

Remarks to the Constitutional Modernization Commission

August 8, 2013

**Richard C. Lewis, Executive Director
Ohio School Boards Association**

Good Morning. My name is Richard Lewis and I am the executive director of the Ohio School Boards Association. I am very pleased to have this opportunity to share with you our perspectives on the challenges and opportunities facing public education in Ohio.

With me today to join in the conversation, if needed, are my deputy, Mr. Rob Delane, a former school superintendent; Dr. Damon Asbury, our director of legislative services, also a former school superintendent; and Ms. Hollie Reedy, our chief legal counsel. Also present are Ms. Michelle Francis, our deputy director of legislative services, and Mr. Jay Smith, our lobbyist. While I have some prepared remarks, I would encourage you to raise questions as we go along.

I am not a constitutional scholar or an elected official. However, for most of my adult career I have worked closely with the education community, including publicly elected school board members, superintendents, treasurers and parents. My remarks are based on that experience.

The Ohio School Boards Association represents Ohio's publicly elected boards of education. Our membership consists of nearly 3,500 school board members representing local, city and exempted village boards of education, educational service centers (ESCs) and joint vocational school districts (JVSDs).

Our elected boards of education provide the cornerstone of public education in Ohio. They are charged with exercising local control over the policy and governance of the public schools in their communities, while remaining accountable to the citizens who elect them. Their responsibilities include financial oversight; curricula and educational programs; personnel; school calendars; and educational priorities based on the unique needs of the local community.

While OSBA serves local school districts through elected board of education members, we also work closely with other education groups and associations with an interest in educational issues. These include the Ohio Department of Education; Buckeye Association of School Administrators (BASA), representing superintendents; Ohio Association of School Business Officials (OASBO), serving treasurers; Ohio Association of Educational Service Centers, representing ESCs; Ohio Association of Elementary School Administrators and Ohio Association of Secondary School Administrators, serving school administrators; Ohio Education Association and Ohio Federation of Teachers, two teachers organizations; and the Ohio PTA, serving parents. We also work with the leadership of charter school organizations in Ohio, such as School Choice Ohio

and the Ohio Association of Public Charter Schools, as well as representatives of private and nonpublic schools.

The constitutional framework for public education

As you have already heard from the previous presentations, the foundation for public education in Ohio is set forth in the Ohio Constitution. The key provisions in the Constitution include:

Article I Bill of Rights

Section 7: Religion, morality and knowledge, however, being essential to good government, **it shall be the duty of the General Assembly to pass suitable laws to protect every religious denomination in the peaceable enjoyment of its own mode of public worship, and to encourage schools and the means of instruction.**

Article VI. Education

Section 1: Funds for religious and educational purposes. **The principal of all funds, arising from the sale, or other disposition of lands, or other property, granted or entrusted to this State for educational and religious purposes, shall be used or disposed of in such manner as the General Assembly shall prescribe by law.**

Section 2: School funds. **The General Assembly shall make such provisions, by taxation, or otherwise, as with the income arising from the school trust fund, will secure a thorough and efficient system of common schools throughout the state; but no religious or other sect, or sects, shall ever have any exclusive right to, or control of, any part of the school funds of this state.**

Section 3: Public school system; boards of education. **Provision shall be made by law for the organization, administration and control of the public school system of the state supported by public funds: provided that each school district embraced wholly or in part within any city shall have the power by referendum vote to determine for itself the number of members and the organization of the district board of education, and provision shall be made by law for the exercise of this power by such school districts.**

Section 4: State board of education. **There shall be a state board of education, which shall be selected in such manner and for such terms as shall be provided by law. There shall be a superintendent of public instruction, who shall be appointed by the state board of education. The respective powers and duties of the board and of the superintendent shall be prescribed by law.**

Article VIII. Public Debt and Public Works

Section 2n: Facilities for common schools. Speaks to the issuance of bonds and other obligations of the state for the purpose of **paying the costs of facilities for a system of common schools throughout the state**. Costs include acquisition, construction, improvements, expansion, planning and equipping.

Article XII. Finance and Taxation.

Section 2: Limitation on tax rate (House Bill (HB) 920); exemption from taxation.

Provides for exemption of public school houses from taxation.

The context

1. The mission and the future. (*Philosophical principles*)

From the very beginning of the Northwest Territory and the creation of the state of Ohio, there has been a strong belief that one's quality of life and opportunity are greatly enhanced by education. Our forefathers set forth in our state Constitution guiding principles to establish and support a system of common schools throughout the state.

At the time of our founding, the goal for our schools was to promote knowledge. While this overriding purpose has not changed, the expectations for schools have grown ever more complex. Today, Ohio's public schools are charged with educating all of our children — regardless of wealth, health, gender, race, creed or ZIP code — in order to prepare them for college or a career in a global economy in a time of rapid change. The connection between that mission and our future, in terms of economics and personal development, is clearer today than ever before.

