Testimony
June 28, 2012 Hearing

Primary and Secondary Education Subcommittee
House Finance and Appropriations Committee
Student Learning First

Honorable Chairperson Amstutz and Members of the Committee:

Good afternoon, my name is Chris Pfister and I am the superintendent of the Waynesfield-Goshen Local School District, a rural, low valuation 63 square mile district serving 600 students in Eastern Auglaize County. Thank you for the opportunity to address equity and share a proposal for consideration for the next biennial budget.

After a very successful 34 year career in three Career Center districts I chose to accept the position of local school superintendent last October. What an education over the past eight months. I appreciate the opportunity to share with you what has been become clear to me.

Expenditure per Pupil (EPP)

I just couldn't understand the cost comparison data. I knew W-G had been through a buy-out, a significant reduction-force, and many other cuts. When I thought about the resources, both money and people, in districts I previously led or was familiar with, I was shocked at the W-G EPP. Things were very lean, yet EPP seemed high. Since then I have analyzed dozens of districts; numerous comparable districts and many others. Expenditure Per Pupil (EPP) is used by all in state government as the guide to fiscal responsibility, yet I have learned that it has nothing to do with local cost effectiveness and fiscal responsibility.

It has everything to do with the number of students in a district, the divisor, in combination with the mandates of government (Congress, State Legislature, and Education agencies).

To illustrate:

W-G expenditure per pupil is $10,124. District "x" (same county) EPP is $9,711 per pupil. The superintendent at district "x" earns 20% more in salary, benefits, and expense reimbursement; there are three principals (versus two at W-G) that have higher salaries; average teacher salary is $7,000 per year more ($56,000 versus $49,000), benefits are better. District "x' spends more on supplies and five times more on professional development. District "x" has higher local expenditures in every category. However, district "x" divides by 861 students and W-G divides by 592 students. Therefore the false conclusion is that district "x" is more cost effective because they expend "less per pupil". So remember when you review the Expenditure Flow Model report and look at EPP it is meaningless if you are looking for local fiscal responsibility. District "x" is an excellent district and is fiscally responsible…but all costs are significantly lower at W-G…yet the misperception would be higher costs. If we had 7 more students at each grade level W-G would be $1,000 less in "Expenditure per Pupil" than district "x".

Federal and State law, Federal and State Agency Rules and Regulations

The other significant impact is state law, rules, and regulation. When you cut to legal state minimums and then have a dozen more mandates added, what do you do?

One quick example: One of my Board of Education members researched the Expenditure Flow Model on-line for four similar districts and wanted to know why we expended up to twice as much in the "pupil support" category. Good Question; local board member paying attention to high cost and wants to know why. In pulling the data together it became very clear: special education costs, gifted costs, guidance costs, and other state and federal mandates. We were at the absolute minimum state standards. Minimum Intervention teachers necessary per the state mandated student ratio; plus speech hearing, physical, and occupational therapies; school psychological services, all mandated in law; at the state minimum required one counselor K-12; minimum required expenditures for gifted (1/2 time person, cost $31,505, state funding $1,577), we do not have a school nurse, we do not have any of the other positions listed in the category. All we do have in place are at state minimums; can't go lower without being in violation of law and regulations. Yet the Expenditure Flow Model once again showed very misleading information, that we were spending 20 to 90% more than four other districts. I found that we had to expend over $600,000 on special education services and $711,000 in the full pupil support category to meet minimum state standards (13.2% of the $5.5 million general fund). In other categories we were at or lower than the level of similar districts.

Current Local Tax Share

District residents are currently assessed 32 mills and pay a 1% income tax. To close our deficit and establish intermediate term fiscal stability we will ultimately need our residents to pass 10 mills new money (32 to 42 mills) or pass a 1% additional income tax (doubling to 2%). Either would generate just over $500,000. Being at state minimums there is very little left to cut. Residents are aware. They are proud of and fierce advocates for their school, the center of the W-G community. They know if something is not done by the legislature in the next biennium they will be faced with a local tax increase. If they do not support such an increase the district goes into a death spiral. As options and opportunities are eliminated for children and fees increased students leave the system; if 50 students (8%) leave, another $300,000 in cuts must be done and more students leave…the cycle continues until we have a sub-par education solidly in place for the remaining children.

Fairness

The state of Ohio controls virtually all we do and the state (and federal) mandates drive costs. The same mandates apply to all 612 public schools. The ability to meet the state mandates is driven by real property valuation and resident income. The bottom 10-15% (60-90) lowest valuation districts are at a significant disadvantage.

The top two hundred highest wealth districts and the career centers have the ability to generate significant local funding. Further, the ability to offer significant programming and support services…is an obvious open enrollment advantage, which further acerbates the financial situation of low wealth districts. We have no issue with open enrollment, we welcome the competition. However I just learned that because 3 students opened enrolled to a near-by career center, the state deducted over $10,000 from our agriculture program's assigned weighted funding for equipment and supplies. Earmarked (by law) funds flowing from a poor rural, predominantly agriculture K-12 school district going to a high wealth district.

