

Testimony to Senate Finance

Senator Chris Widener, Chairman

April 1, 2011

Good Morning Chairman Widener and members of the Ohio Senate Finance Committee, my name is Barb Mattei-Smith and I am the Assistant Policy Director for Education in Governor John Kasich's office. I appreciate the opportunity to talk to you today about the Governor's budget proposal for the financing of primary and secondary education.

As many of you are aware, state expenditures for K-12 education in fiscal years 2010 and 2011 was based on a formula with the promise for future funding. By any measure, state general revenue fund support actually declined in fiscal year 2010 when compared to fiscal year 2009. When the federal stimulus funds are not included in the general revenue fund, the spending decline is 7.6%; *even if the federal stimulus funds are included in the general revenue fund, the decline is 2.4%.*¹ The one-time federal stimulus funds that gave an appearance of relative stable foundation funding will be gone at the end of this fiscal year and districts will no longer be able to rely on these funds for ongoing operating expenses.

The Governor has proposed a funding mechanism for state GRF support that will ensure the districts with the least capacity in their local tax base and greatest reliance on state aid will not be disproportionately impacted. This funding mechanism is a bridge formula to provide the Governor time to develop a more comprehensive funding formula over the course of the next year.

This distribution formula approaches the funding question in a new light. The goal is not to provide specific funds for specific programs. Rather we want to acknowledge that the primary responsibility of the state is to set the direction for education and not to dictate the mode of transportation. We want every child to receive a quality education in order to become successful adults -- how many core teachers versus specialist teachers, whether the district needs a family and community liaison, or how many buses to run in order to get there are decisions best left to the district to answer. The previous program budget model does not fit into this picture. The

¹ Legislative Service Commission, *Historical Revenue and Expenditures*, <http://www.lsc.state.oh.us/fiscal/revenuehistory/staterevenue.htm>

current PASS report lists thirty one separate funding lines in over ten programs. At the end of this budget, there will no longer be a line that represents funding for teachers in core subject areas, but we are not suggesting that we are no longer funding teachers in the core subject areas.

The formula for the distribution of state aid begins by determining the relative wealth of each district through the calculation of a per pupil property value index. This index is calculated by dividing the local district's property valuation as used for the FY2011 charge-off by the median charge-off property valuation per pupil. The index is used to determine the final support to school districts.

A threshold amount was set based on the amount of expiring stimulus funds, additional GRF resources that were directed to the foundation program, as well as other GRF resources redirected from other line items in ODE's budget. The valuation per pupil index was then multiplied by the threshold amount to obtain the per pupil adjustment for each district. Under the governor's proposal, the adjustment to the FY2011 state and federal stimulus support for the district with the median charge-off valuation per pupil was equal to \$161.50 per pupil. This per pupil amount ranged from a low of \$40 per pupil for Valley Local School District in Scioto County (charge-off valuation per pupil of \$30,496) to a high of \$991 per pupil for Danbury Local School District in Ottawa County (charge-off valuation per pupil \$764,275). The per pupil amount is then multiplied by the district's ADM in each fiscal year to calculate the total adjustment.

The House changes to the formula included an additional \$26.4 million for the distribution formula and supplemental funding of \$14.2 million for 28 school districts to ensure no district received less than 80% of the state share of foundation funding provided in FY2011 (federal stimulus funds were not included.) These changes resulted in an average increase in aid of 0.6% for all districts when compared to the governor's proposal and an average increase of 15.3% for the 28 districts receiving supplemental funding. These districts are among the highest 12.5% of wealth per pupil but there were 48 districts in this wealth group that did not receive supplemental funding. We would like to work with the committee to further investigate these changes and discuss ways to improve the distribution formula.

Funding for preschool special education and special education transportation will continue under the current formulas to ensure federal IDEA maintenance of effort is met. Community schools funding will be a continuation of the funding formula in place for FY2011 with the basic aid amount set at \$5,653 to reflect the expiration of federal stimulus dollars. The scholarship amounts for EdChoice were not adjusted; however, the amount deducted from district payments for students receiving an EdChoice voucher has been adjusted to subtract only the amount paid to the non-public school. Previously, the deduction was \$5,200 for each student even if the scholarship amount was only \$4,500. For the Cleveland scholarship program, the House adjusted the scholarships amounts to align them to the EdChoice program and provided for an expansion of the program to any student enrolling in high school; currently, a student may only receive a scholarship for high school if one was received prior to entering high school. To fund these proposals, the House increased appropriations for the program by \$5 million. While this amount will be sufficient to continue scholarships for students currently participating in the program, it does not appear that it is sufficient to allow for any increase in scholarships.

Mr. Chairman and members of the subcommittee, this concludes my testimony. I will be glad to answer any questions you may have