



**House Extended Subcommittee on Primary and Secondary Education
Ohio School Boards Association
Buckeye Association of School Administrators
Ohio Association of School Business Officials
June 28, 2012**

Good afternoon, Chairman Amstutz, ranking member Sykes, members of the House Finance Committee. My name is Barbara Shaner, and I represent the Ohio Association of School Business Officials. With me today for this testimony are Damon Asbury with the Ohio School Boards Association and Thomas Ash representing the Buckeye Association of School Administrators. We will each be providing portions of this testimony.

We appreciate the opportunity to speak to you today about Ohio's school funding system and issues we believe should be addressed in a new funding formula. We begin by thanking you for convening these hearings on the subject of school funding. The hearings present opportunities for understanding the school funding practices of the past, for reviewing the current funding situation, and for beginning the process of developing a new system for the future. We are here today to present information related to the designated topics – “equity” and “money follows the student” – and to offer our assistance as you proceed with the task of determining a new system.

Our three organizations represent the public school boards of education, superintendents, treasurers, business managers and other business officials from districts across the state. Of course, they are very interested in this process and the new education funding system that will ultimately be adopted. On behalf of our members, we will present information from their perspective, addressing the public policy implications that affect them.

Also, we have with us today Howard Fleeter, consultant for the non-profit research arm of the education community, the Education Tax Policy Institute (ETPI). Following our testimony, Howard will provide data and analysis of Ohio's system related to “equity.” ETPI's membership includes several school districts and associations. Member organizations include our three groups, as well as the Alliance for High Quality Education, the Ohio Federation of Teachers, the Ohio Education Association, the Ohio Association for Career & Technical Education, and the Ohio County School Treasurers Association.

I will now turn the testimony over to Tom Ash to begin our discussion about "equity."

Equity

Ohio is a diverse state with many types of school districts – different geographically, socio-economically, demographically and by size of district. It is hard to develop a formula that can meet the needs of all districts without complicated add-ons and adjustments. Districts also vary widely

across the state in the educational opportunities they can offer students – which brings us to the question of equity.

Equity is an issue that has been vetted thoroughly over the past 20 years. It was a key element of the *DeRolph* case. Because Ohio's system has been dependent on property wealth, there are wide disparities among districts in the level of local funding available, and there is a direct link between property wealth and the programs they can offer.

Some districts are not able to pass levies to go above the basic aid amount provided through the funding formula because the level of dollars produced for every mill of tax is so low, and often in those same districts, the taxpayers do not have the ability to pay higher tax rates because of their income levels.

While the state funding formula does account for differences in wealth (lower property wealth districts receive a higher percentage of their funding from the state than higher wealth districts), there are limits to the educational opportunities lower wealth districts can provide.

Conversely, districts that have property wealth sufficient to raise funds often have to go back to the voters for new levies simply to maintain current programs because of the "House Bill 920 effects." Complicating this phenomenon is the disconnect in a number of districts between "property wealth" and the "taxpayer incomes." The income levels in these districts do not match the districts' apparent "wealth" designation for purposes of the state's funding formula.

As you know, HB 920 provides for a reduction in most voter-approved real property taxes proportionate to the increase in the value of the real property in a taxing district in reappraisals or updates. While this feature of Ohio's property tax law protects property owners from automatic increases in taxes when values rise (at least to the extent of the average rate of increase), it also means that school districts and other local governments receive very limited growth in real property tax revenues from year to year. Therefore, to meet growing costs and maintain programs, school districts must receive voter approval for additional taxes because valuation increases alone often do not translate into additional tax revenue.

It should be noted that the state's funding formula has been based only on what is considered to be an appropriate "basic" education amount plus funding for some additional programs like special education and transportation.

This means funding for courses like multiple foreign languages, advanced placement and elective subjects may not be covered by the basic funding formula. Some very wealthy districts effectively do not receive any money for basic aid from the state through the formula, but most districts do. Those communities that can afford to pass additional tax levies that provide funding over and above levels from the basic school funding formula are able to offer more of these educational opportunities.

Whether or not there is agreement about how much should be spent on each student or how much each teacher should earn, the equity question in Ohio still needs to be addressed. Within the

parameters of the equity question is also the levy frequency issue. School districts that need to seek financial support locally would favor some relief from the number of times levies are necessary.

Damon Asbury will continue the discussion.

You have heard statements in this committee that indicate the amount of money spent on education is not the determining factor for success. In Ohio, it is true that some districts have been successful operating on a shoestring while others spend much more per student to reach the same district report card rating. Since district spending is often driven by the desires of, and demands from the local community, these types of comparisons may not be helpful as we try to measure success from a cost/benefit perspective. Additionally, the demographics of the student population in a given school district may affect success, and this can further skew the data.

However, we do know some things about the challenges some students face, and we are learning more all the time about what works in helping them succeed. If a district does not have the resources to support students' needs, then money will be a determining factor.

As you develop the next school funding formula, you will also have the challenge of revamping the report card rating system through HB 555. Additionally, Ohio school districts will soon be operating under the new "Common Core" standards, which are more rigorous than the current standards. Once our rating system has been reformed and the new standards implemented, it may become clearer as to the relationship between success and money.

