

The logo for the Ohio Department of Education features the word "Ohio" in a large, white, sans-serif font. The letter "O" is replaced by a thick, lime-green circular ring. The background is a blue-tinted photograph of a classroom with students raising their hands and a chalkboard with math problems.

Ohio

FY18 School Finance Payment Report (SFPR) Line by Line Explanation

BASED ON PROVISIONS OF AM. SUB. HB 49 OF THE 132ND GENERAL ASSEMBLY

OFFICE OF BUDGET AND SCHOOL FUNDING

OCTOBER 2017

Introduction

The funding of K-12 public schools in Ohio is a joint effort between the state and the school districts. In FY 2017 \$7,950,537,712¹ in state foundation funding was distributed to Ohio's 612 School districts through the foundation formula. Of this amount, a total of \$915,405,018² was transferred to about 370 community and STEM schools in the form of funding deductions from resident school districts and a total of \$242,989,618² was transferred to non-public and alternative entities through various scholarship programs in the form of school vouchers. School districts also provided \$225,262,894² to Education Service Centers from their foundation funding as partial support for services they receive from these entities. Some \$474 million of the foundation money was transferred among school districts to pay for the education of students who participate in inter-district open enrollment.

Am. Sub. H. B. 49 of the 132nd Ohio General Assembly establishes the procedures for calculating the state foundation formula funding of public elementary and secondary education delivery systems in fiscal years 2018 and 2019. This document aims to provide a detailed explanation of the calculation of each component of the funding formula as reflected on the annual payment report referred to as the School Finance Payment Report (SFPR) for fiscal year 2018.

SFPR is a comprehensive document that walks the user through every step of the foundation funding calculation. There are 2 segments to this document: The first, the Summary Calculation Page provides a summary account of the funding amounts for each component of the foundation formula with all the additional aid items and transfers and adjustments traditionally included on the district payment report. The second segment is divided into 2 sections: Calculation Factors and Parameters Page which lists all of the data factors and parameters needed for the calculations and the Detailed Funding Component Calculation Page which gives the formulae with references to the data in the first section. A generic SFPR of a hypothetical school district is provided below as reference point.

¹ As of the FY17 Final #2 School Finance Payment Report, reflecting \$7,783,040,519 in formula funding calculation plus \$111,745,710 and \$55,748,482 in preschool education and special education transportation funding respectively.

² FY17 Final #2 School Finance Payment Report.

**OHIO DEPARTMENT OF EDUCATION
OFFICE OF BUDGET AND SCHOOL FUNDING
SCHOOL FINANCE PAYMENT REPORT (SFPR)**

IRN: XXXXXX
DISTRICT: Sample School District
COUNTY: County

SUMMARY CALCULATION

	CALCULATED FUNDING	STATE FUNDING
FOUNDATION FORMULA FUNDING COMPONENTS:		
A - Opportunity Grant:	\$2,967,723.24	\$2,470,337.49
B - Targeted Assistance:	\$794,163.75	\$661,063.16
C - K-3 Literacy Funding:	\$76,390.78	\$63,587.81
D - Economic Disadvantaged Funding:	\$24,017.75	\$19,992.41
E - Limited English Proficiency Funding:	\$8,994.32	\$7,486.88
F - Gifted Education Funding:	\$66,699.90	\$55,521.10
G - Transportation Funding (Generally Exempt from Cap):	\$191,702.78	\$191,702.78
H - Special Ed Funding (Generally Exempt from Cap):	\$297,057.63	\$297,057.63
I - Capacity Aid:	\$51,151.46	\$42,578.56
J - Graduation Bonus (Exempt from Cap):	\$17,646.50	\$17,646.50
K - Third Grade Reading Bonus (Exempt from Cap):	\$7,109.03	\$7,109.03
L - Transitional Aid Guarantee:	\$0.00	\$0.00
M - CTE Funding (Exempt from Overall Guarantee & Cap):	\$30,480.98	\$30,480.98
N - Cap Offset Amount:	\$27,706.44	\$27,706.44
<hr style="border-top: 1px dashed black;"/>		
O - Total Formula Funding:	\$4,533,138.11	\$3,892,270.77
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ADDITIONAL AID ITEMS:		
P - Preschool Special Education Funding:		\$109,303.85
Q - Special Education Transportation Funding:		\$27,505.99
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R - Total Additional Aid Items:		\$136,809.84
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TOTAL FUNDING:		
S - Total Formula Funding Plus Additional Aid Items:		\$4,029,080.60
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TRANSFERS AND ADJUSTMENTS:		
T - Education Service Center Transfer:		\$-415,741.00
U - Open Enrollment Adjustment:		\$-66,346.32
V - Community School Transfer:		\$-52,782.32
W - STEM School Transfer:		\$0.00
X - Scholarship Transfer:		\$-72,000.00
Y - Other Adjustments:		\$-1,505.62
<hr style="border-top: 1px dashed black;"/>		
Z - Total Transfers and Adjustments:		\$-608,375.26
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NET STATE FOUNDATION FUNDING:		
AA - Total Calculated Funding Plus Total Transfers and Adjustments:		\$3,420,705.34
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CALCULATION FACTORS AND PARAMETERS PAGE

STATE FACTORS AND PARAMETERS:

s1 - Statewide Formula ADM for FY18:	1,676,879.64
s2 - Statewide Economic Disadvantaged Percentage:	48.9365388
s3 - Statewide 3-Year Average Valuation for TY16, TY15 and TY14:	\$248,515,784,682
s4 - Statewide 3-Year Average Gross Income for TY15, TY14 and TY13:	\$309,180,101,719

DISTRICT FACTORS AND PARAMETERS:

a - Base ADM Data:	
a1 - Formula ADM $[a2 - (0.8 * a5) + (0.2 * a6)]$:	1,237.66
a2 - Adjusted Total ADM $[a3 - (0.5 * a4)]$:	1,272.04
a3 - Total ADM:	1,272.04
a4 - Tuition Kindergarten FTE:	0.00
a5 - JVS Jointure ADM:	42.98
a6 - Contract Vocational ADM:	0.00
b - Special Education ADM Data:	
b1 - Category 1 Special Education ADM:	18.52
b2 - Category 2 Special Education ADM:	65.50
b3 - Category 3 Special Education ADM:	5.99
b4 - Category 4 Special Education ADM:	0.00
b5 - Category 5 Special Education ADM:	8.14
b6 - Category 6 Special Education ADM:	9.90
c - Career Tech FTE Data:	
c1 - Category 1 Career Tech FTE:	13.07
c2 - Category 2 Career Tech FTE:	0.00
c3 - Category 3 Career Tech FTE:	0.00
c4 - Category 4 Career Tech FTE:	0.00
c5 - Category 5 Career Tech FTE:	1.83
d - Limited English Proficient ADM Data:	
d1 - Category 1 LEP ADM less E School LEP ADM (0.00 - 0.00):	0.00
d2 - Category 2 LEP ADM less E School LEP ADM (18.41 - 0.00):	18.41
d3 - Category 3 LEP ADM less E School LEP ADM (2.15 - 0.00):	2.15
e - Additional ADM Data:	
e1 - K-3 Formula ADM:	375.88
e2 - K-3 E SCHOOL Formula ADM:	1.42
e3 - Net Formula ADM $[a1 - (e4 * 0.75) - e5 - (e6 - e7) - e8 - e9]$:	1,226.36
e4 - Brick & Mortar Community and STEM School Formula ADM:	0.00
e5 - E School Formula ADM:	8.30
e6 - Autism Scholarship ADM:	3.00
e7 - Preschool Autism Scholarship ADM:	0.00
e8 - Jon Peterson Scholarship ADM:	0.00
e9 - EdChoice Scholarship ADM:	0.00
e10 - Economic Disadvantaged ADM:	326.48
e11 - Economic Disadvantaged Percentage:	25.6658596
e12 - E School Economic Disadvantaged ADM:	5.47
f - 3-Year Average Federal Adjusted Gross Income $[(TY15 + TY14 + TY13) / 3]$:	\$204,827,497
g - 3-Year Average Total Real Valuation $[(TY16 + TY15 + TY14) / 3]$:	\$211,287,023
h - 3-Year Average Agricultural Real Valuation $[(TY16 + TY15 + TY14) / 3]$:	\$57,791,747
i - State Share Index (See worksheet for details):	0.398976733
j - Economic Disadvantaged Index $[(e11 / s2^2)]$:	0.275071000
k - 3-Year Average Valuation [Sec 3317.0217(A)(1): $(TY16 + TY15 + TY14) / 3]$:	\$221,466,140
l - Graduation Bonus Factors (Based on FY17 Report Card Data)	
l1 - Four Year Adjusted Graduation Rate:	0.96
l2 - Number of Graduates:	102.00
m - Third Grade Reading Proficiency Bonus Factors (Based on FY17 Report Card Data)	
m1 - Third Grade Reading Proficiency Rate:	0.67
m2 - Students Scoring Proficient or Higher on 3rd Grade Reading Test:	59.00

