

## Legislative Committee – Summary of 2/15/17 Meeting

**General Comments** - Republicans are in complete control of Ohio's state government with record majorities in the House (66-33) and Senate (24-9) and a Republican Governor. However, that governor is a "lame duck", denying him some of the leverage he had during the last 3 budget deliberations, and evidence is mounting that the personal relationships he once had with legislative leadership have deteriorated somewhat over the past 18 months. He also continues to spend considerable time out of state, apparently pursuing national and international interests not related to his current job. Could lead to a less well-coordinated budget deliberation.

### I. THE BUDGET; GOVERNOR'S PROPOSAL

- A. Overall amount - Minor increase in total school funding offering the excuse that current revenues are not meeting projections and the loss of revenues from taxes on certain Medicaid providers will create a short-fall of \$6-\$800,000,000 over the 2-year budget cycle. No major changes in the formula in the governor's proposal; slightly more than 1% increases both years. 300-plus districts would lose money.
- B. Caps - 5% each year; lowest ever
- C. Transitional aid (guarantees) - First ever attempt to reduce or eliminate guarantees; would impact districts that have experienced a loss in ADM over the past 5 years of more than 5% with maximum loss of 5% of state funding. (Need to confirm if % is applied against district's guaranteed amount or total funding amount. Latter would severely punish low wealth districts with large state shares.)
- D. Transportation - Includes transportation in the formula; reduces transportation minimum state share from 50% to 37.5% in FY2018, 25% in FY2019
- E. TPP - Sets TPP recipients up for double hit in FY 2018 thru loss of supplementary monies paid in FY2017 and a phase-out amount equal to revenues from 5/8 of mill in property taxation. (Already working on relief plans.)

- F. Fair Funding - Working on inserting into the budget that no district shall receive less funding from the state, on a per pupil basis, than chartered non-public schools. (Currently \$1,209; 27 districts currently receive less, including 18 Alliance members.)
- G. Study - Should the Alliance advocate for a new school funding study to establish a more realistic base cost per pupil funding amount? Majority of committee members recommended taking issue to the Executive committee for consideration.
- H. Testimony - The Alliance is scheduled to testify in the K-12 sub-committee of House finance on 3/8/17.

## **II. OTHER CURRENT ISSUES**

- A. ESSA - Timing
  1. Role of ODE
  2. Role of the Legislature
  3. If ODE proceeds to submit plan to the Feds in April as indicated, any action by the General Assembly would be too late. Committee recommends that we ask legislators to put pressure on ODE to delay submission until September so General Assembly can insert provisions regarding ESSA in the budget.
- B. High school graduation requirements - Work group is developing recommendations for the Department, scheduled to report in April. Should still urge Gen. Assembly to be prepared to act; Advisory Committee can help.
- C. HB 410 - Chairman Brenner seems willing to take second look at the definition of chronic truancy and exclude excused absences, which would exempt most Alliance districts from mandates of HB 410. Alliance to pursue in Advisory committee.
- D. College Credit Plus - Brenner still interested in addressing our concerns, and those of others; will urge, through Advisory Committee, that he introduce legislation or insert in the budget.



## Changes in Ohio School Funding & TPP Replacement Since the FY10-11 Biennium

### Bottom Line: State Funding for Schools from FY11-FY17

The table on page 2 of this analysis summarizes changes in Ohio K-12 public school foundation formula funding and Tangible Personal Property (TPP) replacement payments from FY10 through FY17 (note that FY17 figures are based on ODE data current as of the January #1 SFPR payment). Foundation formula and TPP replacement payments are the two primary forms of general purpose state funding provided to Ohio's 610 K-12 school districts.

State Foundation formula funding has increased in the aggregate each year from FY13 onward. However, reductions in TPP replacement payments to school districts have undercut the impact of these formula funding increases. The following 3 points summarize the main findings from reviewing this data:

- It was not until FY16 that formula funding had increased enough to offset the loss in TPP at the aggregate state level over the time period
- Even though total formula + TPP funding is now higher than it was in FY11, the net increase (5.8%) has only been slightly more than half that of inflation (10.7%) over the same time frame
- Even though aggregate state formula + TPP funding is now higher than in FY11, that does not necessarily mean that every school district now has more total state aid now than they did in FY11

### Explanation of Table

The table on page 2 shows foundation formula funding from FY10-FY17 for Ohio's 610 K-12 school districts as well as for Ohio's 49 Joint Vocational Districts and Career Technical Centers (JVSDs). The table also shows general business and public utility Tangible Personal property (TPP) tax replacement payments made to Ohio school districts to offset the repeal and reduction of these local taxes in previous years. The TPP replacement payment amounts in FY16 & FY17 include the TPP Supplement. The bottom 3 rows of the table show total formula + TPP funding for each year and the changes in total state funding from one year to the next and in comparison to FY11.

