



# THE FAIR SCHOOL FUNDING PLAN

## House Finance Committee

### House Bill 96

### Fair School Funding Plan WorkGroup

**March 11, 2025**

Chair Stewart, Vice Chair Dovilla, Ranking Member Sweeney, and members of the House Finance Committee, thank you for the opportunity to testify today on House Bill (HB) 96, the biennial budget. My name is Michael Hanlon, Superintendent of Chardon Local Schools. Joining me today is Ryan Pendleton, Executive Director of Shared Services Alliance, a partnership of Educational Services Centers to provide finance and operations services to school districts.

**Our Pledge** - For the past seven plus years, a WorkGroup of more than 25 dedicated Ohio educators developed and helped implement the first four years of Ohio's Fair School Funding Plan (FSFP). This plan stands as the state's only K-12 school funding formula designed exclusively by those who best know the educational needs of Ohio's youth: experienced Ohio educators. Our sole focus is ensuring the formula remains in law and functions as intended, respecting and protecting the delicate balance between the local and state share.

Now, that same group of educators is focused on ensuring that the Fair School Funding Plan remains permanently in law and continues to supply the resources necessary to provide every Ohio public school student a high quality educational opportunity.

**Acknowledgement of State's Revenue Position** - Ohio's revenue position presents a significant challenge in this budget cycle, with less state money available due to tax cuts and economic shifts. As the state navigates financial challenges, it is essential that we work together to find solutions that protect local communities. Maintaining a strong state commitment to K-12 education funding ensures that we do not place an undue burden on schools and families. Without strategic adjustments—such as updating base cost inputs—we risk deepening inequities and forcing districts to rely even more than ever before on local property taxes to cover essential educational costs.

We recognize that we cannot fund everything at once, and given the state's financial constraints, we have deliberately held off on requesting most funding increases for categorical programs. This is not a decision to undervalue the needs of students, but rather a recognition that ensuring the foundation of the funding formula is sound must come first. If we fail to update base cost

inputs and maintain formula integrity, we risk shifting even more of the financial burden onto local taxpayers.

The Governor's budget presents a concerning shift in education funding, where over 80 percent of Ohio's school districts are deemed wealthier in FY26 and FY27, and over half of them will see a decrease in state funding. This is not due to declining student needs but rather the failure to update base cost inputs, which directly impacts the state share calculation. While 90 percent of Ohio's students attend traditional public schools, these districts receive only 76 percent of total funding, a growing imbalance that places greater financial pressure on local taxpayers. Meanwhile, the state's voucher program, as well as charter and STEM schools, will see double-digit funding increases, redirecting state resources away from the vast majority of students.

District Type	Estimated Aid FY25	Estimated Aid FY26	Estimated Aid FY27	\$ Change FY25-FY26	\$ Change FY26-FY27	Total \$ Biennium	% Change FY25-FY26	% Change FY26-FY27	Total % Biennium
Traditional School District Total	\$ 8,117,867,807	\$ 8,086,253,884	\$ 8,046,093,273	\$ (31,613,923)	\$ (40,160,611)	\$ (71,774,534)	-0.4%	-0.5%	-0.9%
Community and STEM School Total	\$ 1,270,342,620	\$ 1,343,962,202	\$ 1,418,472,481	\$ 73,619,582	\$ 74,510,279	\$ 148,129,861	5.8%	5.5%	11.3%
Joint Vocational School District Total	\$ 497,162,500	\$ 540,748,626	\$ 569,845,505	\$ 43,586,126	\$ 29,096,879	\$ 72,683,005	8.8%	5.4%	14.1%
Scholarships	\$ 1,074,355,491	\$ 1,162,953,873	\$ 1,251,144,347	\$ 88,598,382	\$ 88,190,474	\$ 176,788,856	8.2%	7.6%	15.8%

