

## **Fair School Funding Plan - Talking Points for Senate**

The next few days are critical in the Senate. With the passage of Substitute House Bill 305 in the House of Representatives with an 87-9 vote, we now need the companion bill in the Senate (Senate Bill 376) to pass in order for the Fair School Funding Plan to be in place for the next budget cycle.

We have included talking points to cover with your Senator below. Some of these points are included to address and dispel claims in a letter sent to the Senate about the Fair School Funding Plan. The talking points have been broken out into the following four sections: **(I)** the necessity of passing the Fair School Funding Plan before the end of this year; **(II)** how to pay for the Fair School Funding Plan without a tax increase; **(III)** the constitutionality of the Fair School Funding Plan; and **(IV)** the accuracy of the assumptions and analysis to support the Fair School Funding Plan.

Please stress to your Senator the importance of passing the Fair School Funding Plan now. There is overwhelming support in the House, with a 32-0 vote out of the House Finance Committee and an 87-9 vote on the floor of the House. The Senate Finance Committee and the full Senate must realize the importance of this legislation and move it forward before the end of this year.

### **I. The Fair School Funding Plan Must be Passed in 2020**

Making the Ohio Fair School Funding Plan, S.B. 376, a chip to play in the state budget negotiations next year is taking a giant leap backwards and is of great concern. We have lived with the consequences of that approach for over two decades (Governor Taft's Blue Ribbon Task Force being the exception). History will only repeat itself if the Senate chooses to continue to address fair school funding for Ohio's students as part of a budget bill.

The budget cycle is a chaotic process by its very nature in that it does not lend itself to establishing a well thought out and vetted school funding formula. What legislators can develop in the span of a few months cannot match the work that practitioners have invested over the past three years to develop a definable, defensible, transparent system of funding. We have seen multiple results of school funding plans that have been developed in the isolation of the Statehouse, in a limited time frame, and without the input of research-based practices and practitioners and experts in the field. It doesn't work.

For more than two decades, school funding has been a "budget" discussion and as a result we have \$6,020 provided for each student. What is that number based on and how does the state arrive at it? It is not a discussion about what Ohio students need to be competitive in the 21st century. It is a function of what the budget can provide. This "budget" conversation has resulted in a formula where, at best, 4/5ths of all Ohio schools are not on this formula. Today, that number is 100% of districts not on the current formula as foundation allocations have been frozen at FY19 levels.

Since *DeRolph v. State* twenty-three years ago, education funding has been a “budget” exercise that has resulted in a broken funding system based on a patchwork of temporary, ineffective, insufficient budget fixes. We have a plan that considers what every student in Ohio needs, literally from the crack of dawn when they board a school bus to midnight when they log off of their school device.

## **II. How to Pay for the Fair School Funding Plan**

Ohio’s current tax structure can accommodate the needs of the new funding formula. It is possible to pay for the Fair School Funding Plan **without increasing taxes**. The Fair School Funding Plan would be phased in over six years and cost an estimated \$1,999,600,166 according to the Legislative Service Commission’s calculations.

The annual year over year increase required to reach the \$1.999 billion cost estimate is approximately \$334 million. But inflation impacts most every item in the state budget, including the entire appropriation for primary and secondary education, which in FY 2021 totaled \$9.873 billion. At an inflation rate of 1.5% annually, the inflationary increase on that amount would be \$148 million, which would rise slightly over the 6-year period. As a result we are assuming that the year over year amount necessary to fund the Fair School Funding plan should include an average annual inflationary amount of \$155 million, creating a total amount of year over year increase to fund the Plan over a 6-year period to be \$489 million.

Therefore, the question then becomes, how does the state pay for \$489 million annually?

Over the past ten years, the average year-over-year increase allocated for primary and secondary education has been \$280 million (including FY2020 and FY2021, which had state budget reductions due to the coronavirus).

Assuming this practice continues, an additional \$209 million per year is required to pay for the Plan ( \$489 - \$280 = \$209).

