



TESTIMONY BEFORE THE SENATE EDUCATION COMMITTEE ON FY24-25 BIENNIAL BUDGET RECOMMENDATIONS FOR THE OHIO DEPARTMENT OF EDUCATION

**AARON RAUSCH,
CHIEF OF BUDGET AND SCHOOL FUNDING**

APRIL 27, 2023

Chairman Brenner, Vice Chair O'Brien, Ranking Member Ingram, and Members of the Senate Education Committee, I appreciate the opportunity to speak to you today on the executive budget recommendations for the Ohio Department of Education. My name is Aaron Rausch, and I am the Chief of Budget and School Funding for the agency. Following Dr. Siddens, my focus today will be on the significant amount of state and federal support provided to students, school, and districts across the state.

Budget Overview

The DeWine-Husted budget recommends appropriations totaling \$10.5 billion in FY24 (an increase of \$680 million or 6.9%) and \$10.7 billion in FY25 (an additional \$196 million or 1.9%) from the General Revenue Fund (GRF) and Lottery Profits Education Fund (LPEF). The executive budget includes an additional \$1.56 billion in new GRF and LPEF for primary and secondary education over the biennium. The House-passed version of the budget adds nearly \$990 million in funding over the biennium, resulting in \$2.54 billion in additional resources for primary and secondary education from the GRF and LPEF.

While state source funding for primary and secondary education is recommended to receive a substantial increase over the next two years, funding across all budget fund groups would drop to \$15.1 billion in FY24 (a decrease of \$894 million or 5.6%) and \$13.6 billion in FY25 (an additional decrease of \$1.6 billion or 10.4%) in the executive budget recommendations. Generally, this decrease reflects the expiration of one-time federal COVID relief funds provided to schools and districts over the past three years and a return to a more typical level of support from federal sources. These totals do not include Property Tax Reimbursements or Tangible Personal Property Reimbursements, which represent \$1.3 billion provided to school districts each year, and are included in the Revenue Distribution Fund section of the executive budget.

Of the recommended appropriations, approximately 98% are disbursed directly to students, schools, and districts through grants, scholarships, formula allocations, and other subsidy payments.

Support for Students, Schools, and Districts

State foundation funding represents the largest part of the Department's budget. Ohio schools rely on these funds to operate. School funding is the single largest expenditure of the state General Revenue Fund (excluding federal funding) and represents the state's commitment to primary and secondary education. For many schools and districts, state foundation funding represents their largest revenue source.



The calculation and distribution of state aid underwent significant changes in the 2021-2022 school year. Without discussing in detail, the reforms to primary and secondary education funding included the following:

- *Fund students where they are educated rather than where they live.* Until last year, school funding was first calculated based on the student's district of residence and then funds were deducted and transferred from the resident district to the school or program the student attended. Starting last school year (2021-2022), students who attend a neighboring school district through open enrollment, a community school, a STEM school, or participate in one of the state's scholarship programs are funded where they are enrolled. This funding mechanism mirrors the way Ohio's career centers (joint vocational school districts) have long been funded.
- *Establish an input-based funding model.* A key component of the new funding model is the base cost. Informed by the professional judgement of Ohio educators and practitioners, the new funding model calculates a unique base cost per-pupil amount for each school and district in the state, depending on school size and make-up. The inputs reflect average salaries and costs incurred by Ohio school districts and applies those amounts to student enrollment numbers and student-teacher ratios across five areas — teacher support, student support, district leadership and accountability, building leadership and operations, and athletic co-curricular support. While the base cost funding is largely unrestricted, a portion of the base cost is restricted to support student wellness and success. Across all traditional public school districts, the statewide average base cost per pupil is \$7,352.
- *Create a new state and local cost-sharing methodology.* Funding for primary and secondary education is a partnership between the state and local school district. Every district generates local property taxes, and many school districts have voter-approved income taxes. The school funding system endeavors to consider both the wealth and capacity of local school districts and distributes state resources based on these measures. A new local capacity calculation begins first with the median income of the residents in each school district, indexed against the statewide median income. From there, each district's assessed property valuation (weighted at 60%) and resident income (gross income weighted at 20% and median income weighted at 20%) is combined to yield a local capacity per-pupil amount. This local capacity per-pupil amount is then paired with the base cost per-pupil amount to determine what the state's share of the base cost is, as well as a state share percentage for each school district. The state share ranges from 5% for the highest-capacity school districts up to approximately 90%.
- *Provide supplemental funding based on student need and demographics.* While the base cost represents the largest component of the total formula funding, the new funding model continues to provide supplemental funding based on specific student needs and demographics. This includes additional funding for economically disadvantaged students, students with disabilities, students who are gifted, English learners, students participating in career-technical education, and students who ride the bus to school. Targeted assistance funds are also provided based on a school district's wealth and capacity.

The policy and funding changes enacted in the last budget were paired with a phase-in that contemplated enacting these changes over the course of three budgets (or six years). The DeWine-Husted budget continues the phase-in, and simulations of the executive budget proposal reflect a 50% phase-in in FY24 and a 66.67% phase-in in FY25. Years three and four of the phase-in also include increases to the minimum state share for transportation (from 33.33% in FY23 to 37.5% in FY24 and 41.67% in FY25) and updates to student enrollment and local capacity. The executive budget also maintains temporary transitional aid guarantee and formula transition supplement funding, so no school or district will receive less state aid than it received in FY21.



