

Ohio House Finance Subcommittee on Primary and Secondary Education

House Bill 1

Testimony in Support of the Proposed Fair Funding Plan for Ohio's Schools – Summary

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Chair Richardson, Ranking Minority Member Troy, and members of the House Finance Subcommittee on Primary and Secondary Education. Thank you for allowing me the opportunity to testify today in support of the Fair School Funding Plan and its recommendations for House Bill 1. My name is Tom Hosler and I am the superintendent of Perrysburg Schools, located in Wood County in Northwest Ohio. I have been honored to serve as co-chairperson of the Base Cost Subcommittee of the Cupp-Patterson Fair School Funding Workgroup along with Akron Public Schools Treasurer Ryan Pendleton over the past three years. Today, I am offering testimony in support of the proposed Fair Funding Plan for Ohio's schools.

Introduction

On September 21, 2013 in the Horseshoe, The Ohio State University Buckeyes defeated the Florida A.M. Rattlers by 76 points. It was the Buckeye's largest margin of victory in over 78 years. It was an impressive win for Coach Meyer and the team.

On Wednesday, December 2, 2020, House Bill 305 passed 32-0 out of this same committee before being approved by the House on Thursday, December 3, 2020 in an overwhelming initial vote of 84-8. This margin of victory of 76 votes mirrors that of the Buckeyes' dominating win on that September afternoon in 2013. It may be argued that passing a bipartisan school funding bill by a difference of 76 votes in 2020 was a more substantial victory than the snapping of that 78-year record for largest points in a victory over the Rattlers.

For the 2013 football season, the Buckeyes went on to an undefeated Big Ten Season – only to lose in the Big 10 Championship and then in their bowl game to Clemson. Despite the record-setting victory in September, the season would be viewed by most as a disappointment.

In 2014, the Buckeyes went back to work under Coach Meyer. Today, we all know how that season ended. The Buckeyes went on to win the first ever BCS college football championship with impressive wins over Alabama and Oregon in the College Football Championship Playoff game.

In last year's legislative session, despite unanimous support from this committee and the 84-8 approval on the House floor, the legislative season for HB 305 ended much like that of the 2013 Buckeyes. There was no season ending victory and for the supporters and members of the team, it was viewed as a disappointment. Our team is back on the field, standing here today, taking the first step in a long season ahead. Chair Richardson, Ranking Minority Member Troy, and members of the House Finance Subcommittee, we are excited to be back in the game this season. With your help, this legislative session can result in a resounding win for all of Ohio's students and future Buckeyes with the passage of HB 1. Just as the Buckeyes saw in that comeback season, we are persevering and working for a paralleled success to come to fruition with this, our first test of the legislative season.

On behalf of the Fair School Funding Work Group we want to thank you for your attention to this monumentally important issue and we ask for your support in making it right.

Consider that when we began this work in the Fall of 2017, the students in the Class of 2030 were starting kindergarten. The Class of 2030 was a constant reminder for us that our work to find a fair school funding model for Ohio must remain focused on the students and the classroom. We believe that this plan does just that. We owe it to all Ohioans, especially the Class of 2030, to finally get school funding right for the next generations--regardless of their zip code. In 2017, a better time financially for the state, an estimated 80% of Ohio school districts were not on the state's school funding formula.

Today, the Class of 2034 is registering for kindergarten across the state of Ohio. Today, 100% of Ohio school districts are not on the state's school funding formula.

During previous testimony, dedicated educators have described a comprehensive, transparent, objectively determined and thoroughly justifiable school funding model that references national norms and research and practices in other states, but also relies heavily upon Ohio expertise and data when answering the question "What do Ohio's school aged youths need in order to acquire a high-quality education?"

The result is House Bill 1 which thoroughly and effectively addresses one basic tenet: Ohio must provide the educational opportunities that every student needs to be successful, and ensure that every district has the resources to satisfy those very diverse student needs.

