passionate about serving our students and communities. We know our business well. We were brought together at the Riffe Center on November 15, 2017 to answer the question, "What do Ohio's school-aged youths need in order to acquire a high-quality education?" From that moment, the two of us and 14 of our colleagues with input from legislators, experts, educators, and anyone who was willing to provide commentary have created the Fair School Funding Plan. As we reflect on the last three and half years, I am proud of the work we have done. When I say "we," I mean us -- all of us. The Fair School Funding Workgroup has collaborated with all stakeholders to define and then further refine the formula. The amount of work that went into the first iteration of the Fair School Funding Plan introduced as H.B. 305, represented years of research and reflection. After its introduction, we put additional time, hours and years into further refining the formula.

We understand that the Senate may have its own school funding plan. This has not been confirmed by its members or from other interested parties and gives us serious concern. The Fair School Funding Plan is much more than a concept or idea that appears for the first time in a few paragraphs of testimony or may be unveiled weeks or days before being adopted. It is a

comprehensive overhaul of Ohio’s current broken school funding formula. It represents a value-driven process, pure in its approach, to finally define what a quality education costs, what districts need to operate, and what additional resources are needed for students who need additional help. From transportation to mental health support and everything in-between, 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.

Chairman Brenner, in responding to your appointment as Chair of this committee, you stated, “I look forward to working with my colleagues, from both sides of the aisle, on improving Ohio’s education policies and putting students first.” This echoes the example Speaker Cupp and then Representative Patterson, a Republican and Democrat respectively provided with forming the Fair School Funding Plan Workgroup.

There is no “perfect” bill. This workgroup has been charged with taking an irrational school funding formula and making it rational.

Based on meetings around the state, we understand that there are few remaining areas of concern and our testimony will address each area as follows: 1) Why can’t we just fully fund the current formula 2) Cost - How do we pay for it? 3) Success and Wellness funds are less accountable inside the formula.

FUNDING THE CURRENT FORMULA SHOULD NOT BE AN OPTION

What makes the Fair School Funding Plan unique is that for the first time we stepped away from the practice of residual budgeting to fund education, and, instead, asked what it costs to educate the “typical” child. We answered this question by analyzing and evaluating the national research and established best practices in education, as well as the expertise and judgement of professionals in the field to determine the funding necessary to ensure that Ohio’s youth has access to high quality educational opportunities – opportunities that will prepare them for an increasingly complex future. The current formula does not do this.

The Fair School Funding Plan results in some districts receiving very little money because declining enrollment and rising capacity dictate that it is fair

for them not to receive more. Some districts receive a lot! Why? Because need and the formula says they should. Because current law and the previous antiquated, inconsistent system provided uneven results that prevented districts and most importantly their students from receiving the support they needed and deserved.

By way of an example of the inconsistencies the current formula generates, three districts with the nearly same total capacity – both valuation and income – experienced the following in FY 2018:

- The first received \$12,940 per pupil in state aid, spent a total of \$15,122 per pupil, and had an effective tax rate of 22.2 mills.
- The second received \$8,237 in state aid, spent a total of \$11,180 per pupil, and had an effective tax rate of 37.61 mills.
- The third received \$8,133 per pupil in state aid, spent a total of \$12,260 per pupil, and had an effective tax rate of 62.31 mills.

Under current law, the General Assembly has no compulsion to fund its formula fully because no one knows what the numbers stand for and what the formula produces. With the Fair School Funding Plan, everyone does.

Step One - Base Cost

National research and established best practices drove base costs, which provides:

- The essential elements of effective classroom instruction;
- Specific, necessary student and instructional support services;
- Justifiable building leadership and operations costs; and
- Reasonable district office and accountability activities.

Step Two - State & Local Share

Superintendents, treasurers and school board members can explain what percentage of the costs their district bears and why. The Plan provides a sliding scale for how much a local community pays based on its capacity using property tax and an income component. This rational and understandable approach stands in direct contrast to the current State Share Index.

Balancing the state and local calculation in each district and in aggregate for the state as a whole is possibly the most important, yet misunderstood component of the formula. If the state fails to maintain a definable share in this important calculation, the formula ceases to work. It results in the outcomes of the last 20 years and the overreliance on local property taxes.

