



House Bill 119 Testimony
Senate Finance and Appropriations Committee
May 29, 2007

Good morning, Chairman Carey, Senator Padgett, committee members. My Name is Barbara Shaner and I represent the Ohio Association of School Business Officials (OASBO). Joining me today are Melissa Clark from the Ohio Education Association (OEA), Jennifer Economus from the Ohio School Boards Association (OSBA) and Tom Ash from the Buckeye Association of School Administrators (BASA). They will be on hand to help answer your questions about our testimony.

We are happy to discuss the future of school funding with you. We commend Governor Strickland's commitment to making education a priority. The Executive Budget placed a high priority on education despite serious fiscal constraints.

We also thank the House for retaining key elements of the governor's education plan such as investments in early childhood education, improvements in programs like Poverty Based Assistance, the removal of the second ADM count for school districts, and important implementation language recommended by the School Employees Health Care Board. We hope you will do the same.

The education community appreciates all that the General Assembly has done in recent years to improve school funding in the areas of facility funding and an increase in the state's share of operating funds.

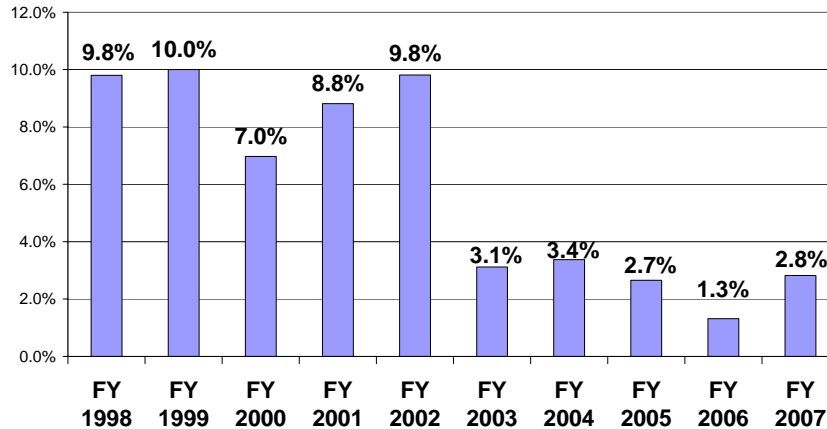
We applaud Ohio's progress in improved standards and accountability. And we know you are aware of the great work being done by school districts as evidenced by improving test scores and narrowing achievement gaps.

The recently released report, "Creating a World-Class Education System in Ohio" by Achieve, Inc., contains the following observation. "On the whole, Ohio's students also perform well in comparison with other states, with National Assessment of Education Progress (NAEP) scores in math, reading and science that are all above the U.S. averages for both the 4th and 6th grade." We are proud of these and other student achievement measures that have been realized over the past decade.

Nevertheless, this progress is threatened by a significantly flawed school funding system. There is clear evidence of these flaws in the current funding system:

1. In the last decade, state increases in school funding were larger in the first five years and much smaller during the last five. Following is a chart provided by the Education Tax Policy Institute (ETPI) that shows the State GRF education spending increases from year to year.

Chart 1:
Growth in State GRF Aid to Education



2. There are currently four different forms of guarantees in the funding formula. As a result of changes in HB 66, in the current school year 544 districts operate with at least one guarantee and many have multiple guarantees. The fact that such a huge number of districts are on a guarantee and not on the formula is proof the current school funding formula is not working. This will continue under HB 119, which means four years without growth for many districts.

With so many districts flat-lined, many of them are on the brink financially. If the electric bill goes up, if the price of textbooks or computers increases, if it costs more to buy fire insurance, these districts must ask voters for a local tax increase. And voters are becoming angry about the frequency of local tax requests. These are not requests for improvements to programs; these are local tax increases to maintain existing programs.

3. Too much of public education is funded by local property taxes. This contradicts the directives given by the Supreme Court and the strong desires of taxpayers.
4. If the funding system remains the same, the State payments to school districts for the loss of the local business Tangible Personal Property (TPP) Tax will begin to phase out in 2012 and be completely eliminated by 2018. The total TPP tax loss to districts statewide based on Tax Year 2004 is \$1.2 billion.

By the time the state payments end, a significant percentage of that loss will be shifted to the local property taxpayers – not replaced by the State. Using the utility tangible personal property tax loss as a benchmark, we might expect that approximately 50% of TPP will not be replaced.

5. Studies show that Ohio could do more to meet the needs of those students who are hardest to teach. There is still difficulty in directing and appropriating resources towards districts and students with the greatest needs.

