

Ohio Senate

Education Committee

Amended Substitute House Bill 33

Testimony in Support of the Necessary Steps to Maintain the Integrity and Fairness of the Fair School Funding Plan.

Thomas L. Hosler, Superintendent Perrysburg Schools

Ryan Pendleton, Executive Director

North Coast Shared Services Alliance

Michael P. Hanlon, Jr., Ph.D., Superintendent

Chardon Local Schools

Michael Sobul, Former Treasurer

Granville City Schools

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Chairman Brenner, Vice-Chair O'Brien, Ranking Member Ingram and Members of the Senate Education Committee, good afternoon. I appreciate the opportunity to offer testimony in support of retaining and fully funding Ohio's public school funding formula, the Fair School Funding Plan, for Ohio's schools. My name is Tom Hosler and I am the Superintendent of Perrysburg Schools. I have served as the co-chair of the Fair School Funding Formula base cost subgroup since its inception.

We would like to begin by acknowledging our gratitude to Governor Mike DeWine and Lieutenant Governor Jon Husted for endorsing the Fair School Funding Plan in his 2023 Biennium Budget proposal. We are grateful for the trust that he has placed in this plan and our collective efforts to provide and maintain a functional, transparent and justifiable method of funding Ohio's public schools. We are also appreciative for the trust in the plan that House legislators demonstrated by incorporating it in Substitute House Bill 33. Equally, we are humbled by the support the entire educational community continues to place behind this plan. Dr. Michael Hanlon, Mr. Ryan Pendleton, Mr. Michael Sobel and I are four educators, with a combined 74 years of experience serving as treasurer and superintendent. We are passionate about serving our students. We know our business well. We have seen school funding plans come and go for decades. But we are here today excited and optimistic about this school funding plan.

In August 2017, then Representative Bob Cupp, a veteran Republican office holder from Lima who had already served with distinction for 16 years in the Ohio Senate and 6 years as a Justice of the Ohio Supreme Court, and then Representative John Patterson, a Democrat and retired teacher from Jefferson in Ashtabula County serving in his first elective office, reached the conclusion that Ohio's primary and secondary education funding system was hopelessly broken and needed to be replaced.

They formed a School Funding WorkGroup consisting of eight subject matter specific subgroups, each co-chaired by an active Superintendent and active Treasurer/CFO. The WorkGroup has since been expanded from 16 to 22 representatives so additional voices from across the state would be heard. Cupp and Patterson insisted that each recommendation proposed must be justified with existing, credible research; established best practices; demonstrated success in other states; evidence of their own successful implementation of a suggested concept and acceptance by the entire WorkGroup.

The very first meeting of the Cupp-Patterson WorkGroup was held in the Riffe Center on November 15, 2017. That was 2,001 days, or 5 years, 5 months and 24 days ago. And yet, we stand together, still working to fully answer the question that former Representatives Cupp and Patterson posed on that day, "What do Ohio's school-aged youths need in order to acquire a high-quality education?" From that moment, the work group with input from legislators, experts, educators and anyone who was willing to provide commentary have constructed the Fair School Funding Plan.

Throughout the process, the overriding directive by Cupp and Patterson to the WorkGroup was: "Justify! Justify! Justify!"

As we reflect on these past five years, we are proud of the work we have done to bring us to this momentous point. When I say "we," I mean us – all of us including the Legislature. This plan has been presented, vetted, dissected, amended, testified to repeatedly in both chambers and created in plain view of all interested parties. Our collective success moves at the speed of trust. It has taken more than five years to arrive at this point because this work demands this type of commitment, and it is through that commitment that we hope to have built this trust with you as well as the students and families we serve.

The fact that we are standing here before this Senate Education Committee today testifying about a plan that has been developed over 5 years is remarkable. There is very little on which the entire educational community in Ohio can agree. From the Ada High School Bulldogs to the Zane Trace Pioneers, the educational community of this state has stood behind this plan. Through it all, we have been awed by how this plan has resonated in the hearts of so many Ohioans.

