THE BUCKEYE INSTITUTE

Education Savings Accounts: Improving the New & Improved School Funding Plan

Interested Party Testimony
Ohio Senate Primary and Secondary Education Committee
House Bill 110

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As Prepared for Delivery

Chair Brenner, Vice Chair Blessing, Ranking Member Fedor, and members of the Committee, thank you for the opportunity to testify today regarding House Bill 110 and the education portion of Ohio's operating budget.

My name is Greg R. Lawson. I am the research fellow at **The Buckeye Institute**, an independent research and educational institution—a think tank—whose mission is to advance free-market public policy in the states.

The COVID-19 pandemic has created new challenges and new opportunities for you in crafting the state's biennial operating budget. A well-crafted, sustainable budget can help address significant issues facing families, workers, businesses, and schools across Ohio. In particular, the operating budget can give families the resources and tools they need to help their school children succeed, and in light of the disruptions created by the COVID-19 pandemic, the need for effective education funding and strategies has never been more critical.

The New School Funding Plan & How to Improve It

Speaker Bob Cupp and others have worked hard to meet that need, improve Ohio's rickety school funding system, and lay a foundation for more education reform. Under the current school funding protocols, the state practically guesses at the per-pupil amounts needed to educate each child, with almost no reference to known inputs. The new school spending plan proposed by the House uses a more transparent calculation of the actual costs to educate a student, and it moves away from the **caps and guarantees** for school districts that plague the current system. The House's effort takes a solid first step in the right direction, but the Senate should address several concerns before declaring the House plan a success.

First, the new school funding plan ensures that the state's K-12 education costs—already one of the largest budget line items—will continue to rise as the plan is implemented. But these rising costs are not fully funded by the budget, implicitly assuming that future general assemblies will act according to the plan. That assumption is dubious, leaving the state vulnerable to litigation if a future general assembly fails to fund the system, and casting doubt on the plan's sustainability.

Second, the House underestimates the plan's base costs by using three-year old teacher salary data from Fiscal Year 2018. Teacher salaries are sure to rise over time, making the plan's true costs higher than advertised.

Third, the plan does not distinguish between base costs paid by the state and those paid locally. Without that distinction, local decisions to increase teacher salaries with locally raised dollars may then increase the state's costs, too, because the per-pupil base cost formula uses the *total* cost of teacher salaries to determine the state's share.

Fourth, some advocates tout the House plan's formula as moving beyond caps and guarantees—that is, "caps" that prevent growing districts from being fully funded and "guarantees" that prevent districts with declining student enrollments from losing commensurate funding. Unfortunately, the current proposal does not quite meet this objective because it retains funding amount guarantees—through "temporary" transitional funding—for districts that are losing students. Thus, many school districts will continue receiving funds for students that do not attend their schools.

Fifth, the proposed funding formula that determines each school district's local capacity will curb **open enrollment** and harm the **80,000** students that use it. Open enrollment gives **Struthers City School District** in Mahoning County, for example, a net gain of around 220 students; **Oregon City Schools** in Lucas County a net gain of roughly 188 students; and **Coventry Local Schools** in Summit County an extra 430 students. The new school funding plan would reduce funding substantially for those districts and remove incentives for more districts to participate in open enrollment.

Finally, the new plan's direct-funding model improves the current approach, but charter schools remain vulnerable to line-item vetoes by future, anti-school choice governors and should be protected, as the Fordham Institute has **suggested**, with new provisions that parallel statutory language used to fund school districts and joint vocational districts.

Each of these concerns are problematic, but every one of them is fixable.

Taking a Student-First Approach & How to Fund It

The House's school funding plan provides a cornerstone for more education-funding reform—reform that is overdue and sorely needed. Unfortunately, even under the House's new funding proposal, Ohio will continue to fund public school districts before funding students, putting the interests of districts ahead of the students they are asked to teach. But just as the pandemic has led families to take a **hard look** at their educational preferences, priorities, and alternatives, so should the state. It is time for Ohio to take a student-first approach to funding K-12 education.

