



THE FAIR SCHOOL FUNDING PLAN

Senate Education Committee

House Bill 96

Fair School Funding Plan WorkGroup

May 7, 2025

Chair Brenner, Vice Chair Blessing, Ranking Member Ingram, and members of the Senate Education 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)—the state's only K-12 school funding formula designed exclusively by those who best understand the educational needs of Ohio's youth. Our goal is to ensure every Ohio student receives a high-quality education through a transparent, research-based funding model that upholds the Ohio Constitution by balancing state and local responsibilities and adapting to students' needs. Today, the WorkGroup remains committed to securing the FSFP's place in law and ensuring it evolves with Ohio's educational landscape.

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, and specifically their educational institutions. 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 specific needs of many 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.

GOVERNOR'S PROPOSED BUDGET

We thank Governor DeWine for including the Fair School Funding Plan's final phase-in in his proposed budget, affirming his continued commitment to a student-centered approach—but we are concerned that the formula's integrity is compromised by the failure to update key cost inputs. The Governor's budget presented 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 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 public charter and STEM schools, will benefit from double-digit funding increases, redirecting state resources away from the vast majority of students.

HOUSE-PASSED VERSION OF HB 96

The House-passed version of HB 96 significantly alters Ohio's approach to school funding and introduces provisions that would disrupt long-term fiscal planning, weaken formula integrity, and shift more financial responsibility to local taxpayers.

The House version replaces the formula's intended phase-in with temporary 'bridge funding,' effectively sidelining the statutory formula and disrupting the path toward full implementation. This change undermines the predictability and transparency that the formula was designed to achieve. Without continuing the phase-in using updated base cost inputs, the formula's state share calculation becomes distorted—misrepresenting both district capacity and student need.

At the same time, other provisions in the House version—such as the 30% cash balance cap and the elimination of the five-year forecast—introduce further fiscal instability. These changes would undermine board-adopted financial practices, reduce transparency with local voters, and force many districts to consider premature or repeated levy attempts just to maintain solvency.

While the House version includes thoughtful components, such as the creation of a Student Transportation WorkGroup, the cumulative effect of its funding and policy changes would be a step backward from the progress made under the Fair School Funding Plan. It reduces the formula's responsiveness to real-time economic conditions and jeopardizes the shared responsibility between the state and local communities that lies at the heart of equitable school funding envisioned in Ohio's Constitution.

CONSEQUENCES

Figure 1 highlights 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.

Figure 1

Traditional Schools Districts Transitioning to the Funding Floor

# 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

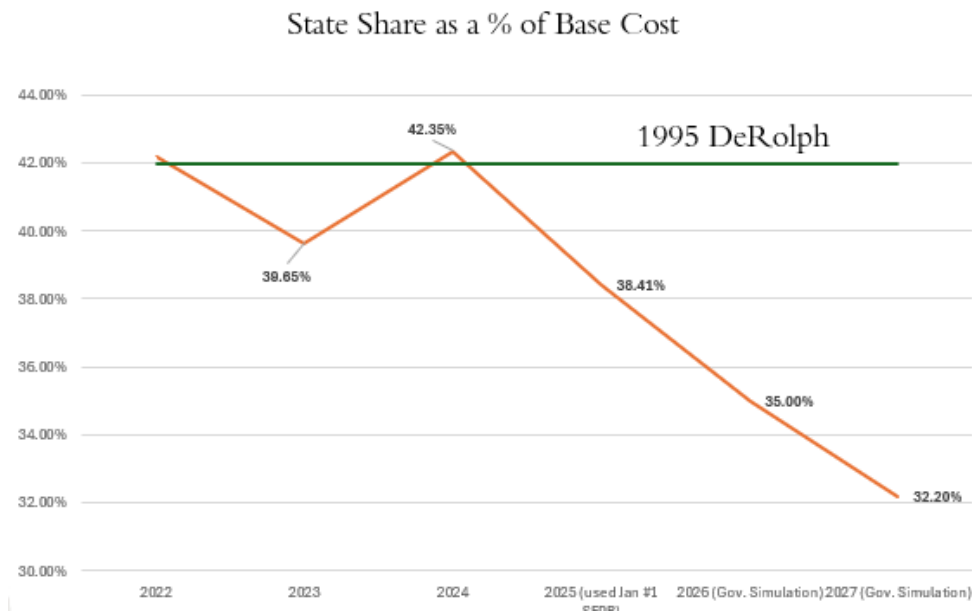
TAX BURDEN SHIFT

The matter of who pays for K-12 education in Ohio remains an ongoing constitutional concern. Figure 2 demonstrates the alarming decline in the state’s share of education funding, rapidly 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. 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 property tax increases and maintain a fair distribution of education costs across Ohio.

Figure 2

Historical View of State Share as a Percentage of Base Cost Funding FY22 - FY24



HISTORY OF OHIO'S SCHOOL 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.

A SCHOOL FUNDING 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 in 2023. This roadmap provides a data-driven, research/student needs-based approach to funding education, ensuring that financial decisions reflect the real costs of providing a high-quality education to all students.