Additionally, the state has deposited an average amount of \$400 million per year into the Budget Stabilization Fund (i.e., “Rainy Day Fund”) for the last seven years. The state has deposited this amount while also providing the above-referenced \$280 million for primary and secondary education, year-over-year.

The Budget Stabilization Fund is now at its statutory limit, so the current tax structure has sufficient capacity to continue the practice of appropriating monies for \$280 million dollar year over year increases, and providing the additional \$209 million required to fully underwrite the cost of the Fair School Funding Plan while adequately providing for inflation.

Furthermore, repurposing some of the Governor’s Health and Wellness monies into the Plan would not be inappropriate as they are intended to provide services similar to those provided by the proposed formula’s Disadvantaged Pupil Impact Aid.

## **III. Constitutionality of Fair School Funding Plan**

The Fair School Funding Plan is a definable, defensible, and transparent response to the 1997 *DeRolph* case, which ruled Ohio’s system of funding schools unconstitutional. More than 23 years since that decision, the Fair School Funding Plan delivers the **adequate** and **equitable** level of funding necessary to provide appropriate and meaningful opportunities for all public-school students across the state.

- **Adequate.** Dr. Howard Fleeter, economist and leading Ohio school funding expert who serves as a consultant to the Ohio Education Policy Institute, agrees that the Fair School Funding Plan meets the constitutional standards of equity and adequacy. He states, “In order to be adequate, the state must use objective cost-based methodologies to determine the cost of educating a typical student—the base cost. Another aspect of adequacy is recognizing the additional costs above and beyond the base cost to meet the unique needs of each student—the categoricals. Categorical funding provides additional funding for economically disadvantaged students, students with disabilities, English learners, gifted students, and career and technical education students. The Fair School Funding Plan provides both base cost and categorical funding that is driven by the number of students in a district and the needs of those students. The Funding Plan meets the standard of adequacy.”
- **Equitable.** Dr. Fleeter continues, “In order to be equitable, the state must employ a methodology which fairly defines the state-local share of the costs for K-12 education across Ohio’s 609 school districts. The state-local share mechanism most recently in place from 2013 to 2018 was widely flawed. In contrast, the new state-local share provided in the Fair School Funding Plan meets the equitable standard as charged by the courts. In doing so, it ensures that the state system of school funding is not ‘overly reliant on local property taxes’ as detailed in the *DeRolph* ruling, meeting the constitutional standard of equitable.”

Ohio has not had a school funding formula in place for the last two years. Even when a funding formula was in place, **over 80% of K-12 school districts were not on the formula** with their funding either capped or guaranteed.

The Fair School Funding Plan provides the objectivity missing in any previous attempts to develop a formula. The Plan includes:

- a new input-based methodology for determining the base cost amount, which will vary based on district demographics;
- a new method for determining the state and local share of funding based on a sliding scale, including both income and property capacity. This new measure takes into account the size of the local property tax base and the ability of district residents to raise local tax revenue;
- increased funding for economically disadvantaged students that would be funded before any other component of the formula; and
- a recommendation for studies to be carried out to determine the true cost of educating students with disabilities, economically disadvantaged students, and English learners.

In its fourth and final ruling on the topic, the Supreme Court of Ohio said the duty now lies with the General Assembly to remedy the unconstitutional school-funding formula. Today, that duty can be fulfilled if lawmakers pass SB 376.

#### IV. Accuracy of the Fair School Funding Plan

The section below addresses questions raised in a letter from Senator Blessing to his colleagues in the Senate, as well as additional questions received from legislators and other stakeholders regarding the details of the Fair School Funding Plan.

