Ohio Senate

Finance 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
Jared Bunting, Treasurer/CFO,
Jackson Local Schools
Mike Sobul, Former Treasurer/CFO, Granville EV Schools

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Chairman Dolan, Vice-Chair Cirino, Ranking Member Sykes and Members of the Senate Finance Committee, good morning. 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.

We want first to thank the Senate for its support two years ago when the Fair School Funding Plan was first being established, for now joining Governor Mike DeWine and the House in extending the Plan's provisions into years three and four of a planned six year phase-in and especially for recognizing the need to adopt the 2022 input data in order to preserve the values incorporated in the plans provisions against the severe erosion that would have occurred due to ongoing inflation, and to retain the historic relationship between the state's share and the local taxpayer’s share of the cost of providing Ohio’s youth the high quality educational opportunities they deserve.

We are equally humbled by the support the entire educational community continues to place behind this plan. 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.

There is very little on which the entire educational community in Ohio can agree. From the Ada High 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 that one of the reasons for the broad support is that as more Ohioians understand the formula and its predictability, its delicate balance between the state and local share, and the carefully crafted inputs included from the time students are picked up be school buses at the crack of dawn to the moment they log off their laptops at midnight, this formula ensures that Ohio’s youth have access to high-quality educational opportunities to prepare them for an increasingly complex future. We remember past formulas in both good and bad financial times, where Ohioans struggled with the effects as inequalities existed between school districts year after year. This lack of a viable funding model wreaked havoc on our school systems.

On behalf of the Ohio Fair School Funding WorkGroup, we want to express our gratitude for your support of Amended Substitute House Bill 33 in the previous legislative session. We have not had a chance to formally thank the committee as a whole for its courage, trust, and historic step in addressing school funding. Please know that it is not just us who wish to thank you. The steps that this committee and the House took in passing H.B. 305 was reported on in virtually every county in Ohio. The fact that we are standing here before this Senate Finance Committee today testifying about a plan that has been developed over 5 years is remarkable. Your actions are to be commended and for your collective courage, we thank you. 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.

In previous testimony in the House Finance Subcommittee for K12, the House Education Committee, the House Finance Committee, and the Senate Education Committee, we have focused on the delicate balance between the state and local share. For this testimony, we would like to illustrate how the Fair School Funding Plan is working with two seemingly similar districts. One district is receiving additional funds under the Fair School Funding Plan while the other is not. Additionally, we would like to show how this delicate balance between local and state shares exists and the importance of maintaining the formula as constructed including the inputs the impact of using 2022 versus the 2018 state inputs on the two districts and, more importantly, their local taxpayers.

Perrysburg Schools

Perrysburg Schools is located in Northwest Ohio's Wood County. It is the region's fastest growing and one of the highest achieving school districts and has approximately 5,800 students. Since 2012, Perrysburg has grown by 19%. Under the previous formula, the district was a "capped" district to the tune of approximately $3.5 million a year. In my 16 years as superintendent of Perrysburg Schools, the district has passed 8 levies with its last in 2019. The Fair School Funding Plan now calculates a state share based on what is happening within the boundaries of each school district in Ohio and funds students that attend the district. Once fully phased-in, the Fair School Funding Plan with updated inputs and an intact distribution model that reduces volatility, will provide funding for each new student in the district. The benefit to the residents of Perrysburg Schools will be that, while levies will still be necessary, the amount of those levies may not be as great, and the frequency will reduce.

The question about the inputs is essential to the residents of Perrysburg. If 2018 data continues in use, Perrysburg's state's share will fall from $1,462 per pupil in FY 2023 to $731 FY 2027 or 50 percent decrease over the next five years, this despite a projected enrollment increase of 6.6 percent over those five years. Despite the enrollment increase, the projected district capacity, with valuations projected to increase 20 percent next year and modest growth over the remaining

4 years, will outpace the enrollment increases resulting in a continuing decline of our state share. The total state share in FY 2023 is $7,459,126 falls to $4,065,744, a decrease of $3,393,382 or a reduction of 45.4 percent.