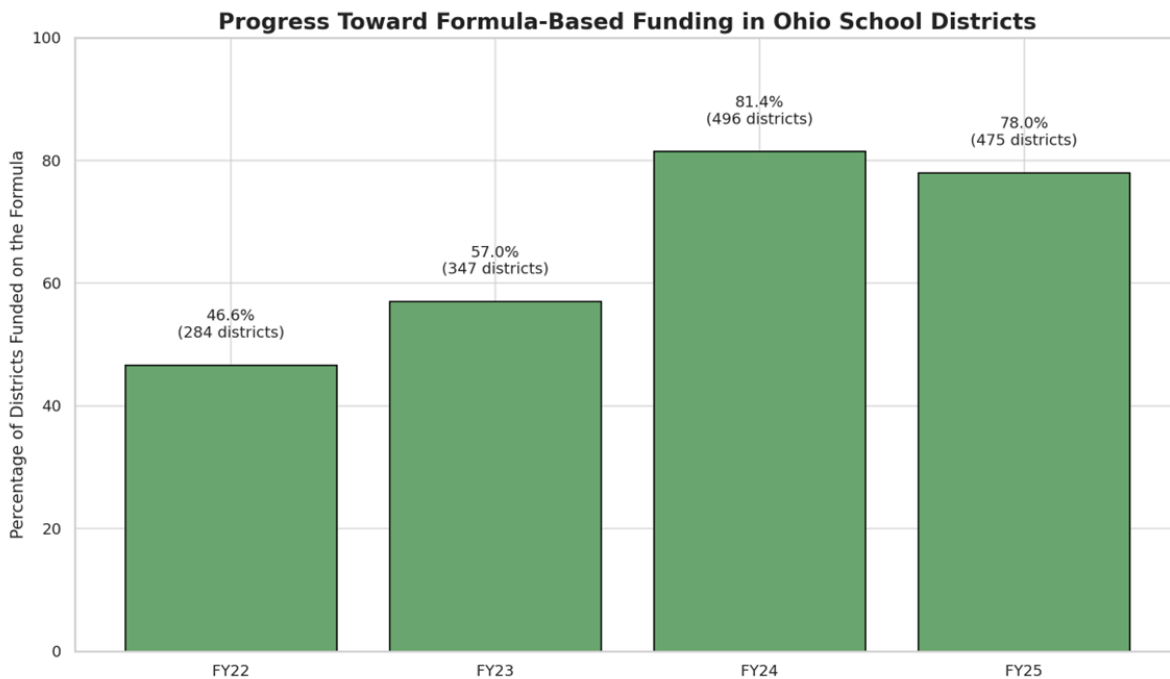
If we fail to evaluate, update, and follow through, we risk undoing years of progress. Without a commitment to maintaining and improving the formula, Ohio could once again fall into the cycle of constantly changing, short-term funding models—just as we did in the past, when the state operated under six different formulas in a span of approximately 20 years. 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?

SUCCESSSES OF THE FAIR SCHOOL FUNDING FORMULA

Figure 3 illustrates the momentum Ohio had in transitioning districts onto the Fair School Funding Formula and solidifying a true formula-based funding approach. From FY22 to FY24, the number of districts funded through the formula grew by more than 210 districts. But the House-passed version of HB 96 reverses that trend, pushing all districts back onto guarantees and stalling our progress toward a stable system.

Figure 3

Percentage of Ohio School Districts Receiving Formula-Based Funding FY22 - FY24



CATEGORICAL 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. The following recommendations are essential to stabilizing and strengthening the Fair School Funding Plan and ensuring long-term funding predictability for Ohio's schools.

In a perfect world of available resources we would sustain the formula with completion of the phase-in, updated inputs and making strategic inroads with categorical funding. We recognize that a perfect world does not exist and decisions must be made in order to maintain a workable funding formula for Ohio's schools.

The WorkGroup evaluated feedback from the legislature and is recommending the following considerations:

1. Modify 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. Nevertheless, we recommend further extending the phase-in to four (4) years with suggested levels of 75 percent in FY26 and 85 percent in FY27.

2. Update Base Cost Inputs for FY26 and FY27: A Balanced and Responsible Approach

Ohio's school funding formula is built on the principle of shared responsibility between the state and local communities, using a combination of local capacity measures (like property valuations and income data) and base cost inputs that represent the actual cost of educating a student. For the formula to function fairly and predictably, all components must be consistently updated to reflect current economic and educational conditions.

However, under the current budget proposal, local share components are scheduled for update in FY26 and FY27, while base cost inputs remain frozen. This creates a structural imbalance in the formula. It artificially inflates the perceived local capacity to pay without adjusting for rising educational costs—resulting in reduced state aid for many districts, regardless of student needs.

To preserve the formula’s integrity and ensure it remains responsive, we respectfully recommend the following:

- Use FY23 base cost input data in FY26 and FY24 data in FY27 as a transitional update for FY26 and FY27 if full recalculation is not feasible in the current biennium.
- Hold enrollment and property valuation data constant if base cost updates cannot occur—ensuring no single variable is disproportionately adjusted.
- Commit to full recalibration of both base cost and capacity inputs in the next biennial budget, aligning all formula elements with current cost realities.

