

## **The Fair School Funding Plan (Sub. H.B. 305)**

### **Base Cost**

“Base cost” represents an estimate of the annual per pupil cost to provide a basic quality education for a typical student (one without special needs) and to fund the components needed to operate a traditional school district. Additional funding to educate students with disabilities, from economically disadvantaged backgrounds, English Language Learners, and gifted students is provided through “categorical programs.” Categorical funding to schools for such students is layered *on top* of base funding. See “Categorical Aid” below.

A primary building block of H.B. 305’s base cost is funding for classroom teachers for both core subjects and electives. Pupil/teacher ratios supported by national research and state practice are utilized, and Ohio data regarding salaries and benefits is applied. (For special needs students, additional resources, such as reduced class sizes, are provided through categorical funding.) the major components of base cost include resources for professional development for teachers, addressing health, safety, social, and emotional needs of students, academic and athletic co-curricular activities, technology used in today’s education, and the general operations of school buildings and school districts, including building and central office leadership and staff.

**Sub. House Bill 305 – no change.**

### **State and Local Share**

Funding of the base cost is achieved by a combination of state resources and locally generated tax revenue. In H.B. 305, the split between the state and local tax money is based on each school district’s ability, or fiscal capacity, to generate a local share. Fiscal capacity is measured using a combination of both property wealth and income wealth. Property value has a 60 percent weight in the overall capacity of a district. Income wealth, measured in equal parts by (1) total federal adjusted gross personal income of the district and (2) median income per individual return, has a 40 percent weight in determining overall local capacity.

Once the total local capacity of a district is determined and converted to a per pupil dollar amount, a percentage equivalent to a property tax millage rate is applied to arrive at the district’s final local share. The percentage ranges from 2.0 percent to 2.5 percent, with an individual district’s percentage based on a sliding scale of whether median income in the district is above or below the statewide median. A district with a median income exactly at the statewide median would have 2.3% applied. Districts with median incomes below the statewide median would have a lesser percentage applied, but not lower than 2.0 percent. Districts with median incomes above the statewide median would have a higher percentage applied, but not higher than 2.5 percent.

Once the local share per pupil amount is determined, the state pays for the balance of the calculated base cost per pupil amount for the district so that the district is assured of having the full amount of the calculated base cost.

**Sub. HB 305 – amends the “as introduced” version by multiplying the district’s capacity stated in a per pupil dollar amount by varying percentages with a maximum percentage of 2.5% for higher capacity**

districts, but with no minimum percentage for lower capacity districts (instead of the 2.5% to 2.0% in the “as introduced” version) with the district precisely at the statewide median income being charged 2.25% instead of the 2.3% in the “as introduced” version, in order to determine the district’s local share. This results in additional funding as the capacity of districts declines.

## **Enrollment**

“Enrollment” used in H.B. 305 means the number of students actually being educated by the district. Students attending community schools, other schools through one of the state scholarship programs, or court-placed in schools outside the district of residence would be counted for funding purposes in the school where they are being taught. Students open enrolling into a district also would be counted as students of the district where they are taught. In all of these instances, funding would go directly to the educating entity.

Sub. HB 305 – no change.

## **Targeted Assistance/Capacity Aid**

“Targeted Assistance” and “Capacity Aid” are funding mechanisms primarily designed to direct resources to districts that, because of their characteristics, do not have sufficient capacity to generate enough revenue locally to sufficiently fund their educational programs. The current version of these mechanisms is merged together into a single three-tier program.

“Tier One Targeted Assistance” uses the same measures of capacity that are used in determining the state and local shares of base cost, and provides graduated aid to districts based on combined property and income wealth. A district whose overall capacity per pupil is less than 120 percent of the State’s median capacity per pupil qualifies for wealth-based Targeted Assistance. The amount of assistance per pupil increases as per pupil capacity decreases.

“Tier Two Targeted Assistance” uses the same base measure as Tier One, but the additional aid is determined by the capacity of the district to raise funds locally as measured by dollars generated per pupil per mill of property taxation. A district qualifies for Tier Two funding if its overall capacity is below the statewide median capacity. The amount of aid increases as a district’s capacity decreases.

“Tier Three Targeted Assistance” is designed to account for dislocation caused by using enrollment based on where a student is taught to determine state aid rather than the current designation of Average Daily Membership. When high percentages of students leave a district to be educated elsewhere, that district may appear, in the funding formula, to be less poor than it otherwise might be. Tier Three creates a funding source for these districts if they also have high percentages of economically disadvantaged students as measured by the wealth factor in the FY 2020 Targeted Assistance program.

