

The Form SF-3 — Line by Line

Fiscal Years 2008 and 2009



INTRODUCTION

The funding of K-12 public schools in Ohio is a joint effort with 8.5 percent coming from the federal government, 48.8 percent coming from local sources and 42.7 percent coming from the state, based on FY06 revenue (the latest data available). Of the approximately \$6.8 billion in state aid, about 80 percent is distributed through the Ohio School Foundation Program to 613 city, exempted village and local school districts. In addition, another \$530 million is funneled through the foundation program to Ohio charter schools by deducting this funding from the regular school district's payments where the charter school pupil resides. Also, in a similar manner \$13 million is transferred to private schools under the EdChoice program for pupils that were in public schools that failed to meet certain academic criteria and obtained a voucher to attend the private school.

Ohio's formula is a foundation program with an assumed local share or charge-off being subtracted from the basic program cost to determine the state formula aid. For FY08 the basic program cost is the current year formula amount times the current year formula ADM plus the sum of four base-funding supplements called "building blocks." These building blocks are funding for intervention, professional development, data-based decision making and professional development for data based decision making. The per pupil formula amount is set by the legislature. Also added to the base cost funding are poverty based assistance (PBA) and parity aid.

For FY08, the local share of the basic program cost or charge-off is calculated as 23 mills (.023) times the sum of the district's total taxable property valuation called recognized value and the valuation associated with any payments the district received in lieu of taxes under certain agreements. This local share is subtracted from the basic program cost to arrive at state base cost funding. In FY07, the value equivalent of exempted property for which payments are received under TIFs or other development agreements was included in the charge off also. In addition to base cost funding, various categorical aid programs are provided for special education, career and technical education, gifted education and transportation. Still other programs including excess cost supplement aid and charge-off supplement aid are provided to address certain policy issues or correct flaws in the formula. These will all be discussed in greater detail in the line-by-line explanations that follow. The results of these calculations are shown on a payment report called the form SF-3.

The 127th Ohio General Assembly made several changes in the foundation program and in the tax laws that affect school funding for the 2008-2009 biennium. Some begin in FY08 while others start in FY09. The following are the changes provided for in Am.Sub.HB 119 or as part of ongoing phase-ins from previous legislation.

- For FY08, the formula amount or per pupil foundation level was increased by 3 percent to give a level of \$5,565. This was increased by 3 percent to \$5,732 for FY09. This formula amount was supplemented with funding for the four building blocks described above. This amounted to \$49.42 per pupil in FY08 and \$50.90 per pupil in FY09. The hourly rate for intervention went to \$21.01 in FY08 and to \$21.64 in FY09.
- In calculating "base cost funding" the charge off is first applied to the quantity [(formula amount times the sum of formula ADM and preschool scholarship ADM) plus building blocks] and if there is any charge off left it is applied to the PBA calculated amount and if there is still any charge off left it is applied to calculated parity aid. If the result of subtracting the charge off from all these calculations results in a negative number, the base cost funding is set equal to zero.

- The application of a cost of doing business factor to the formula amount was eliminated from the formula.
- The formula aid guarantee amount which was based on the lesser of a per pupil or a total guarantee of formula aid from FY05 was eliminated.
- The calculation of the State Share Percentage was changed to equal the base cost funding divided by the sum of [(formula amount times formula ADM and preschool scholarship ADM) plus PBA plus Parity Aid].
- Parity Aid was revised to shift some of the funding from higher wealth districts to lower wealth districts. The millage multiplier was changed from 7.5 mills to 8 mills in FY08 and 8.5 mills in FY09. The threshold local wealth per pupil remains at the 490th lowest local wealth per pupil. However, in FY08 only the districts with local wealth per pupil less than the 411th lowest wealth per pupil district are eligible for regular parity aid and in FY09 only the districts with local wealth per pupil district are eligible for regular parity aid and in FY09 only the districts with local wealth per pupil less than the 368th lowest wealth per pupil district are eligible for regular parity aid.
- Poverty Based Assistance (PBA) was revised as follows:
 - a) The calculation of the poverty percentage has been changed. The numerator is still the average of the preceding 5 years' OWF counts but the denominator is changed to the average of the three preceding 3 years' Formula ADM.
 - b) All day kindergarten ADM means the number of students reported under 3317.03 of the Revised Code as enrolled in all day kindergarten excluding e-school, edchoice and autism scholarship students.
 - c) The FY 2005 guarantee is eliminated
 - d) Adds a new subsidy for assistance in closing the achievement gap in districts that have a poverty index and an academic distress index of at least 1.0. Defines the academic index as the district's academic distress percentage divided by the statewide academic distress percentage. Defines the academic distress percentage as the percentage of buildings in academic watch or academic emergency. In FY08 calculates the subsidy of qualifying districts as 0.5% of the formula amount multiplied by the district's poverty index, academic distress index, and formula ADM. Provides an additional 3.5% of this amount in the FY09 to districts that decrease their academic distress percentages. If a district's academic distress index does not decrease from FY08 to FY09 the district will receive the same amount in FY09 as in FY08.
 - e) The hourly rate for academic intervention subsidy is increased from \$20.40 to \$21.01 in FY 08 and to \$21.64 in FY09. The phase in percentage remains at 100% so there is no need to include the phase in percentage in the formulas for intervention.
 - f) Class Size Reduction is renamed as a "payment for increased classroom learning opportunities" Increases the statewide average teachers' compensation that is multiplied times the number of new teachers needed to \$56,754 in FY 08 and to \$58,621 in FY09.
 - g) Eliminates the 70% phase in percentage for the teacher professional development, dropout prevention and community outreach subsidies and funds these calculations at 100%.