Public school districts moved to online and hybrid learning environments to cope with COVID-19 concerns, but as the pandemic persisted families confronted technical difficulties, equipment failures, and the unexpected need for expensive tutoring. The most vulnerable groups of students, including minorities and those from lower-income households, have suffered significant academic **setbacks**. To help, Ohio should move beyond its one-size-fits-all education system that prioritizes funding school districts over students, and help parents afford critical education resources and offer the flexibility necessary to help students succeed.

Education savings accounts—or ESAs—provide a bipartisan funding solution to this recurring problem by helping parents afford critical education resources and the flexibility needed for students to succeed. As The Buckeye Institute has **shown**, ESAs can also help close some of the opportunity gaps and make the transition to new curricula easier and less expensive for families. In addition to traditional tuition expenses, ESAs can be used to purchase laptops or other technology for distance learning, tutoring services, or supplemental learning material.

Nine other states have already pioneered successful ESA programs and Ohio should follow suit. Ohio could, for example, create an ESA program parallel to its EdChoice scholarship program.

Alternatively, it could convert the EdChoice program into an ESA program while retaining the current EdChoice eligibility criteria. Either way, ESAs offer an innovative and cost-effective way for the state to fund education with money already available in the proposed budget. The budget, for example, includes a $1.1 billion line-item for student wellness and success—a $425 million increase over the previous budget. Some of that increase could be used instead to create an ESA program to provide families with needed resources without increasing the state's education budget.

Conclusion

The proposed school funding plan improves upon Ohio's flawed funding status quo. But work remains to be done and the Senate can improve upon the improvements.

Funding formulas should be adjusted to provide a more accurate picture of the plan's true long-term costs and to move past the flawed caps and guarantees of the present system. State and local funding contributions should be disaggregated to avoid artificial cost escalation. And protections for open enrollment and charter schools should be bolstered.

Of greater concern, however, is the missed opportunity to fund students before school districts. Now is the time for Ohio to move beyond its one-size-fits-all approach to K-12 education and offer families the financial flexibility and resources they need to tailor education to fit the needs of their students. Ohio should adopt education savings accounts to help students at every income level and in every neighborhood pay for the learning materials that are right for them. Now is the time to take a student-first approach to paying for their education.

Thank you for the opportunity to testify. I would be happy to answer any questions that the Committee may have.

About The Buckeye Institute

Founded in 1989, The Buckeye Institute is an independent research and educational institution – a think tank – whose mission is to advance free-market public policy in the states.

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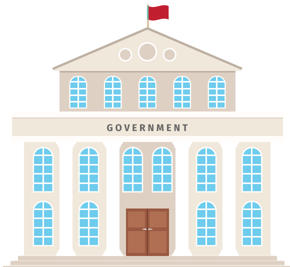
EDUCATION SAVINGS ACCOUNTS (ESAs)

GIVING OHIO'S CHILDREN THE BEST CHANCE TO SUCCEED



Education Savings Accounts (ESAs) are bipartisan and have passed in **nine** states.
Twenty-three states have introduced ESA legislation. **Ohio is falling behind.**

THE PROBLEM

Ohio schoolchildren have been set back by the pandemic, and parents have fewer options than those in other states to address educational performance issues.

Children in low-income families—particularly those in rural and urban areas—are at increased risk of falling behind their peers.

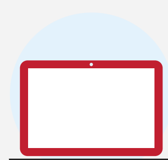
The pandemic impacted *all* parents—who desperately need support, certainty, and flexibility to ensure their students' success—regardless of their school district.

Ohio must act now to catch up and give our students the tools they need to excel educationally.

THE SOLUTION

ESAs help parents afford desperately-needed resources and offer the flexibility necessary to improve their children's educational outcomes.

ESAs offer an innovative and commonsense policy solution and provide a cost-effective way for state governments to manage their education budgets.



In addition to traditional tuition expenses, ESAs can be used to purchase laptops or other technology for distance learning, tutoring services, or supplemental material to augment existing curriculum.

66% of parents with a child at home **agree** that a portion of funding should follow students.

For more details, visit **BuckeyeInstitute.org** to read ***Fund Students First: Now is the Right Time for Education Savings Accounts*** and ***Giving Families Certainty: Enhancing Education with Education Savings Accounts***.

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