Any district that meets two criteria--having at least 12 percent of its resident students leaving the district to be educated and having a FY 2020 Targeted Assistance Wealth Index above 1.6 -- receives Tier Three Targeted Assistance aid. This aid is outside the guarantee calculation for funding for FY 2021 and FY 2022. A district would receive this funding on top of all other funding even if its overall calculated aid after a base guarantee is the same as FY 2020 funding.

Sub. HB 305 – No change, except that, exclusively for the purpose of calculating a district's targeted assistance rate, students will be counted in the districts where they reside. When targeted assistance payments are actually made, students will be counted at the school where they are taught at that school's rate.

**CATEGORICAL AID.** Categorical aid, unlike base cost or the current formula's opportunity grant, is funding provided for a specific purpose and, generally, its use is restricted to that purpose. Following are the more significant categorical aid components, or categories, and brief descriptions of the application of H.B. 305 to them.

**Economically Disadvantaged** – meeting the challenges of the social, emotional and academic needs of children from economically disadvantaged households.

National research (The Education Trust, Syracuse University and the State of California) says that each economically disadvantaged child needs at least 26% to 62% more than his/her district's base cost amount in order to overcome the handicaps associated with the child's circumstances and that those amounts exponentially increase as concentration of the disadvantaged students increases. Ohio currently provides \$272/pupil as an initial starting amount but which increases to a maximum of approximately \$1,100/pupil at a 100% concentration of economically disadvantaged students in a district.

- HB 305 and the Fair School Funding Plan provide for a detailed study to determine more precisely the type and quantity of resources needed to meet these needs and recommends an immediate interim increase in the per pupil amount to \$422 (a 55% increase in the initial amount per pupil) until the study is completed and the results analyzed.
- HB 305 also calls for all 4-year-olds qualifying as economically disadvantaged to be provided access to at least one year of high quality preschool.

Sub. HB 305 – establishes the recommended increase from \$272 per pupil to \$422 per pupil and further establishes that this per pupil funding level, subject to the formula which increases the per pupil amount as the concentration of economically disadvantaged students increases, will be fully funded, without phase-ins, before any monies are appropriated for any other provision of HB 305, until the study is completed.

**Special Education** – meeting the needs of children with handicaps, physical, mental and emotional.

Since Ohio adopted its current method of weight-based funding in the early 2000's, Ohio's special education community has been generally satisfied with the State's support of children with handicaps. Since then, changes in technology, remedial practices and education philosophy have been significant, and HB 305 therefore provides for the following:

- An in-depth review of the current funding categories, remedial practices and commonly used technologies to confirm that current funding levels are appropriate, and, if not, to recommend changes;
- Increasing the current 90% funding level for existing categories to 100%, with the final 10% to be set aside for catastrophic cases;
- Funding the six disability categories using a multiplier of the base cost amount.

Sub. HB 305 – no change.

**Gifted Education** – HB 305 will implement the funding recommendations of ODE’s 2018 Gifted Funding Report.

Sub. HB 305 – no change.

### **English Language Learners**

HB 305 provides for the following with regard to ELL:

- Returns to using multipliers of base cost to fund its categories;
- Revises existing Category 2 participation to include all ELL students who have been enrolled in an organized ELL program for more than 180 days until they successfully achieve proficiency on mandatory assessments;
- Revises Category 3 participation to include all ELL students who have achieved proficiency and requires monitoring them for two years;
- Directs ODE to conduct a cost study of ELL to determine the validity of current funding amounts or to recommend new ones.

Sub. HB 305 – no change.

### **OTHER PROVISIONS**

#### **Education Service Centers**

HB 305 establishes a temporary tiered funding system that provides additional monies for all 51 ESCs for fiscal years 2020 and 2021 or until a study can be completed and a permanent funding formula is adopted.

Sub. HB 305 – Creates a tiered funding mechanism that provides gradually decreasing per pupil amounts as the number of pupils in districts served increases with the smallest per pupil amount being just under \$31 per pupil, approximately \$5.00 more than the single per pupil amount that currently applies to all ESCs. Smaller ESCs would receive considerably more per pupil and all ESCs would receive a basic amount that would cover most of an ESC’s statutorily required costs.