- The transportation calculation formula continues to be suspended for FY08 and FY09. The FY08 amount is 101 percent of the FY07 amount received and the FY09 amount is 101 percent of the FY08 amount. The Department of Education developed a new transportation formula but it was rejected by the legislature.
- The reappraisal guarantee was eliminated.
- Charge-off supplement or gap aid is calculated as any positive amount by which the sum of a district's local shares of aid assumed on the SF-3 exceed the district's actual local revenue. The current expense revenue received from the tangible property tax replacement fund as reimbursement for revenue loses due to the phase out of the tangible personal property tax was scheduled to be included in local revenue for the gap aid calculation beginning in FY08. This addition to local revenue has been eliminated.
- The deduction for MRDD payments is changed. The FY05 guarantee is eliminated as is the cost of doing business factor so the amount for each student is: Formula amount + (state share percentage X formula amount x applicable weight).
- The deduction and credit for pupils under contract, compact or cooperative education agreements has changed as follows: The FY05 guarantee is eliminated such that if a district is educating a student entitled to attend school in another district pursuant to a shared education contract, compact or cooperative education agreement other than one under section 3313.842 of the revised code, the credit to the educating district on an FTE basis will be the sum of the formula amount plus the per pupil amount of the base funding supplements (building blocks) plus the formula amount times the state share percentage times any multiple applicable to student for vocational education or special education weights. From the district in which the student is entitled to attend school the state will deduct the same amount as calculated above.
- Community School Funding has the following changes:
 - a) The FY05 guarantee is eliminated so the deduction for base cost funding per pupil is the base formula amount plus the base funding supplements (building blocks)
 - b) For intervention deduction the law states that for each OWF student enrolled in a community school, deduct the per pupil amount of intervention aid received by the resident student. The per pupil amount shall be calculated by the department of education but the law does not specify how this calculation is to be performed. For levels I and II the district's calculated aid is divided by formula ADM and for Level III the calculated aid is divided by the 5-year average OWF count to obtain the per pupil amount which is provided for each OWF pupil at the community school.
 - c) For professional development, the per pupil amount to be deducted is the district's amount per teacher calculated under G(1) or (2) of 3317.029 divided by 17 with no phase-in percentage applied.
 - d) The sum of the deductions from a district shall not exceed the sum of the district's state education aid as defined in 5751.20 of the Revised Code and its payments under sections 321.24 and 323.156 of the Revised Code.
 - e) The changes for the amounts to be paid to the community schools correspond to the changes in the deduction amounts discussed in items "a" through "d" above.

- f) The bill allows community schools in some instances to provide their own transportation services for their students. Funding will be paid to and then deducted from the pupils' district of residence and then paid to the community school. At the writing of this document the details of the data collection and payment processes have not yet been developed.
- The adjustment for open enrollment was changed as follows: The amount added for incoming students and the amount subtracted for outgoing students is the sum of the formula amount plus the per pupil base funding supplements (building blocks). The FY05 guarantee and the Cost of Doing Business Factor are eliminated from the calculation.
- Transitional Aid Guarantee_is calculated the same as in the previous biennium. The sum of all calculations through line 20 of the SF-3 for FY07 are guaranteed for FY08. The sum of all calculations through line 19 of the FY08 SF-3 is guaranteed for FY09. A special provision is added that calls for the use of "ADM value" in place of formula ADM for calculation of past years' state aid as the base for transitional aid. In simple terms "ADM value" is the ADM reported by the entity providing educational services to the pupil instead of the home district.

These funding calculations along with the rest of the school foundation formula are summarized on a form called the "SF-3" (formerly the SF-12). On the following page is a prototype of the state's new SF-3 form. Each line will be explained with the relevant section of the Ohio Revised Code cited for your reference.

Please note that SF-3 forms for each district and the state total may be found on the Ohio Department of Education Web site at:

http://www.ode.state.oh.us/GD/Templates/Pages/ODE/ODEDetail.aspx?page=3&TopicRelationID=1001& ContentID=10849&Content=32791

This shows the estimated calculation of state funding based on the data available at that time.

District Name		COUNTY	IRN:099999
	KDG	1-12	Total
1A. Special Ed Category 1	77.25	533.13	610.38
1B. Special Ed Category 2	38.11	3,104.53	3,142.64
1C. Special Ed Category 3	8.24	604.45	612.69
1D. Special Ed Category 4	5.15	60.77	65.92
1E. Special Ed Category 5	16.48	273.78	290.26
1F. Special Ed Category 6	19.57	161.71	181.28
1G. JVSD,JVSD Spec Ed	N/A	0.00	0.00
1H. Non-Jnt OE JVSD,JVSD Spec Ed	N/A	42.28	42.28
1I. All Other Students	2,120.41	21,926.10	24,046.51
1J. MRDD	N/A	1.00	1.00
1K. Ed. Choice	0.00	0.00	0.00
2. Total	2,285.21	26,707.75	28,992.96
3. Formula ADM K*.5+(1-12)Total-(.80 Line	1G JVSD)+(.20	0 CVOC-RES)	27,850.36
4A. Assessed Valuation		3,064,920,808.	00
4B. Recognized Valuation		3,009,232,761.	00
4C. Adjusted Recognized Valuation		3,009,232,761.	00
4D. Property Exemption Value (TIF)		0.	00
4E. Charge Off Amt ((4C+4D) * .023		69,212,353.	50
5A. 5,565 * Line 3			154,987,253.40
5B. Add On Building Blocks			1,376,440.56
6. Formula Aid (5A+5B-4E)			87,151,340.46
7. Total Poverty Based Assistance (PBA)			26,060,617.68
8. Parity Aid			13,765,625.75
9. Base Cost Funding (6+7+8)			126,977,583.89
10. State Share % (Line 9 / (Line 5A+5B+7+	8))	64.72	
11. Special Education Weighted Amount	- , ,		14,007,274.95
	1.91 Cat2 FTE	: 758.58	3,094,249.17
13A. Number of Classroom Teachers			0.00
13B. Training & Experience of Classroom Tea	chers (50% of	Total)	575,442.29
13C. Educational Service Personnel			0.00
14. Gifted Aid	Units	: 4.00	162,500.44
15. Total State Basic Aid (Lines 9+11+12+1	3A+13B+13C+14)	144,817,050.74
16. Transportation			2,515,334.63
17. Excess Cost Supplement			822,404.92
18. Charge-Off Supplement (GAP)			0.00
19. Transitional Aid Guarantee			2,535,253.93
Additional Aid Items			
20A. Preschool Clrm Units: 16.00 F	elated: 0	6.96	1,011,715.07
20B. Special Ed Transportation			1,212,392.38
21. Total State Foundation Aid (Line 15 th	ru 20B)		152,914,151.67
Transfers and Adjustments			
22A. ESC Deduction			0.00
22B. Community School Transfer		-17,	495,552.81
22C. Open Enrollment Adjustment			339,839.94
22D. Other Adjustments			-52,392.39
22E. Scholarship Deduction		-1,	037,000.00
23. Total Funding (Line 21 thru 22E)			989,366.53
			989,366.53
	5	128,	989,366.53 3,150.05
23. Total Funding (Line 21 thru 22E)		128, 26,83	
23. Total Funding (Line 21 thru 22E)24A. Disclosure Items:Spec Ed FTE * 5,5624B.Voc Ed FTE * 5,5624C.Regular Student Po	5 pulation	128, 26,83 9,68 18,890.01	3,150.05
 23. Total Funding (Line 21 thru 22E) 24A. Disclosure Items: Spec Ed FTE * 5,56 24B. Voc Ed FTE * 5,56 	5 pulation	128, 26,83 9,68 18,890.01	3,150.05

