

**TESTIMONY BEFORE THE SENATE FINANCE COMMITTEE
ON FY18-19 BIENNIAL BUDGET RECOMMENDATIONS**

Paolo DeMaria, Superintendent of Public Instruction
Ohio Department of Education
May 3, 2017

Good afternoon Chairman Oelslager, Vice Chair Manning, Ranking Member Skindell and members of the Senate Finance Committee. My name is Paolo DeMaria, and I am the Superintendent of Public Instruction. I appreciate the opportunity to speak with you today on the FY18-19 biennial budget for the Ohio Department of Education. My testimony will focus on the recommendations contained in the executive budget proposal and on changes made by the House, including observations about the implications of some of the House changes.

Before I begin, I would like to express my gratitude to Governor Kasich, Budget Director Keen and the General Assembly for their continued support of education in this state. The last biennium saw more state dollars than ever before directed to education. The executive budget proposal includes further increases, giving more new dollars to education than to any other function of government. The House version of the budget continues to exemplify a strong commitment to education in the context of challenging revenue estimates. We are grateful for their commitment to prioritizing education.

Governor Kasich's proposed budget recommends GRF funding of \$8.1 billion (1.8% increase) in FY18 and \$8.2 billion (1.7% increase) in FY19 for primary and secondary education. When all budget funds are combined, recommended support for primary and secondary education in the executive proposal totals \$11.2 billion in FY18 and \$11.4 billion in FY19, increases of 1.2% and 1.4% respectively. These totals do not include Property Tax Replacement/Tangible Personal Property Reimbursements and Property Tax Reimbursements, which reflect an additional \$1.4 billion each year. The House suggests a slight overall increase in funding above the executive proposal from all sources of about \$15.3 million in FY18 and \$22.4 million in FY19. The House version slightly decreases GRF funding, but adds over \$100 million in funding from the State Lottery Fund.

The state's commitment to education is important, as ultimately, it shapes the future of every child, as well as the future of our communities and state. I'd like to discuss the ways that Governor Kasich's budget proposals will allow the Department to better support local schools in providing a quality education.

Director Keen has already presented to this committee the specifics of the executive budget school funding formula, and so my testimony will not reflect those aspects of the budget.

Early Childhood

Early Childhood Education: The Kasich Administration, the State Board of Education and the General Assembly place a high priority on providing educational services to children from birth to age 5 who have a disability or are economically disadvantaged. According to Ohio's new Kindergarten Readiness Assessment (GRF ALI 200437), these children are more likely to arrive at school underprepared in language, literacy and math skills. Compared to their more advantaged peers, these children average 28% lower on measures of physical well-being and social and emotional development. Our Early Childhood Development line item (GRF ALI 200408) and Child Care Licensing line item (GRF ALI 200442) both support preschool education. Between the amounts appropriated in these line items and the set-aside for preschool special education (GRF ALI 200540), the executive budget contains more than \$182 million each year for early childhood education. The House's proposal reduces funding to these line items by about \$2.5 million per fiscal year.

Literacy Improvement: The executive budget increases funding for Literacy Improvement (GRF ALI 200566) from \$500,000 in FY17 to \$750,000 in FY18 and \$1.25 million in FY19. The additional funding in this area will build on professional development activities across the state, working with existing Educational Service Center (ESC) networks. Aligning state, local and federal efforts, and increasing supports for early literacy instruction through well-defined evidenced-based strategies, have the capacity to positively impact many children's ability to read. The House reduces this line by 1.5% in each fiscal year.

Prepared for Future Success

Career Preparation: The Department is very proud of the work that has been happening over the past six years to increase the level of focus on careers throughout Ohio's education system. Much credit for this goes to Governor Kasich and prior General Assemblies for their focus on career preparation and workforce readiness. Because of this commitment, there are a lot of exciting things happening in career-technical education across Ohio. Our work with our partners in higher education on articulation agreements for career-technical education programs assures college credit for students in these classes. We are finding more and more examples of businesses directly involved with schools to promote careers and provide quality work-based learning opportunities, including internships and apprenticeships. Perhaps most important of all, one of the new pathways to high school graduation focuses on earning an in-demand credential. We are signaling to all students, parents and our communities that career-based learning is a rigorous and valuable avenue to a student's future success, both in terms of going to college and entering the workforce.