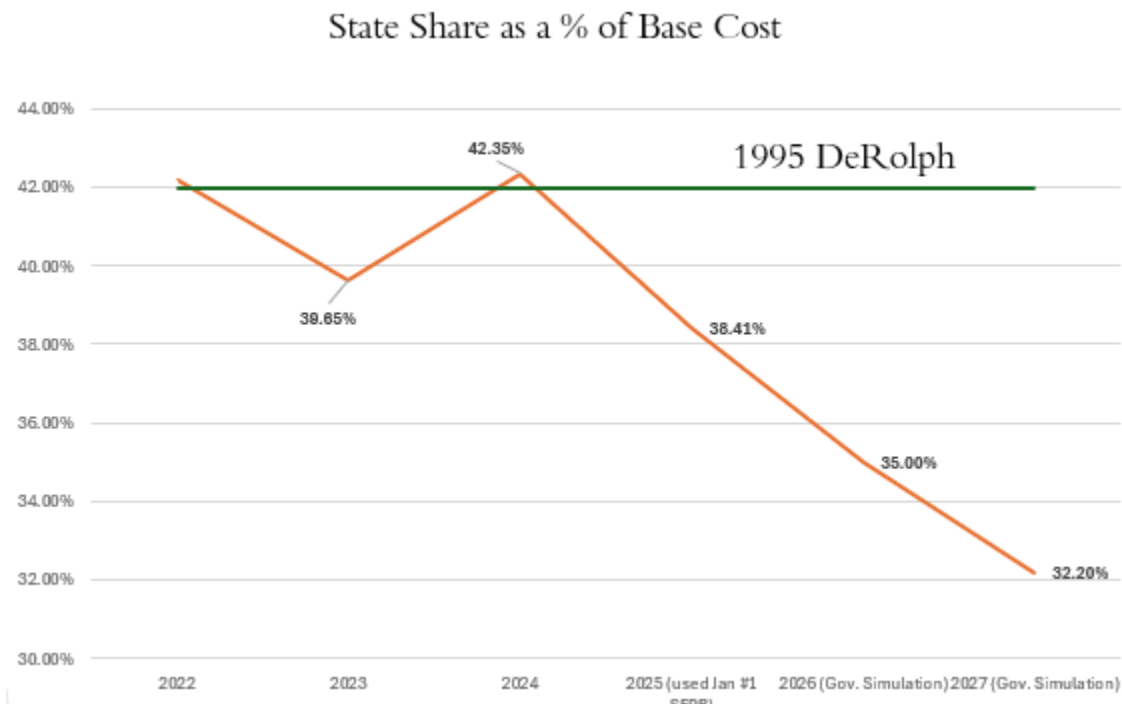
**Consequences** - The number of Ohio school districts receiving the minimum 10 percent state share is growing at an alarming rate, increasing from 63 districts in FY24 to a projected 131 by FY27. This dramatic rise is not due to districts actually becoming wealthier, but rather a result of the state's failure to update base cost inputs in the funding formula. As property valuations and income levels are automatically updated, but education costs remain outdated, more districts are pushed toward the minimum state share threshold—making them appear wealthier than they truly are. This miscalculation forces local taxpayers to shoulder a greater financial burden, further shifting the cost of education away from the state.

# of Districts on the Funding Formula Minimum						
	FY22	FY23	FY24	FY25	FY26	FY27
5%	46	56				
10%			63	75	103	131
Between 10% & 15%			9	18	20	26

**Tax Burden Shift** - The matter of who pays for K-12 education in Ohio remains an ongoing constitutional concern, and this chart makes it clear: the state's share of education funding is

rapidly declining, shifting more of the burden onto local taxpayers. As the state share falls from 42.35 percent in 2024 to a projected 32.2 percent by 2027, communities will be forced to raise local taxes or cut essential programs—exacerbating funding inequities. Without action to update base cost inputs and restore balance, the State of Ohio risks failing its constitutional obligation to fairly and adequately fund public education.

As the chart shows, the state's share of education funding is steadily declining, forcing local communities to make up the difference through increased property taxes and levies. Updating base cost inputs is not just a funding adjustment—it is a form of tax relief, ensuring that the state pays its fair share rather than shifting the burden onto local taxpayers. By keeping the formula accurate and balanced, we can prevent unnecessary local tax increases and maintain a fair distribution of education costs across Ohio



**Ohio's Funding Models** - Ohio's school funding system has undergone multiple shifts over the past few decades, often lacking a clear, research-based approach to determining the actual cost of education. From FY90 to FY98, the state relied on Residual Budgeting, setting funding levels without considering real education costs, which led to growing local burdens and persistent inequities. The Successful Schools Model (FY99-FY01) attempted an outcomes-based approach, using 18 performance measures to determine an adequate base cost, which phased up to \$4,294 per pupil. This evolved into the Modified Augenblick Model (FY02-FY05) under HB 94, expanding criteria to 27 measures, raising the base cost to \$4,814 per pupil, and introducing Parity Aid to assist low-wealth districts.