SF-3 LINES

ADM (Lines 1A - 1K & 2) (3317.03, 3317.013) – These lines reflect all students of all types that reside in the school district. Lines 1A-1F indicate the six categories of special education pupils that are counted in formula ADM on line 3 as one each and additionally counted in the calculation of special education weighted amount on line 11. These categories and their associated weights are listed below.

Category	Additional Full Weights	
1 (Speech Only)	.2892	
2 (LD, DH, Other Health - minor)	.3691	
3 (Hearing Impaired, Visually Impaired, SBH)	1.7695	
4 (Other Health-Major, Orthopedic)	2.3646	
5 (Multi-handicapped)	3.1129	
6 (TBI, Autism, Deaf-Blind)	4.7342	

Line 1G shows the number of regular and special education pupils on an FTE basis attending a Joint Vocational School excluding Non Jointure Open Enrollment pupils attending a JVS shown on line 1H. Line 1H indicates the number of pupils living in a district that is not a member of a particular JVS but attending that JVS through an open_enrollment agreement. Line 1I includes students not counted in any of the other categories. These are known as "general population" students.

Line 1J shows school aged MRDD pupils residing in the district that exceed the number from the district attending the MRDD in FY98. The district must pay the MRDD board the current-year formula amount plus base cost supplement aid per pupil and also the state share of the weighted amount for each of these pupils. The weighted amount for these MRDD pupils above the FY98 level is included in the category 5 pupil calculation. The funds that are transferred to the MRDD are included in line 22D (other adjustments).

Line 1K (ORC 3310.02) shows the number of pupils that have chosen to participate in the EdChoice Program and attend a participating private school. Students in grades 1-12 who have attended a public school in FY07 that has not met certain academic criteria and kindergartners eligible to attend such schools in the fall of FY 2008 are eligible to apply for a scholarship for FY08. The amounts of the scholarships for FY08 are the lesser of \$4,375 for K-8 pupils, \$5,150 for 9-12 pupils or the actual tuition charge. The amount the state deducts from the resident district for each pupil participating in the program is \$2,700 for kindergartners and \$5,200 for first to twelfth graders. The law provides that the maximum amounts of the scholarships will increase each year by the same percentage that the formula amount increases for that year.

Line 2 is simply the sum of lines 1A through 1K. Note that beginning in FY07, the calculation will be based on 75% of the ADM counts taken in the first full week of October and 25% of a second count taken in the first full week in February.

Formula ADM (Line 3) (3317.02) - reflects the state's assessment of the number of students in a district for purposes of formula aid (the Formula ADM). It is found by adding the totals of all special education, vocational education and grades 1-12 general population students including the MRDD on line 1J and the EdChoice pupils on line1K, plus ½ of the kindergarten ADM (kindergarten students are given a value of ½ regardless of whether the district's program is half-day or full-day), minus 80 percent of the students in a district who attend a JVS program elsewhere, plus 20 percent of contract vocational pupils who attend at another district. Note that preschool handicapped pupils are not included in current formula ADM because they are still funded separately in units. However, preschool handicapped scholarship pupils reported under ORC 3317.03(B)(3)(h) and participating in the Autism Scholarship Program under 3310.41 are included in special education category 6 and thus generate funding in base cost funding and special education weighted

funding. Also note that all pupils are counted in their district of residence even if they receive educational services from another school district or an Educational Service Center (ESC). Prior to FY99, pupils were counted where they received educational services.

Line 2 is simply the sum of lines 1A through 1K. Note that beginning in FY07, the calculation will be based on 75% of the ADM counts taken in the first full week of October and 25% of a second count taken in the first full week in February.

- Including vocational education and special education in formula ADM ties their funding to the foundation amount or adequate base cost.
- Students educated in another district are counted in their resident district with money being transferred from the resident district to the educating district.

Assessed Valuation (Line 4A) (3317.021) - This is the total assessed value of all taxable property in the district which serves as the basic measure of wealth for several calculations. These amounts are certified by the Department of Taxation on Form DTE13. Tax year 2006 valuation is used for FY08 calculations and tax year 2007 valuation is used for FY09 calculations. However, before any calculations are performed, certain adjustments are made that are reflected in lines 4B and 4C.

Recognized Valuation (Line 4B)(3317.015) – When a district's real property value is updated or reappraised, any increase in value due to inflation is phased into the charge-off over three years in equal segments to ease the decrease in formula aid caused by increases in valuation. This phased-in valuation figure is the amount of valuation "recognized" by the foundation formula and thus is called "recognized valuation."

Adjusted Recognized Valuation (Line 4C) (3317.02, 3317.021, 3317.022) – For a small set of districts which have large amounts of exempt property, an adjustment to recognized valuation is done such that any amount by which their exempt property value exceeds 25 percent of their total potential value (which includes recognized value and exempt property) is subtracted from recognized valuation. This is adjusted recognized valuation. Federally exempted property and abated property are not counted as exempt property for this adjustment.

Property Exemption Value (Line 4D) (3317.02(W) and 3317.021(A)(6 and 7) – Based on data reported by county auditors and by school district treasurers on revenue in lieu of taxes received by school districts pursuant to certain TIFs and other abatement agreements the Department of Taxation calculates the property valuation associated with those agreements designated in 3317.021(A)(6 and 7) to be included in the charge off in calculating base cost funding. The Tax Department then certifies this "compensation value" to ODE and it is added to the adjusted recognized valuation in the charge off. The intent is to account for the part of the districts' ability to pay their local share represented by these payments they receive that are not captured in the assessed value.

