Ohio House of Representatives

Finance Committee

Amended Substitute House Bill 33

Testimony in Support of Fully-Funding
the Fair Funding Plan for Ohio's Schools

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Chairman Edwards, Vice-Chairman LaRe, Ranking Member Sweeney and Members of the House Finance Committee, good morning. My name is Thomas Hosler, I am the Superintendent of Perrysburg Exempted Village Schools and a member of the School Funding WorkGroup since its inception in November 2017. Thank you for the opportunity to offer testimony concerning Amended Substitute House Bill 33 in support of retaining and fully funding the Fair School Funding Plan for Ohio's schools.

Joining me today are my colleagues Ryan Pendleton, Executive Director of the North Coast Shared Services Alliance; Mike Sobul, FSFP WorkGroup Consultant; Jared Bunting, Treasurer/CFO of the Jackson City Schools; and, Michael Hanlon, Superintendent of the Chardon Local School District. I will be offering brief testimony on behalf of the panel with all members available to respond to questions.

Background

The very first meeting of the Cupp-Patterson WorkGroup was held in the Riffe Center on November 15, 2017. That was 1,979 days, or 5 years, 5 months, and 2 days ago. We are still working to fully answer the question that former Representatives Cupp and Patterson posed on that day, "What do Ohio's school-aged youths need in order to acquire a high-quality education?"

After more than two and a half years of hearings, input from legislators, research and best practice analysis, review of successful programming in other states, interviews with acknowledged experts and close examination of successful Ohio programing, the FSFP WorkGroup brought to you HB 305, an objective, transparent analysis of the educational needs of Ohio's youth and the resources necessary to meet those needs.

The House passed HB 305 by a vote of 87-9, an unheard of majority for such a comprehensive remake of the state's school funding formula. The General Assembly incorporated 90 percent of that plan in HB 110, the budget bill for FY 22 and FY 23.

HB 110 utilized FY 18 data to implement the Plan. That data year, the most recent available, was used in order to clearly delineate for the legislature, and the field, the results of implementation of the Fair School Funding Plan. The FY 18 data provided cost certainty for the legislature necessary to support the transition to a new funding model.

Impact of Static Base Cost Inputs and Rationale for Updating

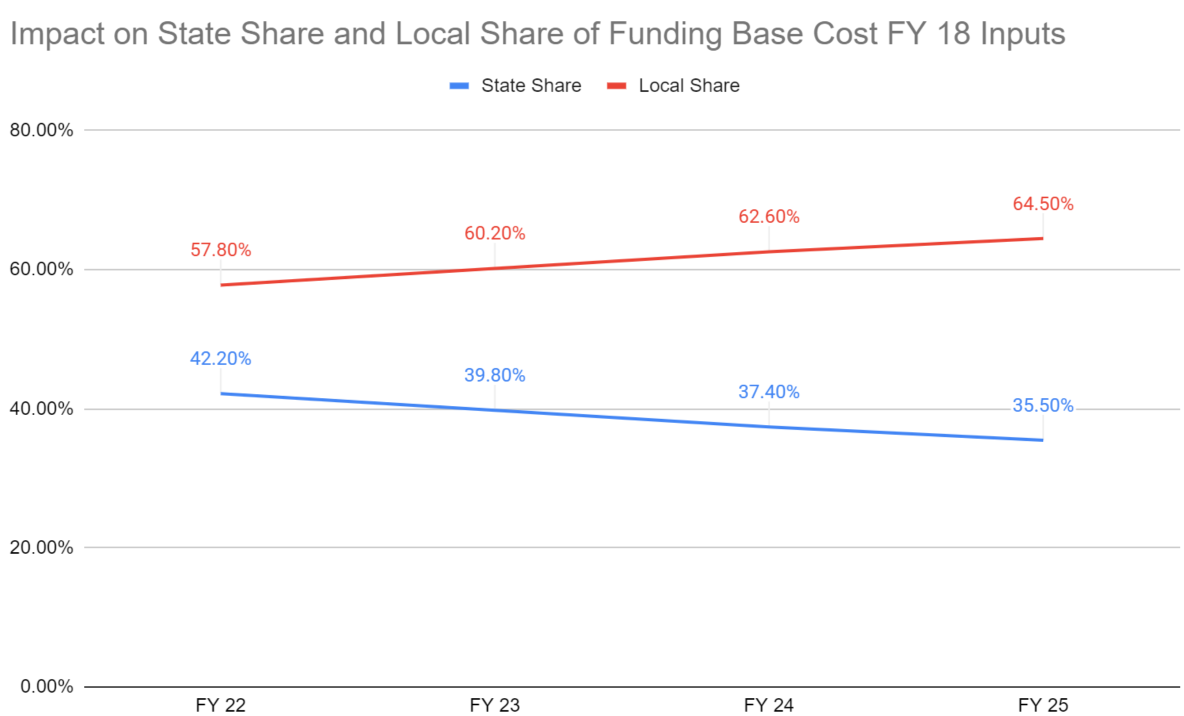
The most recent data *currently available* is from FY 22, which, according to LSC, shows a cumulative inflation rate for the inputs of the FSFP of 12.1 percent since FY 18. By FY 24, local capacity will have increased from FY 20 by over 20 percent.