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DETAILED FUNDING COMPONENT CALCULATION PAGE

A - Opportunity Grant $[\$6,010*(a1+e7)*i]$:		\$2,967,723.24
B - Targeted Assistance [B5+B7]:		\$794,163.75
B1 - Dist Wealth Per Pupil $[(k/a1)*0.5]+((f/a1)*0.5)$:	\$172,217.59	
B2 - State Wealth Per Pupil $[(s3/s1)*0.5]+((s4/s1)*0.5)$:	\$166,289.78	
B3 - State Threshold Wealth Per Pupil [490th Observation]:	\$211,991.44	
B4 - Targeted Assistance Wealth Index [B2/B1]:	0.9656	
B5 - Base Targeted Assistance $[(B3-B1)*0.006*B4]*e3$:	\$282,590.13	
B6 - Agricultural Real Value Ratio [h/g]:	0.273522463	
B7 - Suppl [greater of $((B6-0.1)*(\$6,010*0.4)*e3)$ or 0]:	\$511,573.62	
C - K-3 Literacy Funding $[(\$193*(e1-e2)*i)+(\$127*(e1-e2))]$:		\$76,390.78
D - Economic Disadvantaged Funding $[\$272*(e10-e12)*j]$:		\$24,017.75
E - Limited English Proficiency Funding [E1+E2+E3]:		\$8,994.32
E1 - Category 1 Funding $[\$1,515*d1*i]$:	\$0.00	
E2 - Category 2 Funding $[\$1,136*d2*i]$:	\$8,344.10	
E3 - Category 3 Funding $[\$758*d3*i]$:	\$650.21	
F - Gifted Education Funding[F1+F2+F3]:		\$66,699.90
F1 - Identification Funding $[\$5.05*a1]$:	\$6,250.18	
F2 - Coordinator Funding $[\$37,370*F2a]$:	\$18,685.00	
a - Coordinators $[(a1-(e4+e5))/3,300$ (Min 0.5 & Max 8)]:	0.50	
F3 - Intervention Specialist Funding $[\$37,370*F3a]$:	\$41,764.71	
a - Specialists $[(a1-(e4+e5))/1,100$ (Min 0.3)]:	1.12	
G - Transportation Funding [G1+G2+G3+G4] (See worksheet for details):		\$191,702.78
G1 - Type 1 & 2 Transportation Funding:	\$131,495.31	
G2 - Other Transportation Funding:	\$0.00	
G3 - Community School Transportation Funding:	\$0.00	
G4 - Supplemental Transportation Funding:	\$60,207.47	
H - Special Education Additional Funding [H1+H2+H3+H4+H5+H6]:		\$297,057.63
H1 - Category 1 Funding $[b1*\$1,578*i]$:	\$11,659.92	
H2 - Category 2 Funding $[b2*\$4,005*i]$:	\$104,662.57	
H3 - Category 3 Funding $[b3*\$9,622*i]$:	\$22,995.34	
H4 - Category 4 Funding $[b4*\$12,841*i]$:	\$0.00	
H5 - Category 5 Funding $[b5*\$17,390*i]$:	\$56,476.99	
H6 - Category 6 Funding $[b6*\$25,637*i]$:	\$101,262.81	
I - Capacity Aid $[(I2/I4*a1*4*I3]$:		\$51,151.46
I1 - Capacity Aid 3 Year Average Valuation Base $[k*0.001]$:	\$221,466.00	
I2 - Capacity Aid 3 Year Average Valuation Base Median:	\$231,776.50	
I3 - Ratio [if $I1<I2$ then $(I2/I1)-1$ else 0 (Max 2.5)]:	0.046555679	
I4 - Average Formula ADM where $I1<I2$:	1,044.35	
J - Graduation Bonus $[l1*0.075*\$6,010*12*i]$:		\$17,646.50
K - Third Grade Reading Bonus $[m1*0.075*\$6,010*m2*i]$:		\$7,109.03
L - Transitional Aid Guarantee [if $(L2*L3)>L1$ then $(L2*L3)-L1$ else 0]:		\$0.00
L1 - Funding in the Guarantee [A+B+C+D+E+F+G+H+I+J+K]:	\$4,502,657.13	
L2 - Base - FY17 Capped Funding Excluding CTE:	\$3,723,924.98	
L3 - Guarantee Base %:	1.000000	
[if $(L4<=-0.1)$ then 0.95]		
[if $(-0.1<L4<=-0.05)$ then $(L4+1.05)$]		
[if $(L4>=-0.05)$ then 1]		
L4 - ADM % $[(FY16/FY14)-1: (1,280.0/1,270.04)-1]$:	0.007897	
M - Career Technical Education Funding [M1+M2+M3+M4+M5+M6+M7]:		\$30,480.98
M1 - Category 1 Funding $[c1*\$5,192*i]$:	\$27,074.34	
M2 - Category 2 Funding $[c2*\$4,921*i]$:	\$0.00	
M3 - Category 3 Funding $[c3*\$1,795*i]$:	\$0.00	
M4 - Category 4 Funding $[c4*\$1,525*i]$:	\$0.00	
M5 - Category 5 Funding $[c5*\$1,308*i]$:	\$955.01	
M6 - Associated Services Funding $[(c1+c2+c3+c4+c5)*\$245*i]$:	\$1,456.46	
M7 - CTE Guarantee [if $M7a<M7b$ then $M7b-M7a$ else 0]:	\$995.17	
a - Calculated CTE Funding, FY18 [M1+M2+M3+M4+M5+M6]:	\$29,485.81	
b - Calculated CTE Funding, FY17:	\$30,480.98	
N - Cap Offset Amount [See worksheet for details]:		\$27,706.44
O - Total Funding $[(A+B+C+D+E+F+I)*O1]+G+H+J+K+L+M+N$:		\$3,892,270.77
O1 - Cap Reduction Ratio [See worksheet for details]:	0.832401573	

Traditional school district foundation formula provides funding for a number of different services designed to serve the needs of various populations of students. The funding components are as follows:

Foundation Funding Components as Reflected on the SFPR

- A. Opportunity Grant
- B. Targeted Assistance
- C. K-3 Literacy Funding
- D. Economic Disadvantaged Funding
- E. Limited English Proficiency Funding
- F. Gifted Education Funding
- G. Transportation Funding
- H. Special Education Additional Funding
- I. Capacity Aid
- J. Graduation Bonus
- K. Third Grade Reading Bonus
- L. Transitional Aid Guarantee
- M. Career Technical Education Funding
- N. Cap Offset Amount
- O. Total Formula Funding

Additional Aid Items

- P. Preschool Special Education Funding
- Q. Special Education Transportation Funding
- R. Total Additional Aid Items
- S. Total Formula Funding Plus Additional Aid Items

Transfers and Adjustments

- T. Education Service Center Transfer
- U. Open Enrollment Adjustment
- V. Community School Transfer
- W. STEM School Transfer
- X. Scholarship Transfer
- Y. Other Adjustments
- Z. Total Transfers and Adjustments
- AA. Total Calculated Funding Plus Total Transfers and Adjustments

The sum total of these funding components amounts to the foundation formula funding that in some cases may be capped to prevent districts from generating more in FY 2018 total funding than the cap limit allows.

Explanation of the Calculations

The funding of the elementary and secondary education through the foundation formula is a joint effort between the state and individual school districts. Historically, each district totally relied on its property taxes for support of education and the bulk of the proceeds from these taxes went towards the provision of educational services. The problem with that arrangement was that the property tax bases of different school districts were very different in strength. As a result, school districts' service provision differed, depending on the property wealth of the district. In response to that, the state intervened and provided money to school districts through the foundation formula. This narrows the gap between the rich and the poor school districts to bring equity in education funding.