If the inputs for the state share are increased to FY 22, Perrysburg will see the state's share increase from $1,462 in FY 2023 to $1,639 FY 2027 or an increase of 10.7 percent over the next five years. The total state share in FY 2023 is $7,459,126 and increases to $9,115,444, an increase of $1,659,318 or an increase of 18.1 percent.

What does this mean to our community? Simply put, Perrysburg School residents would see a state funding difference of $5,052,700 based on 2018 data versus 2022 data. For the local taxpayer who may be asked to fill the absences of state funding to help offset the needs of the growing district, taxpayers would need to pass an operating levy at approximately 4.8 mills to make up that difference. For a resident in a home valued at $350,000, it would mean an annual increase of $588. In addition, with inputs from 2018 and the projected growth in enrollment, there is no doubt the district would need to be back on the ballot for new money years sooner.

Chairman Dolan, Vice-Chair Cirino, Ranking Member Sykes and Members of the Senate Finance 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

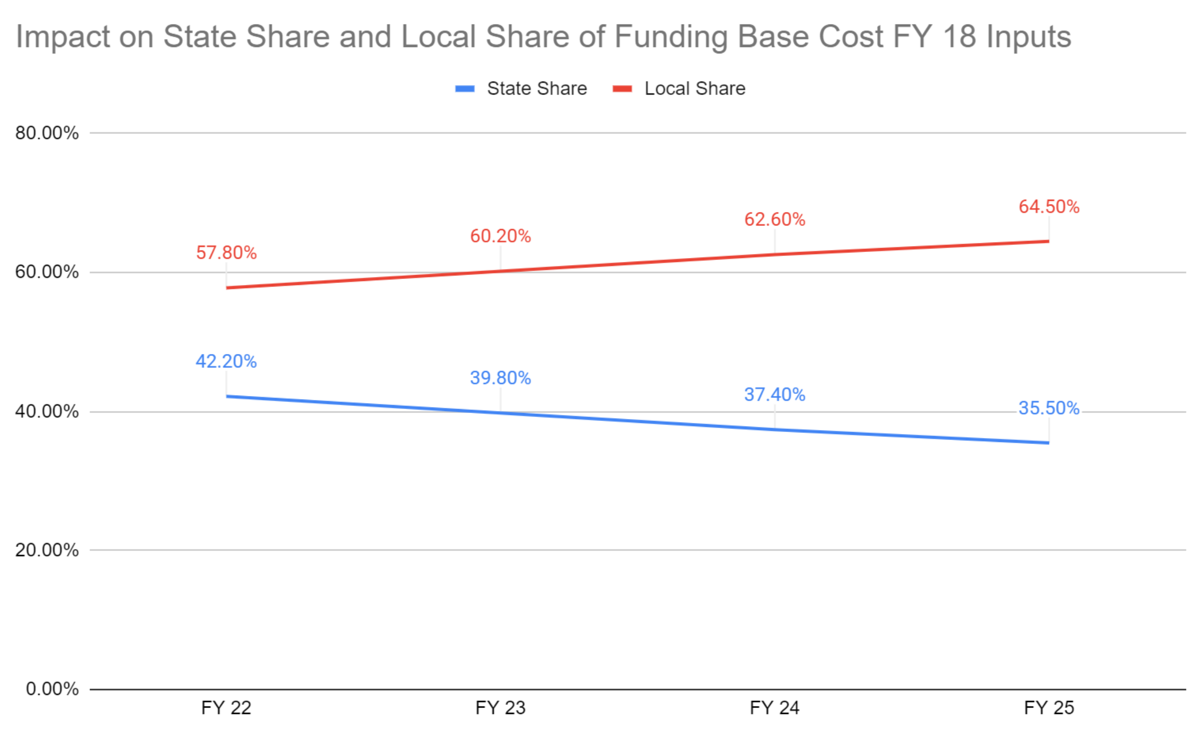
The most recent data currently available is from FY 22, which, according to LSC, shows a cumulative inflation rate for the inputs of the FSFP of 12.1 percent since FY 18. By FY 24, local capacity will have increased from FY 20 by over 20 percent.

