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House Finance Subcommittee on Primary and Secondary Education

House Bill 1

Lisa A. Gray, President, Ohio Excels
March 1, 2021

Thank you, Chair Richardson, Ranking Member Troy, and House Finance Subcommittee on Primary and Secondary Education members, for giving me the opportunity to provide interested party testimony today on House Bill 1 (HB 1). My name is Lisa Gray, and I am the president of Ohio Excels.

Ohio Excels is a non-partisan, non-profit organization created by leaders of Ohio's business community to more consistently and deeply engage the business community in helping to improve educational outcomes for all Ohio students. Our focus on education includes early childhood, K-12, and postsecondary education experiences. And, as part of that, we are committed to working with the broader business community, policymakers, educators, and other community leaders to support our students, educators, and schools.

Let me start by thanking Speaker Cupp, former Rep. Patterson, and the Ohio educators who spent countless hours crafting this proposal. Our thanks also go to Reps. Callender and Sweeney for carrying this bill in the 134th General Assembly.

Ohio Excels, with our Board, has established several ideal school funding policy principles for Ohio's school funding formula. In general, we believe that our funding system must provide sufficient state funding to ensure that the educational needs of Ohio's diverse student population are met within a framework that can be adjusted to accommodate the economic realities of the state. We also believe that the formula should provide differentiated funding to account for the costs associated with various special types of student need and that the

formula ensures that students with similar needs are funded at similar levels, regardless of what public school they attend. *See Appendix One for a full list of Ohio Excel's Funding Principles and Ideal School Funding Policy Outcomes.*

We are testifying as an interested party because there are elements of HB 1 that we like and elements, where for us, questions and concerns remain.

Let's start with the areas we believe are aligned to our principles:

- **Weighted Student Funding**

We support the House's proposed move to multipliers or "weights," rather than flat dollar supplements for students with special learning needs such as economically disadvantaged, special education, and English learners. This will ensure that funding for high-need students automatically scales in proportion to any changes made to the amount of money that is dedicated to a general education student.

- **Removing Caps and Guarantees**

We support the fact that the HB 1 does away with arbitrary caps, which will move the state much closer to an equitable formula that truly appropriates dollars based on student and community need.

- **Direct Student Funding for Choice Options**

Ohio Excels has long supported equitable funding for students enrolled in all public schools – regardless of how they're governed. We applaud the House for proposing in HB 1 that funds be sent directly to charter schools rather than passing funds through the local traditional school district. We believe this direct funding will alleviate friction between these two public school sectors.

As I mentioned earlier, there are still areas where for us, a few questions and concerns remain.

- **Overall Cost**

Ohio Excels is concerned that the cost of several elements in the proposed formula remain unknown or may significantly increase the cost long term. Our first concern is related to the cost escalation built into the statewide student base recalculation that will occur every five years based on teacher salaries. The vast majority of school districts in the state raise local funds to supplement teacher compensation – in other words, the current funding formula itself is only paying for a portion of total teacher salaries. In HB 1's proposed formula, the statewide student base will be recalculated to include the actual teacher salary average, including salaries that are otherwise supplemented with local funding dollars. This will produce significant cost increases over time. It is likely that the state will find it difficult (if not impossible) to keep up. Furthermore, the cost studies for student weights, such as for economically disadvantaged students, will not be completed until after this budget process is finished. While the formula may include placeholders, the long-term phase-in cost could grow significantly based on the results of these studies.

- **Return on Investment**

As we debate changes to the school funding system, it is important to also consider how these investments will improve the academic outcomes for Ohio's students. We are not proposing specific improvement metrics tied to the increases in funding, but we strongly believe that the state must continue to measure and reports student outcomes and maintain a robust and transparent accountability system.

- **Funding Source**

Ohio Excels certainly believes that education is one of the most important investments that our state makes toward the public good. However, given the economic toll the pandemic has taken – and likely will continue to take – on the state's economy, we must ensure that additional funding for the formula does not disrupt Ohio's economic growth and recovery. We would not support any tax increases as Ohio's economy works to recover from the pandemic.