As part of this work, our staff has assisted in the creation of OhioMeansJobs K-12, an online career information system being used by more than 350,000 students. The Department has also created model Career Advising policies, sample Student Success plans and training for schools to support implementation. Career Connections provides training and technical assistance to schools and offers resources for educators to connect careers to classroom instruction. New funds set aside in this budget for Career Connections (GRF ALI 200545) will allow the Department to build on this work, including lessons learned from the Career Advising Pilot Project funded in the last budget.

As we continue to promote career readiness for students, it is important to remember that success does not come from mandating new programs. Success comes from schools partnering with local businesses.

Success comes from career centers partnering with their associate schools to start new career-technical education programs. Success comes when educators are able to expand existing programs and prepare more students for the workforce. That's why the Department remains committed to helping districts create new pathways, share best practices and promote career-readiness programs.

In order to provide a clearer path to the classroom for those who want to teach in a career-technical setting, the executive budget recommends a change to the career-technical educator licenses issued by the State Board of Education. The proposed change would allow these educators to work through required higher education programming at a faster pace and give career-technical programs more latitude to bring in qualified experts with significant real-world experience in a given field. This increased flexibility and clarity will bring more educators into these growing programs.

Prior to FY17, career-technical funding for districts was included in the overall funding guarantees and gain cap limitations. As a result, some districts that made efforts to increase the number of students in career-technical programs did not see corresponding increases in funding. Conversely, some schools have reduced career-technical education offerings, but because of the guarantee, continue to receive the same level of funding. Because the number and level of career-technical education offerings is a choice, the last biennial budget pulled the supplemental funding for career-technical education outside of limits of the cap and the provisions of the guarantee. This policy change incentivized districts to add career-technical programs. Both the executive and House versions of the budget continue this practice.

College Preparation: College Credit Plus is an opportunity for students in Ohio to earn college and high school credits at the same time. Last year, more than 52,000 Ohio students saved over \$120 million in tuition costs. These results are remarkable, and enhancements proposed in the budget will ensure continuing interest, support and success for the program and allow more students to engage in high-quality preparation for college.

Adult Education Programs: While we are strengthening the career- and college-readiness of students, we still face the reality that more than one million adults in Ohio do not have a high school diploma. As we look to develop a stronger workforce, it is imperative to find innovative ways to close this diploma gap. That is why the Department, with vision and support from Governor Kasich and the Office of Workforce Transformation, has been dedicated to expanding adult education options. We currently serve this population through three distinct programs, each designed to meet the different goals adult learners have in continuing their education: the Adult Diploma Program, the 22+ Diploma Program, and the GED Reimbursement. Last year, these programs provided a high school diploma or certificate of equivalency to more than 6,500 adults. That is 6,500 more Ohioans who can advance their education and secure better jobs, with more opportunities to provide for themselves and their families.

To better serve adult learners, the executive proposal seeks to consolidate funding for these three programs into a single line item (GRF ALI 200572), Adult Education Programs, with funding flat to FY17 levels across all four programs (22+ GRF ALI 200421); High School Equivalency Testing (GRF ALI 200447); GED Reimbursement (GRF ALI 200550); and Adult Diploma (GRF ALI 200572). This move will not increase the total appropriation of the programs, but will allow the Department to more efficiently administer these programs to more adult learners. The House reduces this funding by 1.5%, but maintains the consolidation of line items.

Continuous Improvement of the Education System

School Improvement: Two GRF set-asides within the Department’s budget (GRF ALI 200448 and GRF ALI 200550) support school improvement initiatives for public schools in Ohio, with a focus on those with the highest level of need. The executive and House budgets increase funding for school improvement from \$4.0 million to \$10.5 million in each year of the biennium. This funding will allow for additional support for districts with improvement planning, creating a culture of improvement in schools, professional development for building principals and teachers and resources to promote effective practices. Funding will be distributed through ESCs. A part of the school improvement plan for the next biennium includes the development of an evidence-based clearinghouse. The development of this school improvement tool will be primarily funded with federal funds (FED ALI 200645).

Funding for ESCs is also an important part of the state’s overall school improvement effort. I’m appreciative of the House additions to the ESC funding set aside. This additional support will ensure that ESCs continue to be strong contributors to school improvement objectives.