Typically, the foundation formula works in a way that provides state assistance in direct relationship to the student population of the school district and in converse relationship to its property wealth. The mechanism in the foundation formula that makes its operation sensitive to wealth is referred to as the state share index. This measure determines what portion of the per-pupil funding through the foundation formula should come from the state and what portion should be the district's responsibility. The state share index and its function in the distribution of the state foundation funding is therefore at the core of the foundation formula.

State Share Index [Sections 3317.017]

State Share Index is applied to some of the elements of the foundation formula and is used to determine the state portion of those funding streams. The state share index is calculated once in FY18 and used in both FY18 and FY19 funding calculations. This provides for consistency and stability in funding. The state share index provides for measuring the wealth of the school district in terms of property tax base and the residents' ability to pay.

The calculation of this measure is a multi-step process that involves the calculation of:

1. Valuation Index
2. Income Index
3. Wealth Index
4. State Share Index

For the purposes of this calculation, Am. Sub. H. B. 49 distinguishes 'Eligible Power Plant' districts from others. Eligible Power Plant districts are those that have an electric power plant and also simultaneously satisfy the following 3 conditions in terms of the value of their properties:

1. Public utility tangible property value in TY15 is at least equal to 10% of total valuation in TY15
2. Public utility tangible property value in TY16 is less than 90% of the public utility tangible property value in TY15
3. Total power plant value in TY16 is less than 90% of total power plant value in TY15

When all of the above conditions are present the district is identified as an 'Eligible' district. For Eligible Power Plan districts, the calculation of the valuation index of the state share index is revised to better

align the data factors used in the calculation of the index with the actual property valuation status of the district.

The calculation steps are as follows:

- A. Calculate the district 3-year average valuation for TY16, TY15 and TY14. Notwithstanding this calculation, for an 'Eligible' school district, if the TY16 valuation amounts to a number less than the 3-year average valuation, TY16 valuation replaces the 3-year average valuation.
- B. Calculate the statewide 3-year average valuation for TY16, TY15 and TY14
- C. Adjust **A** for exempt property by first calculating the potential valuation by combining taxable and tax exempt property values. Then, if the exempt valuation is greater than 30% of the potential valuation, subtract from **A**, the difference between the exempt valuation and 30% of the potential valuation
- D. Divide **A** as adjusted by **C** by the FY17 district total ADM to get the district 3-year average valuation per total ADM
- E. Divide **B** by FY17 statewide total ADM to get the statewide 3-year average valuation per total ADM
- F. Calculate the valuation index by dividing **D** by **E**
- G. Calculate the median income index by dividing the TY15 district median income by the TY15 statewide median income
- H. Calculate the 3-year average federal adjusted gross income per pupil for each district by dividing the TY15, TY14 and TY13 average income figure by the FY17 formula ADM
- I. Do the calculation in **H** for the state as a whole
- J. Calculate the ratio of the district 3-year average federal adjusted gross income per pupil calculated in **H** by the statewide 3-year average federal adjusted gross income per pupil calculated in **I**
- K. Calculate the income index by combining **G** and **J** at 50% level each
- L. Calculate the wealth index of each district as follows:
 - a. If valuation index (**F**) is greater than the income index (**K**), and median income index (**G**) is smaller or equal 1.5 then combine 40% of **K** with 60% of **F** to obtain the wealth index
 - b. If income index (**K**) is greater than valuation index (**F**) and median income index (**G**) is larger than 1.5 then wealth index is equal the valuation index (**F**)
- M. Calculate state share index as follows:
 - a. If **L** is smaller or equal 0.35 then state share index equals: 0.9
 - b. If **L** is larger than 0.35 but smaller or equal 0.9 then state share index equals:
 $\{0.4 \times [(0.9 - L) / 0.55]\} + 0.5$
 - c. If **L** is larger than 0.9 but smaller than 1.8 then state share index equals:
 $\{0.45 \times [(1.8 - L) / 0.9]\} + 0.05$
 - d. If **L** is greater or equal 1.8 then state share index equals 0.05



Reference Guidelines to Understanding the SFPR

Below is an explanation of the SFPR, line-by-line. Each line reflects the funding components of the foundation formula or data factors used in the funding calculations and is referenced by a letter for ease of reference. There are 3 sections to the SFPR: [Summary Calculation Page](#), the [Calculation Factors and Parameters Page](#) and the [Detailed Component Calculation Page](#).

1. Summary Calculation Page: For each funding component 2 columns of numbers are provided on this page:
 - The first column is labeled Calculated Funding which gives the result of the calculations based on provisions of the law as explained on the Detailed Component Calculation Page.
 - The second column is labeled State Funding which gives the calculated amount after the application of the funding cap.

The Summary Page amounts are functions of the calculations reflected on the Detailed Component Calculation Page. To explain the funding calculations, references are made to the Detailed Funding Component Calculation Page. Also, since there are other funding elements, adjustments and transfers that are shown on the Summary Page, some of the references made in this explanation will relate to the portions of the Summary Page that contain them. For ease of reference the contents of the Detailed Funding Component Calculation Page and the Summary Page that are referenced here are shown in different color inks to make the connection to the sample payment report easier.
2. Calculation Factors Parameters Page: This page provides values for all the factors and data elements used in the calculations on the Detailed Funding Component Calculation Page. Reference to the lines on this page are made with lower case letters.
3. Detailed Funding Component Calculation Page: This page provides the calculation of the components of the foundation formula and makes reference to the factors displayed on the Calculation Factors and Parameters Page in explaining the calculations. Funding components on this page are referenced with the same letters as on the Summary Page under the portion labeled Foundation Funding Components.

The **DETAILED FUNDING COMPONENT CALCULATION PAGE** is explained first. Second, the items reflected on the second half of the **SUMMARY PAGE** are explained under the section labeled Additional Aid Items and Transfers and Adjustments. The Calculation Factors and Parameters Page requires no explanation as it only displays the data used in the calculations.

A. Opportunity Grant [Section 3317.022(A)(1)]

This funding is generated by the resident students of the district who are included in the Total Average Daily Membership FTE (ADM FTE) that is compiled using the annualized full time equivalent (FTE) enrollment for each student. The basis of this funding is the per-pupil amount of \$6,010 stating that each resident student is funded at least \$6,010 per year from combined state and local sources. The student count used in this calculation is the funding or formula ADM. Formula ADM is the total ADM adjusted to only include 20% of the count of the resident students who attend a joint vocational school (JVS) as well as including an additional 20% of the count of the resident contract vocational ADM FTE. In addition to these adjustments, the formula ADM used in this funding calculation includes all of the preschool Autism Scholarship students who reside in the district. Expressed in mathematical terms the formula for this funding calculation is as follows:

$$\text{\$6,010 X (Funding ADM + Preschool Autism Scholarship Counts) X State Share Index}$$

B. Targeted Assistance [Section 3317.022(A)(2)] and [Sections 3317.0217(A) & (B)]

This funding was originally included in the foundation formula a number of years ago as Parity Aid. It was reintroduced in the foundation formula in FY14 as Targeted Assistance and continues to be a part of the funding formula today. Similar to Parity Aid, this funding is viewed as the second tier of

the foundation formula to primarily target additional funding to school districts that do not raise enough local revenue beyond the local share of the foundation formula. This funding is targeted to school districts that are below a certain threshold of wealth in the state.

Since the distribution of this fund is meant to be wealth sensitive, a per-pupil local wealth measure is first established for each district based on property valuation and residents' income. School districts are then sorted based on this measure in ascending order to identify the eligibility threshold school district at the 490th position on the spectrum (80th percentile). All of the school districts that fall below this threshold are eligible to receive Targeted Assistance based on a per-pupil amount calculated based on 6 mills times the difference between the threshold per-pupil local wealth measure and the individual school district's per-pupil local wealth measure. The per-pupil Targeted Assistance amount thus calculated is then multiplied by the Net Formula ADM of the district to generate the total Targeted Assistance fund. Net formula ADM is a derivative of the funding formula ADM which excludes 75% of the brick and mortar community school formula ADM, 100% of the E school formula ADM, all of Jon Peterson Scholarship, school age Autism Scholarship, and EdChoice ADM.

There is also a supplemental tier of Targeted Assistance that targets eligible school districts based on the size of their agricultural real property as a ratio of their total real property. If a district's total agricultural real property amounts to more than 10% of its total real property, the district is entitled to receive Supplemental Targeted Assistance.