Charge Off Amount = (Adjusted Recognized Valuation + Property Exemption Value) * .023 (Line 4E) (3317.022(A)(1)) This is the local share of base-cost funding or the "charge-off." This charge-off is .023 times the sum of Adjusted Recognized Valuation plus property exemption value where property exemption value equals the value of certain real property exempted from taxation under a tax incremental financing agreement (TIF) and the value of real property exempted from taxation, pursuant to agreements adopted by municipal corporations, townships or counties that exempt property as part of urban renewal projects, community redevelopment programs, community reinvestment programs, enterprise zones, local railroad operations or programs for the remediation of contaminated property to the extent that revenues on this property are compensated in some way.

5565 * Line 3 (Line 5A) (3317.022) – reflects the state's view of what the total base budget or basic program cost of a district should be when supplemented with the building blocks funded in line 5B. The "5,565" (5,732 in FY09) reflects the FY08 base-dollar amount established by the legislature. It consists of \$2,838(\$2,931 in FY09) for base classroom teachers, \$1,905(\$1,962 in FY09) for other personnel support and \$822(\$839 in FY09) for nonpersonnel support. This base amount represents the per pupil adequate base cost. This line 5A is \$5,732 times line 3 in FY09.

Add on Building Blocks (Line 5B) (3317.012(C)) This represents the sum of the amounts calculated as supplemental building blocks for large group intervention services, professional development, data-based decision making and professional development for data-based decision making. These are additional items that the general assembly decided should be part of an adequate education. They add up to an additional \$49.42 per pupil in FY08 and \$50.91 per pupil in FY09. The four calculations are as follows:

 Large Group Intervention: (Formula ADM ÷ 20) x 25 hours x hourly rate
 Where: Hourly rate = \$21.01 in FY08 and \$21.64 in FY09
 This amounts to \$26.26 per pupil in FY08 and \$27.05 in FY09.

Professional Development:
District's teacher factor x .045 x Formula amount x phase in percentage
Where: teacher factor = Formula ADM ÷ 17 and phase in percentage = 75 percent in FY08 and in FY09.
This amounts to \$11.05 per pupil in FY08 and \$11.38 in FY09.

3. Data Based Decision Making:
.001 x formula amount x formula ADM
This amounts to \$5.57 per pupil in FY08 and \$5.73 in FY09.

4. Data Based Decision Making Professional Development: [(.2 x district's teacher factor) x (.08 x Formula amount)] + [district's principal factor x (.08 x formula amount)]
Where: Teacher factor is same as (2) and District's principal factor = formula ADM ÷ 340
This amounts to \$6.55 per pupil in FY08 and \$6.74 in FY09.

Total Formula Aid (Line 5A + 5B - 4E) (Line 6) (3317.022) – For most districts this constitutes the bulk of state base cost funding. For some wealthy districts with large charge off amounts this calculation could result in a negative number which is added to line 7 and then this result is added to line 8 to arrive at line 9

For FY08 and FY09 Poverty Based Assistance and Parity Aid are added to Formula Aid to get Base Cost Funding

Total Poverty Based Assistance (PBA) (Line 7) (3317.029), 3317.10) – reflects a formula that provides additional funding for school districts who have a certain percentage of students whose families receive funds from the state's Ohio Works First (OWF) program. (This was previously known as the Temporary Assistance to Needy Families (TANF) program, and before that as the Aid to Families with Dependent Children (ADC) program.) This is a recognition by the state that districts incur additional costs beyond the basic allowance for students coming from economically disadvantaged environments.

 For districts with high concentrations of disadvantaged pupils, PBA is targeted for all-day kindergarten, increased learning opportunities, intervention, professional development, Limited English Proficient Services, dropout prevention, community outreach and achievement gap supplement.

PBA funds are allocated based on a two-part calculation called the Poverty Index. To find the Index, a district's OWF percentage is found by calculating the previous five-year average of OWF students and dividing that by the three-year average of the three previous years' Formula ADM. This OWF percentage is then divided by the state's OWF percentage (found in the same way as the district's) to give the Index. Thus, districts with a poverty index greater than one have an OWF percentage greater than the state average. PBA consists of eight different types of aid. The calculations for each of these types of aid are as follows:

Intervention – for any district with a poverty index greater than or equal to 0.25, additional intervention funding is provided as follows:

For all levels, the following standards are used:

Hourly rate (HR) = \$21.01 in FY08 and \$21.64 in FY09 Level one hours (LI) = 25 in FY08 and in FY09

Level I: for districts with a poverty index (PI) $\geq .25$

Level 1 hours = 25 in FY08 and in FY09 Large group intervention units = (district formula ADM ÷ 20)

If poverty index \geq .25 and <.75, Level I aid =

Large group intervention units \times hourly rate \times Level I hours \times [(PI - .25) \div .5]

If poverty index \geq .75, Level I aid = Large group intervention units \times hourly rate \times Level I hours

Level II: for districts with a poverty index (PI) \geq .75

Medium group intervention units = District Formula ADM \div 15 Level II hours = 50 in FY08 and in FY09

If poverty index \geq .75 and <1.50, Level II aid =

Medium group intervention units \times hourly rate \times {Level I hours + [25 hours \times (PI - .75)/.75]}

If poverty index is > = 1.50 Level II aid = Medium group intervention units × hourly rate × Level II hours

Level III: for districts with a poverty index (PI) ≥ 1.5

Small group intervention unit = (district poverty student count x 3) / 10

If poverty index is ≥ 1.50 but < 2.50Small group intervention units \times hourly rate \times {level I hours + [level III hours \times (PI - 1.50)]} Where: Level III hours = 135 in FY08 and in FY09

If the district poverty index is > 2.5 Small group intervention units × hourly rate × level III hours

Where: Level III hours = 160 in FY08 and in FY09

All Day Kindergarten

1.