2. Local control as the cornerstone of quality education. (*Governance*)

The Ohio Constitution sets forth the responsibility of public boards of education for the organization, administration and control of the public school system. Today in Ohio, there are 613 traditional public school districts, 55 educational service centers and 49 joint vocational school districts providing educational services to students. The number of school districts and boards in operation has dropped significantly over the years. At one time, there were more than 2,800 public districts in Ohio — a number that has been reduced through consolidation and mergers.

Each of these school districts is governed by an elected board of education composed of community members chosen by local voters to oversee the education of the community's children. It is important to note that the recent budget bill contained a provision that drastically changes the composition of joint vocational school boards from elected to appointed members. This is an unprecedented action by the General Assembly to remove the authority of democratically elected officials.

The state of Ohio also supports the operation of approximately 366 publicly funded but privately managed community schools (charter schools). These schools are sponsored by a variety of entities, including ESCs, JVSDs, the Ohio Department of Education, public colleges and universities, and nonprofit organizations. These schools operate separately and autonomously from local boards of education. About 70 charter schools are sponsored by traditional school districts, but the vast majority is sponsored by groups such as those listed above.

Charter schools propose to provide alternative instructional programs and vary widely among themselves in terms of quality, purpose and performance. They may be traditional “brick-and-mortar” schools, electronic schools or schools serving students with special needs. Charter schools are governed by board members appointed by the sponsoring organization. While the most charter schools are nonprofit operations, many Ohio charters contract with for-profit management companies to run their day-to-day operations.

Recent legislation targeted to Cleveland and Columbus schools granted authority to the respective city mayors to assume a greater role in overseeing charter school operations. One of the goals of this legislation is to exert more control over the quality of charter schools in those two cities. Cleveland voters have approved, and Columbus voters will be asked to approve, levies that will direct a portion of local tax revenues to these charter schools.

In addition, an array of chartered nonpublic (private) schools serves almost 200,000 school students throughout the state.

Taken together, Ohio’s public schools educate nearly 1.9 million elementary and secondary students. The vast majority — approximately 90% — is served in traditional educational settings governed by elected public school officials.

Public schools are the creation of the state and draw their power and authority through state laws, rules and regulations. The state board of education, through the superintendent of public instruction and the Ohio Department of Education, establishes the rules and regulations that provide a framework for local school district operations. However, it is the local board of education that bears the ultimate responsibility for governance and operations at the local level.

3. Importance of reliable and equitable funding for public education. (*Finance*)

OSBA, in association with BASA and OASBO, urges the adoption of a comprehensive and flexible school-funding system that is equitable, reliable and stable. A strong formula should provide sufficient funding and resources to provide high-quality educational opportunities for all students, regardless of ability, special needs, ZIP code or other

circumstances. A copy of our recommendations for a comprehensive funding system is attached.

Adequate, equitable and stable funding is the desired end goal of any school-funding formula. To date, despite four separate Ohio Supreme Court rulings and numerous attempts by gubernatorial and legislative task forces, we find ourselves still short of that goal. Today, schools remain heavily dependent upon property taxes and, in the current economic environment, it is becoming increasingly more difficult to pass school levies and bond issues.

Ohio's school-funding system should promote efficiency, effectiveness and accountability, with a strong focus on student success. Recognizing that local communities and taxpayers expect school-funding information to be understandable, state and local obligations should be clearly defined and transparent.

In Ohio, school funding is a shared responsibility of the state government and local community. State funds may come from a variety of sources, including state income taxes, commercial activity taxes, lottery profits and casino revenues. Local funds typically come from property taxes and local income taxes. State funds account for approximately 43% of total expenditures, local funds about 49% and federal sources and grants the remaining 8%. Depending on a local community's capacity to raise funds, state support can range from less than 5% to more than 90%. It is important to understand that some private schools in Ohio receive more dollars in auxiliary and administrative funds than some public schools receive from the foundation formula.

Tax reform efforts over the years, such as HB 920 (111th General Assembly), which capped inflationary growth on property taxes; the elimination of tangible personal property taxes in HB 66 (126th General Assembly); and more recent changes in eliminating the property tax rollback in HB 59 (130th General Assembly), have placed greater burdens on communities to generate local revenues and forced school boards to go back to the ballot with new levy requests.

For more in-depth analysis of school funding, I would encourage you to contact Dr. Howard Fleeter, a veteran economist who has a strong understanding and background in school-funding issues. Dr. Fleeter works with us through the Education Tax Policy Institute, a nonpartisan research arm of the school management organizations. A copy of Dr. Fleeter's analysis of the school-funding formula in HB 59 is attached.