The Board of Education has worked diligently to keep opportunities for children in place, under very difficult economic conditions, operating very lean across the board. However the end of the road is near, the cliff is not far ahead.

What about Results / Student Achievement?

When called to seek my services last October the Board was very clear about two goals, raise student achievement (ranked 487) and establish fiscal stability (deficit spending). I am happy to report that we did lower the deficit some and I am very happy to report that staff worked with dedication and commitment and our students scored much higher on the OGT than previous years. To illustrate 98% of first time test takers were proficient or higher in math, with 53% scoring at advanced (highest possible) and another 25% at accelerated. All four other academic areas: 88-93% proficient or higher, with an average of 63% at accelerated and advanced. We have work to do, but we are making meaningful progress and we clearly embrace our mission to help every student learn and grow, and feel like a real human being.

Three possible approaches to achieve equity:

Equity Amount Based on Real Property Wealth

1 Rank all 612 districts by valuation and then develop a sliding scale of additional equity funding for the poorer districts. Maybe the top 25% richest (real property) districts in Ohio get base funding, the next 25% get $250 a student in addition to base funding, the next 25% of districts get $500, and the bottom 25% get $750 a student plus base funding. However the math works out. In W-G's case (bottom 10% in real property valuation), $750 x 582 (ADM) =$436,500. I would assume it would also benefit other low wealth districts in Ohio.

2 Set a guarantee in place for all local school districts based on the 20 mill floor. One mill of real property value is guaranteed at $75,000 on the first 20 mills for all school districts. Therefore, in W-G's example, $53,000 per mill is generated from local property taxes and $22,000 comes from the state. Thus guaranteeing operational revenue of $1,500,000 versus the current $1,060,000 that W-G real property currently generates. This approach would also show the state is addressing the problem of over reliance on local property owners.

Equity Amount on Real Property Valuation and Household Income

3 Because some districts also have high household incomes, a grid of both property and income could be used as the determinant. List all school districts by adding total dollars generated from 20 mills and list total dollars generated from 1% of income. In W-G's case that would be $1,060,000 real property and $506,000 from a 1% income tax (exactly what we collect now/ exactly 100% of local operational income) =$1,566,000. Rank all by the total; number one through number 612, and establish a parity amount for the low local revenue districts.

SUMMARY OF POINTS

1 Expenditure per Pupil (EPP) Data does not have any relationship to local cost effectiveness or local fiscal responsibility. State and Federal mandates drive cost and THE determinant of EPP is the number of students in the district. [ADM of 582 K-12]

2 Expenditure per Pupil (EPP) is higher at Waynesfield-Goshen (W-G) and all expense categories are lower; much lower in personnel costs ($7,000 to $10,000 lower "average teacher salary" than all surrounding school districts, as one example).

3 Waynesfield-Goshen is in the bottom 10% of all Ohio districts in real property valuation. One mill generates $45,000 (FY11 District Profile-Cupp report). With reassessment, one mill generates $53,000 in calendar 2012; the 20 mill floor will generate approximately $1,060,000.

4 Waynesfield-Goshen has been through a buy-out, RIF, and other cuts and is close to state minimums in all operational areas; is working hard to meet all of the current and all of the new state mandates; the W-G deficit is $248,000 this year (FY12) and estimated at $352,000 next year (FY13) [five-year forecast May 2012]. Without using the $197,000 stimulus held back the deficit would have been $445,000 this year. Even cutting below minimums, the deficit will rise next year because the stimulus is gone. All districts will take an 8% cut if funding is flat in the next biennium because federal stimulus funds used in the GRF will be gone.

5 The new funding system being developed, effective July 1, 2013, will be critical in determining quality, options for kids, and our ability to meet state mandates and minimum standards. We would greatly appreciate your advocacy for some form of equalization of real property or a state ranking system in which the poorest received an equity amount of funding in addition to base funding.

PREFERED PROPOSAL

Guarantee that one mill will generate $75,000; local dollars minus $75,000 equals the state amount in addition to base funding. The advantage to the state is the state "equity amount" declines as real property values increase as the economy recovers and agriculture values increase (CAUV changes). Address the poorest 10% of districts first, phase in others as funds allow. Total cost year one =65 districts= $25,000,000 to $28,000,000 statewide (my guess at approximately $440,000 a year per district…need finance people to run the numbers). Year two would be less because of rising valuation. Local share goes up, the state share goes down. Where does the money come from? Obviously it is not my role and would not be proper to try to tell you how to allocate state resources. But for your consideration, possibly from either the increasing state revenues or from a new severance tax on shale gas /oil that brings Ohio closer to the much higher rates of other states.

The bottom-line: the state mandates are exactly the same for high wealth and low wealth districts. The state needs to fund an equity amount. If not, the low wealth districts may stay in business, but all will be at or below state minimums, fewer opportunities for children, and local residents will ultimately have higher local tax bills. We would greatly appreciate your help in supporting an equity amount of funding (based on real property) for W-G and the bottom 10%, the lowest wealth districts in our state. Thank you.

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