- **Charter Funding Parity**

We applaud the House efforts to create a funding base that creates more parity between charter and traditional schools by funding charters at 100% of the average instructional cost and 90% of all other support costs per student. It is true that traditional school districts incur costs that charter schools do not. But it is also true that charter schools incur costs that traditional districts do not – namely facility purchase or rent costs – that the state has not sufficiently accommodated for in this proposal. Just as the House has taken tremendous steps to construct a formula that on the whole recognizes the total cost of education, we encourage the House to consider including provisions within HB 1 to ensure that charter schools are receiving funds commensurate with their unique funding needs as well.

- **Governor's Student Success and Wellness Dollars**

We believe the state needs to take a holistic look at all the investments made in the budget directed to the needs of students and families and better align and maximize the effectiveness of these resources. Though not specifically addressed in the proposed formula changes, it is important to note that the education funding formula should not be the only source of support for student's social and emotional wellbeing. We continue to support the Governor's wraparound services funding priority and believe that these dedicated funds should remain outside of the formula to ensure that they are easily tracked, prioritized, and address the needs they are intended to address. But we must also remain committed to improving the coordination of all sources of funding in various state and local agencies that can be dedicated to meeting the wholistic needs of our students.

Thank you for the opportunity to share what we view as great progress in HB 1 and our remaining concerns. Ohio Excels and our board will continue to engage on this issue throughout the process this spring. If you have any questions, I can be reached at LisaGray@OhioExcels.org or (614) 897-0431.

Appendix One: Ohio Excels School Funding Principles

School Funding Principles

1. Adequacy:

- The formula provides adequate state funding to meet the educational needs of Ohio's diverse student population, and automatically adjusts to meet the economic realities of the state budget
- The formula is funded through a sustainable and predictable funding source that will not disrupt Ohio's economic growth and recovery.
- The new formula does not include caps and guarantees, and the transition to the new formula removes caps and guarantees as quickly as possible.

2. Equity:

- The formula accounts for students' different educational needs and directs funds equitably to address those unique needs no matter what public school the child attends.
- The formula should ensure that students with unique educational needs that generate additional funds directly benefit from that increased funding.
- The formula should fund all types of public schools in an equivalent manner.

3. Transparency:

- The formula and expenditures should be as simple, clear, and predictable as possible so all stakeholders can understand it and educators can reliably plan for the future.

4. Choice:

- The formula should enable families to choose the best school for their child and provide state funds to directly fund that choice.

5. Improvement:

- The formula, when fully implemented, will lead to improved student outcomes.
- The formula must be coupled with a robust evaluation and transparent accountability system to adequately measure and report student outcomes.

6. Supports:

- The formula is not the only source of funding to support students' social and emotional wellbeing, and schools, districts, counties, and the state should coordinate all resources for the benefit of students.

Ideal School Funding Policy Outcomes

School Choice Funding

1. Expand high-performing charter school funding and move it into permanent law.
2. Shrink the funding gap between charter schools and traditional public schools.
3. Transition to direct funding for school choice options and ensure the funding is not open to a line-item veto.

Wraparound Services

4. Improve coordination of wraparound services funding sources.
5. Maintain wraparound funding for schools, keep it outside of the formula, remove supplanting option and provide guidance on acceptable funding uses and evaluation protocols.

Formula Components

6. Ensure the new formula doesn't automatically increase base cost every year, without Ohio General Assembly approval.
7. Establish direct certification of economically disadvantaged students so funding for those students is more accurately targeted by the state.
8. Be specific about phase-in being tied to available dollars to ensure the new formula does not open the state up to lawsuits.

General Outcomes

9. Couple academic assessment and accountability policies to funding investments.
10. Increase transparency for school-level budgets and allow for intra-district school investment comparisons.