In the meantime, it is important to remember that with a new school funding formula, you will be funding what the state deems necessary for students to be successful. Under today's system, the line is not clear as to where a state system ought to be and whether the state formula produces enough money for students and districts to succeed.

However, when we discuss how much is currently spent in total across the state on primary and secondary education, it is important to remember that the state's share of those funds only applies to the formula itself and some "extras" the state has deemed important. Where we may find differences within the discussion about appropriate funding is the blurred line between what every student should have access to (what they need to succeed) and what we would all "like" to offer every student.

As this hearing process goes forward, we will offer data on a variety of subjects – one of which deals with what low spending districts are able to buy for their students. We look forward to discussing with you all the various components of a sound school funding formula, including the question of equity.

Money Follows the Student

As the old saying goes, "The devil is in the details." This is true for the phrase, "money follows the student." Our organizations have supported proposals in the past that would require state payments to districts and community schools to be sent directly to the entity where the child is being educated.

The current method of deducting the funds on a per-pupil basis from the school district of residence for students enrolled in community schools and those enrolled in neighboring districts through open enrollment has created an atmosphere of animosity. This pitting of district against district and district against community school is not healthy for the well being of students. We believe the state should provide sufficient funds for the entities that have the responsibility for educating students. If the state chooses to allow various choices for students, state funding should be appropriated and directed to those choices.

However, the phrase “money follows the student” may hold a different meaning to some than the interpretation just described. We do not support a system that simply devises a per-pupil amount to be handed out for parents and students to spend where they choose. There are a number of reasons for our opposition to this definition of “money follows the student.”

- We oppose the use of vouchers that allow public tax dollars to subsidize private school tuition.
- Ohio’s obligation to provide a system of education for all students does not mean the subsidization of schools that are not accountable to taxpayers.
- There is insufficient accountability and no guarantee that these private choices will be good for students.
- This bifurcation of public funds will lead to a tiered system further exacerbating the disparities between the “haves” and the “have-nots.”

While a growing number of students take advantage of education choices outside traditional school districts, the vast majority of students still choose to attend a school that is part of their local district. Funding for these students and their diverse needs cannot be reduced to a per-pupil calculation. A key factor that must be considered as you discuss this issue is the stability of districts and services for the majority of the state's students. Implementation of some “money follows the student” practices is likely to result in the destabilization of the system.

School districts have demonstrated their ability to utilize “economy of scale” principles – especially with today's environment of budget austerity. Yet the programs and services provided by schools require a certain amount of funding for operating a sound system. This includes the requirement that school districts provide services, such as transportation to community and private schools. We urge you to avoid policies that would divert public funds to subsidies for private institutions.

I will now turn the testimony back to Barbara.

One example of “money follows the student” is already being utilized under Ohio’s community school laws. Community schools were established to provide alternatives for students whose traditional public school options were underperforming schools. The concept was for these new “community” based alternatives to provide innovative opportunities for students, without the burden of government regulations and mandates. It was assumed that without burdensome state requirements, community schools could provide a high quality of education for students at a lower cost.

We have already discussed the fact that state funding for community schools is deducted from the funding payments to the student's school district of residence. The state establishes within the budget process a per-pupil amount deemed appropriate for community schools, and this amount is deducted from the district and sent to the community school. Funding for special education is also deducted and sent to the school.

One major difference between funding for community schools and funding for school districts is the state's policy on how the money is generated. School districts are required to provide a "local share" for the basic education the state has established. This has been done in the past in the funding formula through the "charge-off" with each district providing 20 to 23 mills in property tax.

Community schools do not provide a local share of the funding for the state's determination of what a basic education should include. The state has made the policy decision to provide full funding for all the students attending a community school. You have heard debates about whether or not local funding is being diverted to community schools under the current system as money is deducted from school district funds. Regardless of which view you choose, the reality is that community schools are public, state-established entities that are fully funded with no requirement to raise a local share.

There are some who would suggest that in addition to the "state" money for basic education that "follows the [community school] student," school districts should share the proceeds from additional levies passed by the district taxpayers. These revenues represent funding that is over and above the required "local share" within the basic education funding formula, and therefore, we oppose the diversion of funds from local levies to community schools.

It should be noted that as community school advocates propose the need for a share of local levies, they are essentially confirming that the state basic education funding formula is not sufficient for providing quality educational opportunities for students. The blurred line discussed earlier in this testimony between what is essential and what is desired may apply here. Again, your challenge during this process will be to determine whether Ohio's basic education system is sufficient, or whether additional state resources are required.

In summary, the basic concept of the "money follows the student" is reasonable – the state must provide sufficient resources for schools to provide appropriate education services for the students they are serving. However, careful attention should be given to the evaluation of the educational opportunities needed for success. The state is compelled to provide a "system" of education that is accountable to taxpayers and not simply provide funds to parents to choose options outside the system and outside the public view.

This concludes our testimony for today. We will be happy to address your questions.