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**TESTIMONY BEFORE THE  
SENATE PRIMARY AND SECONDARY EDUCATION COMMITTEE  
ON THE FY22-23 BIENNIAL BUDGET RECOMMENDATIONS  
FOR THE OHIO DEPARTMENT OF EDUCATION**

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Chairman Brenner, Vice Chair Blessing, Ranking Member Fedor, and members of the Senate Primary and Secondary Education Committee, I appreciate the opportunity to speak with you again today about the state's biennial budget bill. My name is Paolo DeMaria, and I am the Superintendent of Public Instruction. I was asked to return to this committee to offer some comments on the House-passed version of House Bill 110.

**SCHOOL FUNDING**

Of course, the highlight of the House version of the budget bill is the inclusion of a new school funding formula. I applaud the legislature for engaging in this conversation. As we all know, school funding is a complex and, at times, controversial issue. I appreciate Speaker Cupp and former Representative Patterson for the work they have done over the years to engage stakeholders in developing a new funding formula, and Representatives Callender and Sweeney for taking up this work this year. I believe that the deep engagement of legislators in this work is vital to moving forward toward adopting a meaningful and effective school funding approach in Ohio.

There are many ways to design a school funding approach. Rather than weigh in on the specific proposal before you, I'd like to reflect, based on my experience during my time in state government, on the key principles that this committee might keep in mind as you continue to consider how Ohio funds schools.

- **Importance of a Formula:** First and foremost – it is critical that the state have an operating funding formula, and that we allow it to work. Schools, and the communities they serve, are not static. It is important to reflect increasing *and* decreasing enrollment, changes in local capacity, and changes in student needs and demographics. While no formula will ever be perfect, and I believe there are opportunities for improvement with both the existing formula and the House proposal, it is critical that we have a formula that forms the basis for the distribution of funds.
- **Direct Funding for Choice Programs:** The State Board of Education has endorsed direct funding for Ohio's Educational Choice Scholarship Program (EdChoice) and recommends ending the practice of paying for scholarships through deductions from district foundation payments. The current practice of deducting the cost of scholarship programs, community school and STEM school students, and funding for students who open enroll to neighboring school districts has fostered resentment and disharmony and, in many cases, has had a significant impact on school district budgets. Moreover, many new students who are participating in choice programs for the first time in FY20 and FY21 are not generating state funding for their school district, creating additional burdens for these districts. If the state wants to make school choice options available to students, the cost should be paid directly by the state. The House changes in HB 110 include the concept of

funding *all* students where they are educated, including scholarships, community schools, STEM schools, and Ohio's original choice option, open enrollment.

- **Supplemental Funding for Student Categories:** Like previous formulas, it is important for a funding formula to reflect the idea that different types of students have different needs. While this is addressed in the House plan, there is general acknowledgement that more work needs to be done. As a result of the General Assembly's action last December through Senate Bill 310, the Department is in the planning stages for a number of studies, including cost studies in the areas of special education and English learners. Additionally, the House budget directs there to be further work on the economically disadvantaged study the Department completed in December last year to look at the cost of educating economically disadvantaged students. We expect to complete these studies in advance of the next biennial budget.
- **Equalization:** School funding has always been a partnership between the state and local school districts and that partnership is a critical element of a working formula. Ohio has always approached funding formulas with a goal to provide *more* state funds to those with less local resources. This leveling up approach is an essential contributor to creating fairness and equity. Property taxes are, and will continue to be, an important source of local funding for school districts, so the use of property values *as well as* the ability for school districts to raise local revenue should continue to be a part of the plan. Factoring in local income capacity is a meaningful refinement to the equalization approach.
- **Equal Treatment:** Where possible, there should be alignment and equal funding across school types. I applaud Governor DeWine and the General Assembly for establishing funding for Quality Community Schools. It has been demonstrated over and over that community schools consistently receive less funding than school districts serving a similar student population, and the Quality Community School funding worked to reduce this gap. While the executive version of the budget fully funded the estimated cost of the program at \$54 million, the House version flat funded the program at \$30 million. That said, the House's changes to school funding will provide increased per pupil funding for all community schools, a step in the right direction for funding parity between traditional districts and community schools.
- **Commitment to Fund the Formula:** Regardless of the formula, there needs to be a commitment to funding it. For several years, the funding for preschool special education and special education transportation has been prorated to stay within the available appropriation. I thank the House for increasing funding for both elements and eliminating the need to prorate this critical funding. The last two substantive plans to fix Ohio's overall school funding approach stalled or failed because of limited resources. During the first two biennia of the current funding framework (FY14-FY17), the State made good progress at paying down the *cap*, which limited a school district's growth in state aid to make the formula more affordable for the state and reducing the number of districts subject to a *guarantee*. Unfortunately, more modest increases in the FY18-FY19 budget resulted in more than half of the districts in the state subject to the guarantee, and no progress at reducing the number of school districts subject to the cap. While the House budget relies on a phase-in rather than a cap, continued and sustained increases in funding will be necessary for the success of any school funding reform.