Kindergarten child counts exclude E-school pupils EdChoice and autism scholarship pupils. Calculations are pursuant to formulas in 3317.029. Districts with a poverty index greater than 1 or with a three-year average formula ADM in excess of 17,500 and who offer all day kindergarten receive one half of the formula amount for each pupil enrolled in all-day kindergarten as reported under ORC 3317.03. If a district qualified for and offered all-day kindergarten in a previous year and their index falls below one in a subsequent year, the district remains eligible to receive ADK funding.

Increased Learning Opportunities (formerly Class Size Reduction)

This calculation has always been based on a sliding scale which bases the target pupil-to-staff ratio on the district's poverty index. The target pupil-to-staff ratio determines the total number of teachers needed and this is compared to an assumed level (which is 20 to 1) to determine the additional number of teachers needed to be at the target ratio. This additional number of teachers is multiplied by a salary allowance equal to \$56,754 in FY08 and \$58,621 in FY09.

K-3 child counts used to calculate ratios exclude E-school and scholarship pupils.

To determine class-size reduction aid, complete the following calculations:

- Calculated Teachers (CT) per 1,000 students:
 - a. If $PI \ge 1$ and PI < 1.5
 - $50+ \{[(pi-1) \div .5] \times 16.667\}$
 - b. If $PI \ge 1.5$
 - 66.667
- 2. Number of teachers needed to staff reduced class sizes:
 - $(CT \times K-3 ADM) \div 1,000$
- 3. Number of teachers assumed for 1,000 pupils $(50 \times \text{K-3 ADM}) \div 1,000$

Number of additional teachers needed:

Number of teachers needed from #2 - Assumed number of teachers from #3

4. Increased Learning Opportunities funding = Additional teachers needed × salary allowance

Limited English Proficient Services

To qualify, a district must have a poverty index greater than or equal to 1 and the proportion of its students who are limited English proficient as reported in 2003 on its school district report issued under ORC 3302.03 for the 2002-2003 school year is greater than or equal to 2 percent. The calculation for LEP services is as follows:

- 1. Amount per LEP Student:
 - a. If $PI \ge 1$ and <1.75,
 - $\{.125 + [.125 \times ((PI 1.0) \div .75)]\} \times current year formula amount$
 - b. If $PI \ge 1.75$
 - $.25 \times current$ year formula amount

2. LEP aid:

amount per LEP student × number of LEP students in district × Phase in percentage

Where: phase in percentage = 70 percent in FY08 and FY09

Professional Development

- 1. Amount per teacher:
 - a. If $PI \ge 1$ but < 1.75
 - [(PI -1) \div .75] × .045 × formula amount
 - b. If $PI \ge 1.75$.045 × formula amount
- 2. PD funding: amount per teacher × (formula ADM/17)

Dropout Prevention (Big 8 districts only)

 $.005 \times \text{formula amount} \times \text{poverty index} \times \text{formula ADM}$

Community Outreach (Urban 21 districts only as defined in 3314.02)

 $.005 \times formula amount \times poverty index \times formula ADM$

Achievement Gap Supplement

This subsidy is for assistance in closing the achievement gap in districts that have a poverty index and an academic distress index of at least 1.0. The academic distress index is the district's academic distress percentage divided by the statewide academic distress percentage. The academic distress percentage is the percentage of buildings in academic watch or academic emergency as most recently determined by ODE. The subsidy for qualifying districts equals

.0015 x formula amount x district poverty index x district academic distress index x formula ADM

An additional 3.5% of this FY08 amount goes to districts in the second year that decrease their academic distress percentages otherwise districts receive the same amount in FY09 as they did in FY08.

Parity Aid (Line 8) (3317.0217) - FY02 was the first year of a new parity aid funding program to districts that met certain conditions. This calculation was altered in FY08 to shift some of the funds to lower wealth districts. Parity Aid and Alternative Parity Aid are calculated as follows:

REGULAR PARITY AID

First, districts are ranked from high to low on a wealth measure that consists of 2/3 times charge off valuation per pupil plus 1/3 times the three-year per pupil average of federal adjusted gross income of the district's taxpayers. The 80th percentile district is determined (the district below which 80 percent of the districts fall on the wealth measure). This 80th percentile is called the "per pupil wealth threshold" and is used to calculate parity aid. For FY08 this threshold is projected to be around \$170,400 and for FY09 around \$176,200 In FY08 regular parity aid is calculated only for districts

below the 67th percentile (the 411th ranked district) and in FY09 only districts below the 60th percentile (the 368th ranked district) are eligible to receive regular parity aid. Regular parity aid is calculated as:

(Per Pupil Wealth Threshold - District Wealth Per Pupil) x parity millage x net formula ADM

Where parity millage = 8 mills in FY08 8.5 mills in FY09

Net formula ADM = Formula ADM - the number of Internet and computer-based community school students and scholarship students reported under divisions (B)(3)(e), (f) and (g) of Section 3317.03 of the Revised Code

ALTERNATIVE PARITY AID

This Alternative Parity Aid is calculated as follows:

\$60,000 x (1 - income factor) x 4/15 x .023 x net formula ADM

Where income factor = district median income/state median income

What a district receives under this provision depends on certain district characteristics as follows: If the district's income factor is less than or equal to 1 and the district's poverty index is greater than or equal to 1 and if the district's FY05 Cost of Doing Business Factor is greater than or equal to 1.0375, then they receive the greater of the calculated regular parity aid or the alternative parity aid. All other districts below the per-pupil wealth eligibility thresholds receive the calculated regular parity aid.

Base Cost Funding (Line 9)(3317.022(A)(1) – This line is the sum of lines 6,7 and 8. For some high wealth districts line 6 may be negative. This negative number is first added to line 7 (PBA) which may result in PBA being eliminated. The result of this addition is then added to line 8 (Parity Aid) which could also wipe out some or all of the calculated parity aid. If the result of this series of additions is a negative number it is set equal to zero. For all but a handful of districts line 6 is positive and the resulting PBA and parity aid are the same as calculated and Base Cost Funding is a positive amount.

State Share percent [Line 9 / (Line 5A + 5B + 7 + 8)] (Line 10) (3317.022 (B) (2)) – reflects the percentage of the basic program cost that is paid by the state. This factor will be used in the weighted formula for special education and career tech education, where it is called the "State Aid Ratio" (SAR). It is also referred to as the "State Share Percentage." It is also applied to transportation(if the formula is not suspended) if it is larger than 60 percent, to the GRADS calculation in line 12, to speech services in line 11 and to Gifted Aid in line 14.

