Thank you for the opportunity to provide Sponsor testimony on H.B. 305, the Ohio Fair School Funding plan.

Weather is often the subject of conversation. In fact, there is a common saying that: "Everyone talks about the weather, but no one does anything about it."

Well, the same is often said about funding our state's schools: everyone talks about the problems with school funding, but no one does much about it. Unlike the weather, however, we can do something about our state's broken school funding system – one that is unpredictable, erratic, and irrational.

The State of Ohio holds a very unique place within the entire United States of America. We were the first to be carved out of the Northwest Territories. We were the first to be organized around a distinct pattern of settlement. And most importantly for today's hearing…we were the first state to rally around a purposeful plan for the education of its young.

Even before the ratification of the Constitution, Congress, operating under the auspices of the Articles of Confederation passed two landmark ordinances which would impact our state in terms of education, and place us on a path for future success.

The Land Ordinance of 1785 required that funds generated from section 16 in each township would be set aside for the "maintenance of public schools within said township." Even today, in 2019, there are a handful of schools which derive benefit from this Act as agricultural profits are used to supplement school budgets.

The Northwest Ordinance of 1787, a prescient societal initiative, was influenced by the thinking of one of our founders (and the namesake of my hometown), Thomas Jefferson. That ordinance declared that "Religion, morality, and knowledge being necessary to good government and the happiness of mankind, schools and the means of education shall forever be encouraged." Clearly education was crucial, Jefferson reasoned, for the purpose of sustaining our grand democratic experiment. In fact, he once wrote that:

> "If a nation expects to be free and ignorant, in a state of civilization, it expects what never was and never will be."

In time, the Ohio Constitution embodied this public awareness with respect to education. Article 6, Section 2 states that: "The General Assembly *shall* make such provisions, by taxation, or otherwise, … as will secure a thorough and efficient system of common schools throughout the state…."

This emphasis on public education was based on three cardinal principles: 1) that public education was necessary for the implementation, sustenance, and preservation of democracy; 2) that public education was necessary for a trained workforce then, now, and for the future; 3) and that public education was necessary for the fulfillment of life's potential for all—to explore, to experiment, and to experience life in all of its splendor in the short span we are here.

Thus, in the minds of our forefathers, both national and state education was crucial, critical, and absolutely essential.

In serving on the Finance subcommittee on Primary and Secondary Education, it became apparent over two budget cycles, that properly fixing the defects in the funding formula would require more time and deliberation than could be found during the few months of budget hearings. Our current funding formula has been patched and patched, and is now more patch than formula. Hence was borne the School Funding Workgroup – an informal, but structured work group of school treasurers and school superintendents from diverse districts around the state: urban, rural, suburban, high poverty, low poverty and in between.

They came together to develop a thoughtful, rational, justifiable, sustainable, and scalable school funding model and distribution mechanism. It was a significant commitment of time and effort on their part: usually meeting in Columbus twice a month commencing in Sept. 2017 – and continuing to this day.

The problems with the current formula were studied, dissected, and analyzed. School funding experts were consulted and extensively participated in those discussions. A number of House members contributed to the process, too.

A new school finance model was carefully crafted. It addresses the actual cost of educating children in today's world and allocates those costs fairly between the state and local taxpayers.

In future hearings, Mr. Chairman, these knowledgeable educators will return to this hearing room to more fully explain the Fair School Funding Plan from their "real world" perspective.

This kind of systemic, well-considered change to school funding always takes longer than expected. When the House and Senate considered the budget earlier this year, the Workgroup, unfortunately, was still tying up loose ends. Anyone who has worked with school finance policy will acknowledge that there **are always** loose ends to be tied. But, we have now reached a good place – even if there are still a few tweaks yet to be made – to properly balance the funding needs of Ohio's 610 school districts.

We also ask that you keep in mind that resolving the distortions in the current funding formula, while replacing its provisions with more objective, fair and transparent ones, may be a little awkward.

Of necessity, creating a fair cost and needs-based formula requires a fair and transparent method for determining adequate funding levels and for distributing state funds in accordance with the circumstances and capacities of local taxpayers. A stable formula is required to enable school districts – who live under the constraints of a five-year forecast which is subject to the uncertainties of a two-year state budget – to plan ahead programmatically to offer, sustain, and grow educational experiences for children.

There are two major components of such a formula: the base cost –the resources needed to provide the necessary educational opportunities for a "typical child", one who has no special needs – and the distribution component – a fair, objective distribution of state funds in accordance with the capacity of the local district to provide its share of the base cost amount.

Bear in mind, we have wrestled with this before as evidenced by the four DeRolph decisions. But it should also be made clear that the funding formula in HB 305 does not relieve local districts of future levy efforts. HB 920, which was passed in the 1970's and found its way into the Ohio Constitution, eliminates the possibility of growth in a levy's proceeds based upon increases in the value of property. We have been forced to factor in this constraint in our approach to a new funding formula. Additionally, the business of funding education is, and will continue to be, a partnership between the local school districts and the State of Ohio. This reality is established in the Ohio Constitution itself. Now, we would like to take a few minutes to explain the origins of the current effort before you.

It is important first to highlight a few of the defects which plague the current funding model. It should be noted that Ohio is using a **recession era formula** put together in a time of significant economic distress throughout the state and nation. It no longer meets our state education funding needs.

- The **current per pupil amount**, $6,020 in FY19 – which the state guarantees that each district will have to provide its students a quality education – has **no tether to actual costs**.