The three necessary components for meeting those goals include:

1. Determining an individual student's "base costs"
2. Determining a fair local share of the shared joint funding responsibility for every district
3. Determining the cost of additional support services necessary to assist students with additional needs, and ensure the smooth operation of successful school districts

Summary of the Plan

This plan funds students where they need it most through a meticulously constructed base cost and provides other funding components to support Ohio's youth in a variety of important ways. This comprehensive plan starts with the moment students are picked up in the morning until they log off their school computer that night. Everything educationally that occurs between those two events has been considered. This is the benefit of having the perspective of those of us in the field be part of the work group.

My colleagues that testified earlier spent 3 years working on each of their respective categorical aid components. They have become experts and their recommendations are both essential and comprehensive.

Yesterday, Ryan Pendleton, CFO of Akron City Schools, and I described the development of the new per pupil Base Cost - a painstaking process of determining component-by-component the necessary instructional and support personnel, services, and building and district leadership essential in providing every public school student the basic foundation funding - before any additional services required by students with special needs - for a quality educational opportunity.

Jenni Logan, CFO of Lakota Schools in Butler County, discussed that for the first time, the state would provide full funding for Special Education for students with disabilities as well as additional monies for catastrophic Special Education situations. She also described the prescribed changes from specific dollar amounts for existing Special Education and English Learner categories to weights, so that increases in base cost amounts would be automatically and proportionately applied to these categories. She also described the studies authorized for these two service

streams to confirm the appropriateness of existing category funding and their authorized expenditures and/or to make recommendations.

Marlon Styles Jr., Superintendent of Middletown City Schools and Claudia Zaler, CFO of Waverly Schools, discussed the results of three major national studies regarding the needs of Economically Disadvantaged students that led to the conclusion that Ohio's current funding level for these students is woefully inadequate. They indicated that the bill provides an immediate prioritized 55% increase in the state's per pupil amount for these students, pending the outcome of a thorough study of the needs of this population and the necessary services to meet those needs. The bill also calls for every 4-year-old child identified as Economically Disadvantaged to be provided access to at least 1 year of quality preschool.

Michael Hanlon, Superintendent of Chardon Local Schools, and Jared Bunting, CFO of Trimble Local Schools, led you through perhaps the most complicated and arguably, most critical aspect of the formula, a balanced method for determining a school district's local share that is applied uniformly and fairly to every school district in the state, whether wealthy or poor. They explained that, unlike the most recent formula, the new local share calculation consists of 60% reliance on property valuation and 40% on resident income, and reflects only those conditions of the district itself without any impact from changing conditions elsewhere. They explained that the concept of district capacity, as determined by both property and income wealth, is multiplied by a percentage - previously referred to often as a "charge off" - in order to determine a district's local share of the calculated funding amounts. They pointed out that, due to the irregularities and inconsistencies under the previous formula, more than 350 of the state's 610 school districts were on a guarantee, thereby being paid more state aid than the formula called for, and approximately 140 districts received less than the formula said they were owed.

They further noted that, by applying variable percentages to district capacities - based upon a district's income compared to that of state median income - the distribution formula creates local shares that accurately reflect a district's ability to pass levies, and to fulfill its obligation in its school funding partnership with the state.

A district's local share is applied to all of the various funding elements discussed above, except for monies for the Economically Disadvantaged.

Scot Prebles, Superintendent of Forest Hills Local, discussed the bill's provision that calls for the state to fund transferring students where they are taught; including students who transfer from their resident district through open enrollment or to community schools, as well as when taking advantage of vouchers. This eliminates the need for transfers of money from the resident districts to the location where these students will be educated.

He also explained the new Base Cost formula for community schools which uses the same components that are used to construct the new traditional school Base Cost, with some adjustments to reflect the differences in their circumstances.

Jenni Logan, CFO of Lakota Schools in Butler County, also described the inclusion of a new Base Cost formula for career tech centers that utilizes the same format as that for traditional schools but adjusts for the lower pupil/teacher ratios to accommodate the more "hands on" instructional environment in those specialized schools.

She also described a temporary new tiered funding formula for ESCs, which provides every ESC with additional monies, but with declining per pupil amounts as the number of pupils served increases.

