Ohio | Department of Education

John Kasich, Governor
Stan W. Heffner, Superintendent of Public Instruction

TO: Superintendents and Treasurers of City, Local, Exempted Village School Districts and Education Service Centers

FROM: Daria Shams, Center for School Options and Finance

RE: Fiscal Year 2012 Foundation Payment Calculation Distributed as January 2012 Payment #1

DATE: January 6, 2012

This payment reflects school districts' funding calculations based on provisions of Am. Sub. H.B.153 of the 129th General Assembly.

Foundation Payments are calculated twice a month for each school district according to provisions of Am. Sub. H.B.153. Calculations are reported on the **Bridge** foundation calculation form. The Bridge form for each payment that is posted on the ODE website is accompanied by worksheets that display detailed data and calculations that support the funding reported on the Bridge form. Reference manuals for the Bridge form and the Bridge worksheets are posted on the ODE website as well. The Bridge calculation is updated for each payment to reflect the changes that occur in the factors and data elements during the course of the fiscal year.

Public School Districts

Bridge Calculation:

Funding calculation under the Bridge formula in FY 2012 requires two sets of calculation data factors. One for FY 2011 and another one for FY 2012. For that reason the Bridge payment form is organized into 3 main sections that reflect the relevant calculation factors and the funding formula calculation of individual school districts plus 3 additional sections that reflect funding for Additional Aid Items, Transfers and Adjustments and Disclosure Items. The form is organized as follows:

1. FY 2011 Calculation Factors including total funding amount, ADM and charge-off valuation factors.
2. FY 2012 Calculation Factors including ADM factors.
3. FY 2012 Bridge Formula Calculation including the calculated formula amount based on FY 2011 and FY 2012 calculation factors.
4. Additional Aid Items including funding amounts distributed outside of the Bridge funding formula.
5. Transfers and Adjustments including fund transfers to other educational entities such as community schools and funding adjustments for options such as open enrollment.
6. Disclosure Items including portions of the funding of individual school districts that should be allocated to special, career tech and gifted education.

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- FY 2011 total funding amount used in this calculation is extracted from the Final FY 2011 PASS calculation (updated since the December #2 payment). This update results in substantial changes in the FY 2011 foundation calculation of some school districts. An explanation of these changes is provided at the bottom of this letter under the heading: Changes in FY 2011 Foundation Calculation – June #2 File vs. Final File.
- FY 2011 total ADM used in this calculation to generate the 'Recalculated Formula ADM' reflects the October data compilation taken during the first full week of October 2010 and reported through EMIS as of 02/18/2011. The community school ADM add-in part is updated with the FY 2011 counts. Note that this ADM is not the same ADM that was used in the calculation of the PASS funding amount in FY 2011 (updated since the December #2 payment).
- FY 2011 charge-off property valuation is extracted from the Final FY 2011 PASS calculation (updated since the December #2 payment).
- FY 2012 total ADM used to calculate the Bridge funding amount is in fact the same FY 2011 ADM referenced above. This ADM is presently being used in these calculations as proxy until actual October count ADM for FY 2012 becomes available. This ADM reflects the FY 2011 resident October count compilations for students who attend their resident school districts and those attending community schools (updated since the December #2 payment).
- The statewide per pupil adjustment amount on the basis of which the calculated funding amount is reduced to stay within the appropriations is $159.00. This factor will change once the FY 2012 October count ADM is incorporated in the funding calculation. This figure is reflected on line "J" of the Bridge form (same as the December #2 payment).
- Subsidy for high performing school districts which is based on $17 per student in the current year formula ADM (line I) is being calculated based on the academic rating of school districts in the FY 2011 Report Card. Under the provisions of the new law districts that are identified as "Excellent with Distinction" or "Excellent" are the recipients of this subsidy. This payment appears on line "N" of the Bridge form (updated since the December #2 payment).
- Preschool special education funding is extracted from the Final FY 2011 PASS calculation. This amount however reflects a proration to 99.072984% of the calculated amount to stay within the limits of the available funds (same as the December #2 payment).
- Special education transportation funding is extracted from the Final FY 2011 PASS calculation (same as the December #2 payment).
- ESC deduction reflects the FY 2012 calculations for supervisory allowance, the amount per pupil, special education extended service and FY 2012 contract amounts paid by member districts (updated since the December #2 payment).
- Open enrollment adjustment is based on FY 2011 most recent year-end EMIS data (same as the December #2 payment). The calculation parameters however have been updated to reflect those in Am. Sub. H. B. 153. For an explanation of the Open Enrollment calculation in FY 2012 and other aspects of

