

Fair School Funding Plan

135th General Assembly – Budget Talking Points

Main Talking Points:

The Fair School Funding Plan is predictable, objective, justifiable, transparent, amendable, and fair. Below are the six most important reasons that the Fair School Funding Plan phase-in should continue. The rest of this document includes further information and references on these points, to assist you in conversations with interested parties.

- It benefits Ohio schools and provides **predictable** funding to school district budgets.
- It is an **objective** plan built on the needs of students and schools and **justifiable** based on research, best practices, and demonstrable success.
- It is **transparent**, with the same components or calculations applicable to students or schools in the same way, making it fair to all students, schools and taxpayers.
- It is **amendable**, which allows the legislature to modify specific components, independent of others, as their substance or cost change.
- It is a **constitutional** framework to school funding (providing for adequacy and equity), **but only if it is fully funded.**
- The state is in a financial position to fund the formula with existing state dollars and with **no increase in taxes.**

Further Information:

The Fair School Funding Plan is a well-vetted plan created as part of a bipartisan effort in collaboration with Ohio educators and input from all invested parties.

- The plan is the first comprehensive K-12 school funding formula to have been developed entirely by Ohio educators who have the day-to-day responsibility for instructing our youth and operating our public schools.
- Over the last five years, the Fair School Funding Plan (FSFP) has been presented, vetted, dissected, amended, testified to repeatedly in both chambers, and created in plain view of all interested parties.
- The FSFP Workgroup has met more than 125 times to develop and refine the formula.
- More than five dozen open meetings of the various subgroups of the Workgroup have been held with invited experts, operators, representatives from Ohio Department of Education (ODE), business groups, charter operators, and others.

It benefits Ohio communities by providing predictable funding to school district budgets. It's difficult for schools to make long-term plans with short-term fixes.

- The plan, as it is currently written, is reasonable, stable, objective, fair, and transparent; This plan calls for a six-year phase-in of incremental, annual increases to Ohio's public school funding.

- The plan provides funding predictability for school districts with the aid of tools like guarantees. Guarantees protect districts against certain uncontrollable variables.
- The plan calculates the actual base cost to adequately educate each child, the cost to adequately educate students with different needs through both property values and income levels in each community.
- Every expenditure specified by the plan has been thoroughly analyzed and deemed to be essential to meet a demonstrated student need or fulfill an operational requirement and justified by accepted national or local research, established best practices, successful implementation in other venues and/or the personal professional judgment or experience of the educators involved.

The Fair School Funding Plan is transparent and amendable.

- The plan is fully transparent and easily modified because every formula component represents a specific resource - personnel, service, technology, etc. - so changes that result in different funding levels can be easily accomplished.
- The FSFP Workgroup is reviewing and evaluating the plan as implemented, and is currently examining various methods for addressing:
 - Inflation and maintaining an appropriate relationship between input costs and capacity changes;
 - The burdensome costs involved with the transportation of community school and non-public school students;
 - Questions raised by some open enrollment districts;
 - Methods for getting districts off the guarantees and onto the formula; and
 - Any other issue that might potentially endanger the plan's fairness or longevity.
- The ongoing need for guarantees must be evaluated as a part of any formula; it is also important to understand the reason a district is on a guarantee so that districts can plan. Some reasons for guarantees include increases in valuation, declines in enrollment, and the addition of income into the capacity calculation, among others.

The Fair Funding Plan is a constitutional framework to school funding, but only if it is fully funded.

- School funding in Ohio has been ruled unconstitutional three times since 1997.
- The plan, as it is currently written, complies with the adequate and equitable constitutional requirements, but it must be fully funded to work.
- The Fair Funding Plan can be broken down into three main components: (1) the base cost; (2) the state and local share; and (3) additional targeted assistance/categorical aid.
- It's adequate - – but only if it is fully funded!
 - The base cost is a per pupil rate that takes into account the actual cost that is needed to adequately educate each child in Ohio and is provided based on actual enrollment.
 - The additional targeted assistance and categorical aid supports students with different needs (economically disadvantaged, students with disabilities, gifted students, etc.)
- It's equitable – but only if it is updated!
 - The state and local share portion of the formula accounts for the local fiscal capacity. In order to ensure that the state and local share remains balanced, all inputs must be updated in the formula.

It can be funded right now—with existing state funds—and with no increase in taxes.

- When we stabilize school budgets, we invest in Ohio’s future—funding this plan ensures that school districts can focus on educating students.
- The time is now to fund the formula as **Ohio is in excellent financial shape**. The plan is in the second year of a six-year phase-in of incremental, annual increases to Ohio’s public school funding. The state is well-positioned to **continue or accelerate the phase-in of years three and four**.
 - Annually, at least \$300 million is needed to fully phase-in the formula, with updates from the various cost studies.
- The **incremental rollout** of the plan can easily come from a number of places within Ohio’s **existing budget**, with zero tax increases such as:
 - Ohio’s rainy day fund is maxed out at the statutory limit of \$2.7 billion. Essentially, the state has maxed out their contributions to their savings account (depositing an average of \$400 million annually in seven of the last ten years prior to the pandemic)—an account which went untouched even during the pandemic.
- **Ohio’s recent upgrade** from two rating agencies – Fitch Ratings Inc. (Fitch) and Moody’s Investors Service (Moody’s) – highlights the strength and stability of Ohio’s financial future. Fitch upgraded Ohio to AAA, its highest rating, in September 2022, noting:
 - Recent change to raise the targeted balance of Ohio’s rainy-day fund to 8.5% of prior-year general fund revenues from 5%.
 - FY 2022 concluded with more than \$2 billion in operating surplus.
 - “Based on fiscal 2022 unaudited results, state officials now expect fiscal 2022-23 state source revenues to exceed the prior biennium by approximately \$7 billion (14.3%).”

The Fair School Funding Plan lives up to its name – it is fair, but only if it is fully funded!

- It is **fair to students** - every component of the Fair School Funding Plan formula is based upon a verifiable student need or school operational requirement; and the funding amount has been thoroughly analyzed and justified using Ohio expense data.
- It is **fair to districts and the state** - the calculated local share, the districts share of the joint responsibility with the state for funding its schools, is based solely upon that district’s financial capacity, taking into consideration its property valuation and the income of its residents, so that districts with lower average incomes have an even lower local share than under previous formulas.
- It is **fair to taxpayers** - the district’s capacity is based upon both personal income and property valuation of the district resulting in a more comprehensive reflection of the ability of district residents to support schools.
- Local control is best for all—Ohio taxpayers expect a **fair funding system** to support quality education in their local schools and communities.