Special Education Weighted Amount (Line 11) (3317.022) – reflects the amount of money given to the school district under the weighted pupil formula for special education purposes plus the speech services aid. The weights used are listed under the ADM section above.

The law provides for funding for the additional cost of special education at the same percentage as the state funds the base cost. Thus, if a district receives 45 percent state funding in the Base Cost Funding amount, the same will be true for special education weighted amount. For example, if a district has seven LD students, five SBH students and two autistic students, the calculation would be $[(7 \times .3691) + (5 \times 1.7695) + (2 \times 4.7342)] = 20.9$ (total of the weights). The district's weighted amount would be $20.9 \times $5,565 \times .45 = $52,339$ where .45 is the district's state share percentage. However, the weights have never been fully funded. They are prorated in this calculation by multiplying them by .90 for the FY08 calculation and for FY09.

A speech services calculation is included in the amount shown on this line of the SF-3. This allowance for pupils whose special education services consist of speech therapy pays the state share percentage of a personnel allowance for every 2,000 students in formula ADM (line 3). The personnel allowance is \$30,000.

 The special education weights were based on actual costs of providing services according to state guidelines formerly known as the "blue book."

Each school district is required to spend each year on special education purposes approved by the Ohio Department of Education at least an amount equal to the state and local shares of formula aid and weighted special education aid calculated in the foundation formula for special education pupils. Districts must annually report these expenditures to ODE which in turn must report these special education expenditures for each district to the Governor and General Assembly.

Career Tech/Adult Ed (Line 12) (3317.022) – This line shows the amount calculated for additional weights applied to vocational education pupils in comprehensive high schools and for unit funding for the Graduation Reality and Dual-Role Skills (GRADS) program.

In addition to being counted as "1" in the formula aid calculation, each vocational pupil will receive additional weighted funding similar to special education funding. FTEs in workforce development programs receive a weight of .57 while those in other vocational programs are weighted .28. Also, all FTEs receive an additional weight of .05 for extra costs associated with vocational education. Pupils are multiplied by their weights, then by the formula amount and then by the district's state share percentage to arrive at this additional aid. Note that in calculating the .05 associated cost weighted funds the pupils will be counted in non lead districts in that district and the funds will be transferred to the lead district of the Vocational Education Planning District (VEPD). All funds received for weighted aid must be spent on purposes that ODE designates as "approved vocational education or associated services."

The GRADS program is a unit-based program for pregnant and parenting students (3317.024(N)). GRADS units are funded at \$47,555 in FY08 and FY09 times the district's state share percentage and are also included in the amount on line 12.

Number of Classroom Teachers (Line 13A) (3317.023) – reflects a negative adjustment for not employing the required number of classroom teachers. Districts are required by law to employ a specified number of teachers to achieve a designated pupil / teacher ratio. If districts do not maintain a 25/1 pupil to teacher ratio, then a deduction will be made from state funding.

Training and Experience of Teachers (50% of Total) (Line 13B) (3317.023) – reflects a positive adjustment to funding based on the experience level and education level of the district's teachers. Districts with a teaching corps that is above the state average in education and experience receive additional funds. There is no penalty assessed against those districts below the state average. The funding formula uses the state minimum salary schedule.

Education Service Personnel (Line 13C) (3317.023) – reflects a negative adjustment to funding based on the number of Education Service Personnel (ESP) a district has employed. ESPs include elementary school art, music and physical education teachers, counselors, librarians, visiting teachers, school social workers and school nurses. Failure to hire at least five ESPs in the above categories for each 1,000 students in a district means a deduction in state foundation aid.

Gifted Aid (Line 14) (3317.024) – reflects aid for gifted children. If a gifted unit is approved for state funding, the gifted unit aid is equal to a salary allowance based on the training and experience of the unit's teacher applied to the minimum teachers salary schedule that was in effect in FY01, plus 15 percent of this salary for fringe benefits, plus a unit allowance of \$2678, plus a supplemental unit allowance (3317.053) that varies based on the property wealth of the district. This supplemental unit allowance is an attempt to equalize at least part of line 14 gifted aid. It is equal to 50 percent of the average unit amount of \$5,251 plus the district's state share percentage times the dollar amount of \$5,550.

Total State Basic Aid (Line 9 + 11 + 12 + 13A + 13B + 13C + 14) (Line 15) – reflects the sum of the funding calculated in the previous lines.

Transportation (Line 16) (3317.022) – reflects the reimbursement for the state's share of a district's transportation operational costs. This calculation was modified in FY99 and then revised again for FY00 and thereafter. This latest version was last calculated in FY05 based on a regression model which establishes the relationship between per-pupil transportation costs for types 1 and 2 transportation (board owned or contracted yellow bus) and daily miles per pupil and percentage of pupils transported. The prediction equation derived is as follows:

Cost Per Pupil = 81.3706638 + 213.7714122 x Daily Miles Per Pupil + 152.9838754 x Percent of Pupils Transported

Plugging in a district's daily miles per pupil and percent of pupils transported yielded the cost per pupil which was then multiplied by total pupils to arrive at a total predicted cost. Note that total pupils or total ADM is called the "transportation base" and includes all of the district's public pupils plus type 1 and 2 nonpublic pupils transported. This cost figure was multiplied by an inflation factor of 2.8 percent twice to bring it up to FY05 cost levels. Finally, this cost figure was multiplied by the greater of .60 or the district's state aid percentage to arrive at the state share of this cost.

For districts with pupil density (total ADM per square mile) less than the statewide average and with a percent of roughroads greater than the statewide average, an additional rough-road subsidy was provided. A maximum of \$.75 per roughroad mile for the district with the highest rough-road percentage in the state was provided. This maximum is scaled down along the continuum as the rough-road percentage declines such that per rough-road mile subsidy reaches zero as the rough-road percentage reaches the statewide average. After the rough-road subsidy is calculated a density multiplier factor is applied which scales down the subsidy such that districts with progressively higher density receive progressively lower percentages of their calculated rough-road subsidy.