Under the continued phase-in of the school funding formula, 79.9% of students in FY24 and 81.9% of students in FY25 attend a traditional school district poised to receive increased foundation formula funding under the executive proposal. Moreover, this projected increase is separate from the growth in local revenue streams (property tax and income tax collections) that three-quarters of our traditional public schools projected in their most recent five-year forecasts. It also does not include any of the executive budget proposals Dr. Siddens discussed earlier related to early childhood education, literacy, workforce readiness, and other significant program expansions.

As I mentioned above, the Student Wellness and Success Funding is a restricted component in the larger base cost funding. Governor DeWine proposed the creation of Student Wellness and Success Funds to help schools address the non-academic barriers students face each day. Over the last four years, nearly \$1.2 billion has been committed to schools and districts to support programming to address these non-academic barriers to success. These funds, in tandem with community partners, promote student well-being through eight allowable uses, including: physical and mental health services, family engagement, prevention education, and before- and after-school programming.

Embedding these funds within the larger formula provides stability and predictability that funding for Student Wellness and Success will continue and signals to schools the funds are ongoing and not one-time in nature. The executive budget continues to restrict the funds and requires schools and districts to spend at least half of the funds on programs and supports to improve students' mental and physical health. We know you understand the urgency of providing these services now. That's why the DeWine-Husted budget also includes a requirement for districts and schools to spend existing Student Wellness and Success Funds by the end of FY25 and only allows new funds to be carried over for one year after receipt. We were happy to see these provisions retained in the House-passed version of the budget.

The House-passed budget also affirms the continued phase-in of the new school funding formula with two significant changes. Rather than rely on FY18 inputs, as contemplated in the executive budget proposal, the House version moves to FY22 inputs, the most recent data available. The House also allows the statewide base cost per pupil to update from FY22 to FY24, which LSC estimates will increase from \$7,352 to \$8,241. These two changes will provide significant increases to traditional districts, community schools, and joint vocational school districts across the state. The changes made by the House will serve as a counterbalance to increasing local capacity and provide schools with higher state share percentages than projected in the executive budget proposal. This results in increased funding across all parts of the formula, including transportation, preschool special education, and base cost funding. The update in the statewide average base cost per pupil provides additional weighted funding to students with disabilities, English learners, and students enrolled in career-technical education programs. Overall, the additional funding will reduce the number of schools subject to one of the three funding guarantees in the formula.

SCHOOL CHOICE OPTIONS

Many students and families benefit from Ohio's school options, and we continue to focus on ensuring students have quality choices to meet their unique educational needs. The state's five scholarship programs — EdChoice, EdChoice Expansion, Cleveland Scholarship, Jon Peterson Special Needs Scholarship, and Autism Scholarship — support students in attending the best schools for them. The DeWine-Husted budget continues this administration's commitment to supporting family choice in education by expanding the income eligibility threshold for the EdChoice Expansion Program from 250% to 400% of federal poverty guidelines. Based on the recently updated guidelines from the federal government, this means a family of four earning \$120,000 will now be eligible. This will allow



more working- and middle-class families to choose schools that meet their children's needs. The House made two notable changes to school choice options for students and families. First, the House-passed version moves income eligibility from 400% to 450% of federal poverty guidelines, making the option of an EdChoice scholarship available to even more families. Second, the changes in the funding formula and the increased statewide average base cost per pupil trigger an increase in the maximum scholarship amounts for EdChoice and Cleveland Scholarship programs. The House also made conforming changes to the maximum scholarship amounts for the Jon Peterson Special Needs Scholarship. The maximum scholarship amounts are expected to increase by approximately 12%, consistent with the changes to the school funding formula.

Quality school choice options also include quality community schools. The Governor's first budget included additional support for quality community schools, as measured by academic performance. This funding seeks to address the funding disparities that exist between traditional districts and community schools while targeting additional funding to those community schools that are raising student achievement and incentivizing more quality community schools to serve students in the state. As the Governor announced in his State of the State, the budget recommends increasing the annual per-pupil funding for quality community schools to \$3,000 for each low-income student and \$2,250 for all other students — an increase of \$1,250. The House-passed budget affirms these provisions and includes the state's seven independent STEM schools as potential recipients of these funds.

The DeWine-Husted budget also recommends increasing community school facility funding for all brick-and-mortar community schools from \$500 per pupil to \$1,000 per pupil. Again, this funding seeks to address disparities that exist between traditional districts and community schools. To be clear, many community schools still will have access to less operating revenue than the traditional public schools in which they are located, but this budget works to narrow that gap. We were pleased to see the House-passed budget retains this increase in funding.