The steps involved in the calculation of the Targeted Assistance can be expressed mathematically as follows:

Step 1: Calculate district's per-pupil local wealth measure by combining the 3-year average valuation per pupil and the 3-year average federal adjusted gross income per pupil at 50% each. The valuation figures used for this purpose in the calculation of the FY18 amount are from TY16, TY15 and TY14. The income data used is from TY15, TY14 and TY13. The ADM base is that of FY18.

$$\left| \left\{ \frac{((\text{TY16 Value} + \text{TY15 Value} + \text{TY14 Value}) / 3) / \text{FY18 Formula ADM}}{0.5} \right\} + \left\{ \frac{((\text{TY15 Gross Income} + \text{TY14 Gross Income} + \text{TY13 Gross Income}) / 3) / \text{FY18 Formula ADM}}{0.5} \right\} \right|$$

Step 2: Calculate the statewide equivalent of the per-pupil local wealth measure as was done in Step 1 for individual districts.

Step 3: Calculate the Targeted Assistance Wealth Index by dividing the calculation in Step 2 by the calculation in Step 1.

Step 4: Sort all districts based on the per-pupil local wealth measure calculated in Step 1 in ascending order.

Step 5: Identify the 490th district as you move up on the spectrum generated in Step 4 and use its local per-pupil wealth measure as the threshold wealth measure.

Step 6: For each district that falls below the threshold, obtain the difference between the threshold per-pupil local wealth measure and that of the district.

$$\text{(Threshold Per-Pupil Local Wealth Measure) – (District Per-Pupil Local Wealth Measure)}$$

Step 7: Multiply the difference obtained in Step 6 by 6 mills and the calculation in Step 3 and the net formula ADM of the district to obtain the calculation of the base Targeted Assistance.

$$\text{(Step 6 Result) X 0.006 X (Step 3 Result) X (Net Formula ADM)}$$

Step 8: Calculate the ratio of the 3-year average agricultural real property to the 3-year average total real property for each district based on valuation figures for TY16, TY15 and TY14.

$$\frac{\text{[(TY16 Agricultural Real Val + TY15 Agricultural Real Val + TY14 Agricultural Real Val) / 3]}}{\text{[(TY16 Total Real Val + TY15 Total Real Val + TY14 Total Real Val) / 3]}}$$

Step 9: Calculate Supplemental Targeted Assistance if the ratio obtained in Step 8 is greater than 0.1 or the agricultural real values in a district comprise more than 10% of the total real values. This funding is calculated by applying 40% of the formula amount of \$6,010 to the net formula ADM and the difference between the ratio calculated in Step 8 and 0.1.

$$\text{[(Step 8 Ratio) – 0.1] X (\$6,010 X 0.4) X FY18 Net Formula ADM}$$

Step 10: Add the amounts obtained in Step 7 and Step 9 to get the total Targeted Assistance.

C. Kindergarten through Third Grade Literacy Funding [Section 3317.02(A)(4)]

This funding is provided to students in grades kindergarten through three to provide additional support to promote grade level reading. The funding is based on 2 per-pupil amounts: A state-share-index-equalized amount of \$193 and an un-equalized amount of \$127. For the calculation of this fund the count of resident kindergarten through 3rd grade students who attend e-schools are removed from the ADM base.

$$\text{\{[(K-3 ADM) – (E-School K-3 ADM)] X \$193 X State Share Index\} + \{[(K-3 ADM) – (E-School K-3 ADM)] X \$127\}}$$

D. Economic Disadvantaged Funding [Section 3317.022(A)(5)]

This funding is provided to address economic disadvantage (poverty) and its effects on educational outcomes. Its calculation is based on a per-pupil amount of \$272 equalized by the Economically Disadvantaged Index of the district. Economically Disadvantaged index is calculated by simply obtaining the square of the ratio of the individual district’s economically disadvantaged percentage to the statewide economically disadvantaged percentage. Students who qualify for free or reduced price lunch are considered economically disadvantaged. This represents students in poverty, but also students of families with low incomes that meet eligibility requirements for a free or reduced price lunch (which extends above the poverty line).

$$\text{(Number of Economically Disadvantaged Students) X \$272 X (Economically Disadvantaged Index)}$$

E. Limited English Proficiency Funding [Section 3317.022(A)(6)]

This funding helps school districts provide additional educational services to students for whom English is not the native language. For the distribution of this fund the law provides for limited English proficient (LEP) students to be classified into 3 categories as follows:

1. Category 1 – Students who have been enrolled in U.S. schools for 180 days or less and previously have not been exempted from English Language Arts assessment.
2. Category 2 – Students who have been enrolled in U.S. schools for more than 180 days and previously have been exempted from English Language Arts assessment.
3. Category 3 – Students who are mainstreamed on trial basis and are not included in the first two categories.

For each category of LEP students the law provides a per-pupil amount that is equalized by the state share index.

$$\begin{aligned} & \text{[(Category 1 LEP ADM) X \$1,515 X (State Share Index)] +} \\ & \text{[(Category 2 LEP ADM) X \$1,136 X (State Share Index)] +} \\ & \text{[(Category 3 LEP ADM) X \$758 X (State Share Index)]} \end{aligned}$$

F. Gifted Education Funding [Section 3317.022(A)(7)]

The law provides funding for identification of and services to gifted students. The funding is distributed through 3 streams as follows:

1. Gifted Identification Funding based on the per-pupil amount of \$5.05 applied to the formula ADM of the district.
2. Gifted Coordinator Services Funding based on a salary figure of \$37,370 for every coordinator serving 3,300 students in the formula ADM reduced by the number of community school students, with a minimum of 0.5 and a maximum of 8 coordinators per district.
3. Gifted Intervention Specialist Funding based on a salary figure of \$37,370 for every specialist serving 1,100 students in the formula ADM reduced by the number of community school students, with a minimum of 0.3 specialists per district.

Gifted funding is not equalized by the state share index and the mathematical presentation of the formula calculation is as follows:

$$\begin{aligned} \text{Identification Funding} &= (\text{Formula ADM}) \times \$5.05 \\ \text{Coordinator Funding} &= [(\text{Formula ADM} - \text{Community School ADM}) / 3,300] \times \$37,370 \\ \text{Specialist Funding} &= [(\text{Formula ADM} - \text{Community School ADM}) / 1,100] \times \$37,370 \end{aligned}$$

The law limits the number of required coordinators to a minimum of 0.5 and a maximum of 8. By the same token the minimum number of specialists for a district is set at 0.3.

G. Transportation Funding [Section 3317.0212]

Regular transportation funding is calculated based on a hybrid approach in which two sets of calculations are done for each school district based on different parameters. The approach that yields the higher amount is provided to the district. This dual funding approach takes into account the fact that districts are different in terms of physical characteristics and distribution of students. Some school districts are heavily populated with high student densities in relatively small areas, while others contain large rural areas with students dispersed across large areas. For one district the high student concentration results in frequent stops for the buses and having many routes to cover while for another district the low student concentration and long travel distances result in buses traveling many miles a day with relatively few students on board. Such differences have necessitated approaching transportation funding differently.

Additionally, other special circumstances and the economies of scale have necessitated the development of different approaches to transportation service provision as follows:

- Type 1: Services provided by board-owned and board-operated yellow buses.
- Type 2: Services provided by yellow buses by a contractor that could also be another school district.
- Type 3: Services provided by public transportation providers such as city buses.
- Type 4: Payments made to parents in lieu of transportation services (does not include special education parent contracts).
- Type 5: Services provided by board-owned vehicles other than yellow buses (9 passengers or less).
- Type 6: Board previously-owned vehicles other than yellow buses (9 passengers or less) including contracts with parents for special education transportation.
- Type 7: Community school students who are transported by the community school in accordance with ORC Section 3314.09.