- Distribution of state funds to districts utilizes a mechanism called the **"state share index."** It compares the property wealth of each district to every other district. But, this has a cascading effect, so that the change in valuation in one district will make every other district appear wealthier or poorer . . . and affect their state funding – even if nothing has changed in <u>**the other**</u> districts.

- The current formula relies on enormously distorting funding caps and guarantees which artificially limit some districts from receiving what the formula calculates for them – even with significant enrollment growth. And, it artificially provides other districts with more funding than their declining enrollment justifies. 503 districts out of 610 <u>do not</u> receive what the formula calculates for them, that means 82 % of districts now are NOT funded on the formula. Just 107 do receive their formula amount.

- The counting of children who attend charter schools in the ADM of the district in which they live, rather than where they are actually educated, and the associated transfer of dollars from traditional districts to the charter schools, has created **unhealthy tension** between traditional schools and charter schools.

After two budget cycles in which these and other significant problems with our current school funding formula were lamented and decried by school officials and legislators alike, Rep. Patterson and I committed to each other that we would work – in a bipartisan way-- to try to DO something about it.

As you have heard, the current formula is a patchwork of "fixes,"—be they metaphorical bandaids, duct tape, or even bailing twine. To make matters worse, we must explore the impact of "caps" and "guarantees."

Quite simply, due to a formula that is underfunded some districts have bumped up against gain caps *which limit the growth of state revenue to districts even when those districts experience student enrollment growth.* More students do not necessarily generate more state dollars.

On the other end of the spectrum, the guarantee is just that—*an amount of state funding that essentially props up districts for costs borne by students the district no longer serves.*

Again, the current "formula" is so dysfunctional that 503 districts (out of 610) are ***NOT ON THE FORMULA!*** That figure equates to 18% of districts (107) that are on the formula—a failing grade in any classroom.

But there are other factors with respect to the property tax base itself that have compounded the situation: 1) the elimination of tangible personal property tax (PPT) and its lingering effects; 2) the closing or devaluation of older electric generating power plants that paid significant local taxes; 3) unprecedented changes in agricultural property valuation never before experienced in the history of Current Agricultural Use Valuation (CAUV); 4) the introduction and growth of gas-fired generating facilities in new locations; 5) the growth of natural gas pipelines across the state and the impact of resulting significantly increased property values upon local school districts.

There were times, as you have heard, that Rep. Cupp and I were mystified, confused, and frustrated. How could we, in such a short time frame as the budget season is, ever hope to craft a formula that was defensible, explainable, sustainable, and fair? Like any humble and wise public servants, we deferred to the experts in the field—the practitioners—those who work with school funding issues as part of their daily jobs. We reached out to superintendents and treasurers across the state from rural and urban districts, from wealthy and not so wealthy districts, from the Lake to the River—we assembled an All-Star cast—the likes of whom you shall see in hearings to come, to guide us, lead us, and move us to a formula that is fair for our students, fair for our districts, and fair for our taxpayers.

If you refer to the base cost description on your iPad you will see that we have arrived at a calculation that begins to answer the fundamental question—what IS the cost of educating a typical student. A deeper dive and an enriched discussion will ensue when the co-chairs of this subcommittee testify before you. For our purposes today, we simply wanted to share with you the initial component upon which "add-ons" (e.g., transportation, career tech, English Language Learners, and other such enhancements) are layered onto the base.

The other major component to the overall formula is the distribution calculations. The overarching question for this element is: "what is the fair share for the district to put forth (also known as "capacity") vis-à-vis the fair share for the state to assist? As you will hear in future testimony, our proposal blends a district's unique property wealth with the income wealth of its constituents to arrive at a mix that more accurately equates the real capacity of the district. As this is technical by its very nature, we propose that a more robust conversation be saved for those who developed this approach.

At this point, the question that each of you wants to ask is: "How much is it going to cost?" To save you time and trouble, we refer you to the Columbus Dispatch, which, after reviewing simulations back in June, estimated the plan would require roughly $1.5 Billion additional dollars over a six-year period. And let me be perfectly clear… we must consider this as an "investment in our future." Those were the precise words we heard last week when we met with the Ohio Chamber of Commerce. I would agree that this formula represents an investment in our youth, our future workforce, and all aspects of our way of life in Ohio.

While a **4-year phase-in** of the Plan would cost approximately an additional $400 million each year; phasing in the plan **over six-years** reduces the annual additional cost to about $267 million per year – and puts Ohio's schools into a rational, justifiable, more predictable funding framework.

Achieving the level of funding needed for this comprehensive new school funding model, would be made much easier if at least some K-12 money newly allocated to funding wrap-around services eventually was integrated into the more comprehensive, long term funding solution.

Funding for many wrap-around services, even when provided in a school setting, seem more appropriately assigned to the budgets of state agencies dedicated to these services, such as the Departments of Health, Mental Health, and others (rather than drawn from traditional school operating funds).

The second question you would love to ask is: "How are we going to pay for it?" By way of information, from FY2013 through FY2019, the average annual increase in the state's K-12 funding was approximately $294 million. A four-year phase-in would require about $400 million additional dollars each year and a six-year phase-in about $267 million additional. Based upon recent history, both **could** be managed.

Before we yield to your questions, however, let me close with this thought…. If not now, when? If not you, who? Let it be said by those who follow us, that on *our* watch, at *this* time, we did *our* part to embrace the challenge, grapple with the difficult, and enact the seemingly impossible.

So, unlike the weather, instead of only talking about fixing school funding, something **can be done** about it. And H.B. 305 accomplishes that challenge. Thank you and we will yield to questions….