At the same time, a school funding plan cannot succeed in the long-term if the implied rate of growth of state support exceeds the affordable rate of growth of state revenues. The upward pressure on costs created by increased state investment can lead to an unsustainable escalation in a cost-based model. This is an issue that requires careful attention.

- **Promote Improvement:** It is also essential that more state resources lead to real improvements in the performance of the education system. As I suggested when I was last before this committee, if we simply do things the same way, but now with additional resources, we are really no better off. That is, that additional

funds should not simply support the same activities, practices and approaches as we have seen before. There is significant room for improvement in many schools and districts in terms of evidence-based educational practices that can lead to improved outcomes. We have seen many examples of this where, even without new infusions of resources, schools can achieve better results by implementing best practices. We need to all commit as a community of practitioners to the continuous improvement and change that can lead to greater success. This is especially true in the case of promoting equitable outcomes and closing achievement gaps.

- **Simplicity:** School funding is anything but simple, and the diversity of school districts, student needs, and local capacity necessitates some level of complexity. However, where possible, we recommend a formula that promotes greater transparency and encourages quality in data reporting. Two aspects of the House bill are worth noting:
  - One area is special education transportation. Under current law, the reimbursement for special education transportation is calculated based on a mix of both a daily rate and actual costs, with an overall limit on the total amount one student can generate. In the House’s budget, special education transportation is simply the actual costs reported by the school district, multiplied by the local share. This represents an improvement in the calculation and a commonsense approach.
  - Another area where the Senate might consider some streamlining is in the area of enrollment. In the House version of the budget, the base cost of the formula is calculated using either prior year enrollment data or a trailing three-year average, while the categorical funding streams are calculated using current year enrollment. To promote better understanding, improved data quality, and ensure growing school districts see funding reflecting increased student enrollments, we believe consideration should be given to simply using current year enrollment.
- **Implementation and Administrative Burden:** The changes proposed by the House are substantial. Beyond the policy, part of my job is to also look at the degree of difficulty of implementation. The House budget includes three different guarantee mechanisms and various phase-in approaches. This complexity increases the risk of unintended consequences and outlier outcomes. Both schools and the Department may benefit from a more streamlined approach. There are also a limited number of areas where the Department may offer some technical feedback to the committee on administrative issues after a more thorough review of the House budget.
- **Student Wellness and Success Funding:** Finally, I would be remiss if I did not speak to Student Wellness and Success Funding. Schools and districts have benefited greatly from this targeted and dedicated funding stream to address the non-academic barriers that students face each day. This initiative is closely aligned with Ohio’s *Whole Child Framework*, which places the whole child at the center of a system of supports, with district, school, family, and community helping to meet the needs of the child using a comprehensive approach. I believe this funding is critical to schools. Through key partnerships, schools have been able to focus on the physical and mental wellbeing of students, and truly support the whole child. While the House worked to incorporate some of the ideas of Student Wellness and Success into their proposal, I want to indicate my support for dedicated funding and the focus on developing strong community partnerships.

To conclude my remarks about funding, I don’t want to leave the impression that there is only one way to construct a meaningful and effective school funding system. That said, I greatly appreciate all those who have worked on the proposal before you. As the committee continues to review the proposal and consider other options, my team will always be available to you for any technical support or consultation that may be helpful.

## **OTHER POLICY ITEMS**

### ***Support for Students with Dyslexia***

I'd like to take a moment to highlight a policy that was included in the executive version of the budget, but which I did not highlight in my previous testimony. During the last General Assembly, the legislature enacted House Bill 436 to ensure that all students are screened for dyslexia and that, for those students who show signs of dyslexia, additional assessment, intervention and support is provided. The Department is committed to improving literacy and ensuring that all students – from our youngest learners just learning to read to middle and high school students – develop the literacy skills to become lifelong learners. House Bill 436 was a critical step to ensuring that *all* students have the support they need to develop this critical skill.