#### **Career/Technical Education**

HB 305 creates an input method base cost funding model, similar to the proposed new traditional school funding model, for Career Technical Centers (JVSD’s). H.B. 305 also:

- Uses multipliers of the new JVSD base cost to fund technical and skills programming; and
- Creates career awareness and exploration funds for lead districts in Career-Technical Planning Districts (CTPD) to conduct those programs in schools within the CTPD.

Sub. HB 305 – No change.

## Community / Charter Schools HB 305

- Funds schools directly from the State thereby eliminating the need for districts to track residents who attend community schools and to transfer funds originally earmarked for them to those schools;
- Authorizes a study by ODE to establish an objective, transparent per pupil funding amount;
- Provides an interim per pupil funding amount to be added to the FY19 per pupil amount until the results of the study can be analyzed and implemented.

Sub. HB 305 – changes the interim base per pupil funding amount to the following for each school, using the traditional schools' new base cost calculation as the model.

- Calculates for each school, its own per pupil Direct Instructional costs, using the same components and teacher cost data as in traditional schools except there would be no minimums.
- Provides for each school the same statewide average per pupil amount for the other three components of the traditional school's formula: Instructional and Student Supports (minus athletic co-curricular costs), Building Leadership and Operations, District Leadership and Accountability Data at 90%.
- Total statewide average per pupil is \$6,795, compared to the traditional school average of \$7,195 per pupil.

## Open Enrollment

- HB 305 funds students transferring through open enrollment at their new location, consistent with the concept that students are to be funded at the school where they are taught.

Sub. HB 305 – No change.

## Technology

- HB 305 includes technology components within the new base cost that provide for the following:
  - Sufficient funding for every child, grades 1-12, to have his/her own device; with funding based upon a Chrome Book, or equivalent, with a 4-year replacement cycle.
  - Funding to enable ITC's or third parties to provide sufficient bandwidth to support educational needs, efficient fiscal and administrative information management, EMIS, InfOhio, and other essential services.
  - Funding for sufficient building and classroom wireless access points and necessary network switches, system maintenance and replacements.

Sub. HB 305 – no change.

## Transportation

HB 305 continues to fund school transportation through a separate formula as follows:

- Retains current locally selected option of being funded on a per mile or a per student basis;
- Implements a state bus purchase program similar to the one included in the House-passed and Senate-passed versions of H.B. 166;
- Restores the State's minimum state share to 60 percent, in increments, by FY2025;
- Phases out density supplemental payments in coordination with restoration of minimum state share to 60%;
- Provides for a thorough study to determine the cost of the following and to make recommendations to more efficiently provide the same:
  - transporting special education students;
  - transporting community school students and non-public students on days when the transporting district is not in session;
  - transporting community school students and non-public school students outside of district boundaries.

HB 305 also modifies school transportation policy to:

- Allow 30-minute leeway in drop off and pick up times at community and non-public schools;
- Permit ridership counts based upon either a.m. or p.m. ridership numbers;
- Eliminate the one-mile restriction for counting students for ridership;
- Allow local use of buses by other community organizations, with appropriate compensation from those organizations.

Sub. HB 305 makes the following changes:

- Increases the set-aside for bus purchases to \$45 million dollars per year to allow for a complete replacement of the statewide total of 15,000 operating buses every ten years.
- Restores the State's minimum state share of district transportation funding to 50% instead of the 60% as stated in the "as introduced" version, over time.
- Restores density supplement payments, but changes the threshold eligibility to 28 riders per mile and the median to 14 riders per mile to reflect the change to the density calculation based upon riders per mile instead of students per mile.
- Changes the interim additional payments for non-traditional riders from an additional 10% per non-traditional rider to a weight system that adds .5 for community school riders and 1.0 for non-public school riders.
- Creates a Collaboration Grant Fund of \$250,000 per year, allowing grants to districts of a maximum of \$10,000 per year.

- Modifies and expands the language in the “as introduced” version that permits the use of school buses to benefit community organizations and during emergencies.
- Establishes that community schools that provide their own transportation will receive the basic per pupil funding amount in accordance with the formula for traditional schools.
- Creates a separate district transportation funding guarantee.
- Revises the formula for reimbursing school districts for the transportation of special education students by multiplying the district’s actual special education transportation expenses by the greater of the district’s local share percentage or the state’s minimum percentage for transportation expenses.