The bulk of the state funding for transportation is for types 1 and 2. The law provides for a formula for the distribution of type 1 and 2 transportation funds in the context of the aforementioned approaches. For that, the transportation expenditure patterns of districts in the previous year (base year) serve as the basis of the funding calculation in the current year. The steps involved in this process are as follows:

1. Calculate the per-rider combined type 1 & 2 expenditure for each district for the base year. Eliminate the outliers by removing the top and bottom 10 districts in terms of per-rider expenditure from the analysis.
2. Calculate the annual per-mile combined type 1 & 2 expenditure based on 180 days per year for each district for the base year. Eliminate the outliers by removing the top and bottom 10 districts in terms of per annual mile expenditure.
3. Calculate the statewide per-rider combined type 1 & 2 expenditure for the base year after the removal of the outliers.
4. Calculate the statewide annual per-mile combined type 1 & 2 expenditure based on 180 days per year for the base year after the removal of the outliers.
5. For each district calculate a total per-rider funding amount by multiplying the statewide per-rider expenditure for the base year by the current year ridership.

6. For each district calculate a total annual per-mile funding amount by multiplying the statewide annual per-mile expenditure for the base year by the current year annual miles.
7. Determine the base transportation funding for each district by applying the larger of the per-rider or per-annual-mile funding amounts.
8. Determine the state share of the base transportation funding calculated in #7 above by applying the greater of the state share index or 37.5% to the base transportation funding.

In addition to the type 1 & 2 transportation funding, the law also provides for the calculation of types 3, 5, 6 as well as Supplemental Transportation funding that benefits school districts whose student density is below the threshold of 50 students per square mile.

The calculation of type 3 transportation funding is predicated on 35% of the statewide base per-pupil amount which is applied to the calculation of type 1 and type 2 funding times the number of type 3 riders. By the same token the calculation of type 5 and type 6 funding is predicated on 50% of the statewide base per-pupil amount which is applied to the calculation of type 1 and type 2 funding times the number of types 5 and 6 riders. The state no longer reimburses districts for students declared impractical to transport (Type 4).

Supplemental transportation funding is provided to school districts whose rider density (the number of students per square mile of the district) is below 50. For the calculation of this fund, the positive difference between 50 and the district rider density is multiplied by the per-mile based funding of the district times 0.55. A comprehensive and detailed worksheet of the transportation calculation is now provided with the SFPR for each payment of the fiscal year.

H. Special Education Additional Funding [Section 3317.022(A)(3) and Section 3317.013(A) to (F)]

This funding provides for additional state support for students who have special needs. This is similar to the weighted funding used in previous years except that instead of weights tied to the opportunity grant amount, there are now per-pupil amounts applied to different special needs categories. Students with various handicapping conditions are grouped into 6 categories for funding purposes with a per-pupil amount assigned to each category. The categories and their respective per-pupil amounts in FY18 are as follows:

1. Category 1 with the per-pupil amount of \$1,578 is comprised of:
Students with Speech and Language Impairments
2. Category 2 with the per-pupil amount of \$4,005 is comprised of:
Students with Specific Learning Disability
Students with Intellectual Disability
Students with Other Health Impairment (minor)
Preschool Children who are Developmentally Delayed
3. Category 3 with the per-pupil amount of \$9,622 is comprised of:
Students with Deafness (Hearing Impaired)
Students with Emotional Disturbance (Severe Behavior Disability – SBH)
4. Category 4 with the per-pupil amount of \$12,841 is comprised of:
Students with Visual Impairment
Students with Other Health Impairment (major)
5. Category 5 with the per-pupil amount of \$17,390 is comprised of:
Students with Orthopedic Impairment

- Students with Multiple Disabilities (other than Deaf – Blindness)
6. Category 6 with the per-pupil amount of \$25,637 is comprised of:
- Students with Autism
 - Students with Deaf – Blindness
 - Students with Traumatic Brain Injury

Funding for special education students is equalized by means of the state share index. Expressed in mathematical terms the funding calculation amounts to:

$$\begin{aligned}
 & \text{[(Category 1 ADM) X \$1,578 X (State Share Index)] +} \\
 & \text{[(Category 2 ADM) X \$4,005 X (State Share Index)] +} \\
 & \text{[(Category 3 ADM) X \$9,622 X (State Share Index)] +} \\
 & \text{[(Category 4 ADM) X \$12,841 X (State Share Index)] +} \\
 & \text{[(Category 5 ADM) X \$17,390 X (State Share Index)] +} \\
 & \text{[(Category 6 ADM) X \$25,637 X (State Share Index)]}
 \end{aligned}$$

I. Capacity Aid [Section 3317.0218 and Section 3317.0218(A)(10)]

This funding component was added to the foundation formula in FY16. The purpose of this funding stream is to increase the equity of the system by providing additional support to school districts with weaker tax bases. This funding is targeted to school districts that fall below the statewide median in terms of the taxes generated from 1 mill levy placed on their 3-year average property valuation. The calculation of this funding is predicated on the ratio of the statewide median 3-year average valuation times 1 mill to the same for the district on the one hand, and on a universal 3-year valuation per pupil figure pertaining to the districts that fall below the median on the other. The steps involved in this calculation are as follows:

Step 1: For each school district calculate what 1 mill of taxes applied to the 3-year average valuation would generate. For this purpose, the 3-year average valuation combines the values for TY16, TY15 and TY14. The mathematical representation of this step is as follows:

$$\text{[(TY16 Value + TY15 Value + TY14 Value) / 3] X 0.001}$$

Step 2: Identify the statewide median value for the measure calculated in Step 1.

Step 3: For the districts that fall below the statewide median, calculate the Capacity Ratio by dividing the value of the measure at the median point by the district measure and subtracting 1 from the result.

$$\begin{aligned}
 & \text{(Step 2 Value / Step 1 Value) – 1} \\
 & \text{<Limit the result of the above calculation to the minimum of 0 and the maximum of 2.5>}
 \end{aligned}$$

Step 4: Calculate the average of the FY18 formula ADM for all the districts that fall below the statewide median in terms of the measure calculated in Step 1.

Step 5: Calculate a universal Per-Pupil Capacity Aid by dividing the measure determined in Step 2 by the measure determined in Step 4.

Step 6: Calculate capacity aid by multiplying the capacity ratio calculated in Step 3 by the universal per-pupil capacity aid calculated in Step 5 by the formula ADM for FY18 by the factor of 4.0.

$$\text{(Capacity Ratio)} \times \text{(Universal Per-Pupil Capacity Aid)} \times \text{(Formula ADM)} \times 4.0$$

J. Graduation Bonus [Section 3317.0215 and Section 3317.022(A)(11)]

This is a bonus provided based on a school district's high school graduation rate. Its calculation is based on 7.5% of the foundation amount of \$6,010 applied to the graduation rate and the number of graduates equalized by the state share index. The mathematical representation of the calculation is as follows:

$$0.075 \times \$6,010 \times \text{(Graduation Rate)} \times \text{(Graduation Number)} \times \text{(State Share Index)}$$

K. Third Grade Reading Proficiency Bonus [Section 3317.0216 and Section 3317.022(A)(12)]

This is a bonus provided based on a school district's third grade reading proficiency. Its calculation, like the graduation bonus, is based on 7.5% of the foundation amount of \$6,010 applied to the rate of the third grade reading proficient students and their number equalized by the state share index. The mathematical representation of this calculation is as follows:

$$0.075 \times \$6,010 \times \text{(3rd Grade Prof Rate)} \times \text{(3rd Grade Prof Number)} \times \text{(State Share Index)}$$

L. Transitional Aid Guarantee [Section 265.220(A)]

The foundation formula has a guarantee structure built into it that prevents school districts from receiving less in foundation funding than the Guarantee Base provides regardless of the result of the foundation formula calculation. The guarantee base in FY18 is the total funding the district has received in FY17 excluding career technical funding and including any transitional aid guarantee. The guarantee base is adjusted with a Guarantee Base Percentage before it is used in the calculation of the guarantee. The guarantee base percentage is a new component in the calculation of the guarantee that was not in place before FY18. The guarantee base percentage calculation is a function of the total ADM change from FY14 to FY16. The steps involved in the calculation of the Transitional Aid Guarantee can be summed up as follows:

Step 1: Sum up the funding components in FY18 that are within the guarantee fund to establish the Total Funding Within the Guarantee (line L1). These are the funding components discussed in 'A' through 'K' above.

Step 2: Sum up the same funding components for FY17 as we did in Step 1 plus any transitional guarantee the district may have received in FY17 to establish the Guarantee Base (line L2).