In FY06-FY09, Ohio adopted a Building Blocks model, shifting toward an inputs-based formula that tied funding to specific educational components. This resulted in a foundation level of \$5,565 per pupil in FY08, rising to \$5,732 in FY09. Governor Strickland's Evidence-Based Model (FY10-FY11) expanded this further, introducing organizational units and lowering the chargeoff rate to 22 mills. However, this was abandoned in FY12-FY13 under the Kasich administration, which introduced the Bridge Formula, effectively freezing funding at FY11 levels while eliminating federal stimulus dollars. From FY14-FY19, Ohio reverted to Residual Budgeting, once again lacking an adequacy-based methodology. By FY19, the per-pupil amount had increased to \$6,020, yet foundation aid grew only 5 percent between FY09 and FY19, while the Consumer Price Index (CPI) increased by 19 percent over the same period—demonstrating a clear funding gap.

Ohio's funding history reveals a pattern of instability and short-term policy shifts, failing to create a sustainable, student-centered approach. These inconsistencies have disproportionately impacted low-wealth and rural districts, making it clear that the state needs a stable, fair, and predictable funding model to ensure all students have access to a high-quality education.

Through these shifts, one thing has become clear: an inputs-based, actual-cost methodology is the best approach for ensuring fair and sustainable school funding in Ohio. Rather than relying on outdated formulas or political compromises, the state must fund education based on what it truly costs to provide students with the resources they need to succeed. A predictable, research-based model will ensure that no district is left behind and that all Ohio students—regardless of zip code—have access to a high-quality education.

**Roadmap** - For the first time in modern history, Ohio lawmakers have a comprehensive review and a full set of resources at their fingertips to guide school funding decisions. The Fair School Funding Plan is Ohio's funding formula, established in law and overwhelmingly approved by both Democrats and Republicans with the authorization of HB 110 in 2021 and again with HB 33. This roadmap provides a data-driven, research-based approach to funding education, ensuring that financial decisions reflect the real costs of providing a high-quality education to all students.

If we fail to evaluate, update, and follow through, we risk undoing years of progress. Without a commitment to maintaining and improving the formula, Ohio could once again fall into the cycle of constantly changing, short-term funding models—just as we did in the past, when the state operated under six different formulas in a short span. We now have the tools and the research to make fair and sustainable school funding a reality. The question is: Will we stay the course, or will we allow history to repeat itself?

**Studies** - The comprehensive studies conducted on Ohio's school funding system provide a critical roadmap for ensuring a fair, sustainable, and needs-based approach to education funding. These studies—both external and internal—have examined key areas of the funding formula,

offering data-driven insights and actionable recommendations that policymakers must now use to shape Ohio's long-term school funding strategy.

Among the external studies, the Special Education Study (Nov. 2022) reviewed and updated procedures, practices, and cost determinations, ensuring equitable funding for students with special needs. The English Learners Study (Dec. 2022) examined classifications, services, and cost analysis to better support non-native English speakers. The Gifted Services Study (Dec. 2022) explored how to incentivize the adoption of gifted programs in smaller and rural districts. Additionally, the E-Schools Investigation (Dec. 2022) assessed operational differences and cost calculations for online education programs.

The internal studies provided further insights into specific funding areas. The Gifted Funding Review (Dec. 2022) focused on improving accountability in how gifted education funds are spent. The College Credit Plus Study (Dec. 2022) evaluated the effectiveness of Ohio's dual enrollment program, ensuring it meets both student and institutional needs. The Community School Funding Study (Dec. 2022) engaged with community school operators to gain a deeper understanding of funding challenges. Lastly, the ESC Cost Study (Dec. 2022) was conducted in partnership with the State Auditor to examine the financial operations of Educational Service Centers (ESCs) and their impact on local districts.