Cajon Keeton, CFO at Benton-Carroll-Salem, detailed the per pupil amounts for technology included in the Base Cost calculations, noting that monies were included for bringing internet to the districts, distributing the internet within the district's various buildings and classrooms, and providing a Chromebook or equivalent for every child, grades 9 - 12.

And finally tomorrow, Dalton Summers, Superintendent of Riverview Local, and Kevin Lilly, CFO of Geneva Area Schools, will describe some of the many improvements in the transportation funding model, including:

- A \$45 Million annual bus purchase program - the first state bus purchase program in more than a decade
- A temporary weighted increase for nontraditional riders, pending the completion of a thorough study to determine actual additional costs incurred by students being transported to community and nonpublic schools
- A change in the calculation of density supplement funding to base those calculations on ridership instead of enrollment

- A change in the calculation of Special Education transportation dollars to determine state aid by applying the district's local share or state minimum local share directly to reported actual expenditures
- A number of other modifications to more accurately reflect actual costs or contributing factors that affect those costs

Studies and Oversight

This bill acknowledges that we owe it to the citizens to study some of the most challenging issues facing K-12 schooling.

In the early 2000's, Ohio adopted its current method of weight-based funding for special education students– this was nearly 20 years ago. We recognize technology, remedial practices and educational philosophy have significantly evolved since that time. The number of students we are honored to serve, as well as their unique and sometimes complex needs have also changed. House Bill 1, therefore, seeks an in-depth review to ensure that our special education practices and funding are meeting these students' needs today and will in the future. The bill also provides for other important studies, such as:

English Language Learners face significant barriers in the learning process and this bill calls for ODE to conduct a cost study to determine the validity of current funding or to recommend a change.

Throughout this process, the effects of poverty on our Economically Disadvantaged Students has been a major focus. The funds that we are providing to districts for their Economically Disadvantaged Students is not based on research or best practices. This bill calls for a study to answer this critical question.

The cost of transportation is significant for each of the state's school districts. A comprehensive study is long overdue and this bill would authorize a study of school transportation.

This bill would establish a commission comprised of four legislators, three school superintendents, three school treasurers, three teachers, three school board members, and three citizens to make recommendations to the legislature, if needed, to adjust HB 1's provisions to better meet the needs of our children. We know that our current funding formula is stuck in time and changes to it over the years have distorted it. This commission would ensure that we are keeping pace as changes invariably take place in the K-12 educational landscape.

How This Can be Paid For

The reality is that Ohio does not have a functioning funding formula for its schools. As a result, in both good and bad financial times, Ohioans struggle with the effects of school funding as inexplicable inequities continue to exist between school districts year after year. This lack of a viable funding model wreaks havoc on our school systems. Residents have grown weary of hearing about the need for levies, and businesses and families cannot comprehend how school funding works.

With each generation of students, we have seen the promise of a school funding formula fix come and go with no change. From self-proclaimed "education" governors to elected officials who promise to unveil their own school funding formula, we remain stuck. What is the cost of decade after decade of a broken system?

As you know, this plan would be phased in over six years and would cost an estimated \$1.99 billion according to the Legislative Service Commission's calculation of the difference between fiscal year 2021's estimated state aid after transfers, but before any reductions due to COVID-19 and a fully funded HB 1. So, the question becomes, can Ohio's current tax structure accommodate the needs of the new funding formula? Stated another way, is it possible to pay for HB 1's funding increases without requiring tax increases?

Consider that Ohio, over an eight-year span from FY 2012 through FY 2019, spent \$1.8 billion, approximately \$295 million per year according to the Legislative Service Commission. A close look at actual expenditures for primary and secondary education, state revenues and other state expenditures during the period of FY 2012 through FY 2019, the last year before the fiscal impact of the pandemic, demonstrates that the current

state tax structure could accommodate the additional investments projected.

“And if you've come this far, maybe you're willing to come a little further.” Specifically, here is one suggested road map to get there by repurposing funds found in other areas in the budget:

The current budget includes several small education expenditures being paid from non-general revenue fund accounts that are now being underwritten within the formula. Repurposing those funds and including them within the formula would reduce the \$1.99 billion target by \$50 Million.