4. The urban, suburban and rural spectrum. (*Diversity*)

Ohio is a very unique state in terms of its population demographics. Our school districts are challenged to address wide-ranging diversity, from its major urban centers to the network of small towns across the state to the many rural communities that dot the countryside. From the river to the lake and from east to west, our state is truly a microcosm of cultural, racial and economic differences. In many of our communities, school districts must serve students with multiple languages and widely varying

socioeconomic backgrounds. Students with disabilities, who were not served a generation ago, now fill our classrooms. This diversity is a strength, but also can pose significant challenges to school districts' limited resources.

5. Impact of privatization efforts, such as charters, vouchers, tax credits.
(Common schools versus school choice)

Over the past two decades, the General Assembly has gradually established a set of publicly funded charter schools, expanded voucher opportunities and is now considering tax credits for those who would contribute money to support vouchers. In addition, the number of home-schooled students has grown.

Originally intended to provide opportunities for children attending poorly performing public schools or promote innovation in settings free from state control and regulation, these programs now compete for those precious public resources previously allocated to traditional public schools. Today, many private entrepreneurs see public education as a source of venture capital.

While proponents may state a case for the benefits of school or parent choice, any serious examination of the failure of many of these ventures raises important policy questions.

What is the proper role of competing educational systems serving the same set of students?

Does this situation meet the "thorough and efficient system of common schools" mandated by the Ohio Constitution?

6. Maintaining appropriate balance between tradition and innovation.
(Common Core State Standards, technology, blended learning, online learning)

Many pundits contend that the classrooms of the 21st century are not unlike those of the early days of public education wherein a single teacher faces and lectures a class of students. Others maintain that the very best education is still offered through interaction with a single teacher and learner. Regardless of one's belief, today's technology has altered our world in untold ways. While our public education system has generally been less aggressive than others in trying to incorporate technology, change in our models of schooling is occurring and will continue to gain momentum.

The largest impediment to change has been a lack of both human and capital resources. Many of our current teachers were not trained to use technology and have not always embraced the changes technology brings. New technology requires adaptations in the ways teachers teach and students learn.

Yet, many areas of our state still lack sufficient infrastructure and bandwidth to successfully host new educational technology. Even where the infrastructure exists, individual students and their families may not be able to afford the necessary technology.

Despite these challenges, significant changes are happening. Innovations such as blended and online learning, electronic schools and “bring-your-own-device” programs are spreading. Today’s students are “digital natives,” who never knew a time without iPads, iPods, laptops and 24/7 wireless Internet access. They rely on and incorporate such tools into their everyday living. Our schools must accommodate these learning styles or become irrelevant.

And, no matter what the educational setting and resources, it remains critical that students are taught by well-trained teachers.

7. Accountability to the public

Accountability for results is a critical component of any successful enterprise. Education is no exception. Not only must students understand what they are expected to know and do, it is essential that community members know how well their schools are performing.

Recent changes to district and building report cards are coming online this year. Old rating systems are being replaced with A-F letter grades. The performance of subgroups, such as minorities, special needs students and economically disadvantaged students, which previously was unreported in separate categories, will now be readily available. New, higher standards associated with the Common Core and new, more rigorous assessments are being put in place. New teacher evaluation standards and procedures are being implemented.

All of these accountability measures require time for preparation and transition, as well as additional resources for smooth implementation. To envision the magnitude of these challenges, imagine trying to change a car’s tires while the vehicle is moving!

8. Other considerations

Our public schools are in many ways a microcosm of our larger society and all of its components — the good, the bad and the ugly. Our students bring into the classroom experiences from their homes, families and communities. The successful teacher must be able to provide high-quality instruction regardless of classroom composition.

Educators face many noneducational challenges in their schools that affect educational outcomes. Hunger, poverty, drugs, alcohol, shootings and gangs can and do carry over into the school day. Resources that are needed for educational purposes have to be shifted to address these issues.

We have only scratched the surface in this short time today. I offer our continued willingness to meet and share our thoughts throughout this process. The Ohio School

Boards Association has many talented staff members with specific expertise in a number of areas. You are welcome to use us as a resource. Contact information for myself, Mr. Delane, Dr. Asbury and Ms. Reedy is listed below.

Again, I appreciate your time and interest and would be glad to answer any questions you might have.

Richard Lewis, OSBA executive director

Phone: (614) 540-4000

Email: rlewis@ohioschoolboards.org

Rob Delane, OSBA deputy executive director

Phone: (614) 540-4000

Email: rdelane@ohioschoolboards.org

Damon Asbury, OSBA director of legislative services

Phone: (614) 540-4000

Email: dasbury@ohioschoolboards.org

Hollie Reedy, OSBA chief legal counsel

Phone: (614) 540-4000

Email: hreedy@ohioschoolboards.org



Ohio's New School Funding Model

What components are necessary?

