



THE FAIR SCHOOL FUNDING PLAN

Senate Finance Committee

House Bill 96

Fair School Funding Plan WorkGroup

May 27, 2025

Chair Cirino, Vice Chair Chavez, Ranking Member Hicks-Hudson, and members of the Senate 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.

House passed version of HB 96 - 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 percent cash balance cap and the elimination of the five-year forecast introduce further fiscal instability. These changes would diminish board-adopted financial practices, reduce transparency with local voters, and force many districts to consider premature or repeated levy attempts just to maintain solvent.

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 Ohio 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 in Ohio.

Consequences - Figure 1 demonstrates 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

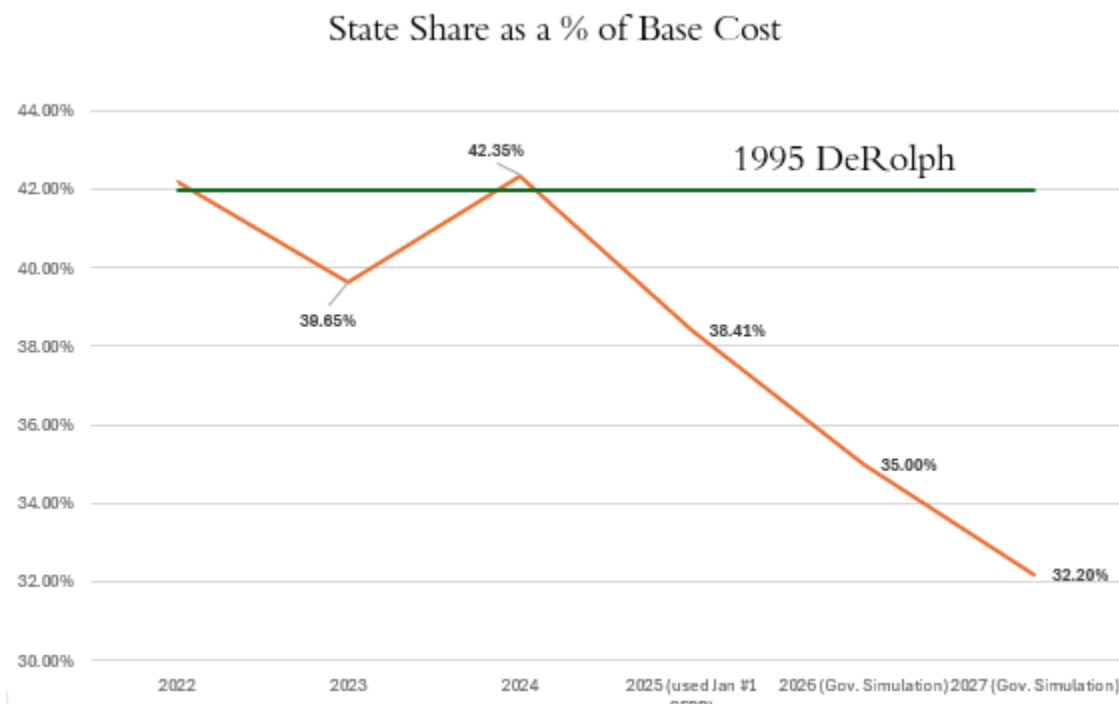
Tax Burden Shift - The matter of who pays for K-12 education in Ohio remains an ongoing constitutional concern, and Figure 2 makes it clear: the state's share of education funding is rapidly declining, shifting more of the burden onto local taxpayers. As the state share falls from 42.35 percent in 2024 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.

The steady decline in the state's share of education funding, forces 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.

Figure 2

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



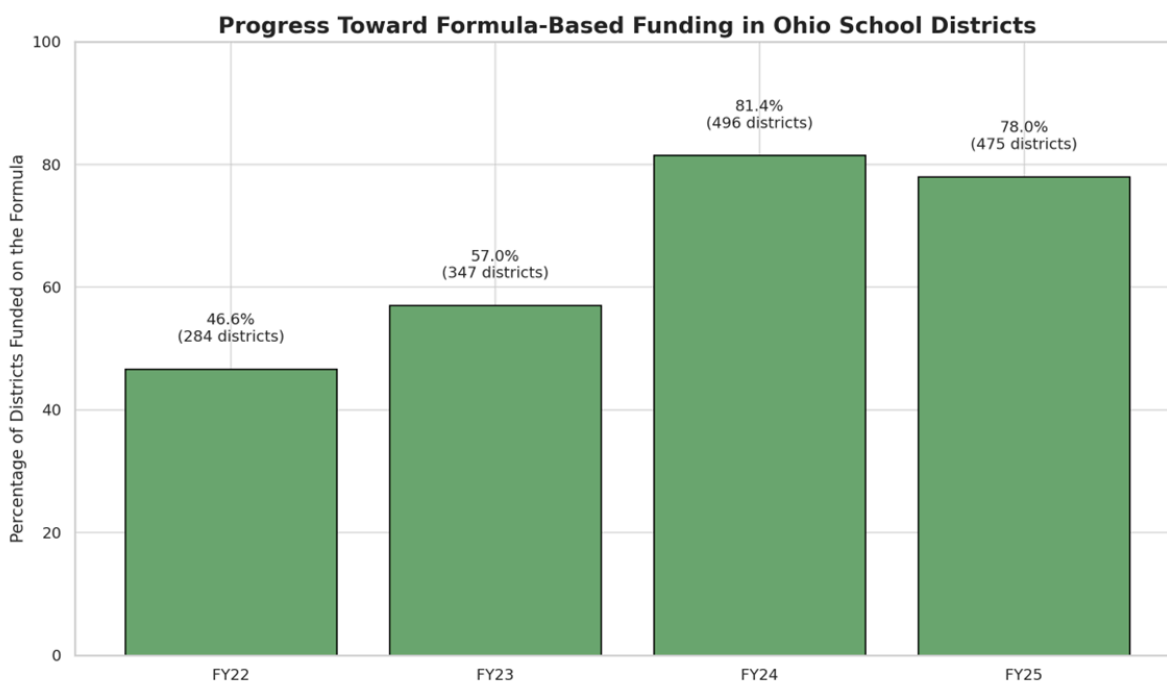
Roadmap - For the first time in modern history, Ohio lawmakers have a comprehensive review and a full set of resources at their fingertips to guide school funding decisions. The Fair School Funding Plan is Ohio’s funding formula, established in law and overwhelmingly approved by both Democrats and Republicans 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?

