

Interested Party Testimony: In House Bill 33, Fully Fund the Fair School Funding Plan
Ohio Senate Finance Committee, May 31, 2023
Jan Resseger, Heights Coalition for Public Education

Chairman Dolan, Vice Chair Cirino, Ranking Member Sykes, and Members of the Ohio Senate Finance Committee:

Continuing the phase-in of the Fair School Funding Plan should be the Ohio Legislature's top priority in the FY 2024-2025 state budget. Ohio House Bill 33, the House Budget, fully funds the next step in the phase in of the Fair School Funding Plan and takes another essential step: updating the data on which the formula is calculated with FY 22 cost numbers to replace dated FY 18 figures. Both steps are necessary.

A state's school finance formula needs to provide adequate funding and to distribute state funding equitably to ensure that school districts with modest property valuation can serve their students just as wealthy communities have the capacity to do. Twenty-six years ago in the *DeRolph* decision, the Ohio Supreme Court declared Ohio school funding inequitably overly reliant on local property taxes. The Fair School Funding Plan was developed to remedy a school funding formula that has become dysfunctional in recent years. In the FY 24-FY 25 state budget, by continuing the next step of the phase-in of the Fair School Funding Plan, the legislature has the opportunity to take another step toward accomplishing adequacy and equity to Ohio school funding.

Two years ago in the state's FY 2022-FY 2023 budget, the Ohio Legislature launched a new Fair School Funding Plan. It was designed to be phased in over six years—three biennial budgets. The new formula's stated purpose was to identify and pay for the per-pupil cost of essential services needed by our state's typical student and to add categorical funding to support students with special needs. Two years ago, however, the Legislature embedded the Fair School Funding Plan into House Bill 110, the state budget, without establishing the new school funding formula in a stand-alone law. In June of 2021, the Legislature basically funded the first two years of the Fair Funding Plan. Today, as the top priority in House Bill 33, the Legislature should take advantage of the state's strong financial situation by continuing the formula's phase-in.

There are, however, several urgently needed corrections and additions.

FIRST: The Fair School Funding Plan was designed to be based on the actual expenses faced by Ohio school districts. In this budget, the formula must be corrected to operate based on FY 22 data instead of old data from FY 18. The House Budget, HB 33, includes the necessary, updated FY 22 cost figures. [Dr. Howard Fleeter, a well-known expert on Ohio School Finance, explains](#) why this is important in an April, 2023 newsletter published by the Ohio Education Policy Institute:

“For the school funding formula to have any integrity as an accurate reflection of the adequate levels of school funding required in Ohio it must be based on current and appropriate data. Annually updating the underlying data will not automatically lead to excessive cost increases for the state. The first point above should be completely straightforward---it is just not defensible to claim that Ohio's funding formula is adequate if the underpinnings of the formula are not the most current data available. The second point requires a bit of explanation, however. Ohio's funding formula can be thought of as having two main parts, with Part 1 being the formula amounts for the base cost and categoricals (adequacy) and Part 2 being the state/local share calculation which determines the share of funding for each district that should come from the state and the share which is expected to come from local resources (equity). Ohio's current funding formula suffers from two deficiencies. First... the adequacy aspect of the formula is constructed from out-of-date data. However, the second deficiency is that the state/local share calculation---which does appropriately rely on current data for both district property wealth and income levels---is updated each year whereas the adequacy parameters for the base cost and categoricals in the funding formula are the same in FY 23 as in FY 22. According to the Ohio Legislative Service Commission, the overall state share of funding in FY 22 was 42.2% which then fell to 39.8% in FY 23. The reason for the decrease in the state share from Year 1 of the formula to Year 2 is that property value and income data which determine the state share for each district were updated... Because

property values and income generally increase from one year to the next, updating the data makes districts appear richer to the funding formula and results in an increased local share of funding and a decreased state share of funding.”

Fleeter summarizes: “It is important... to clarify that updating the property value and income data each year is the correct thing to do. The problem is that updating the data on one side of the formula (the state/local share side) while not updating the data on the other side of the formula (the funding adequacy side) leads to an imbalance in the formula... Again, the issue here is... that *the two sides of the funding formula must move in parallel with one another.*” (emphasis in the original)

If the Ohio Senate refuses to adjust the formula by updating the data on which it is calculated by using FY 2022 cost figures instead of old, 2018 cost numbers, or if the legislature fails fully to fund the next step of the three year phase-in, the Ohio Senate will be transferring responsibility for funding public schools to local school districts. School districts will be forced to cut programming or will be forced try to pass additional local property tax levies to maintain existing programming. Increasing reliance on local school property taxes is inequitable because it places a heavier burden on the school districts that lack sufficient local property valuation. The *DeRolph* decision itself declared overreliance on local property taxes unconstitutional, because districts with lots of property wealth can more easily fund their schools locally.