The Fair School Funding Plan provides a balance between the local and state share in an independent, equitable, and justifiable way. Today, as the discussion about the Fair School Funding Plan is heard in communities like Perrysburg, local taxpayers have become cynical about the state's desire to meet its obligation. While "how do we pay for it?" and concerns about "tying the hands" future General Assemblies are necessary, residents have shared with me their concerns. Taxpayers in district's like Perrysburg are being penalized because of the current broken school funding formula. Perrysburg is a fast-growing district that is on the cap. As a result, despite the amount Perrysburg should receive based on the current state formula, the state shorts that amount by capping what it is willing to give. For years in my community, the burden of the state's unwillingness to pay its fair share based on its own state funding formula has been put on the backs of the Perrysburg local taxpayers. Because they value what the school district provides the students we serve, residents continue to support the schools by passing levies. Levies that raise their taxes to fill the gap created, in part, by the state not honoring its responsibility. In a recent Ohio Auditor of State Performance Audit performed on the district, the Auditor of State wrote the following:

"It is important to note that the amount of funding a district can receive from the State is based on a variety of formulas and laws. The formula, which determines the amount, granted takes into account student enrollment and the property wealth of the district. However, while the formula determines a potential amount to grant districts, these awards are subject to cap restrictions. In FY 2018-19, \$15,111,466 of PEVSD calculated state funding was subject to cap restrictions and PEVSD was only funded \$11,566,986, which equates to \$3,544,479 less than the formula calculation."

To put it in other terms, the state owed the district \$3.5 million based on the current formula – or the equivalent of approximately a 3.8 mill levy – every single year. So, as this discussion is playing out about tying the hands of

future General Assemblies, residents in my community are asking me to ask, who is there giving a voice to the local taxpayers in communities like Perrysburg? While the Committee debates, what the cost may or may not be in the future, my residents know exactly what the cost has been to them because of the state's hopelessly broken funding formula.

Step Three - Categoricals

The Fair School Funding Plan identifies those areas where specific funding beyond base cost can be allocated to provide the resources necessary to help those students be successful.

This unique three-step approach provides adequate and equitable funding for our schools.

COST - HOW DO WE PAY FOR IT?

Ohio's current tax structure has the capacity to fund and sustain a six-year phase-in of the Fair School Funding Plan if the General Assembly has the will to make these investments.

During the six years prior to 2020, annual increases in state appropriations for primary and secondary education averaged more than \$250 million. Over the same period, the state restored the rainy day fund from 89 cents in 2011 to \$2.8 billion in 2019, an average of \$400 million per year.

In a six-year phase-in, the Fair School Funding Plan requires annual increases in funding of approximately \$350 million. It has been suggested that amount would be on top of the existing increases averaging \$250 million. Instead, the state would only need another \$100 million because the existing \$250 million increase would be redirected and distributed in accordance with the Fair School Funding Plan, where all of the spending is justified by objectively determined need and in accordance with objectively determined district capacities to support local taxation requirements.

It should be noted, that suggestion fails to consider that, over the past ten years, local capacities of our communities – as calculated by the Fair School Funding Plan – have increased on average 3.9% annually. (It is even greater than that in FY 21 and FY 22.) These ongoing increases to local capacity

would mitigate the impact on state finances of the increases in salaries that have been projected.

STUDENT SUCCESS AND WELLNESS FUNDS

The Governor's commitment to the wellness of our children through the Student Success and Wellness Fund initiative is greatly appreciated and commendable. The Fair School Funding Plan furthers the Governor's wellness initiatives by ensuring these funds are accounted for in a consistent and transparent manner.

We understand that the Student Success and Wellness Funds were intended to create new programming for students and communities. However, the uncertainty and instability of state funding has led many districts to supplant these funds. Prior to the FY 20-21 biennium, most school districts in Ohio were predicting an increase in state aid based on prior year increases. These expectations were referenced in districts' May 2019 five-year forecasts. Instead, every district in Ohio was placed on a state aid freeze and Success and Wellness funds were added outside of the formula. Ironically, the amount of Success and Wellness funds received by my district and many other districts was almost exactly, what we were predicting in state aid. In order to keep the necessary programming in place for our students and communities, schools supplanted these funds in accordance with the state's guidance.

It has also been suggested that keeping the Student Success and Wellness Funds outside of the formula allows for more accountability. As someone who prepares a district's five-year forecast, this is simply not true. Because these funds were represented to districts as temporary or supplemental funds, they were not included in five-year forecasts. A district's five-year forecast process is specifically designed for transparency and accountability, yet these supplemental funds remain outside of this best practice.