Our organizations urge the adoption of a comprehensive and flexible school funding system that is equitable, reliable and stable. The new formula should provide funding and resources to provide high quality educational opportunities for all students, including all ranges of ability and circumstance. It must provide the necessary resources for all Ohio children.

Ohio's school funding system should promote efficiency, effectiveness, and accountability, with its goal and focus on student success. In recognition that local communities (tax payers) demand that funding information for their schools be understandable, state and local obligations should be clearly defined and transparent.

The following is an outline for use in the development of a new school funding formula for Ohio. It does not represent the only solution that might serve the students of Ohio in a fair and equitable manner. However, it does provide guidance and could serve as a benchmark as lawmakers deliberate on what is best for a new school funding system.

Definition of a "Comprehensive Education"

A "comprehensive education" program has three parts:

1) "Basic Components" consist of all parts of the education program required to meet State academic requirements, such as instruction targeted at literacy, numeracy, social science and science competence, and arts, physical education and health with age-appropriate class sizes and local flexibility with class sizes and grouping of students. It should also include provisions for the general welfare and safety for students.

2) "Mandated Special Needs Components" consist of those programs intended to address the special needs of individuals, such as individuals with disabilities or with backgrounds in economically disadvantaged households, or special circumstances of school districts such as concentrations of poverty or transportation needs. Career technical programs fall in this category.

3) "Quality Components" consist of district-defined programs essential to the preparation of individuals for career or post-secondary success but not necessarily mandated by the State. Examples would include foreign language instruction, advanced placement courses, other additions to the curriculum in the arts or sciences, and extracurricular programs.

Step 1 – Threshold Assumptions

A determination of what a “comprehensive education” should include:

- Basic requirements with resources and programs to help prepare all students to be productive, contributing citizens to Ohio’s economic and social environment and sufficient resources to meet the needs of students for the basic components of a high quality education experience.
- Special Resources to address students’ special needs and district specific circumstances beyond the “basic components” of a high quality education.
- Funding for quality components to provide for students' well-rounded educational opportunities such as elective courses, and student extra and co-curricular activities... It is important that students be provided opportunities that make up a well-rounded education – not just those areas of study that are tested.
 - o These important education components may differ from community to community,
 - o Allowances in the state’s funding formula must be made in order for all school districts to have the ability to offer programs and opportunities for student success.

The determination for what a comprehensive education should include is crucial to all components of a new school funding system.

Step 2 – Determination of Costs

Once the threshold assumptions for what is included in a comprehensive education are agreed upon, the starting point of any school funding system will almost always be a dollar per pupil amount that represents the cost for educating a typical student. The premise is that this dollar figure (typically referred to as the “foundation level” in Ohio) represents the minimal funding level that a district with no unusual circumstances would need to deliver the basic components of a comprehensive education to a “typical” student.

Two general methods exist to quantify the cost of a basic education:

1. Top-Down Approach (Outcomes-based)*
2. Bottom-up Approach (Inputs-based)*

Our organizations do not have a preference for which approach is used – so long as all the educational programs and opportunities necessary for a comprehensive education experience are included in the calculation.

*Extensive research and information are available for use in both models.

Step 3 – Quantify the Additional Costs Imposed by Special Circumstances

This step in the design of a school funding system focuses on the aspects by which some school districts differ from other school districts, or on how some pupils differ from other pupils. In Ohio, these funding amounts are often referred to as the “categoricals”.

- Differences among districts:
 - Not all school districts serve the same kinds of pupils or the same kinds of geography.
 - Rural districts may require one school to serve an area of many square miles.
 - Urban districts may serve pupils who live within walking distance of their schools.
 - Some districts serve geographic areas where pupil mobility from school to school occurs with frequency.
 - Differences among pupils – for example:
 - Some pupils have special needs based on physical or developmental characteristics.
 - Other pupils have special needs related to economic disadvantage.
 - Some students will also require career technical education or gifted and talented education programs.
 - Differences in costs:
 - Some districts operate in high wage areas of the state while others operate in low wage areas.
 - Some districts have to pay more to attract teachers to their districts because of factors such as their remote location or a perceived higher degree of difficulty in educating the students in that district.
 - Health care costs for employees can be different from one district to another.
 - Energy costs can also be different from one district to another.
- Quantification of the Costs of Differences
 - The following are examples of “categorical” costs that must be quantified:
 - **Special Education** – studies have been done examining the costs associated with meeting the needs of special education students.
 - Ohio has utilized a weighted system of funding these students, but has never fully funded the state share of the weights used.
 - The weights have not been updated to provide the appropriate level of weighted funding based on the actual service that is needed.

Our organizations support the weighted funding system for special education assuming the weights are based on recent sound research data.