In addition to the above aid calculated for types 1 and 2, aid for types 3 through 6 was calculated in accordance with rules adopted by the State Board of Education and included in this line. However, in the last two biennial budgets, use of the formula was suspended and districts received 2% increases over their previous year's amount in FY06 and FY07 and will receive 1% increases in FY08 and FY09. (See Section 269.20.80 of Am. Sub. HB119 of the 127th General Assembly)

• The Department of Education developed and recommended a new transportation formula to OBM and the General Assembly but it was rejected by the General Assembly

Excess Cost Supplement Aid (Line 17) (3317.022) – This aid, which establishes a 3.3-mill limit on the district's share of combined funding for special education, vocational education and transportation, began in FY03. If the assumed local share of special and vocational weighted aid plus the assumed local share of transportation exceeds 3.3 mills times the district's recognized valuation, the state will pay the difference in excess cost supplement aid. This aid is added to local revenue in calculating gap aid.

Charge-off Supplement (GAP) (Line 18) (3317.0216) –This aid is sometimes referred to as "Gap Aid" because its intent is to fill in any gap that exists between the local revenue raised by a district and the amount the foundation formula <u>assumes</u> the district should raise to meet its local share of formula aid, special education and vocational education weighted aid and transportation aid. If a district's local revenue falls below the sum of the district's charge-off plus its assumed local share of special education and vocational education weighted aid and transportation aid. Here "charge off" means 23 mills times the sum of recognized value and property exemption value. Here "charge off" means 23 mills times the sum of recognized value and property exemption

value. Local revenue consists of property taxes charged and payable for current expenses for the tax year preceding the calendar year in which the fiscal year begins and the school district income tax received in the preceding fiscal year. Any Excess Cost Supplement Aid received in the current fiscal year is to be added to the local revenue in this calculation.

 This aid guarantees that each pupil will receive the adequate base cost and categorical foundation amounts in state and local revenue combined.

Beginning in FY07, the problem of losing gap aid as a result of passing a levy was addressed. If a district received gap aid in the prior fiscal year and is ineligible to receive gap aid in the current fiscal year because a property tax or income tax levy approved by voters to take effect in tax year 2005 or thereafter caused their local revenue to exceed their assumed local share AND if the levy exceeds by at least 1 mill, the millage equivalent of the prior year's gap aid amount, ODE will pay the district in the first year of ineligibility 75 percent of the amount of gap aid it last paid the district, 50 percent in the second year of ineligibility and 25 percent in the third year of ineligibility. Any district that receives these phase out payments and subsequently becomes eligible to receive gap aid will not be eligible for any more phase out payments.

Transitional Aid (Line 19) (Section 269.30.80 Am. Sub. HB119) - In calculating transitional aid for FY08, the sum of FY08 line 15, 16, 17, 18 and 19 is subtracted from the base FY07 SF-3 funding on line 17, plus reappraisal guarantee aid, plus charge-off supplement plus any transitional aid received in FY07. For FY09, the sum of the district's FY08 SF-3 funding through line 19 serves as the base for the transitional aid guarantee. In each year, 100 percent of the previous year's base is guaranteed. This guarantee is intended to ease the impact of the many changes made in the formula for FY08 and FY09. About 340 districts are on the transitional aid guarantee in FY08.

Preschool Classroom Unit Funds (Line 20A) (3317.052) – reflects unit funds given to districts to pay for the education of children with disabilities who are in preschool programs. This aid is based on a salary allowance from the minimum teacher's salary schedule in effect in FY01 plus a 15 percent fringe allowance, plus a non-salary allowance plus a supplemental allowance. Both classroom unit funding and related services unit funding are included here. Preschool ADM is not included in formula ADM.

Special Education Transportation (Line 20B Admin Rule 3301-83-01) reflects a reimbursement subsidy to a district to cover the costs of transporting special education 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 actual cost exceeds \$6 per pupil per day. This calculation is then multiplied by the same percentage used for regular transportation which is 60% or the district's state share percentage whichever is greater.

Total State Foundation Aid (Line 15 through 20B) (Line 21) - This is the sum of all state aid calculated in the lines above.

County Educational Service Center Deduction (Line 22A) (3317.11, 3317.023 (E) reflects money deducted from a local board of education's SF-3 for services provided by an Educational Service Center (ESC). A per-pupil amount not less than \$6.50 plus a share of supervisory services costs is deducted and, in the case of a city or exempted village school district or a local district with a contract for the ESC to provide services such as special education, health testing, etc., an additional amount is deducted depending on the terms of the contract for services provided by the ESC. See the ODE website below

fhttp://www.ode.state.oh.us/GD/Templates/Pages/ODE/ODEDetail.aspx?page=3&TopicRelationID=1002&ContentID=2 6074&Content=26079

for a complete explanation of ESC funding.

Community School Transfer (Line 22B) (3314.08) - If pupils who reside in a regular school district decide to attend a community school, the resident district must transfer funds to the community school to help support the students' education. The funding amount may consist of funds calculated for Formula Aid, PBA, Special Education Weighted Aid, Vocational Education Weighted Aid, Parity Aid and transportation in cases where the community school decides to provide their own transportation. PBA and parity aid are not transferred for students enrolled in E-schools. The formula amount transferred for each FTE is the current formula amount plus the per-pupil base-cost supplements specified in divisions (C) (1) to (4) of 3317.012 of the Revised Code. For special education and vocational education pupils the amount transferred is the number of pupils times their respective weights times the formula amount.

In general, for each category of PBA funding the amount per pupil received by the pupil's resident district is calculated and this per-pupil amount is transferred to the community school for each type of pupil enrolled in the community school. Also, the amount of parity aid per pupil received by the resident district follows the pupil to the community school. The sum of the deductions from a district shall not exceed the sum of the district's state education aid as defined in ORC 5751.20 and its payments under sections 321.24 and 323.156 of the Revised Code.

Open Enrollment Adjustment (Line 22C) (3313.981) - reflects an adjustment for each child of residence who attends a different district under the Open Enrollment law. If the pupil is a vocational education pupil, an additional amount equal to the formula amount times the vocational education weight is transferred. A district pays out this amount for each pupil that leaves the district and receives this amount for each pupil it receives under Open Enrollment. Therefore, this line represents the net effect of these payments. Special education costs above the formula aid amount must be billed as excess costs. The formula amount deducted or added for each student equals the sum of the current formula amount plus the per- pupil amount of the base-funding supplements specified in division (C) (1) to (4) of section 3317.012 of the ORC (line 5B).