Community Connectors: Another aspect of improvement is leveraging all available community resources to support student learning. Research tells us that students need caring adults in order to achieve success. Community Connectors (SLF ALI 200629) pairs students with positive adult role models. Since 2015, Governor Kasich’s Community Connectors grant program has brought together the business, education, nonprofit, and faith- and values-based communities to provide mentoring to more than 50,000 students across Ohio. The grant targets students in grades 5-12 in low-performing, high-poverty schools, seeking to make a long-term impact on Ohio communities. To continue this work, the executive budget included funding at \$10 million in each fiscal year. The House funded this program at \$8 million each year.

Support for Innovation and School Choice

Straight A Fund: In the FY14-15 biennial budget, Governor Kasich proposed the Straight A Fund (SLF ALI 200648) to help Ohio promote sustainable, innovative and local ideas that transform and modernize Ohio’s education system. Thanks to the \$280 million set-aside by the legislature over the last four years, more than 500 schools and ESCs around Ohio have benefited from Straight A funding. This infusion of resources has stimulated many new practices changing education across the state. We have seen some wonderful success stories emerge from the Straight A Fund. For example:

- 20 rural school districts in eastern Ohio have created a collaborative transportation network, saving millions of dollars and improving the efficiency of pupil transportation.
- Tri-Rivers Career Center in Marion created an advanced robotics program, RAMTEC, which has since expanded to eight additional career centers around the state. RAMTEC is a national model for training students in advanced manufacturing using robots.
- Mentor opened the Paradigm Center, a professional development and distance learning center that is providing exciting new opportunities to educators and students in Lake County.

One of the primary goals of the Straight A Fund is to find innovative ideas that can be reproduced on a larger scale. The changes recommended in this budget allow the Straight A Governing Board to award a new type of grant. The original innovation grants would continue, but the Board could also award replication grants, which would be used specifically to replicate previous projects. The executive budget

recommends \$15 million in each fiscal year for the Straight A Fund. The House funded this program at \$5 million each fiscal year.

Office of Innovation: One area of innovation involves fundamentally rethinking how students progress in their learning over time. Recognizing that students learn at different paces, the Department is exploring ways to allow students to advance based on competency and readiness. In the last biennium, the legislature approved the Competency-Based Education pilot. Five locations have been planning their strategies and have begun implementing their plans to advance students based on the mastery of competencies, rather than on seat time. As we move into the implementation phase of the pilot, we are beginning to see opportunities to inform the future development of statewide programs and policies.

The executive budget recommends new funding of \$750,000 in each year of the biennium for the Office of Innovation, which was created by the Department in 2016. The House reduces this funding by 1.5% in each fiscal year. The office is responsible for STEM schools, competency-based education and emerging education practices. With the continued support of the legislature, the Office of Innovation will facilitate the development of policies, professional development of teachers, promotion of practices based on the work of the Competency Based Education pilot, and other education innovations that produce results.

Scholarship Programs: The EdChoice Expansion program provides income-based scholarships to students across the state (GRF ALI 200573). Under the executive proposal, this line item saw a significant increase to keep up with demand as the program expands to fourth graders in FY18 and fifth graders in FY19 under existing law. The increases of 21.9% in FY18 and 24.2% in FY19 allows for growth in the number of participating students from 7,500 to 11,500. The House reduces this funding by 1.5% in each fiscal year.

The other scholarship program supported through direct appropriation in the Department's budget is the Cleveland Scholarship Program. Unlike the traditional EdChoice program, which is supported by deductions from traditional districts' foundation funding, the Cleveland Scholarship program pairs direct state appropriation and a contribution by the Cleveland Municipal School District. The executive proposal allows for growth in the program and rebalances the cost between the State and Cleveland. As this program continues to grow, it is important that the local district shares in the cost.

Department Operations

Operating Line Items: As you work through the budget process, you will notice that a number of our line items see modest increases in the executive proposal. These are largely for projected cost increases for current staff. Across all GRF line items, the executive proposal recommends an additional \$1.5 million in FY18 and \$1.9 million in FY19 over FY17 levels for these estimated costs. While this does not cover the full projected cost increase, this will help the Department maintain existing service levels. Generally, the House applied a 1.5% reduction to these line items.