The current two-year budget also includes \$675 Million in Health and Wellness monies proposed by the governor. Most of the authorized expenditures for health and wellness programs are similar to the authorized expense categories for the economically disadvantaged and many of the HNW dollars are being used by districts to supplant monies being spent to fund previously established district programs. If just \$200 Million of the HNW annual \$300 Million plus were repurposed to the formula for economically disadvantaged and other programs which provide for similar services, the target would drop to \$1.75 Billion.

During the referenced 8-year period, FY 2012 through FY 2019, the state deposited approximately \$28 Billion into the “Rainy Day Fund,” an average of \$350 Million per year that was not spent for services or other benefits. If \$250 Million of that capacity were repurposed to the HB 1 formula, the target would drop to \$1.5 Billion.

Also, during that period, the average year over year increase in primary and secondary funding was \$295 Million. If, after returning to economic normalcy, the state were to average yearly increases of \$250 million for primary and secondary education, in the sixth year, the target would be reached.

We have answered the question, where will the dollars come from? But let's also talk about where the dollars are going.

HB 1 provides the elusive answer to the school funding challenge by focusing on the student in the classroom. In fact, 75% of the formula provides funds directly and indirectly to the classroom.

Since its original introduction to this current bill, Speaker Cupp and Representative Patterson continued to listen to feedback from a wide variety of stakeholders and remained committed to working with practitioners. This current bill has gone the furthest and creates Ohio's own unique funding formula that is based on a simple premise: what each and every Ohio student needs to be successful.

Frankly, there is no "perfect" bill. This workgroup has been charged with taking an irrational school funding formula and making it rational. The framework that was created makes this formula scalable now and in the future. What we have today is hopelessly broken. What we are proposing is not perfect, but it is very good. To dismiss this plan would essentially mean endorsing our current broken system, which in good times and bad times, fails our students and taxpayers year after year. We cannot let "perfect" be the enemy of great. For too long, it is as if we have become paralyzed in a quest to find the perfect formula that does not exist. But what we can do is take a very good formula and do our best to make it even better.

Conclusion

House Bill 1 is more than three years in the making. Over the last three years we have been given the gift of focusing on the student in the classroom and what is best for them. And equally important is the state and local responsibility to provide resources in a transparent and understandable way to support students in Ohio.

From transportation to mental health support and everything in-between, this is a comprehensive, transparent and justifiable school funding model that is fair to every district and leaves nothing to chance. You have heard testimony on base costs, and will hear testimony on distribution and the categoricals that are vital pieces of this puzzle of school funding which has sat incomplete for generations. It is the most comprehensive and complete proposal seen in decades.

Change is not easy. Change makes many people uncomfortable. But, what we have today, what we must endure every budget cycle and what residents must face in the local voting booth in addressing school funding, makes all of us uncomfortable. All we have to show from our current formula is continued inequities across the state, and that is inexcusable. As the state recovers from COVID-19 and funds become available, this formula would allow funding to flow where it is needed and will make an immediate impact for students in the classroom where 75% of state funding would be provided for combined direct and indirect classroom funding.

When we began this process in 2017, we said that we owed it to the Class of 2030, students who were just starting their educational journey at the time, to get it right for them. That became the focal point of our work. Now in 2021, what will we say to the students in the Class of 2034 who are now registering for kindergarten? If now is not the right time to adopt this plan, then when? If this is not the right plan, then what is the alternative? We cannot remain silent while year after year we see these students moving through our classrooms enduring the impact of a broken formula. We can do better for them and by doing so will have a positive long-term impact on our communities and the state's economy.

No plan is perfect, but this plan is very good. We cannot let "perfect" be the enemy of very good. It's tragic that we are poised to have another class of students in this precarious position – of beginning their educational careers with a broken, inequitable funding system. We owe it to them to do our best to fix this problem. We need to act now, for their futures and for our collective future in Ohio.

Thank you.