The executive budget builds on this good work by requiring that the existing reading diagnostic assessments for kindergarten through third grade have sufficient items included so that they can be used to identify a student who may show signs of dyslexia. For schools, this means that they can use the diagnostic assessments they already routinely give in these early grades as the screening assessment required by House Bill 436. For students, this means they will have access to a high-quality screening tool, without the need for additional testing.

The House went a step further and appropriated funds to support work that the Department has been doing at a very small scale under a federal grant to support improving instruction for children with dyslexia. I thank the Governor and the House for their commitment to early literacy for all students.

### ***Community Schools***

Most would agree that over the past five years the community school sector of Ohio's education system has emerged to be stronger, of higher quality, less controversial and modestly better funded. This is a result of the state's focus, since the adoption of House Bill 2 in 2016, on efforts to improve quality. Unfortunately, the House version of the bill would take a step back from some of those actions and favor differential and preferential treatment of community school interests that would chip away at the state's progress toward greater quality.

For example, the bill before you includes language to reset the clock on community school closures, beginning with the 2022-2023 school year. Currently, community schools must close after three years of very poor performance on the report cards. Of course, it makes sense to provide relief based on the performance during the disrupted 2019-2020 school year and the 2020-2021 school year. The budget bill, however, goes much further. It would let all community schools start over with a clean slate regardless of their pre-pandemic performance. No school would be required to close until after the 2024-2025 school year. The consistent closure of persistently low performing charter schools has been a key element to the improved quality of Ohio's community school sector. Ohio should not let up on this important policy principle. The legislature has already given community schools safe harbor from closure for the COVID years, which is completely sufficient.

Additionally, the bill waives, for the 2021-2022 school year, a provision that requires the automatic withdrawal of a community school student who has not participated in learning opportunities for 72 consecutive hours without a legitimate excuse. One of the significant lessons learned from this school year was how important it is to keep students engaged in their education. The "72 hour rule" has worked effectively to curtail enrollment overstatement. The education community has a shared commitment to ensuring that students are present and participating in learning opportunities, and the proposed House waiver would undermine an important policy lever designed to promote engagement and attendance.

Finally, there is a provision that would require the Department to submit any proposed changes to the Education Management Information System (EMIS) to JCARR for review, if the proposed changes impact any community schools. While I have the utmost respect for JCARR and the legislature's oversight role, it is this type of obvious roadblock to the Department's administrative responsibility that reflects so poorly on the community school sector.

EMIS, as many of you may know, is the system used by the Department to collect data from and share data back with schools and districts based on the requirements of state and federal law. EMIS provides the data necessary to

fund districts and schools, produce the Ohio School Report Cards, direct school improvement efforts and facilitate many other Department initiatives. Believe me, we are not sitting around thinking of ways to randomly require more data reporting and collection just to cause stress for schools and districts. In fact, over the past three years, through the work of the EMIS Advisory Council, on which community schools are represented, we have done more to reduce the EMIS reporting burden than ever in the history of the system.

As I stand here before you, I wish I knew what the issues the community school sector has with EMIS are. Unfortunately, no courtesy was extended to me by way of letting me know what the problem is. I just want to say publicly that if the community school sector wants to discuss their EMIS issues with me and with the EMIS Advisory Council, I would welcome that opportunity and commit to giving due consideration to their concerns.

Besides, community schools already have an opportunity to weigh in on EMIS changes. Because of Senate Bill 89 enacted late last year, stakeholders – the schools themselves – now have the opportunity to review and provide direct feedback on proposed EMIS changes during a public comment period *before* the changes take effect. Community schools can engage in this process. I can assure you the Department is committed to considering the feedback received and making revisions as needed to create a workable system of data collection while still meeting the state and federal requirements for data reporting.

We take our responsibility to implement the laws enacted by the General Assembly very seriously and I would encourage the legislature to allow that process to play out before adding another layer of administrative complexity. The legislature has given community schools the opportunity to register their concerns with EMIS through both the EMIS Advisory Council and the public comment period. It is incumbent upon the community school sector to take advantage of that opportunity and engage with the Department in an open and constructive manner.

### CONCLUSION

Chairman Brenner and members of the committee, thank you for the opportunity to weigh in on some of the House changes to the budget bill. I applaud the House for their efforts to tackle the complexities of school funding in this budget, and look forward to working with you and the Senate as you review and debate all the education components of the bill.

Again, thank you for the opportunity to present to you today. I would be happy to answer any questions you may have at this time.