The table shows that formula funding increased in both FY12 and FY13. However, because TPP replacement payments decreased by an even larger amount, total state funding decreased from FY11 to FY12 and again from FY12 to FY13. From FY14 and onward total state formula + TPP funding has increased.

The table also shows that total foundation formula + TPP replacement funding in FY12, FY13, FY14, and FY15 are below the FY11 total state funding level. FY16 formula + TPP funding was \$252.2 million (3.0%) higher than in FY11 while FY17 total formula + TPP funding is \$472.6 million (5.8%) higher than in FY11. Inflation (as measured by the CPI) was 10.7% from calendar year 2010 through 2016 indicating that the 5.8% increase in state funding was slightly more than half that necessary to keep pace with inflation.



**FY10-FY17 School District Formula Aid & Tangible Personal Property (TPP) Tax Replacement Payments (\$ in Millions)**

	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16 Final</b>	<b>FY17 ODE Est.</b>
School District Foundation Aid	\$6,536.8	\$6,514.7	\$6,266.1	\$6,325.6	\$6,599.5	\$7,028.8	\$7,473.5	\$7,778.7
JVSD Foundation Aid	\$261.0	\$263.0	\$263.0	\$263.0	\$267.2	\$271.1	\$280.7	\$312.3
<b>Total K-12 Foundation Aid*</b>	<b>\$6,797.8</b>	<b>\$6,777.7</b>	<b>\$6,529.1</b>	<b>\$6,588.6</b>	<b>\$6,866.7</b>	<b>\$7,299.9</b>	<b>\$7,754.2</b>	<b>\$8,091.0</b>
	\$13,575.5		\$13,117.7		\$14,166.6		\$15,845.2	
Business TPP Tax Replacement	\$1,041.4	\$1,052.3	\$728.3	\$482.0	\$482.0	\$482.0	\$404.8	\$288.4
Public Utility TPP Tax Replacement	\$79.9	\$76.8	\$31.6	\$28.0	\$28.0	\$28.0		
<b>Total TPP Replacement</b>	<b>\$1,121.3</b>	<b>\$1,129.1</b>	<b>\$759.9</b>	<b>\$510.0</b>	<b>\$510.0</b>	<b>\$510.0</b>	<b>\$404.8</b>	<b>\$288.4</b>
	\$2,250.4		\$1,269.9		\$1,020.0		\$693.2	
<b>Total Foundation Aid &amp; TPP Replacement</b>	<b>\$7,919.0</b>	<b>\$7,906.8</b>	<b>\$7,289.1</b>	<b>\$7,098.6</b>	<b>\$7,376.7</b>	<b>\$7,809.9</b>	<b>\$8,159.0</b>	<b>\$8,379.4</b>
<b>Change vs Previous Yr.</b>		(\$12.2)	(\$617.7)	(\$190.5)	<b>\$278.1</b>	<b>\$433.2</b>	<b>\$349.1</b>	<b>\$220.4</b>
<b>Change vs. FY11</b>			(\$617.7)	(\$808.2)	(\$530.1)	(\$96.9)	<b>\$252.2</b>	<b>\$472.6</b>

\* Foundation Aid figures include Federal Stimulus funds of \$417.6 million in FY10 and \$515.5 million in FY11

All data are from the Ohio Legislative Service Commission with the exception of the FY14-FY17 Foundation Aid and FY16 & FY17 TPP amounts that are from ODE. FY17 Foundation figures are from most recent SFPR Reports as of Jan. 13, 2017  
The FY16 & FY17 TPP amounts include the TPP Supplement.

FY11 to FY17 \$ Change in total state funding = \$472.6 million

FY11 to FY17 % Change in total state funding = 5.8%

Calendar Year 2010 to 2016 Inflation Rate (CPI) = 10.7%