Step 3: Calculate district's total ADM percentage change from FY14 to FY16 by dividing the FY16 figure by the FY14 figure and subtracting 1 from the result to establish the ADM Percent Change (line L4). The mathematical representation of this calculation is as follows:

$$\text{(Total ADM FY16 / Total ADM FY14)} - 1$$

Step 4: Calculate Guarantee Base Percentage (line L3) based on ADM percentage change calculated in Step 3. The law provides the following conditions for the establishment of the guarantee base: If the drop in ADM from FY14 to FY16 is 10% or more, the guarantee base percentage will be set at 95%. If the drop in ADM is 5% or less, then the guarantee base percentage will be set at 100%. If the drop in ADM is less than 10% but more than 5% then the guarantee base percentage will be set on a sliding scale between 95% and 100%. The mathematical presentation of these calculations are as follows:

IF (ADM % Change <= -0.1) THEN Guarantee Base % = 0.95
IF (ADM % Change >= -0.05) THEN Guarantee Base % = 1
IF (-0.1 < ADM % Change < -0.05) THEN (Guarantee Base % = ADM % Change + 1.05)

Step 5: Adjust the Guarantee Base (line L2) by applying to it the Guarantee Base Percentage (line L3).

Step 6: Calculate Transitional Aid Guarantee (line L) by subtracting from the calculation in Step 5 the Funding Within the Guarantee (line L1). If the result of this calculation is a negative amount, set it equal to zero.

M. Career Technical Education Funding [Sections 3317.022(A)(8) & (9) and Section 3317.014(A) to (E)]

This funding provides for additional state support for students who are in career technical programs. This is similar to the weighted funding used in previous years except that instead of the weights tied to the opportunity grant amount, there are now per-pupil amounts applied to different career technical programs. Students in various career tech programs are grouped into 5 categories for funding purposes with a per-pupil amount assigned to each category. The categories and their respective per-pupil amounts in FY18 are as follows:

1. Category 1 with the per-pupil amount of \$5,192 is comprised of work force development (WFD) programs in:
 - Agricultural & Environmental Systems
 - Construction Technologies
 - Engineering and Science Technologies
 - Finance
 - Health Science
 - Information Technology
 - Manufacturing Technology
2. Category 2 with the per-pupil amount of \$4,921 is comprised of WFD programs in:
 - Business Administration
 - Hospitality and Tourism
 - Human Services
 - Law and Public Safety
 - Transportation Systems
 - Arts and Communications
3. Category 3 with the per-pupil amount of \$1,795 is comprised of:
 - Career Based Intervention Programs
4. Category 4 with the per-pupil amount of \$1,525 is comprised of WFD programs in:

Education and Training
Marketing
Academics
Public Administration
Career Development

5. Category 5 with the per-pupil amount of \$1,308 is comprised of:
Family and Consumer Science Programs

Funding for career tech students is equalized by the state share index. Expressed in mathematical terms the funding calculation amounts to:

$$\begin{aligned} & \text{[(Category 1 FTE) X \$5,192 X (State Share Index)] +} \\ & \text{[(Category 2 FTE) X \$4,921 X (State Share Index)] +} \\ & \text{[(Category 3 FTE) X \$1,795 X (State Share Index)] +} \\ & \text{[(Category 4 FTE) X \$1,525 X (State Share Index)] +} \\ & \text{[(Category 5 FTE) X \$1,308 X (State Share Index)]} \end{aligned}$$

In addition to the above per-pupil funding by category, the law also provides for the calculation of Career Tech Associated Services where the per-pupil amount of \$245 in FY18 is applied to the number of students in all career tech programs for payment to the lead career tech district for the associated services it provides. This funding is equalized by the state share index and is transferred to the lead school district. Expressed in mathematical terms the funding calculation amounts to:

$$\text{(All Career Tech FTE) X \$245 X (State Share Index)}$$

In addition to the above CTE funding components, Am. Sub. H. B. 49 introduces a CTE guarantee amount in FY18 that needs to be included in the final calculation of the CTE funding for the year. The CTE guarantee amount is simply the excess of the FY17 CTE funding over the FY18 CTE funding, if any. The calculation of the CTE guarantee is shown on line M7 of the Detailed Funding Component Calculations page. The mathematical presentation of this fund is as follows:

$$\text{IF (FY17 CTE Fund) > (FY18 CTE Fund) THEN CTE Guarantee = (FY17 CTE Fund) – (FY18 CTE Fund)}$$

N. Cap Offset Amount [Section 265.233(A) and (B)]

Before explaining this funding component, it is important to understand the Funding Cap. The funding cap is applied to the total funding after all of the funding components of the foundation formula are calculated and summed up. The function of the funding cap is to limit the distribution of the state funds through the foundation formula so that no district would receive any more funding than the Limitation Base allows. The funding cap will be explained in greater detail below.

Am. Sub. H. B. 49 provides for the calculation of the Cap Offset Amount in FY18. This funding component, in terms of what it represents, is similar to the TPP Supplement that Am. Sub. H. B. 64 introduced as part of the state funding in FY16 and FY17. Whereas, under the provisions of HB64 TPP supplement was calculated and distributed separately from the foundation formula, HB49 includes the cap offset in the foundation formula. This funding element is designed to guarantee that each eligible district in FY18, will receive at least what it received in FY17 in terms of the combined formula funding and any fixed rate current expense TPP/Deregulation reimbursement,

or at the minimum an amount equal to the absolute difference between what the foundation formula calculates before and after the application of the funding cap. This calculation aims to boost the overall funding of the districts that simultaneously rely on TPP/Deregulation reimbursement and whose foundation funding in FY18 is limited by the funding cap. We have posted a comprehensive district by district worksheet of the cap offset amount calculation that can be accessed through this [link](#).

The calculation of the cap offset is a function of a comparison of the combined state aid in FY18 with the same in FY17 as also compared with the funding cap effect on the formula funding in FY18. The combined state aid in each year is the sum total of the foundation formula after the application of the funding cap and any reimbursement the district may have received for fixed rate current expense levy losses due to the deregulation of public utility values and/or the phase out of general tangible taxes. The steps involved in the calculation of the cap offset are as follows:

Step 1: Calculate the absolute value of the difference between the FY18 foundation formula before and after any transitional guarantee or the application of the funding cap.

Step 2: For FY17 and FY18 calculate the Combined State Aid by summing up the total state foundation funding after the application of the funding cap and any fixed rate current expense levy loss reimbursement the district may have received.

Step 3: Calculate any excess of the FY17 combined state aid over the FY18 combined state aid calculated in Step 2.

Step 4: To an eligible district give the smaller of the amount calculated in Step 1 or the amount calculated in Step 3 as the cap offset amount. The test of eligibility is that the district must simultaneously be on the funding cap in FY18 and the combined state aid calculated for FY17 in Step 2 be in excess of the combined state aid in FY18.

O. Total Formula Funding Including Funding Cap [Section 265.220]

This is the sum total of all of the funding components of the foundation formula after any transitional guarantee or the application of the funding cap. As explained above, the total foundation funding must be adjusted downward in some cases because of the funding cap, so in this context Total Funding will be explained in conjunction with the concept and the calculation of the funding cap. As is shown on the Detailed Funding Component Calculations page, the total that appears on line 'O' is the sum total lines 'A' through 'N.' The Cap Reduction Ratio is on line 'O1.' If a district's funding is not reduced by the funding cap, the ratio will be 1. If the district's funding is reduced by the cap, then the ratio will be a fraction of 1. We have posted a comprehensive worksheet of the calculation of the funding cap for individual school districts which can be accessed through this [link](#).

Section 265.220 of Am. Sub. H. B. 49 provides for limiting the total foundation funding that is generated through the foundation formula to a cap limit above which the district cannot be paid. The legislation provides that some of the funding components of the foundation formula in FY18 be subject to the limitation while other components are kept outside of the cap.

For the calculation of the funding cap reduction, we distinguish ‘Eligible Power Plant’ districts from other districts to establish a different approach to calculating their funding limitation (see page 7 for more information).

The following lists the steps involved in determining the cap reduction.

Step 1: Sum up all of the FY18 funding components that are subject to the cap which are as follows:

- Opportunity Grant
- Targeted Assistance
- K-3 Literacy Funding
- Economic Disadvantaged Funding
- Limited English Proficiency Funding
- Gifted Education Funding
- Total Transportation Funding
- Special Education Funding
- Capacity Aid
- Transitional Aid Guarantee

Although the list above includes special education and transportation funding, these two components are exempted from the cap unless the overall cap limit cannot be achieved without reducing them. So, the cap is first applied to every funding component to reduce them. If the sum total of the reduced components and special education and transportation still need to be reduced to stay within the cap limit, then these components are also reduced. The Department, however, has never had to exercise this provision.