From the beginning, the Fair School Funding Plan Work Group was directed to justify every provision with substantiating research, best practices and/or sound professional judgment. To the best of the WorkGroup's knowledge, no such thorough analysis of need has been conducted in determining the increasing amounts of Success and Wellness appropriations.

Data shows that most districts already allocate several hundred dollars per pupil to address those needs, and many exceed \$1000/pupil. This fact has further contributed to the practice of districts using Success and Wellness dollars to supplant existing district General Revenue Fund expenditures because the professional managers in the district concluded that additional expenditures for those services were not needed. (Perhaps, an in depth study of student behavioral health needs and most effective remedial practices should be added to H.B. 110.

The Fair School Funding Plan acknowledges the need for behavioral health services, a need that impacts the entire student population, not just those living in poverty. It includes in its base costs construct nearly \$400 per pupil for social, emotional needs, identifying specific professional providers such as counselors and school psychologists. It also adds to eligible expenditures of Economically Disadvantaged DPIA funds, those expenditure categories currently authorized for Success and Wellness funds and increases the Economically Disadvantaged DPIA appropriations by \$320 million. These monies acknowledge the growing need for behavioral health services and provide additional resources for those purposes, if districts conclude they are needed to serve their students.

For these reasons, it was decided that the current Success and Wellness funds could best serve the needs of Ohio's youth if they were used to help implement the flexible, transparent and needs based Fair School Funding Plan. This plan would enable schools to select outside partners to provide critical mental health and student support services if desired. By creating a free market where districts may choose those services and providers who best meet their students' needs, will ensure supporting students where they need it most.

Governor DeWine, when submitting his K-12 budget, chose to keep the Student Success and Wellness funds with school districts and not change the funding formula citing that lawmakers have "significant ideas." The Fair School Funding Plan acknowledges and respects Governor DeWine's direction and space he is giving lawmakers.

Where Do We Go From Here?

Speaker Cupp and then Representative Patterson as members of the 2015 House Finance Primary and Secondary Subcommittee began a lengthy

discussion about Ohio's broken school funding system as it considered the biennium budget. In the spring of 2017 faced with the challenges of yet another biennium budget debate about school funding, Speaker Cupp and then Representative Patterson pledged to take this issue on once and for all. Their conversation concluded with the question, "Where do we go from here?" From that bipartisan conversation to finally address school funding, it led to a meeting on November 15, 2017 that kicked off the Fair School Funding Plan Work Group.

Over the last 3 and a half years Ryan and I and our colleagues focused almost exclusively on finding an answer to that elusive question, "Where do we go from here?"

On December 3, 2020, the Ohio State House answered the question with a resounding bipartisan vote of 87-9 that passed House Bill 305. They again answered the question by passing House Bill 110 in the following year which is now before this Committee and Senate for consideration.

In education, the Fair School Funding Plan has ended the "them and us" mentality that has both divided and paralyzed anyone who has tried to address the state funding formula problem. The current funding formula in Ohio has divided the educational community for too long. Capped vs. guarantee, rural vs. urban, wealthy vs. poor, charter vs. traditional vs. private. The process Representatives Cupp and Patterson initiated involved eight superintendents and eight treasurers from across the state, representing large urban suburban, rural, rural poor, small city, career tech centers, poor and wealthy districts.

To break this plan up and insert portions of it into the current failed system will only continue to add to the patchwork quilt of funding with various special interest groups and virtually all 610 school districts advocating for their individual districts.

This marks the third biennium budget since the Speaker Cupp and then Representative Patterson began this journey. If this window closes, when will there be another opportunity to fix school funding? How many biennium budgets will need to be debated and passed before a bill passes one chamber and sits ready in the other?

The Fair School Funding Plan is nearly three and a half years in the making and during that time, the work group has focused on the students in the classroom and what is best for them. Equally important in our mission was developing a methodology that constitutes the fairest way to divide the state and local responsibilities for providing the necessary resources in a transparent and understandable way to support students in Ohio.

From transportation to mental health support and everything in-between, this comprehensive, transparent and justifiable school funding model 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 booth in addressing school funding, makes all of us uncomfortable.

As testified to previously, today across Ohio, we are registering kindergartners for next school year. They will be the class of 2034. When we began this process, the students in kindergarten were the class 2030. It's tragic that we are poised to have another class of students in this precarious position – of beginning their educational careers with a broken, inequitable funding system. We owe it to them to do our best to fix this problem. We need to act now, for their futures and for our collective future in Ohio.

Thank you for the opportunity to testify before you today. We are happy to answer any questions.