- **Career Tech education programs** - some students have interests and talents not furthered through traditional academic programs. Career technical programs allow students to obtain quality training in the career field of their

choice and enter the workforce immediately upon graduation or enter into post-secondary training/education. Costs of such programs differ significantly based on their specific career focus.

Our organizations have conferred with Career Tech education providers and we defer to their expertise as to the cost for these programs to be successful. We expect to add an addendum to this document that specifically addresses funding for career tech education.

- **Transportation** - Staff at the Ohio Department of Education has developed a cost model based on the number of pupils whom school districts must transport and the distance over which school buses must transport those pupils. Full implementation and funding of the ODE model has never occurred.

Our organizations support the current transportation funding formula.

- **Concentration of Poverty** - While educators generally agree that pupils from economically disadvantaged backgrounds require extra help, no comprehensive analysis has yet quantified the cost of such assistance.
 - The problem is complicated by the likelihood that pupils from similar low income households will require more or less assistance depending on whether the school district where the pupil attends has a high concentration of low income pupils or not.
 - Schools have numerous options to address the problem of poverty, but whether they should offer such options as alternatives or as comprehensive packages of assistance is not easy to determine.
 - There is general agreement that the costs of poverty are not linear; per pupil costs are believed to increase as the concentration of poverty in a school or district rises.

Our organizations believe a comprehensive analysis of the cost for educating students in poverty, as well as those in concentrations of poverty, must be undertaken.

- **Gifted** - While some agreement exists that schools should offer programs for gifted students, the definition of gifted students and the determination of programs appropriate for pupils in that classification remains a difficult issue from both a political and a funding perspective.

Step 4 -- Determine the Method for Apportioning State and Local Shares of Basic Costs and Costs Needed for Special Resources

Ohio has a long history of partnerships between the State and the school district in providing the necessary resources to cover the cost of educating students. Unfortunately, since the cost of a comprehensive education rather than basic education has never been a determinant of funding in the formula, the sharing of the cost of education in the past has led to disparity among districts based on property wealth. We believe that, if the cost is determined appropriately, an apportioning of the cost can be accomplished that minimizes disparity among districts.

Apportionment Options

Many possible options exist for the division of state and local responsibility for education dollars. Generally, these options should include the following features:

1. Wealth-based adjustment so that more state dollars go to school districts with smaller revenue raising capacity.
2. A division of responsibility for comprehensive education costs based on a school district's ability to raise local revenues.
3. There may also be a division of responsibility for categorical education costs related to necessary functions such as special education programs, pupil transportation, and career tech programs. However, this depends greatly on the district's ability to raise the needed local revenues.

Our organizations support the use of local property taxes for use in determining the local share of funding for education. However, other factors besides property wealth should be considered when making this calculation, such as personal income and concentrations of poverty.

Additionally, the calculation for the local share of funding must be transparent to taxpayers and appropriately represent the actual local revenue generation capabilities of the district (no phantom revenue).

Step 5 – Supplemental Funding for Quality Components

Many states' school funding formulas include a component of funding intended to provide districts with additional funding beyond that assured by the foundational part of the formula. While the typical foundation formula/local share approach should do a good job of equalizing funding for state mandates, such as the subjects tested for school and district report cards, inequities continue to affect the ability of school districts to offer quality programs across the much broader range of students' needs.

In this circumstance, property wealthy districts have a large advantage in providing supplemental educational opportunities for their students because an additional mill of local effort raises much more local revenue than is the case in property poor districts.

The State should supplement school districts' revenues to the extent that the districts lack local resources to pay for Quality Components. In this context, "Quality Components" includes locally defined programs for which the State does not mandate performance. Examples include smaller class sizes, additional guidance counselors, advanced academic programs, foreign languages, art, music, and drama programs, and extracurricular activities.

(Other states sometimes refer to dollars intended to pay for mandated programs as "Tier I" funds and dollars intended for additional programs as "Tier II" funding. Our organizations support the concept

of additional State dollars beyond the mandates of Tier I, but we have dispensed with the use of the "Tier" terms.)

Our organizations support the use of Quality Component funding for those districts lacking the ability to provide educational opportunities beyond state mandates. In reviewing previous funding tactics, we recognize the value provided by Parity Aid in past school funding formulas.

However, school districts should not be forced to use funding for Quality Components to pay for what should be considered mandated education offerings.

Draft List of Discussion Points

The following is a list of topics that should be included as "discussion" items that affect the way a formula is implemented and the consequences of some policy positions.