Note: By definition, no school district that receives transitional aid guarantee can also be on the funding cap. Therefore, the inclusion of the transitional aid guarantee in the total funding amount subject to the funding cap is redundant. However, since the language of Am. Sub. H. B. 49 identifies transitional aid guarantee as a funding component subject to the funding cap we have included it here. In all cases when a district is on the funding cap, it’s transitional aid guarantee will be zero. The operation of the foundation formula is such that based on the data districts report, in terms of their funding they could be:

- Formula District where the total funding the district receives is the result of the operation of the funding formula.
- Guarantee District where the operation of the funding formula does not generate enough funding for the district to at least secure as much as the guarantee base provides.
- Capped District where the funding formula generates more funding than the funding cap limit allows.

Step 2: Establish the Funding Limitation Base for FY18 to which the total funding amount subject to the cap calculated in Step 1 above is compared. This base is comprised of the sum total of the funding components the school district has received in FY17 including the following funding items:

- Capped Opportunity Grant
- Capped Targeted Assistance
- Capped K-3 Literacy Funding

Capped Economic Disadvantaged Funding
Capped Limited English Proficiency Funding
Capped Gifted Education Funding
Capped Capacity Aid
Capped Total Transportation Funding
Capped Special Education Funding
Any Transitional Aid Guarantee

For districts that are not capped in FY17 the capped amount for each component will be the same as the calculated amount.

Step 3: Calculate Limitation Base Multiplier by utilizing the ADM percent change from FY14 to FY16 that was calculated in Step 3 of the calculation of the transitional aid guarantee. The multiplier represents a variable percentage that is applied to the limitation base to establish the cap limit. In FY17, the cap limit was set uniformly across all districts at 7.5% above the limitation base. In FY18 however the cap limit is adjusted with a variable multiplier that ranges between 3% above the limitation base to 5.5% above it based on the ADM percent change of the district. The law provides that if the ADM percentage change is at least 5.5%, the multiplier will be set at 1.055. If the ADM percentage change is less than 3%, then the multiplier will be set at 1.03. If the ADM percentage change is between 3% and 5.5%, the multiplier will be established based on a sliding scale that moves on the spectrum of the ADM percent change between 1.03 and 1.055. The calculation of the limitation base multiplier can simply be shown in mathematical terms as follow:

IF (ADM % Change) >= 0.055 THEN Multiplier = 1.055
IF (ADM % Change) <= 0.03 THEN Multiplier = 1.03
IF 0.03 < (ADM % Change) < 0.055 THEN Multiplier = ADM % Change + 1

Step 4: Establish the cap limit by simply multiplying the limitation base multiplier calculated in Step 3 above by the funding limitation base established in Step 2 above.

Step 5: If the cap limit calculated in Step 4 above amounts to a number smaller than the total of the FY18 funding amounts subject to the cap calculated in Step 1, then the cap kicks in and reduces those funding components based on the priority process explained above to achieve the cap limit. The Cap Ratio that appears on line 'O1' reflects the ratio of the total capped funding to the total uncapped funding for FY18 after allowances are made for the funding components that escape the cap.

The process explained up to this point applies to the overwhelming majority of the school districts when calculating their capped funding. For a handful of school districts that are identified as Eligible Power Plant districts, this process is slightly different and includes an additional step in determining the funding cap. If a district is identified as eligible based on the parameters outlined above, we also affect the funding limitation base calculated in Step 2 above with the change in property tax receipts from TY15 to TY16 before finalizing the establishment of the limitation base. For these districts Section 265.220(B)(9) of Am. Sub. H. B. 49 provides that the cap limit will be the greater of the cap limit calculated in Step 4 above [Section 265.220(B)(9)(b)(i)] or the smaller of the total FY18 funding subject to the cap calculated in Step 1 above or the sum total of the funding limitation base calculated in Step 2 above and the change in property tax receipts from TY15 to

TY16 [Section 265.220(B)(9)(b)(ii)]. This section of the cap determination can be shown systematically as follows:

- a. Establish Section 265.220(B)(9)(b)(i) Amount which is equal to the value of (Step 5 amount)
- b. Establish Section 265.220(B)(9)(b)(ii) Amount which is equal the smaller of (Step 1 amount) or (Step 2 amount) plus (TY15 property taxes minus TY16 property taxes)
- c. Cap limit equals the greater of 'a' or 'b' above

If the ratio of the cap limit (Step 5 amount) to the sum total of the funding components subject to the cap (Step 1 amount) is greater than 1, then the cap ratio is 1. For capped districts the cap ratio should exactly equal (Step 5 amount / Step 1 amount), however since some funding components are held harmless from the cap, the actual reduction ratio needs to be adjusted downward to a ratio lower than what the division yields so that the resulting cap ratio, once applied to the cap-subjected funding components, will yield a total funding that does not exceed the cap limit.

Additional Aid and Transfers and Adjustments Items

In this section references are made to the lines on the second half of the Summary Page of the SFPR.

Additional Aid Items

Funding for preschool students with disabilities and special education transportation are shown on the payment report although they are not part of the foundation formula.

P. Preschool Special Education Funding [Section 3317.0213]

The preschool special education funding is comprised of two per-pupil amounts applied to the count of special education preschool children. One of the per-pupil amounts is used without being equalized while the other is equalized by means of the state share index which is borrowed from the foundation formula.

The un-equalized per-pupil amount is \$4,000 and is applied to the total count of preschool children regardless of their handicapping condition. The second per-pupil amount is geared to the handicapping condition and is equalized by the state share index. As far as preschool children are concerned, the same 6 categories of special education are used as are used for school age children with the same per-pupil dollar amounts. The dollar amounts however are multiplied by 0.5 to base this funding on the notion that typically preschool children attend half day classes. The mathematical representation of this funding is as follows:

$$\begin{aligned} & \text{[(Total Preschool Special Ed Counts) X \$4,000] +} \\ & \text{[[Category 1 Preschool Special Ed Count) X \$1,578 X 0.5 X (State Share Index)] +} \\ & \text{[[Category 2 Preschool Special Ed Count) X \$4,005 X 0.5 X (State Share Index)] +} \\ & \text{[[Category 3 Preschool Special Ed Count) X \$9,622 X 0.5 X (State Share Index)] +} \\ & \text{[[Category 4 Preschool Special Ed Count) X \$12,841 X 0.5 X (State Share Index)] +} \\ & \text{[[Category 5 Preschool Special Ed Count) X \$17,390 X 0.5 X (State Share Index)] +} \\ & \text{[[Category 6 Preschool Special Ed Count) X \$25,637 X 0.5 X (State Share Index)]} \end{aligned}$$

Q. Special Education Transportation Funding [Administrative Rule 3301-83-01(D)]

This reflects the subsidy the state provides to school districts to cover the costs associated with transporting special needs students to their programs and for specialized equipment needed for such transportation. This aid is calculated as the lesser of the actual cost or the sum of \$6 per pupil per day plus half of the amount by which the actual cost exceeds \$6 per pupil per day. To obtain the state share of this calculation, the result is multiplied by 60%, or the district's state share index, whichever is greater.

R. Total Additional Aid Items

This is the total of Preschool Special Education Funding and the Special Education Transportation Funding that fall under Additional Aid Items.

S. Total Funding

This line shows the total of the formula funding and the additional aid items. It is the sum of line 'O' and line 'R'.

Transfers and Adjustments

As in previous years' payment reports, transfers and adjustments applied to the foundation calculation are reflected on the FY18 SFPR.

T. Education Service Center Transfer [Section 3317.023(B)]

This reflects the funds deducted from the foundation funding of the school district to be transferred to education service centers (ESC) for services provided on behalf of the district. The deduction may just reflect the district share of the per-pupil amount of at least \$6.50 or additionally, it may reflect funds transferred for preschool services provided by the ESC or transfers for contracts made with the ESC pursuant to Section 3313.845.