SECOND: The Fair School Funding Plan was to have included an in-depth, cost-based study of the services needed to support students living in areas of concentrated poverty. To date, the state has neither funded such a study nor conducted it. The House has provided for that cost study in HB 33. That study needs to happen during the FY 24-FY 25 biennium.

THIRD: In the FY 22-FY 23 biennium Disadvantaged Pupil Impact Aid was phased in at a slower rate than the rest of the new formula. To make Ohio school funding fair to the districts serving concentrations of students in poverty, the legislature needs to phase in DPIA at the same rate as the rest of the Fair School Funding Plan.

In a December 2022 report, [Funding Supplemental Services for Economically Disadvantaged Students in Ohio: Analysis and Policy Implications](#), Howard Fleeter and Gregory Browning conducted a preliminary study of the funding of Ohio’s Disadvantaged Pupil Impact Aid (DPIA) under the Fair School Funding Plan. Fleeter and Browning review and accept findings from three 2004 and 2007 economic studies which, “demonstrate that a 30% multiplier for districts with high concentrations of students in poverty is on the low end of the marginal cost shown by educational research.” Fleeter and Browning define necessary services to include: “district-provided preschool programming and primary grade reading intervention... supplemental supports such as after-school programming, summer school and high school credit recovery;... and health and wellness supports, including school counselors and nurses, school-based health clinics and in-house behavioral health services.”

While the Fair School Funding Plan is supposed to be cost-based, Fleeter and Browning explain that in the last budget, the state phased in an additional \$422 per pupil for Disadvantaged Pupil Impact Aid without considering what school districts actually must spend to address the needs of their students: “(T)he mathematics behind the \$422 per pupil figure are based on a **30% increase over the prior \$6,020 per pupil base cost amount for non-disadvantaged students**. Under Ohio’s new state aid formula, the state average base cost—which is intended to reflect the cost of educating the ‘typical student in the typical school district’ is **\$7,349**. 30% of this figure is \$2,205, a nearly \$400 increase over the \$1,806 per pupil from which the \$422 per pupil base DPIA figure is derived.” (emphasis in the original)

Under the Fair School Funding Plan, the state has promised to support school districts serving poor children with added Disadvantaged Pupil Impact Aid, but phased in increases for DPIA at a slower rate than the phase-in of the rest of the plan. Fleeter and Browning explain: “There was zero increase in DPIA funding in FY 22 and only a 14% phase-in in FY 23. All other components of the formula were phased in at a 16.67% rate in FY 22 and a 33.33% rate in FY 23.” Clearly the Legislature should phase in DPIA at the same rate as the phase-in of the rest of the plan.

Fleeter and Browning add that over time, the amount of funds allocated to Disadvantaged Pupil Impact Aid has lagged at the same time the number of poor students who need the services has grown considerably: “(F)rom 2001 through 2021 total state aid for economically disadvantaged students has increased by 23.3%... while the number of economically disadvantaged students has increased by 57.5%....”

David Sciarra is a respected school finance expert who has served as the Executive Director of the Education Law Center for 26 years. [Sciarra, recently published a paper](#) affirming the importance of the kind of work you are doing in the Ohio Legislature right now to correct and continue to phase in the new school funding formula which Ohio has needed for a long time:

“To be equitable, school systems must be supported by a state funding formula explicitly designed to achieve a core objective: providing the resources required to deliver a rich and comprehensive K-12 curriculum to all students, as well as the additional resources required to address the extra-academic and academically related needs generated by student poverty, English learner status, disability, homelessness, and other factors. A ‘weighted’ student funding formula, however, must be built upon research determinations of the actual costs of essential educational resources, not by political and budgetary considerations.” Sciarra adds: “Where legislators have responded by targeting increased funding to high need, low wealth districts, research now convincingly demonstrates that the boost in spending yields measurable improvements in achievement levels and other key outcomes for students, especially in schools isolated by race and socioeconomics.”