This adjusted approach would protect the formula’s balance, maintain stability for local districts, and prevent a sudden shift in financial responsibility to local taxpayers. School districts plan years in advance, state funding models must do the same. A phased, consistent approach to input updates is essential to preserving equity and predictability across Ohio’s public education system.

3. Implement a Targeted and Equitable DPIA Funding Model

The current calculation of Disadvantaged Pupil Impact Aid (DPIA) under the Community Eligibility Program (CEP) distorts funding distributions—allocating state resources based on schoolwide eligibility rather than individual student need. This approach overstates economically disadvantaged counts in some districts while under-resourcing others with higher concentrations of need. We support transitioning to a Direct Certification model to more accurately reflect student-level economic disadvantage. This change would ensure DPIA dollars are targeted where they are most needed, reaching the students the program is intended to support.

To responsibly implement this transition, we recommend:

- Establish a step-down mechanism for districts currently benefiting from CEP inflation, avoiding abrupt fiscal cliffs;
- Increase the per-pupil DPIA amount to reflect the more accurate, targeted population identified through Direct Certification;
- Reinvest savings from CEP overfunding back into DPIA and Base Cost funding—rather than reducing overall support.

This transition, if implemented with the proper safeguards and reinvestment strategy, could redirect an estimated \$400 million to districts and students with the greatest need—improving equity, transparency, and impact across Ohio’s public schools.

4. Temporary Transitional Aid - Guarantees

The WorkGroup recognizes the ongoing interest in addressing the impact of Temporary Transitional Aid, often referred to as "guarantee" funding, on Ohio’s school funding framework. Previous recommendations emphasized that any reductions to guarantee funding should occur only after the Fair School Funding Plan (FSFP) had been fully phased in.

To honor that principle while continuing to improve funding equity, the WorkGroup now recommends that Temporary Transitional Aid be reduced to 95 percent of each district’s FY25 level, applied only to the guarantee portion of state funding, not a district’s total state aid allocation. To illustrate, Chardon Local Schools (Geauga) receives approximately \$5,850,000 in total state aid with \$1,300,000 in “guaranteed” funding. The proposed 95 percent factor would apply only to the guaranteed amount. This approach ensures that reductions are targeted to the non-formula portion of funding - preserving calculated state foundation aid under the FSFP while gradually reducing reliance on transitional supports.

5. Modify Minimum Floor Funding for High-Capacity Districts

Maintaining some level of state funding in all districts, including those with the highest local capacity, is a Constitutional consideration. The WorkGroup recommends an increase in the state share “floor” (currently 10 percent of the average per pupil base cost) to the per pupil amount per year paid to chartered non-public schools for Auxiliary and Administrative Services funding.

6. Strategic Adjustments to Categorical and Other Funding

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

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

- **Create 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.
- **Enhance 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.
- **Eliminate Cash Balance Caps:** Cash balances are part of responsible fiscal planning for public school districts. Maintaining a balance ensures that districts keep up with the cost of inflation and navigate unforeseen circumstances without impacting students' educational experiences. Eliminate the cash balance proposal to maintain local control of school district financial planning.

School districts across Ohio are communicating with their stakeholders concerning the adverse impact of the cash balance proposal on their fiscal operations demonstrating that this one-time tax reduction will create a reduced ability for district's to effectively plan for future programs, impact the ability to respond to unforeseen contingencies, and ultimately limit school district operating levy cycles to as short as every two years. The intended tax reform actually results in a one-time tax rebate followed by a tax burden shift to local property taxpayers. An example of one district's story is linked [HERE](#).

CONCLUSION: A COMMITMENT TO EQUITY, STABILITY, AND SHARED RESPONSIBILITY IN SCHOOL FUNDING

Ohio stands at a crossroads in public school funding. While we acknowledge the state's current fiscal constraints, we urge lawmakers to stay the course on a formula that is grounded in research, transparency, and real-world educational costs. The Fair School Funding Plan provides a stable and student-centered roadmap. To deviate from it now risks undoing years of progress, shifting more burden onto local taxpayers and returning to a time in the state's history when school districts were not on any funding formula.

The WorkGroup's recommendations reflect a balanced and responsible path forward. We recognize that not all components can be fully funded in this budget cycle, but we must protect the core of the formula. By updating base cost inputs with relevant data, refining DPIA through a

targeted Direct Certification model, responsibly phasing down Temporary Transitional Aid, and continuing strategic investments in categorical supports like special education and ESCs, Ohio can preserve the formula's integrity and ensure long-term sustainability.

This is not just a matter of numbers—it's a matter of constitutional responsibility and public trust. Our students, families, and communities deserve a funding system that is fair, predictable, and built to last. We urge this committee to adopt these recommendations and affirm the state's commitment to a high-quality education for all Ohio students, regardless of where they live.