U. Open Enrollment Adjustment [Section 3313.981(B)]

This reflects the net funding adjustment made for students who attend a school district other than their resident district through the Open Enrollment option. The adjustment reflected here is the net of all funds the district receives for non-resident students coming into the district and for resident students leaving the district to attend a neighboring district. Funding for open enrollment students in FY18 includes the formula amount of \$6,010 and an additional funding amount for career tech education students based on per-pupil amounts listed in ORC Section 3317.014 for students participating in career tech programs. These are the same per-pupil amounts used in the career tech calculation of the resident students. The mathematical representation of the Open Enrollment Fund transfer calculation is as follows:

$$\begin{aligned} & (\$6,010 \times \text{Total FTE of All Open Enrolled Students}) \\ & \quad + \\ & [(\$5,192 \times \text{Any Cat 1 CTE FTE}) + (\$4,921 \times \text{Any Cat 2 CTE FTE}) + (\$1,795 \times \text{Any Cat 3 CTE FTE}) + \\ & \quad (\$1,525 \times \text{Any Cat 4 CTE FTE}) + (\$1,308 \times \text{Any Cat 5 CTE FTE})] \end{aligned}$$

In addition to the above-mentioned transfers, the law also provides for transfer of special education Excess Cost for open enrollment students with an IEP in accordance with ORC Section 3313.981(E). The Excess Cost adjustment however cannot be included on line 'U' transfers due to timing issues. Excess Cost transfers are made separately on the Statement of Settlement as SF6 transfers after the end of the fiscal year.

V. Community School Transfer [Section 3314.08(C)]

This reflects the amount of funding deducted from the district for resident students who choose to attend community schools. Each district is responsible for funding of community schools that educate its students. Community school deductions are based on a set of calculations that provide for funding to community schools for Opportunity Grant, Targeted Assistance, Special Education and Related Services Funding, K-3 Literacy Funding, Economic Disadvantaged Funding, Limited English Proficiency Funding and Career Tech Education funding and in some cases for Transportation Funding.

For each community school funding stream, the law provides formulae that are fully explained in the section devoted to [community school funding](#) on the ODE website.

Aggregate funding calculated for each student attending a community school based on the formulae explained on the community school link is deducted from the funding of the school district on line 'O' of the SFPR Summary Page.

W. STEM School Transfer [Section 3326.33]

Am. Sub. H. B. 49 provides for the same funding calculations for STEM schools as it does for community schools. Please refer to the community school funding deduction [explanation](#) for the funding of community and STEM schools.

X. Scholarship Transfer [Sections 3310.02 & 3310.08 & 3310.09 & 3310.51 – 3310.64 & 3313.974 & 3313.975 & 3310.41]

This reflects the amount of deduction from the state funding of school districts for resident students who choose to participate in one of the Education Choice programs as follows:

1. **Education Choice** program established under provisions of ORC Section 3310.02 which provides for vouchers to be issued to the parents of children who attend non-public charter schools. Under the provisions of this law, parents are entitled to receive vouchers for eligible students based on the lesser of the cost of tuition at the non-public school or the maximum allowable amount under this section of the law. The maximum allowable voucher amounts under this program are:
 - a. **\$4,650** for grades kindergarten through eight [ORC 3310.09(A)], and
 - b. **\$6,000** for grades nine through twelve [ORC 3310.09(B)].
2. **Jon Peterson Scholarship** program established under provisions of ORC Sections 3310.51 through 3310.64. The program directs the Department of Education to calculate scholarship

vouchers for eligible students with disabilities for services provided by an alternative public provider or a registered private provider. The amount of the scholarship voucher is then deducted from the state funding of the school district in which the student resides. For the purposes of this deduction, calculations are made for each special needs student based on the least of 3 amounts as follows:

- a. The amount of the tuition charged by the alternative public or private provider
 - b. The sum of the formula amount of \$6,010 and the per-pupil amounts for the 6 categories of special needs students listed in ORC Section 3317.013(A) to (F). These categories and their respective per-pupil amounts are listed above under the explanation of line 'H' of the SFPR
 - c. The per-pupil amount of \$27,000
3. **Cleveland Scholarship** program established under provisions of ORC Section 3313.974 and 3313.975 to provide to a number of students residing in Cleveland Municipal school district, scholarships to attend alternative schools, and for an equal number of students to receive tutorial assistance grants while attending public school in the district.
 4. **Autism Scholarship** program established under provisions of ORC Section 3310.41(A) authorizes the Department of Education under provisions of ORC Section 3310.41(B) to pay a scholarship to the parents of a qualified child with disabilities an amount not to exceed the lesser of the tuition charged or \$27,000 for the child to attend a special education program that implements the child's IEP and that is operated by an alternative public provider or by a registered private provider.

Y. Other Adjustments [Section 3317.023(H) and (I)]

This reflects a few additional adjustments made to the foundation calculation for funds transferred from a resident district to an educating district for vocational or special education services provided by the educating district under contract. As part of this adjustment, transfers for contract vocational and special education services are calculated based on provisions of ORC Section 3317.023(H) based on the foundation amount of \$6,010 plus the career tech and special education per-pupil amounts specified in ORC Section 3317.013 and ORC Section 3317.014. These are the same student categories and per-pupil amounts listed for lines 'H' and 'I' above.

In addition to adjustments for this purpose the law also provides for an adjustment for preschool services provided by Boards of Developmental Disabilities as well as CTE Associated Services based on the per-pupil figure of \$245 and the career tech FTE. The result of this calculation is transferred to a JVS or a Career Tech Planning District (CTPD) that provides services to the district. The mathematical representation of the formulae are as follows:

$$\begin{aligned}
 & \text{Section 3317.023(H)} \\
 & \qquad \qquad \qquad (\$6,010 \times \text{Total FTE}) + \\
 & [(\$5,192 \times \text{Any Cat 1 CTE FTE}) + (\$4,921 \times \text{Any Cat 2 CTE FTE}) + (\$1,795 \times \text{Any Cat 3 CTE FTE}) + \\
 & \qquad \qquad \qquad (\$1,525 \times \text{Any Cat 4 CTE FTE}) + (\$1,308 \times \text{Any Cat 5 CTE FTE})] + \\
 & [(\$1,578 \times \text{Any Cat 1 SPC FTE}) + (\$4,005 \times \text{Any Cat 2 SPC FTE}) + (\$9,622 \times \text{Any Cat 3 SPC FTE}) + \\
 & (\$12,841 \times \text{Any Cat 4 SPC FTE}) + (\$17,390 \times \text{Any Cat 5 SPC FTE}) + (\$25,637 \times \text{Any Cat 6 SPC FTE})]
 \end{aligned}$$

Section 3317.023(I)

(Total CTE FTE) X \$245 X (District's State Share Index)

Z. Total Transfers and Adjustments

This line reflects the total of all transfers and adjustments that appear on line 'S' through 'X' of the Summary Page.

AA. Net State Foundation Payment

This line reflects the Net State Foundation Funding amount which consists of the Total Formula Funding after the application of the funding cap shown on line 'O' plus the Total Additional Aid Items shown on line 'R' plus the Total Transfers and Adjustments shown on line 'Z'.

During the course of a fiscal year, the annual foundation formula funding reflected on the SFPR is run 24 times, twice per month. The annual calculations are divided into 24 payments and are distributed to the school districts twice a month on predetermined dates. With each recalculation of the SFPR, more updated data elements are used as the fiscal year progresses. Typically, for the calculations during the first half of the fiscal year, previous year's factors are used, but as current year data becomes available, funding becomes more reflective of the actual data for the current year. By the time the last funding calculation of the fiscal year is made, the June #2 payment, all of the data elements and factors used in the calculations are actual for the current year. The use of an annualized FTE enrollment means that school districts have until after the end of the fiscal year to finalize data reporting. As such, final reconciliation payments include updates to data elements, as reported by school districts.

For each payment of the year, a [Statement of Settlement](#) is generated that shows what each payment amounts to for that payment. In addition to the distribution of the foundation funding of the SFPR for each payment, the Statement of Settlement reflects a number of other funding adjustments and recalculations that need to be applied to the state payment of the school districts. The SFPR is a document that shows how each funding component of the foundation formula is calculated. The Statement of Settlement is a document that shows how the annual calculations from the SFPR are paid out to the school districts after accounting for a number of additional funding adjustments, in installments during the course of the fiscal year.

Our aim at generating this report is to provide the reader with a comprehensive description of the elements of the School Finance Payment Report (SFPR) for FY18. We hope that this document meets your expectation and we strongly encourage your feedback to improve the content and usefulness of this presentation. Please direct your questions and comments to:

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