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

Figure 3

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



Priorities

The Fair School Funding Plan is the only funding structure in Ohio law that is based on the actual cost of educating a student. Every dollar it distributes is tied to student needs, grounded in sound methodology, and designed to ensure equity, predictability, and sustainability. The House plan strips that away.

The House proposal eliminates any connection between funding and the real cost of education. It provides no structure, no phase-ins, and no protection against inflation. It ensures that as costs rise, the state's share will decline and local taxpayers will once again be forced to shoulder the burden.

We are making our final public appeal now because the stakes could not be higher. The FSFP is in law. It works. And it can be funded with approximately the same dollars already appropriated

by the House. This is our last, best chance to deliver a school funding system that is constitutional, student-centered, and future-focused.

Fair School Funding Plan: Priorities

1. Align All Formula Inputs

Ohio's school funding formula depends on a careful balance between base cost inputs, representing the actual cost of educating students and local capacity data, including property values, income, and enrollment. When base cost inputs are not fully updated while local capacity data continues to be refreshed, the formula becomes structurally imbalanced. This imbalance overstates a district's ability to contribute locally and fails to reflect rising educational costs due to inflation.

To restore balance and ensure the formula reflects current realities, we support the following:

- **Use FY23 base cost inputs in FY26**
- **Use FY24 base cost inputs in FY27**

To maintain the integrity and predictability of the formula, we further recommend:

- **Holding enrollment and valuation data constant** in any year base cost inputs are not updated, to prevent disproportionate shifts in funding.
- **Committing to a full recalibration** of both base cost and local share in the next biennial budget cycle.

This approach promotes fairness, accuracy, and long-term sustainability in Ohio's school funding system.

2. Extend the Formula Phase-In

The Fair School Funding Plan was originally designed with a six-year phase-in schedule. In light of current fiscal constraints, we ask the General Assembly to maintain, but extend the phase-in using the following benchmarks. This approach provides a clear, reasonable timeline that balances fiscal responsibility with the educational needs of Ohio's students:

- **Phase-in at 75% in FY26**
- **Phase-in at 83.335% in FY27**

This extended timeline ensures continued progress toward full implementation of the formula while recognizing the state's budgetary realities.

3. Restructure Economically-Disadvantaged Funding

Disadvantaged Pupil Impact Aid (DPIA) is a vital funding stream for districts serving economically disadvantaged students. However, under the current structure, largely carried over from the prior formula, the Community Eligibility Provision (CEP) directs \$290 million (38 percent of DPIA expenditures in FY25) to students who do *not* qualify as economically disadvantaged under Direct Certification. This misalignment necessitates a thoughtful restructuring to improve %accuracy, transparency, and equity, ensuring that state dollars are targeted to the students who need them most.

We support the following reforms to DPIA:

- **Adopt Direct Certification** as the standard for identifying economically disadvantaged students to ensure more precise and verifiable eligibility.
- **Increase DPIA per-pupil funding** to \$528 in FY26 and \$633 in FY27 (up from \$422).
- **Revise the economically disadvantaged index** by applying the square of a district's economically disadvantaged percentage divided by 50 percent, to better reflect concentrated poverty.
- **Implement a transitional supplement** in FY26 for CEP districts to ensure a smooth adjustment (step-down) to the new methodology.

Together, these changes will strengthen DPIA's core mission providing targeted support to Ohio's most vulnerable students while responsibly redirecting approximately \$450 million over the biennium to support all students through updated base cost calculations and continued phase-in of the Fair School Funding Plan.

4. Protect Minimum State Support in High-Capacity Districts

We support increasing the minimum state share to reflect the average level of Administrative and Auxiliary Services funding provided to nonpublic schools. This adjustment promotes basic equity and ensures all public school districts receive a comparable baseline of state support.

5. Establish a Stable ESC Funding Formula

Educational Service Centers (ESCs) are vital partners in delivering cost-effective services and shared programs especially for rural and small districts. Despite their essential role, ESC funding remains inconsistent and unpredictable. To enhance stability, equity, and sustainability for ESCs of all sizes, we support the following adjustments:

- **Increase the ESC base funding level**, and

- **Adopt a tiered funding model** based on FY24 enrollment, with lower per-pupil allocations for larger ESCs.

This approach acknowledges the diverse needs of ESCs while promoting a fair and dependable funding structure.

Conclusion: A Commitment to Equity, Stability, and Shared Responsibility

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 and shifting more burden onto local taxpayers.

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, maintaining but extending the phase-in period, refining DPIA through a targeted Direct Certification model, 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.

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