We believe the explanation for this is twofold. First, former Speaker Cupp and former Representative Patterson reached across the aisle and decided to work together to tackle arguably the most complex and challenging task facing this state. In a time when some may be cynical about the political process, these two dedicated legislators showed us true teamwork. Secondly, the members of the work group, realizing the importance of this moment, seized the opportunity to create a plan that answered the representatives' call. This dedicated team put Ohio's students first and their own interests second. As a result of these two rare occurrences, we stand here over 5 years later excited to talk about this plan and how you can help be a part of what could be a truly historic moment. This plan shows what can be done when we work together, focused on what Ohio needs to educate its students.

The Fair School Funding Plan respects and encourages a delicate balance between the state and local shares. This testimony has referred to trust, gratitude, appreciation and fairness. If a Republican from Northwest Ohio and a Democrat from Northeast Ohio can come together and find a way forward; if urban, rural, Appalachian and suburban schools can come together; and the Governor, the House and the Senate can agree on this plan as they did two years ago, we are standing at the cusp of a special moment that could for the first time result in stepping away from the practice of residual budgeting to fund education, and instead, address the funding necessary to ensure Ohio's youths have access to high-quality educational opportunities – opportunities that will prepare them for an increasingly complex future.

Even in the early stages of its six-year planned phase-in, the effect of the Fair School Funding Plan on school funding in Ohio has been to establish the concept of needs-based calculations, transparency and justifiable funding levels that truly are fair to all Ohio students, all primary and secondary educating entities and – just as importantly – all Ohio taxpayers.

The results are taking shape and my colleagues will share with you how the formula is performing. After all, the Fair School Funding Plan is tailor made by Ohio educators to meet the needs of Ohio's youth. Thank you for this opportunity to appear before you today. We look forward to answering your questions at the conclusion of the WorkGroup's presentation.

Chairman Brenner, Vice-Chair O'Brien, Ranking Member Ingram and Members of the Senate Education Committee, my name is Ryan Pendleton, I am the Executive Director of North Coast Shared Services Alliance, a partnership between the Educational Service Centers of Northeast Ohio and Lorain and Medina Counties, supporting districts in finance and operations. I have also served as a Treasurer/CFO, most recently for Akron City Schools. My testimony will touch on the following points:

Our position and request for updating the input data year and why; results from the first year of implementation including base cost, open enrollment and guarantees; and the total cost of the plan.

Inputs of base cost - Impact of Static Base Cost Inputs and Rationale for Updating

The most recent data currently available is from FY 22, which, according to LSC, shows a cumulative inflation rate for the inputs of the FSFP of 12.1 percent since FY 18. By FY 24, local capacity will have increased from FY 20 by over 20 percent.

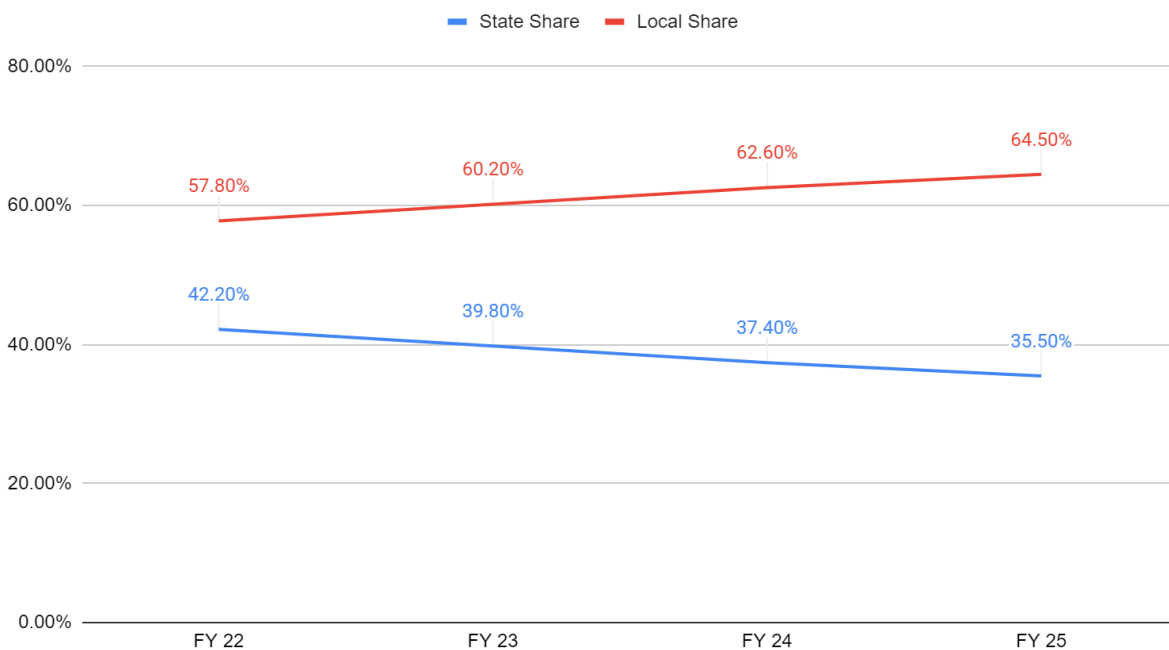
Funding the base cost is a shared responsibility between the state and local school districts and is required in law. The local capacity of a school district is an important component in determining the balance between state and local share of funding and is impacted by consistently updating the base cost inputs.