Education Management Information System: The executive budget recommends an increase to the Education Management Information System (EMIS) line item (GRF ALI 200446). The House version reduces this line item by 1.5% in each fiscal year. These funds will allow for new staff support, quality assurance processes for the system and additional training targeting EMIS coordinators and other local school staff. These updates will make the system easier to use and increase its effectiveness. The

executive budget will allow the Department to increase capacity both internally and externally. We recently concluded two reviews of the EMIS system, one conducted by OBM's Office of Internal Audit and one conducted by IT consultants from Accenture. These two reviews provided us with substantial, helpful recommendations for improvements. Future work will include the development of an EMIS strategic plan, the implementation of an enhanced governance and prioritization process for EMIS changes, development and implementation of additional data quality assurance checks and the development of more stringent formal software testing procedures.

Community Schools: The Community Schools and Choice Programs line item (GRF ALI 200455), is proposed to increase by 20.8% in FY18 and 1.7% in FY19. This reflects operational costs associated with new oversight put in place by House Bill 2 of the previous General Assembly. The Department has had to increase capacity for sponsor evaluations and these recommendations reflect that cost. These new operations at the Department are already helping to ensure higher quality sponsors and better options for students. The House reduces this line item by 1.5% in FY18.

Provisions in the House Version of the Budget

Before concluding, I would like to offer some observations about a variety of provisions proposed by the House of Representatives. While I appreciate the work that went into their proposal, there are several provisions that merit further attention and consideration.

Exemption from State Accountability for Certain Scholarship Students: Current law embodies the idea that if a school receives state funds to educate students, then it should be subject to state accountability. A provision was removed from the code that requires scholarship students at ISACS-accredited nonpublic schools to participate in state assessments and high school graduation requirements. While we appreciate the importance of a vibrant network of school choice options, it remains the position of the Department that all students in taxpayer-funded scholarship programs should be part of the state's accountability system.

Modifications to Community School Sponsor Evaluation: The House version proposes several changes that weaken the sponsor evaluation system. Allowing sponsors to appeal their ratings gives sponsors an opportunity to which no traditional school has access. Districts can make revisions to their data, but are not able to do an outright appeal of their rating. These sponsor ratings are based on data and are not a judgement call that should be appealable. Requiring the Department to weight at 60% the "Progress" component of the academic portion of the evaluation gives more weight to this component than we believe is merited. The current weighting of 20% is in line with the weighting on the report card for traditional schools. The Department is also concerned about a provision that would disallow the practice of limiting the rating of a sponsor to "ineffective" in cases where the sponsor fails a portion of the evaluation.

ESC Community School Sponsors: Language was included in the House permitting an ESC that sponsors community schools and has a sponsor rating of effective or higher to sponsor both an e-school without any previous experience as well as a community school regardless of whether or not it is located in the ESC's territory or a contiguous county. This language removes consequences for poor performance by ESCs that sponsor community schools, permitting them to continue to sponsor regardless of what rating is received. Further, existing statute charges the Department with oversight of sponsors, which includes

limitations on the number of community schools and where they may be located. The House language permits ESCs to avoid this oversight. Lastly, this provision interferes with existing limitations on online community schools. Existing law limits the number of new online community schools that may open and permits the State Superintendent to approve new online community schools based on criteria that includes both the sponsor and operators' expertise and past performance.

Elimination of Ohio Teacher Residency Program: It is essential that Ohio has a strong program supporting the induction of teachers in to the profession. Teacher preparation programs are not enough to ensure new teachers have the support they need to succeed. The Resident Educator (RE) program is a four year, entry-level program that supports new teachers through mentoring partnerships with more experienced teachers, instructional guidance and professional development opportunities to improve student learning and achievement. When visiting schools around the state, I hear first-hand from teachers how the support provided by the RE program has had a positive impact on their careers and made them better educators. Further, this program promotes teacher retention, which is higher than the national average. The RE program is an important part of Ohio's strategy for training educators for a life-long career of excellence in the classroom.

Community School Full Time Equivalent (FTE) Manual Review: A provision added by the House gives the Joint Education Oversight Committee (JEOC) the ability to review the Department's FTE review manual and override the Department's use of it. The FTE manual is a technical, administrative document that does not create policy or deviate from state law. JEOC's primary purpose is to research, review, study and analyze current or emerging education policy issues important to the state. Expanding the committee's reach to give it decision-making authority over an administrative document like our FTE review manual raises significant issues.