Funding the base cost is a shared responsibility between the state and local school districts and is required in law. The local capacity of a school district is an important component in determining the balance between state and local share of funding and is impacted by consistently updating the base cost inputs.

Failure to update base cost inputs to FY 22 would have a tangible impact on how the state and local shares of base funding are divided between the state and local school districts. Continued reliance on FY 18 inputs would result in a significant shift in funding responsibility from the state to local districts.

Again, according to LSC, without a change to the FY 22 data from the FY 18 data, the state share of funding the base cost will decline precipitously over time. In FY 22, the state share was 42.2 percent. It fell to 39.8 percent in FY 23, and is projected to decline further to 37.4 percent in FY 24 and 35.5 percent in FY 25 without updating inputs from FY 18 to FY 22. This would shift approximately $700 million dollars of school funding burden from the state to local taxpayers (See Figure 1).

Figure 1



Whether it be in the private sector or government, regular adjustments must be made to deal with the impact of inflation. In the private sector prices must rise or the quality and/or quantity of the goods and services being supplied will decline. In government, funding levels must rise or the quantity/and or quality of services will decline, either through program changes, staff reductions, reorganizations or reassignments; whatever is necessary to reduce costs. School districts understand this economic tension and school leaders work to contain costs at every turn. While there was concern when the FSFP was enacted that spending (and thus the basis for input adjustments) would accelerate. Data shows that has not happened and it is not expected to happen.

While the system of school funding that existed prior to the FSFP had many serious flaws, it did teach a key lesson of the importance of increasing inputs. From FY 17 to FY 19, the base cost amount used to fund schools essentially remained unchanged, while the local wealth used in calculating aid was allowed to increase based on actual data. Because of this, the number of districts on a funding guarantee went from about 140 in FY 17 to over 340 in FY 19. The FSFP is a significant improvement over that prior formula, but allowing local capacity to rise without offsetting increases in inputs will result in a similar outcome with regards to districts being on funding guarantees.

<u>Conclusion</u>

From its inception, members of the School Funding WorkGroup have expressed the importance of systematically updating the inputs associated with the Fair School Funding Plan as an integral component of an effective funding approach. This is critical for three important reasons:

1. To ensure the integrity of a school funding formula that clearly expresses the actual costs to educate a child in the State of Ohio;

2. To recognize that the economic conditions across the state and in each individual school district are not static and that continual adjustments to inputs and capacity are necessary for a well-functioning model; and,

3. To maintain the delicate balance in state and local share responsibilities in a clear and understandable fashion.

Chairman Edwards, Vice-chairman LaRe, Ranking Member Sweeney, my colleagues and I are prepared to answer questions at the pleasure of the committee.