Failure to update base cost inputs to FY 22 would have a tangible impact on how the state and local shares of base funding are divided between the state and local school districts. Continued reliance on FY 18 inputs would result in a significant shift in funding responsibility from the state to local districts.

Again, according to LSC, without a change to the FY 22 data from the FY 18 data, the state share of funding the base cost will decline precipitously over time. In FY 22, the state share was 42.2 percent. It fell to 39.8 percent in FY 23, and is projected to decline further to 37.4 percent in FY 24 and 35.5 percent in FY 25 without updating inputs from FY 18 to FY 22. This would shift approximately \$700 million dollars of school funding burden from the state to local taxpayers (See Figure 1).

Figure 1

Impact on State Share and Local Share of Funding Base Cost FY 18 Inputs



Another concern upon implementing the Fair School Funding Plan was that of runaway costs associated with the inputs of base cost, especially teacher salaries. As you can see from the chart below, this has not occurred. I'd like to call out a few of these trends in the chart.

Teacher costs and related instructional salaries make up the majority of base cost, at more than 60 percent. As you can see from FY 18 to FY 22 there is modest growth in teacher salaries, just over two percent per year. In the related salary components, insurance cost increases over the same period averaged just under five percent annually. In the average cost per pupil section, there are a few cost items to note. Building Safety and Security cost per pupil grew by 55 percent.

Base Cost Inputs		FY18	FY19	FY20	FY21	FY22	% change between FY18 and FY22
Statewide Average Salary	Superintendent	\$115,615.69	\$117,788.55	\$120,119.93	\$122,841.98	\$123,639.30	6.94%
	Other District Administrator	\$95,727.51	\$96,982.11	\$98,259.94	\$99,225.83	\$100,368.71	4.85%
	Principal	\$91,720.36	\$93,457.69	\$95,405.07	\$96,538.15	\$97,627.89	6.44%
	Teacher	\$62,696.18	\$64,225.25	\$65,839.10	\$67,117.78	\$68,022.22	8.50%
	Counselor	\$63,263.80	\$64,787.46	\$66,630.50	\$68,100.87	\$68,712.57	8.61%
	Librarian and Media staff	\$68,139.33	\$69,544.82	\$71,843.08	\$73,020.72	\$74,063.83	8.69%
	EMIS Support Staff Employee	\$53,695.26	\$53,878.88	\$54,182.26	\$54,802.55	\$55,972.97	4.24%
	Bookkeeping and Accounting Employee	\$45,387.82	\$46,317.55	\$47,638.00	\$48,306.26	\$49,696.52	9.49%
	Administrative Assistant	\$44,955.10	\$44,733.92	\$45,013.26	\$44,352.41	\$45,333.05	0.84%
	Clerical Staff	\$32,997.90	\$33,041.67	\$33,890.37	\$34,004.64	\$34,356.24	4.12%
	Salary Related	Insurance Cost	\$14,265.53	\$15,995.31	\$16,395.74	\$16,930.91	\$17,152.68
Teacher Benefits		\$10,031.39	\$10,276.04	\$10,534.26	\$10,738.84	\$10,883.56	8.50%
Statewide Average Cost Per-Pupil	Academic Co-Curricular Activities	\$42.13	\$44.15	\$44.47	\$41.05	\$48.09	14.13%
	Athletic Co-Curricular Activities	\$163.28	\$172.11	\$172.68	\$179.28	\$192.21	17.72%
	Building Safety and Security	\$23.29	\$30.69	\$32.30	\$34.41	\$36.20	55.45%
	Supplies and Academic Content	\$220.35	\$227.52	\$222.44	\$231.31	\$243.81	10.65%
	Building Square Feet Per-Pupil	\$239.36	\$268.43	\$267.38	\$274.76	\$278.07	16.17%
	Cost Per Square Foot	\$4.72	\$4.61	\$4.50	\$4.45	\$5.10	8.05%
	Building	\$1,129.78	\$1,237.73	\$1,202.85	\$1,223.28	\$1,418.16	25.53%