Paper Tests: Two years ago, just over 80% of tests were administered online and this year the number will be over 94%. Online tests can be processed more quickly and are more secure, more accurate, and less expensive. For years, schools have been transitioning to online testing, and almost all have adapted without any issues. Reverting back to multiple modes of test administration will create confusion about validity, reduce pressure to integrate technology in classrooms, increase costs, and restrict the efficiencies gained by online test administration.

Bright New Leaders: The Department appreciates the innovative approach that Bright New Leaders is taking to bring proven leaders from various industries to our schools. A provision added by the House requires the Department to secure local principal positions for successful candidates from the Bright New Leaders program. While the Department could better assist Bright in connecting them with local school districts, it is unreasonable for the Department to force any local district to hire one of the program's graduates. Additional language prohibits a person who holds a Masters of Business Administration degree from receiving an alternative principal license unless that person has also successfully completed the Bright New Leaders Program. The purpose of the alternative principal license is to provide effective and passionate business leaders with a flexible pathway into schools. However, this language would narrow a pathway meant to be intentionally flexible with a very specifically-tailored restriction.

Early Childhood Education: The House version changes how the Department will distribute any new or unused early childhood education slots. Currently, the Department allocates slots through a need-based

system. However, the House language will prioritize new or unused slots for specific types of communities. We believe a compromise on this issue can be found that identifies unique characteristics of certain communities while fairly allocating limited early childhood education slots throughout our state. We have committed to working with the sponsor on this provision.

Straight A Fund: Changes in the House version would allow institutions of higher education to serve as lead applicants in Straight A Fund grants. This has never been a part of the Straight A model, which is designed to bring innovation to K-12 classrooms and is funded through lottery dollars, which have restrictions on their use. In addition, institutions of higher education already have the ability to be partners on Straight A grants, which has not inhibited their ability to participate.

College Credit Plus - Minimum Grade for High School and College Credit: A provision in the House version would prevent students in College Credit Plus from receiving either high school or college credit if their grade is below a "C." This provision is well intended, but ultimately unnecessary, as the executive budget limits eligibility only to students who are remediation free. In addition, current law allows school districts to charge students the cost of the course if the student fails.

Staffing Levels for Preschool Children with Disabilities: The House version includes language that would increase the ratio of special education preschool students to staff members from 1:6 to 1:8. Studies have consistently shown that greater individual teacher attention in early grades has a strong, positive impact on special needs students' learning and long-term potential. This provision would further dilute a teacher's attention among more students with special needs. Departmental administrative rules establishing this ratio have been in place for at least 20 years without revision. We caution changing this long-standing ratio.

Application Windows for the Income-Based EdChoice Scholarship: Current law requires the Department to offer two application windows for the income-based EdChoice Scholarship, even if there are no funds remaining after the first application period. The executive proposal would allow the Department to only offer a single window if there is not enough funding available to offer a second window. The House version eliminates that language, replacing it with a requirement to determine if there is enough money to offer a second window, while still requiring a second window, regardless of funding availability. We are amenable to the House change requiring the Department to make a determination. We request that the executive proposal be reinserted into the bill, so that if the determination finds that there are no funds available to offer a second window, we are not required to offer it.

Retained Applicant Fingerprint Database: You may have noticed in recent media reports that the Department has identified a gap in the law that challenges our ability to maintain the integrity of the process we use to monitor licensed educators for arrest or convictions through the retained applicant fingerprint database known as Rapback. The Rapback system will not allow a licensed educator to be enrolled if the educator's fingerprints are either more than one year old, or of too poor quality. State law does not allow the Department to request a new background check and fingerprints when such circumstances occur. While no major issues have been identified through this process, it is imperative that we achieve a long-term solution. I appreciate the House's swift action to address this matter by closing this gap in their most recent proposal.

Conclusion

Mr. Chairman, members of the committee – we at the Department of Education are excited by the opportunities created by this budget. The policies and appropriations will allow us to do the important work of continually improving Ohio’s education system. We know we have the capacity to be among the best education systems in the country, and look forward to achieving that end with your support. I look forward to working with you through the rest of this process and am happy to answer any questions at this time.