SPORTS GAMING PROFITS EDUCATION FUND

In the last General Assembly, the legislature authorized sports gaming and created the Sports Gaming Profits Education Fund. The DeWine-Husted budget recommends \$30 million, annually, in new funding for public and nonpublic schools, based on preliminary estimates of revenue in the fund. In each year of the biennium, the executive budget recommends half the funds be used to reduce or eliminate pay-to-participate fees for athletics and extracurricular activities, with the other half supporting both public and nonpublic students in addition to proposed increases in state foundation funding. In the House-passed version, the \$15 million set-aside to support athletics and extracurricular activities is retained. The House also increases the total annual appropriation from \$30 million to \$65 million in each year and uses the \$50 million not set-aside for athletics and extracurricular activities to support the increased cost of the foundation formula and scholarship programs. The increased revenue projections appear reasonable, considering the quarterly transfer into the fund this month exceeded \$30 million.

SCHOOL RESOURCE OFFICERS

State-level efforts supporting school safety include partnerships with the Department of Public Safety's Ohio School Safety Center, Department of Mental Health and Addiction Services, and Ohio Facilities Construction Commission. The work includes support for school safety plans and the Safer Ohio Schools Tip Line, prevention education and training for every school administrator across the state in comprehensive school threat assessment guidelines, and school safety grants. With a fifth



round of funding announced earlier this week, a total of \$215 million has been awarded to nearly 2,800 schools to help pay for physical security expenses, such as new security cameras, public address systems, automatic door locks, visitor badging systems, and exterior lighting.

While these programs help keep our children safe at school, many schools also engage local law enforcement agencies to fund school resource officers. School resource officers serve as a visible defense in protecting our children and preventing school violence. They build relationships of trust and help identify signs of serious mental or physical stress that could lead to self-harm or threaten the safety of others.

Acknowledging the additional expenses associated with having school resource officers, the DeWine-Husted budget includes funds to support schools in these efforts. A total of 4,300 public and nonpublic schools would have the option to request building-level funding to hire school resource officers or subsidize those they already employ. The House-passed version of the budget removes dedicated funding for school resource officers in favor of the larger increases in state foundation funding and scholarship increases discussed above. We remain committed to working with the General Assembly to ensure the safety of children at school.

IT SUPPORTS FOR SCHOOLS AND DISTRICTS

The DeWine-Husted budget also includes support for information technology. Ohio's 18 Information Technology Centers (ITCs) provide public and nonpublic schools with safe and secure internet connectivity through the state's IT backbone (OARnet) and deliver critical IT functions.

Acknowledging the importance of high-speed broadband, the General Assembly authorized the use of federal COVID relief funds to increase the connectivity provided to every school and district from 10 Gigabits per second to 100. The executive budget recommends an additional \$13.5 million over the biennium to increase cyber security supports, expand disaster recovery capabilities, subsidize building connectivity, and renew the 10-year leases connecting each ITC to OARnet. These additional funds will enhance the security of student data and ensure the safety of our children. The House passed budget affirms most of the increase recommended in the executive budget proposal. The modest adjustments made by the House may limit the ability for the state to launch additional cyber security supports and increase the building connectivity subsidy.

FEDERAL FUNDING

While the largest part of the Department's budget is state-source funds, schools and districts receive a significant amount of federal support through programs, grants, and subsidies, including supplemental support for low-income students, students with disabilities, and child nutrition programs.

Over the last three years, Ohio also has benefited from more than \$7.6 billion in one-time federal COVID relief funds supporting primary and secondary education. More than 90% — or \$6.8 billion — was allocated to schools and districts. These funds were directed by federal law, and local schools have leveraged these one-time resources against the federally prescribed allowable uses. Generally, funds must support preparing for, preventing, and responding to the pandemic. As schools continue to focus on learning acceleration, activities that respond to and help students recover from the pandemic are most critical, and we continue to share resources and best practices for schools to make the best use of these one-time resources. The largest portion of these funds has been used to and will continue to support learning loss activities. Schools also are leveraging funds to support



technology needs, mental health, the continuity of district operations, and strategic, one-time building and facility needs.

The Department maintains a transparency dashboard on our website, which allows the public to see the amount of federal COVID relief funds each school and district has been allocated and what amount has been claimed. Like most federal grants, funds are disbursed on a reimbursement basis. The funds expire in September 2024, with approximately \$2.8 billion (42%) remaining. Our team at the Department works closely with schools and districts to ensure these funds are leveraged against allowable uses and expended in a timely manner. Through a number of spending measures, the General Assembly has appropriated these federal COVID relief funds to ensure the Department can reimburse schools and districts for expenses they incur against these grants. The executive budget appropriates the final \$1.8 billion of federal COVID relief funds in FY24. Attached to my written testimony is a more detailed explanation of these grants and programs.

After federal COVID relief, the second largest source of federal support for schools and districts is funding from the U.S. Department of Agriculture in support of child nutrition programs. The executive budget recommendations include approximately \$775 million in each year of the biennium to support the health, nutrition, and well-being of Ohio's children and ensure that low-income children have access to free or low-cost meals. In addition to these federal resources, the House-passed version of the budget provides additional state support to make school breakfast and lunches free for all students eligible for a reduced-price meal, allowing all low-income students to access free meals at school.

Conclusion

Thank you for the opportunity to present to you today. I would be happy to answer any questions you may have at this time.