Guarantees - The Fair School Funding WorkGroup will continue its study of existing funding guarantees and be prepared to work with legislators on any initiative to reduce the number of districts on those guarantees. At the onset of HB 1, all of Ohio's districts were on a fixed funding model - essentially 100 percent of districts were on a guarantee. As Superintendent Hosler touched on earlier, the formula that preceded Governor Dewine, was plagued by guarantees and caps. To appropriately "deal" with guarantees we must understand the different types. In the current formula, there are three guarantees. a) A permanent law guarantee ensures districts get at least the same amount of net resources as they did in FY 20. b) A permanent law guarantee ensures districts get at least the same amount of transportation funding as they did in FY20. c) A temporary guarantee only in law for FY 22 and FY 23 ensures districts get at least the same amount of net resources as they got in FY 21.

From FY 22 to FY 23, the number of districts receiving guarantee funding under the permanent guarantee, the FY 20 guarantee, increased from 203 to 260. This is a direct result of local capacity increasing between FY 22 and FY 23, but inputs remaining fixed. This increase in guarantee districts happened despite the continued formula phase-in.

From FY 22 to FY 23, the number of districts on the transportation guarantee dropped from 207 to 185. This is a direct result of the phase-in of the formula and happened despite the decreasing state shares caused by the increase in capacity without an increase in inputs.

From FY 22 to FY 23, the number of districts on the FY 21 temporary guarantee dropped from 332 to 282. This is also a direct result of the formula phase-in and happened despite the decreasing state shares caused by the increase in capacity without an increase in inputs.

Finally, upon using the 22 inputs the number of districts on a guarantee moves from 260 to 95.

Open enrollment - Under current law, each district is funded at a minimum for the number of open enrollment students the district had in FY 20.

Open Enrollment Scenarios - a) If a district is formula funded and new open enrollment students increase total enrollment from the prior year, the district will receive additional funding for those students impacted by the formula phase-in.

b) If a district is formula funded but new open enrollment in students replace resident student declines, resulting in no increase in overall enrollment, there would be no additional revenue. However, adding students to keep enrollment at prior levels could keep the district from otherwise losing funding due to declining enrollment.

c) If a district is on a guarantee, open enrollment students would only generate additional revenue if adding the students would increase enrollment and subsequent associated funding enough to overcome the guarantee.

The concept of funding where educated overrides the loss of additional funding for open enrollment districts and is a fairer representation of the cost of educating the number of children actually enrolled.

Total Cost - Under the Governor's budget proposal the total additional spending in FY 24 is \$276.4 million, which is the continued phase-in of the Fair School Funding Plan and the inclusion of the School Resource Officer (SRO) funding. The cost of updating the base cost inputs, without SRO funding, including phase-in, is \$786.9 million, which includes traditional school districts, community schools and STEM, joint vocational school districts and educational service centers. Most of which is attributable to the inputs increase.

	Change from FY 2023 to FY 2024	Change from FY 2024 to FY 2025
Traditional School Districts	\$651.7 Million	\$217.2 Million
Community Schools and STEM	72.6 Million	47.2 Million
JVSD's	60.8 Million	32.1 Million
ESC Operating Subsidy	1.9 Million	1.9 Million
Total	\$786.9 Million	\$298.5 Million

Chairman Brenner, Vice-Chair O'Brien, Ranking Member Ingram and Members of the Senate Education Committee, my colleagues and I are prepared to answer questions at the pleasure of the committee.