We understand that state resources are limited, but these studies represent significant progress in shaping a long-term, cost-based funding approach. For the first time, lawmakers have a research-backed roadmap at their fingertips, ensuring decisions are made based on actual costs rather than arbitrary formulas. If we fail to act, we risk returning to the unstable, inconsistent funding cycles of the past. Instead, Ohio must seize this opportunity to implement the findings of these studies, refine the funding model, and commit to an education system that serves all students equitably—regardless of where they live.

**Priorities** - Ohio stands at a pivotal moment in school funding reform. We now have comprehensive research, detailed funding studies, and a roadmap to ensure every student in Ohio has access to a fully funded and equitable education system. However, without decisive action in this biennial budget, we risk undoing the progress made and allowing educational inequities to widen. The following recommendations are essential to stabilizing and strengthening the Fair School Funding Plan and ensuring long-term funding predictability for Ohio's schools.

#### 1. Complete the Phase-In of the Fair School Funding Plan

The Fair School Funding Plan was designed as a multi-year solution, yet delays in full implementation have already forced more districts off the formula, creating uncertainty for schools and communities. To prevent further disruptions, we recommend completing the phase-in at 83 percent in FY26 and 100 percent in FY27.

#### 2. Update Base Cost Inputs for FY26 and FY27

Ohio's school funding formula depends on accurate property valuations, enrollment data, and base cost inputs to function effectively. Without annual updates, the formula becomes imbalanced, shifting more financial responsibility onto local taxpayers. The recommendation is to use FY24 data for FY26 and FY27, while holding enrollment and property values constant if full updates are not feasible.

### 3. Establish a Permanent Educational Service Center (ESC) Formula

ESCs play a critical role in providing services to school districts, particularly in rural areas, yet their funding remains unpredictable. We recommend adopting a tiered funding model based on FY24 data, which accounts for economies of scale, ensures operational stability, and secures adequate resources for all ESCs, regardless of size.

### 4. Strategic Adjustments to Categorical Funding

Beyond base funding, targeted categorical funding areas require adjustments to reflect actual costs and student needs:

**Disadvantaged Pupil Impact Aid (DPIA):** Adjustments are needed to address eligibility shifts caused by the Community Eligibility Provision (CEP).

**Transportation:** Increase Non-Traditional Rider Weights to reflect the higher costs of transporting private, community, and STEM school students.

Implement operational improvements to enhance efficiency and compliance.

**Special Education:** Implement funding categories recommended in the latest cost study, ensuring state funding aligns with actual student service costs.

**Beyond the Biennial Budget:** Setting the course for long-term stability

The state must continue to refine and improve its funding mechanisms beyond this budget cycle. We recommend:

**Creating a Pupil Transportation Working Group:** Convened by the Ohio Department of Education and Workforce (ODEW), this group would include representatives from public schools, ESCs, community schools, and chartered non-public schools to recommend system-wide improvements.

**Enhancing Categorical Funding:** Using comprehensive studies to update funding for special education, DPIA, transportation, gifted education, career-tech, early childhood, English learners, community/STEM schools, and ESCs to ensure these resources accurately reflect actual service costs.

**Conclusion:** A Commitment to a Fair and Sustainable Future

The Governor's budget proposal fails to meet the constitutional standard set by the DeRolph rulings, which required Ohio to reduce its overreliance on local property taxes and ensure a 'thorough and efficient' system of public education. By allowing the state share of funding to decline while shifting more costs onto local taxpayers, this budget moves Ohio further away from the equitable funding system the court mandated—deepening disparities rather than addressing them.

We recognize that in this budget cycle, we cannot fund everything at once. Tough choices must be made, and our recommendations reflect a balanced, responsible approach that prioritizes stabilizing the funding formula while acknowledging fiscal constraints. By updating base cost inputs, strengthening ESC funding, and making strategic adjustments to categorical funding, Ohio can deliver a stable, predictable, and equitable school funding system. If we fail to act, we risk returning to a system that neglects the true cost of education and forces local communities to bear an even greater financial burden.

Thank you for the opportunity to testify. We would be happy to answer any questions you may have.