These systemic flaws will not be solved in one budget, but they must be solved. Ohio's future depends on it. We urge this committee to use this budget to begin the transition to a better system. We are optimistic that the Governor's proposals begin to address some of these concerns. It is extremely important that you include at least the level of education funding proposed by the Governor.

Provisions Included in HB 119

School Finance

HB 119 proposes to reduce the number of districts that receive Parity Aid and completely eliminates the Cost of Doing Business Factor. This means that a large number of districts will be flat-lined in terms of State funding over the next two years. By the second year of the biennium, approximately 122 districts would no longer receive Parity Aid. The loss of the Cost of Doing Business Factor has affected districts differently, depending on their location.

While the transitional aid guarantee will protect districts from receiving less State aid than the previous year, these reductions will contribute to districts' continued inability to see increases. The improvements that have been made in the State's school funding formula such as the 3% increase each year in the per-pupil basic aid amount has been rendered virtually ineffective for many districts.

Part of what HB 119 calls increased education funding is actually replacement money for the elimination of local TPP tax revenues legislated in the last budget. According to the Ohio Department of Education, this amount is \$55.8 million in FY 2008 and \$140.9 million in FY 2009.

HB 119 begins the process of targeting monies to students with the greatest need. We encourage you to support the increase in Poverty Based Assistance in HB 119, and greater flexibility in the use of these funds. We also support additional funding for early childhood education.

Additionally, we encourage support for the change in HB 119 to return to a single official ADM count each year. This year's February count was wrought with problems as the majority of school districts were closed for at least one calamity day. Also, if the second count results in a lower state aid amount for that year, it is impossible for a school district to eliminate programs and staff in order to adjust. Especially since the adjustment will be made in the last 2 months of the fiscal year.

Our organizations support weighted funding to meet the needs of Limited English Proficiency (LEP) students, 100% funding for Special Education weights and restoring funding to all the school districts that have qualified for Parity Aid in the past. Funding for regional school improvement teams established in the last General Assembly through SB 115 was severely reduced in the executive budget. If those services are to have meaning, we urge you to restore funding levels to at least FY 2007 levels.

Education Service Centers (ESCs) have not received an increase in state funding for over 10 years. In order for ESCs to provide the programs and services school districts need, additional state support is essential.

The targeted guarantees that are part of the current FY 2007 funding formula were meant to address specific needs of districts, such as those with growing enrollment and phantom revenue issues tied to reappraisal. We support the use of targeted guarantees until such time that the system is reformed to make sure every district has the revenues necessary to provide a high quality education for all students.

With the elimination of the Cost of Doing Business Factor, we urge you to consider an alternative method for accounting for the differences in costs for districts across the state. The Education Tax Policy Institute (ETPI) has developed a new "cost adjustment" factor that takes into account wages, housing costs, remoteness of the school district, and concentrations of poverty. We believe it more fairly recognizes the needs of all districts.

We have with us today Howard Fleeter of Driscoll & Fleeter, who will outline the components of the new cost adjustment factor. He will share with you the rationale for the factor and simulations for school districts.

While we appreciate Governor Strickland's effort to place a strong emphasis on education, the school funding structure is still not sufficient to provide a stable base for school districts to succeed. There is ample evidence that the formula isn't working, and it will continue to have a negative impact on students. HB 119 still leaves districts struggling.

Never before has there been so much research and data available to help determine what those investment levels should be. There are credible sources – outside researchers – such as those who conducted the research behind the Achieve report and the School Finance Redesign Project at the University of Washington. They confirm that Ohio's education funding system must be reformed.

School Choice

Charter Schools

Our organizations strongly support the provisions in the as introduced version of HB 119 that address performance and accountability in charter schools. Unfortunately, the increased accountability language was removed in the Ohio House. Too often we see issues involving finances, record-keeping and even illegal activities in community schools. In the 2005-2006 school year, nearly half of charter schools remained in either academic watch or academic emergency and three-quarters of charter schools operated by for-profit education management organizations were designated as under performing. Twenty of the 30 charter schools rated as academically excellent received their designation based on a single Report Card standard (i.e., attendance).

Vouchers

Because of the lack of accountability, our organizations also support of the elimination of the EdChoice Voucher program as included in the as introduced version of HB 119. There is no evidence that the schools where vouchers are used provide a better education than public schools. In addition, private schools receiving vouchers are not subject to many state regulations. There is evidence that some of their teachers may not be certified, nor are all private school students subject to testing requirements – only those accepting an EdChoice voucher. This means that parents do not have sufficient data that shows how the private school is performing relative to the school they are leaving.

Also, we are opposed to the House inclusion of Representative Peterson's proposed special education voucher program in the substitute bill. This program would serve to drain resources from the public schools and weaken the due process rights afforded to parents and students.