- Levy Frequency – Particularly levies necessary for growth in revenue
- Three-year average ADM count – School districts
- Choice – Our group is primarily concerned about the way funds flow through school district state aid to fund "choice" options
- Independent studies for determining costs, etc. – Special education weights, transportation funding and career tech administrative costs and funding for preschool education are all examples of the need for the use of reputable data when determining funding levels
- Sustainable technology – This could be anything from "access" to technology tools needed to prepare students for the future
- Blended learning – counted in ADM – The success of student learning through blended and online learning, and the cost for these education options have not been fully vetted. School districts must have the necessary resources to offer non-traditional options to students
- Local ceiling on how much must be paid for catastrophic aid – Perhaps the use of a formula based on actual costs vs. the use of a "pro-rated" appropriation amount would more accurately reflect student needs
- School bus purchase money – The average age of Ohio's bus fleet is 15 yrs. It is in the best interest of students for the state to once again provide resources for bus purchases
- Guarantees – While guarantees provide a "hold-harmless" to districts at a time when an effective formula is not in place and also when the funding levels have been reduced (i.e., the elimination of the Cost of Doing Business Factor, the elimination of Utility TPP. etc.), a formula that relies heavily on guarantees is not an effective formula at all
- Inflationary growth – One of the challenges districts experience is the lack of inflationary growth – particularly on the local property taxes they collect. This leads to Levy Frequency, the first bullet point in this section
- Local ability to pay – charge-off or other local share calculations must be based on the principle that the district actually collects amounts reflected in the formula (i.e., taxes charged and collected)
- Robin-hood – The change to a new funding formula should not mean taking from some districts to give to others
- Regional services – As this relates to ESCs, funding should be provided to help school districts obtain access to quality services through an ESC. We expect to add an addendum to this document that specifically addresses ESC funding.

HB 59 ANALYSIS — EDUCATION TAX POLICY INSTITUTE

Following the recent passage of HB 59, Dr. Howard Fleeter, consultant to the Education Tax Policy Institute (ETPI), prepared an analysis of the final version of the budget bill and the education funding portions in particular.

Attached are several summary tables showing the budget's statewide investment in primary and secondary education over the biennium. Included are comparisons to previous budgets, and also breakdowns by school district typology for how school districts are affected.

The tables show that while there will be a significant increase in school funding for FY 2014 and 2015 as compared to FY 2013 (approximately \$831 million), school districts will still not be made whole from the cuts in funding for operations experienced through previous budgets. In fact, because of the loss in federal stimulus funds and cuts to the Tangible Personal Property (TPP) tax replacement payments; statewide, education funding for the new biennium will fail to restore those losses by over \$607 million. This is important information that should not get lost in discussions about future budgets.

Dr. Fleeter's typology based per-pupil funding tables show that even though the lower wealth districts receive more money through the formula than their higher wealth counterparts (as it is with any funding formula), the new formula does not improve their situation. Poor Rural Districts receive an 8% increase in the new budget, but Wealthy Suburban Districts will see a 14% per-pupil increase. In essence, the low wealth districts fall further behind.

Also, if this formula were allowed to play out (the gain caps lifted and the "guarantee" eliminated), higher wealth districts benefit even more, and low wealth districts would actually lose money. The concern raised by Dr. Fleeter's findings indicate the need for continued work on the school funding formula as many lower wealth districts begin the new biennium with fewer educational opportunities for students. The effectiveness of the HB 59 funding model in improving their ability to deliver a high quality education deserves further examination.

Dr. Fleeter is a highly regarded expert having studied school funding in Ohio and in other states for more than 25 years. The Columbus Dispatch recently reported on data from Dr. Fleeter's work, stating, "The veteran economist and analyst has worked for years on school-funding issues..." I am sure Dr. Fleeter would be happy to appear before this commission in the future to talk about school funding in Ohio.

Analysis of FY14-15 School Funding Formula

Prepared by Dr. Howard Fleeter

for the Education Tax Policy Institute

July 8, 2013

Table 1: FY10-FY15 School District Formula Aid & Tangible Personal Property (TPP) Tax Replacement Payments (\$ in Millions)

	FY10	FY11	FY12	FY13	FY14	FY15
School District Foundation Aid	\$6,536.8	\$6,514.7	\$6,266.1	\$6,325.6	\$6,609.5	\$7,042.4
JVSD Foundation Aid	\$261.0	\$263.0	\$263.0	\$263.0	\$269.5	\$277.1
Total K-12 Foundation Aid*	\$6,797.8	\$6,777.7	\$6,529.1	\$6,588.6	\$6,879.0	\$7,319.5
Business TPP Replacement	\$1,041.4	\$1,052.3	\$728.3	\$482.0	\$482.0	\$482.0
Public Utility TPP Replacement	\$79.9	\$76.8	\$31.6	\$28.0	\$28.0	\$28.0
Total TPP Replacement	\$1,121.3	\$1,129.1	\$759.9	\$510.0	\$510.0	\$510.0
Total Foundation Aid & TPP Replacement	\$7,919.0	\$7,906.8	\$7,289.1	\$7,098.6	\$7,398.0	\$7,829.5
Biennial Totals	\$15,825.8		\$14,387.7		\$15,218.5	
Biennial Change			-\$1,438.1		+\$830.8	
FY14-15 vs. FY10-11					-\$607.3	

* Foundation Aid figures include Federal Stimulus funds of \$417.6 million in FY10 and \$515.5 million in FY11. All data are from the Ohio Legislative Service Commission.