##### ***A. Questions raised in Senator Blessing's letter.***

On Monday, November 23rd, Senator Blessing sent a letter to some of his colleagues in the Senate indicating that, at the request of Sen. Huffman, he, some of the caucus staff, and LSC had been researching the full costs of the Fair School Funding Plan. The letter went on to state that the total annual cost of the plan was \$3.5 billion, not the \$2.0 billion projected by the bill's sponsors and also asserting that the cost will escalate by \$1.4 billion annually thereafter. **After reviewing the letter and accompanying supporting documentation it is our conclusion that these claims are wildly exaggerated.**

**Question #1:** Senator Blessing's letter states that thousands of teachers are not included in the costs of the Fair School Funding Plan, and, as such, those teachers would require an additional \$1.494 billion each year and that each subsequent teacher compensation update would increase costs by another \$1.4 billion annually. Is this analysis correct?

**Answer #1:** No! ***The state's obligation is to fund students through a funding formula consisting of a number of funding components and categories with a variety of per pupil funding amounts. The assertion that the Fair School Funding Plan fails to fund 14,423 teachers betrays a complete misunderstanding of the notion of an input-driven base cost methodology.***

As you will note from the bill's language, the funding formula does **NOT** fund teachers; instead it **funds students**, with almost all of its funding components establishing a per pupil funding amount, just as all of Ohio's predecessor formulas have. Senator Blessing's letter did not indicate any code sections or bill line numbers that call for the funding of teachers, **because there are none**. Certainly, the cost of teachers and other personnel contributes to the calculation of the per pupil amounts, but the state's obligation to fund schools **begins and ends with funding students** through the formula.

The base cost model of the Fair School Funding Plan utilizes the following pupil/teacher ratios:

- Kindergarten 20:1
- Grades 1-3 23:1
- Grades 4-8 25:1
- Grades 9-12 27:1

These ratios are based on research and reflect a level of staffing sufficient to provide an adequate (aka “thorough and efficient”) education to the typical student. These ratios are for funding purposes only and there is no mandate that districts staff in a way which exactly complies with the ratios.

Dr. Howard Fleeter agrees with this analysis. Dr. Fleeter noted in his written testimony submitted to the House Finance Committee in support of the Fair School Funding Plan, “Ohio school districts are of course free to lower these ratios (and employ more teachers) by utilizing local resources; however, such a decision does not in any way obligate the state to provide funding for those additional teachers. As a result, it is completely inappropriate to calculate how many teachers are funded with the ratios above, compare that figure with a count of teachers employed, and then assert that the funding model is somehow insufficient. Thus, any cost numbers associated with this unfounded claim should be completely disregarded.”

There are thousands of teachers across Ohio who are funded by district discretionary funds and federal dollars. **None of them**, however, constitute a fiscal responsibility of the state under current law and none would be a fiscal responsibility of the state under the provisions of the Fair School Funding Plan.

**Question #2:** Is Senator Blessing’s letter accurate by saying additional categoricals were not measured, thus not capturing costs associated? The letter goes on to say that additional costs such as Pre-K, special education, gifted education, ESCs, economically disadvantaged students, and transportation were not measured because the bills did not change those components.

**Answer #2:** NO! **A close examination of the bill language and LSC cost tracker will reveal that a total of \$768.4 million in those same categories has been added in the Fair School Funding Plan, with approximately \$316.1 million specifically intended for economically disadvantaged students.**

The letter does point out that periodic adjustments will need to be made to account for inflationary changes in costs and perhaps to modify the per pupil calculations due to technology improvements or changes in instructional practices and/or philosophy.

As such, the Commission established in the Fair School Funding Plan was created to provide periodic recommendations to the General Assembly to address those issues. The state is not obligated to pay all teachers as presumed in the letter, and salary-related increases will most likely be less than inflationary measures because highly paid senior employees regularly retire and are typically replaced by younger employees at less than half the rate.

**Question #3:** Is the FY18 teacher salary used in the base cost calculation five years out of date as asserted in Senator Blessing’s letter?

**Answer #3:** Dr. Fleeter, an economist and school funding expert, notes, “The \$2 billion cost estimate of the Fair School Funding Plan should have been based on FY19 data rather than on FY18 data. The printouts that accompany Sub. HB 305 show the cost of fully funding the new formula right now (FY21). This is the only practical option for showing the cost of the new formula

because the difficulties of projecting property values, income, inflation, the number of students and other variables over a six-year phase-in period is essentially impossible.”