Other Adjustments (Line 22D) (3317.023 K and L, 3317.20) - This includes adjustments for payments made from the resident district to the educating district for vocational education and special education services provided to pupils attending a district other than their district of residence. Also, payments to the MRDD for pupils sent to the MRDD in excess of their FY98 level and to lead districts for vocational education associated costs are included here. Deductions for payments for autism services are also included in this line. Detailed descriptions of each of these adjustments are shown below.

Payment for Contract, Compact or Co-Op Students [3317.023 (K)]

If a district is educating a vocational or special education student entitled to attend school in another district pursuant to a shared education contract, compact, or cooperative education agreement other than an agreement entered into pursuant to section 3313.842 of the ORC, credit to that educating district on an FTE basis both of the following:

- a) The sum of the current formula amount plus the per pupil amount of the base funding supplements specified in division (C) (1) to (4) of section 3317.012 of the ORC (building blocks).
- b) An amount equal to the current formula amount times the state share percentage times any multiple applicable to the student pursuant to section 3317.013 or 3317.014 of the ORC.

Deduct any amount credited pursuant to division (K) (1) of section 3317.023 as shown above from amounts paid to the school district in which the student is entitled to attend school pursuant to section 3313.64 or 3313.65 of the ORC.

MR/DD Board Payments (3317.20)

This deduction for each child with a disability other than a preschool child with a disability over the number placed at the MR/DD in FY98 is:

Current formula amount + current state share percentage x current formula amount x applicable weight

VEPD Lead District Deduction [3317.023 (L)]

This deduction for associated services provided by the lead district is calculated as follows:

State share percentage x .05 x formula amount x sum of category 1 and 2 vocational education ADM

Pilot Project Special Education Scholarship Program (3310.41)

This program allows for scholarships to be provided to parents of autistic children upon application to pay tuition for the child to attend an alternative education program that implements the child's IEP. Each scholarship will be deducted from the district in which the child is entitled to attend school and shall not exceed the lesser of the tuition charged for the program or \$20,000.

Scholarship Deduction (3310.02 and 3313.975)(Line 22E) This line is for the deduction made for the EdChoice Scholarship Program (See Line 1I above for explanation) and for the deduction made from Cleveland Metropolitan School District for the Cleveland Scholarship Program.

Total Funding (Line 21 through 22E) (Line 23) – This is the sum of Foundation Total SF-3 plus or minus line 22 items.

Disclosure Items - These are simply representations of calculations that may be used in maintenance of effort calculations and fulfill the informational requirement of the Ohio Revised Code.

Spec. Ed. FTE *5565 (Line 24A) – reflects the formula amount for students in special education.

Vocational Ed. FTE *5565 (Line 24B) – reflects the formula amount for students in vocational education.

Regular Student Population (Line 24C) – This is a count of regular pupils being educated by the district and used in the ratio calculations on line 13A and 13C.

Resident Contract Voc (CVOC-RES) (Line 24D) – These are pupils living in the district but attending another district's vocational education program. Line 3 formula ADM includes 20 percent of these students.

THE OTHER PROGRAMS

In addition to the state's basic aid and categorical programs, there are a number of other programs and projects related to education that are funded through the state and represent a portion of the state's total education funding. The following is a list of some of the other state-funded programs:

- Special educational service costs, for MR/DD boards and institutions, transportation and excess costs of home instruction for children with disabilities. Also, school districts are provided funding for catastrophic special education cases that require significant financial obligations.
- Island school districts, joint state school districts, and each county educational service center and each information technology center(ITC)
- Adult high school continuation programs.
- Purchase of school buses.
- E-tech Ohio provides moneys to school districts and other educational entities for technology.
- Programs for adult basic literacy education.
- An amount to each school district to assist in providing free meals to children and an amount to assist eligible school districts in purchasing equipment for food preparation.
- Development of inservice education programs and leadership academies.
- Grants for early education.
- Matching grants for alternative schools for troubled pupils.

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- Funding of Joint Vocational Schools similar to the foundation program for regular school districts.
- Reading/Writing Improvement classroom grants.
- Funding for auxiliary services and instructional materials provided to chartered nonpublic schools.
- Half mill maintenance subsidy to subsidized maintenance of buildings constructed through the Ohio School Facilities Commission.
- GED testing support.
- Professional development initiatives in the area of math, reading and science.
- Funding that supports the Ohio Core
- Funding that supports Science, Technology, Engineering and Technology (STEM) initiatives
- Early College High Schools and High School Transformation (small school initiative).
- Funding for reimbursement of administrative costs incurred by chartered nonpublic schools in complying with certain state requirements.
- National Board Teacher Certification
- Entry year and mentoring programs for teachers
- Funding to reimburse districts for losses in local revenue due to property tax reductions
- Property Tax Reimbursement

State aid to school districts for construction, renovation or repair of school building facilities is provided through the Ohio School Facilities Commission, (OSFC) created in May 1997. Funding is provided to districts through programs overseen by the Commission. For a breakdown of these appropriations and descriptions of these programs go to:

http://www.osfc.state.oh.us

CONCLUSION

It is hoped that the information contained in the document will provide a basic understanding of Ohio's school finance system and the state foundation program in particular. If you need additional information on Ohio's school foundation formula, please contact Jim Payton or Daria Shams at the Ohio Department of Education, Simulation, Foundation and Analysis Unit in the Center for School Finance at (614) 466-9044.

To access individual district or state total SF-3s for fiscal years 1998-2008, go to the ODE Web site at <u>http://www.ode.state.oh.us</u>, go to "finance and grants" and then to "state funding for schools" and then click on "Funding for Traditional Public Schools". Then click on "District SF-3 Reports". In addition to the SF-3 form, there are detailed calculation sheets for many of the lines of the SF-3.

This paper was produced and distributed by: Ohio Department of Education Susan Tave Zelman, Superintendent of Public Instruction Center for School Options and Finance Paolo DeMaria, Associate Superintendent Jim Payton, Assistant Director (614) 466-9044