Table 1 shows that total K-12 Foundation Aid and TPP tax replacement payments were reduced by \$1.438 billion in FY12-13 compared to FY10-11 funding levels (which included federal stimulus funds). These same payments were increased by \$831 million in the FY14-15 biennium compared to FY12-13. Consequently, FY14-15 funding levels for Foundation Aid and TPP replacement are \$607 million less in FY14-15 than in FY10-11.

Tables 2 and 3 provide an overview of the main components of the FY14 and FY15 Foundation Formula as proposed by the Governor, House of Representatives, Senate, and finally as passed by the Conference Committee. These figures do not include JVSD funding.

Table 2: Comparison of FY14 School Funding Proposals (\$ in Millions)

Funding Component	FY14 Governor Proposed	FY14 House Passed	FY14 Senate Passed	FY14 Conference Committee	Conf. Committee-Gov Diff.
Core Opportunity Aid	\$3,835.3	\$4,792.1	\$4,790.8	\$4,790.8	\$955.5
Targeted Assistance	\$602.8	\$688.9	\$691.3	\$691.3	\$88.5
Disadvant. Pupil Funding	\$488.8	\$486.9	\$345.9	\$372.2	(\$116.6)
Special Education	\$711.2	\$755.0	\$754.0	\$754.0	\$42.8
Limited English Proficient	\$17.7	\$19.8	\$21.0	\$21.0	\$3.3
K-3 Literacy/Early Child	\$90.3	\$78.6	\$82.4	\$75.3	(\$15.0)
Gifted	\$85.2	\$81.9	\$81.3	\$81.3	(\$3.9)
Transportation*	\$375.8	\$438.7	\$438.6	\$438.6	\$62.8
Career Tech*	\$51.5	\$59.6	\$58.8	\$59.0	\$7.5
Computed Formula Aid	\$6,258.7	\$7,401.5	\$7,264.1	\$7,283.6	\$1,024.9
Guarantee	\$464.3	\$112.2	\$145.7	\$140.5	(\$323.8)
Gain Cap Reduction	(\$62.3)	(\$901.3)	(\$800.8)	(\$814.6)	(\$752.3)
Total Foundation Aid	\$6,660.7	\$6,612.5	\$6,609.0	\$6,609.5	(\$51.2)

* Transportation & Career Tech Funding are outside Cap and Guarantee under the Governor's Proposal

Table 3: Comparison of FY15 School Funding Proposals (\$ in Millions)

Funding Component	FY15 Governor Proposed	FY15 House Passed	FY15 Senate Passed	FY15 Conference Committee	Conf. Committee-Gov Diff.
Core Opportunity Aid	\$3,879.8	\$4,839.7	\$4,836.7	\$4,836.7	\$956.9
Targeted Assistance	\$702.9	\$703.9	\$709.2	\$709.2	\$6.3
Disadvant. Pupil Funding	\$488.8	\$491.2	\$350.1	\$376.4	(\$112.4)
Special Education	\$765.3	\$777.8	\$776.4	\$776.4	\$11.1
Limited English Proficient	\$18.8	\$20.0	\$21.2	\$21.2	\$2.4
K-3 Literacy/ Early Child	\$90.3	\$79.4	\$125.4	\$102.6	\$12.3
Gifted	\$85.2	\$82.7	\$82.1	\$82.1	(\$3.1)
Transportation*	\$375.8	\$457.2	\$457.2	\$457.2	\$81.4
Career Tech*	\$51.5	\$61.4	\$60.5	\$60.8	\$9.3
Computed Formula Aid	\$6,458.5	\$7,513.4	\$7,418.8	\$7,422.6	\$964.1
Guarantee	\$416.1	\$102.0	\$120.5	\$118.2	(\$297.9)
Gain Cap Reduction	(\$14.4)	(\$718.6)	(\$496.3)	(\$498.3)	(\$483.9)
Total Foundation Aid	\$6,860.2	\$6,896.9	\$7,043.0	\$7,042.4	\$182.2

* Transportation & Career Tech Funding are outside Cap and Guarantee under the Governor's Proposal

Tables 4 and 5 provide a comparison of the Gain Cap and Transitional Aid Guarantee Under Governor, House, Senate & Conference Committee School Funding Proposals in FY14 and FY15. "Computed Formula Aid" represents the funding that would be provided if the Foundation Formula under each of the proposals were fully funded with no districts restricted by the Gain Cap or receiving Guarantee funds.