Dr. Fleeter continues, “In addition, because of lags in data availability, it is not possible to use even the prior year’s teacher salaries in order to compute the base cost. This means that the only practical option is to use salaries from the 2nd preceding year (i.e. FY19 salaries for FY21). This is done with the other 6 variables in the formula as well – for example, property values are also from the tax year 2 years prior to the school year. Using the statewide average teacher salaries shown in the FY18 and FY19 Cupp Report indicates that there was a 2.5% increase from FY18 to FY19. 2.5% of \$2 billion is \$50 million, which represents the absolute largest additional cost if the FY19 data were used instead of FY18 (some parts of the formula such as transportation and targeted assistance are not based on teacher salaries). In contrast, the Senate’s letter suggests that the cost is \$705 million, which is completely unsupported by evidence, data or logic.

Please note: FY18 average salaries were used in the calculation because of the timing of when the bill was drafted.

### ***B. Additional questions raised by legislators.***

**Question #1:** What is the accountability proposition for adopting the model in the Fair School Funding Plan?

**Answer #1:** School district leaders and teachers work very hard to improve academic outcomes for all students in Ohio. Given that we have a funding formula that does not work for any school district in Ohio at this time, it is difficult for anyone to say that we have the inputs correct and to draw any reasonable conclusion that certain districts are simply not making the grade.

It is incumbent upon us to separate the accountability discussion, not permanently, but for the moment. Create a funding system that is fair, rational, justifiable, and equitable. Then we can engage in meaningful dialogue about developing an accountability system that is equally fair, rational, justifiable and equitable for all districts. It is commonly accepted among school leaders and educators that the current accountability system does not achieve these objectives.

Getting the inputs right sets up the ability to have a meaningful discussion about accountability. It is illogical to compare districts on the current accountability model when inputs are not rational.

Accountability reform, and ongoing conversations about report card reform will address these issues.

**Question #2:** What is the purpose of the Commission established by the Fair School Funding Plan?

**Answer #2:** The legislation provides for the establishment of a Commission (which is composed of four legislators, three school superintendents, three schools treasurers, three teachers, three school board members, and three citizens) to make recommendations to the legislature, if needed, to adjust the Plan’s provisions to better meet the needs of our children. We know that

our current funding formula is stuck in time and changes to it over the years have distorted it. To avoid this distortion in the future, the Commission would ensure that the formula is reviewed and updated as necessary so that it reflects the needs and changes that inevitably take place in the K-12 education.

**Question #3:** Why are the cost studies necessary?

**Answer #3:** The cost studies are necessary to confirm the services and allocations within the bill are appropriate, given today's technology and delivery methods.

**Question #4:** How many cost studies are proposed?

**Answer #4:** There are seven cost studies proposed in the Fair School Funding Plan, including: Community schools (online), Economically Disadvantaged, English Language Learners, Educational Service Centers, Gifted (reporting protocols and incentives for rural school districts), Special Education and Transportation.

**Question #5:** Are the cost of those studies incorporated into the Fair School Funding Plan?

**Answer #5:** Yes, there is \$5,000,000 appropriated in the Fair School Funding Plan for the studies.

**Question #6:** Once the cost studies are completed, will this increase the cost of the Fair School Funding Plan?

**Answer #6:** The Workgroup has assumed the additional costs related to the seven categories/topics of the cost studies and these costs are currently reflected in the Fair School Funding Plan (i.e., they are included in the \$1.99 billion total cost). However, the cost of the Fair School Funding Plan may increase as a result of the cost studies. The Commission's responsibility is to evaluate the results and compare that to the research and recommendations from the Workgroup. Again, the original purpose of the cost studies is to validate the Workgroup and where necessary, make recommendations for increases. Based on the Workgroup's recommendations, those increases are not expected to be significant.