Additionally, the language requires the resident school district to develop and enforce provisions of an Individualized Education Plan (IEP) without any requirement that the private provider retain records of the development of the student. Members of the IEP team from the resident school district would be responsible for re-evaluating the IEP without any direct contact with the student and would not have the benefit of knowing first-hand their progress or level of ability.

The current system allows for school districts to utilize outside providers if the district cannot meet the needs of a particular student. This gives districts oversight to be sure the services are provided appropriately. Districts currently have the ability to negotiate with private providers the price for service. The proposal in HB 119 would dictate a flat rate (the amount of the voucher) that may or may not be reflective of the actual costs incurred. This undermines districts' ability to control program costs and to be effective in serving the students who are left.

We believe that privatization in the name of choice, jeopardizes the good of the whole. By diverting dollars for a few, the ability of public school districts to meet federal and state standards is compromised and students' educational experiences will suffer.

By placing a premium on choice and competition at the expense of academic excellence, these programs are contrary to the interest of the state, parents and students. Our organizations urge this committee to reinstate the charter school accountability provisions, eliminate the EdChoice and Special Education Voucher Programs.

STEM Appropriation

We are also concerned with the proposed \$20 million in the House version of HB 119 for so-called STEM (Science, Technology, Engineering and Math) Academies. While we think the STEM components are important and would work well within the current public school structure, we oppose the creation of a new system of education to implement the STEM objectives. These dollars could be meaningful investments to improve traditional public schools in the area of STEM. It is unclear in HB 119 how these dollars will be distributed.

The Ohio Academy of Science, made up of representatives from business, industry, government, higher education and parents, has recently spoken out on the issue. The academy agrees with the need to boost student interest and improve education in the STEM disciplines. However, organization leaders have stated that creating specialized STEM academies is the wrong way to go about it.

Investments must be made to ensure that our public schools have the ability to meet the needs of all students, giving them appropriate levels of choice within the public system.

Professional Development

Research indicates that the most important factor in student achievement is the classroom teacher. With the increased focus on student achievement, it is of the utmost importance that the legislature supports investments in HB 119 in professional development programs for education employees to ensure that all children succeed.

HB 119, as introduced, includes a recommendation to restore funding to the National Board Certification Program. It is a rigorous professional development program that has a positive impact on student achievement. The program takes approximately one to three years to complete various measures of what accomplished teachers should know and be able to do. The process ends with a performance based assessment. We encourage you to support this program and the level of funding included in HB 119.

In Ohio, new teachers are required to successfully complete an Entry Year Program (EYP) with mentoring, and pass the performance-based assessment to qualify for a professional license. Our organizations support the provisions in HB 119 that provide money for school districts to support the EYP for their new teachers.

We also support the various administrator and school business official training programs that would continue in HB 119. The leaders in our public schools must be provided with the most current methods and training that will help them, their teachers and their school districts succeed in student achievement and fiscal accountability.

School Employees Health Care Board

House Bill 66, the budget bill for FY 2006-2007, created the School Employees Health Care Board (SEHCB) and an Advisory Committee to study the issue of pooling health care benefits for public school employees. Our organizations have been very impressed with the open and deliberative

process utilized by the Board. After approximately a year of work, the Board unanimously issued its report to the governor and legislature on January 31, 2007.

The report did not recommend mandatory pooling of health care benefits for school employees on either the statewide or regional level. Instead, the report calls for developing state standards for all health plans for public school employees. We share the Board's belief that such an approach will help school districts to save money (estimated at up to \$120 million annually) and improve employee health status. Additionally, the Board report called for maintaining local control and collective bargaining rights and adding three employee representatives to the SEHCB as they continue their work to set state standards.

Overall, our organizations are supportive of the principles of the Board report and these principles are reflected in the current language of HB 119. The SEHCB and Advisory Committee have met to discuss the current language and have recommended a number of changes. Correspondence has taken place between the Board and Representative Widener, the language sponsor in the House, detailing these suggested changes. We look forward to working with you further on this issue as the Senate finalizes its own budget proposal. We will be happy to provide you with a list of the requested changes for your consideration.

Conclusion

In conclusion, we must fund an improved school system. Ohio can no longer afford to allow the inadequate investment in education to hold us back. We are not only competing with California, Texas, Michigan and Massachusetts; our competitors are many countries around the world.

The State's investment in education not only helps school districts meet the needs of students, it also provides the basis for a strong economy. For the sake of our students and our future, we must better prepare to compete.

These are changes we believe are necessary if we are to prepare students, and our great state, to compete in a global economy.

Chairman Carey, Senator Padgett and members of the committee this concludes our testimony. We would be happy to address any questions that you may have.