Table 4: Comparison of FY14 Governor, House, Senate and Conference Committee Funding Formulas (\$ in Millions)

	FY14 Governor Proposed	FY14 House Passed	FY14 Senate Passed	FY14 Conference Committee
Computed Formula Aid	\$6,258.7	\$7,401.5	\$7,264.1	\$7,283.6
+ Guarantee Amount	+ \$464.3	\$112.2	\$145.7	\$140.5
- Gain Cap Reduction	- \$62.3	-\$901.3	-\$800.8	-\$814.6
Total Foundation Aid	\$6,660.7	\$6,612.5	\$6,609.0	\$6,609.5
Change in Cost vs. Governor	--	-\$48.2	-\$51.7	-\$51.2
# Guarantee Districts	398	175	191	191
# Capped Districts	63	364	342	342

Table 5: Comparison of FY15 Governor, House, Senate and Conference Committee Funding Formulas (\$ in Millions)

	FY15 Governor Proposed	FY15 House Passed	FY15 Senate Passed	FY15 Conference Committee
Computed Formula Aid	\$6,458.5	\$7,513.4	\$7,418.8	\$7,422.6
+ Guarantee Amount	\$416.1	\$102.0	\$120.5	\$118.2
- Gain Cap Reduction	-\$14.4	-\$718.6	-\$496.3	-\$498.3
Total Foundation Aid	\$6,860.2	\$6,896.9	\$7,043.0	\$7,042.4
Change in Cost vs. Governor	--	\$36.7	\$182.8	\$182.2
# Guarantee Districts	384	161	176	177
# Capped Districts	22	312	242	242

Table 6: Comparison of FY13 Foundation Aid and FY15 Foundation Aid, by Typology Group

Typology Grouping	FY13 Foundation Aid	FY13 Per Pupil	FY15 Foundation Aid	FY15 Per Pupil	% Change
1. Poor Rural Districts	\$759,088,749	\$5,410	\$820,221,974	\$5,846	8.1%
2. Rural Districts	\$853,399,152	\$4,456	\$915,890,612	\$4,782	7.3%
3. Rural Small Towns	\$414,798,974	\$3,386	\$441,250,091	\$3,602	6.4%
4. Urban Districts	\$1,132,533,873	\$4,236	\$1,305,307,118	\$4,882	15.3%
5. Major Urban Districts	\$1,710,343,670	\$5,340	\$1,912,813,618	\$5,972	11.8%
6. Suburban Districts	\$1,037,725,429	\$2,608	\$1,170,114,475	\$2,941	12.8%
7. Wealthy Suburban	\$417,087,086	\$1,624	\$476,209,746	\$1,854	14.2%
Totals	\$6,325,588,243	\$3,728	\$7,042,423,039	\$4,150	11.3%

Table 6 shows that rural districts have received a smaller percentage increase in Foundation Aid funding than the other types of school districts have.

Table 7: Comparison of FY15 Computed Formula Aid (Fully Funded, no Cap or Guarantee) with Actual FY15 Foundation Aid by Typology Group

Typology Grouping	FY15 Computed Formula Aid	Formula Aid Per Pupil	FY15 Actual Foundation Aid	FY15 Actual Aid Per Pupil	Formula Aid - Actual Aid	Diff Per Pupil
1. Poor Rural Districts	\$809,880,810	\$5,773	\$820,221,974	\$5,846	-\$10,341,164	-\$74
2. Rural Districts	\$905,419,921	\$4,728	\$915,890,612	\$4,782	-\$10,470,691	-\$55
3. Rural Small Towns	\$429,939,671	\$3,510	\$441,250,091	\$3,602	-\$11,310,420	-\$92
4. Urban Districts	\$1,427,373,623	\$5,338	\$1,305,307,118	\$4,882	\$122,066,505	\$457
5. Major Urban Districts	\$1,979,267,744	\$6,180	\$1,912,813,618	\$5,972	\$66,454,126	\$207
6. Suburban Districts	\$1,299,175,535	\$3,265	\$1,170,114,475	\$2,941	\$129,061,060	\$324
7. Wealthy Suburban	\$571,071,059	\$2,223	\$476,209,746	\$1,854	\$94,861,313	\$369
Totals	\$7,422,561,228	\$4,374	\$7,042,423,039	\$4,150	\$380,138,189	\$224

Table 7 shows that if the Foundation Aid formula adopted by the Conference Committee were fully funded with no caps or guarantees (the Computed Formula Aid amount shown in Table 5), rural districts would get less money than they actually receive in FY15 while other types of school districts would get more. This raises questions regarding the fairness of the formula as it applies to Ohio's rural school districts.