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 cause a major shift in the burden of funding schools from the state to local taxpayers (See Figure 1).

Figure 1



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	20.24%
	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 guaranteed 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, it is estimated that by using the 22 inputs for FY 24, the number of districts on the FY 20 permanent guarantee would move 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 replaces 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 separate 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 increase in inputs.

	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 Dolan, Vice-Chair Cirino, Ranking Member Sykes and Members of the Senate Finance Committee, good afternoon. I am Michael Hanlon, Superintendent of the Chardon Local School District in Geauga County. 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.

Chardon is a high-performing public school district of approximately 2,600 students. Chardon by the numbers looks as follows:

- $60 million dollars annual operating budget (all funds).
- 65.3 percent <u>local</u> property tax revenue.
- 14.5 percent state funding revenue ($4.1 million).
- 20.2 percent public utility, property tax allocation, federal aid and other funding sources.

- ~1.5 percent enrollment decline per annum in the last ten years.
- “High capacity” district with growing income and property valuation.
- Projected FY 2023 ending cash balance $23.4 million dollars (39 percent of operating budget).

When I entered the district in 2013 as Superintendent, the Chardon Schools had gutted the educational program on the heels of five failed levy attempts. In a fiscal crisis, the taxpayers approved an operating levy in 2013 to stabilize the district and again in 2018 to begin rebuilding our program. However, their message was clear - they felt levy fatigue and expected the school district to find ways to preserve funding, stretch resources and remain off the ballot in the future. Our Board of Education and administration heeded that request and through an aggressive campaign that included district reconfiguration to close underutilized school buildings, administrative and staff consolidation, continued cost saving measures and the influx of one-time funding during COVID, we established a strong fiscal position for the first time in over twenty years and our staff built a district that is highly-regarded and sought out by parents for our exceptional programming. Our success included an unprecedented run of five years of flat expenditure growth (FY 2018 - FY 2022) as a result of our responsible cost containment methodology (LSC reported a corresponding 12.1 percent inflationary increase during FY 2019 - FY 2022). Nevertheless, as one-time funding is exhausted and we enter the inevitable downward portion of a levy cycle, we are projecting an additional operating levy request in the future.
When considering the Base Cost Per Pupil amount for Chardon Schools, the calculated funding for the four components (Direct Classroom Instruction; Instructional and Student Support; Building Leadership and Operations; and Accountability) is $7,208 per pupil. The local share responsibility of the Base Cost is computed at 94 percent. Consequently, guaranteed funding plays an integral role in the district’s revenue.
One of the objectives of the Fair School Funding Plan is to address, to the extent possible, guarantee districts in order to achieve a functioning formula. Chardon is relatively “deep” into the guarantee with approximately $3.08 million dollars in guaranteed state funding under the FY 2018 inputs. Updating the funding model to the FY 2022 inputs demonstrates the importance of ongoing input maintenance and adjustment as the district moves approximately $1.81 million

dollars closer to being on the funding formula to a new guarantee amount of $1.27 million dollars.

Chardon Schools, like many other school districts, will not experience a windfall of funding from the update of inputs. Through various leadership positions, I interact with superintendents in a number of similarly-situated districts that understand the importance of a stable, transparent, reliable and predictable school funding model for the State of Ohio. We support the update of inputs to FY 2022 and respectfully urge continued evaluation of all elements of the Fair School Funding Plan to ensure that we maintain the delicate balance of state and local funding for every school district in Ohio.

Thank you for this opportunity to appear before you today. We look forward to answering your questions.