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the Bridge formula refer to the Bridge Formula Line-by-Line Explanation on ODE webpage

- Community school transfer amount is based on the FY 2012 calculations for December 2011 community school payments. Prior to the October #2 payment, we were calculating the community school deduction utilizing the latest FY 2011 community school ADM; from the October #2 payment however, community school deductions are being based on FY 2012 community school ADM extracted from FY 2012 SOES (same as the December #2 payment).
- STEM school transfer is based on FY 2012 calculation for December 2011 STEM school payment. Prior to the October #2 payment, we were calculating the STEM school deduction utilizing the latest FY 2011 STEM school ADM; from the October #2 payment however, STEM school deduction is being based on FY 2012 STEM/community school ADM extracted from FY 2012 SOES (same as the December #2 payment).
- EdChoice Scholarship transfer calculation is now being based on FY 2012 data (same as the December #2 payment).
- Other Adjustments amount is updated since the previous payment. At this point we have updated the formulae and parameters on the bases of which these adjustments are calculated with FY 2012 formulae. As far as the update of pertinent data is concerned, the non-CTA component of the community school SOES ADM data and the Autism Scholarship data used in these calculations are now updated with FY 2012 data (updated since the December #2 payment).

Statement of Settlement:

- Continuing with this payment, the statement of settlement contains a new blended approach to calculating payments and recoveries: a percentage based method is used for payments and the installment method used in calculating the bi-monthly payment amount in previous fiscal years is used for recovery of overpayments. We have posted a spreadsheet to assist school districts' personnel with the percentage based calculations used for the statement of settlement that can be accessed by clicking here.
- This payment continues to reflect the FY 2011 Post-Secondary Deductions which was initiated with the August #2 payment (JV09).
- This payment continues to reflect the FY 2010 PASS adjustment as reflected on the FY 2010 Final #5 payment file. This adjustment is due to changes in FY 2010 open enrollment calculation and was initiated with the August #1 payment (JV01).
- This payment reflects the FY 2011 PASS adjustments resulting from changing the base payment file from the FY 2011 June #2 to the Final file (JV02).
- This payment continues to reflect adjustments for FY 2011 Solvency Assistance Repayment which was initiated with the July #1 payment (JV61).
- This payment continues to reflect payment adjustments for FY 2012 Solvency Assistance Repayment which was initiated with the August #1 payment (JV60).

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- This payment continues to reflect the FY 2010 Post-Secondary Deductions which were initiated with the August #2 payment (JV10).
- FY 2011 adjustments pursuant to provisions of ORC Section 3317.028 which were initiated with the July #2 payment continue to be included in this payment for some school districts (JV17).
- This payment continues to be adjusted with Judgment Payments which were initiated with the July #1 payment (JV87).
- This payment reflects the SF-6 Excess Cost Tuition adjustments (JV98 and JV99).
- Please note that deductions for STRS retirement programs have been updated with data by STRS for districts that have their payments sent to the retirement system by ODE. Please keep in mind that the amount you see under the annual amount on the statement of settlement is one-half of the calendar year 2011 amount plus one-half of the calendar year 2012 amount. This allows us to accurately deduct the proper amount for the first half of the calendar year over the remainder of the fiscal year.

Education Service Centers (ESC)

- Am. Sub. H. B. 153 provides for the FY 2012 ESC state funding ($37 per-pupil for single-county and $40.52 per pupil for multicounty) to be based on 90% of the FY 2011 amount.
- The FY 2012 state per-pupil funding (90% of the FY 2011 amount) is paid at 100% for local, city and exempted village school districts as well as for community schools.
- Preschool component of the state funding was paid at 99.072984% of the calculated amount in order to stay within the appropriations.
- Special education transportation reflected in this payment continues to be the amount extracted from the FY 2011 payment.

Boards of Developmental Disabilities (BDD)

- The school age component of BDD funding in FY 2012 is based on a flat per-pupil amount from FY 2011. The FY 2011 per-pupil amount is simply multiplied by the BDD number of students in FY 2012 to generate this funding.
- Preschool handicapped unit funding of BDD is prorated to 99.072984% of the calculated amount to stay within the appropriations.
- Special Education Transportation part of the funding is also based on FY 2011 amounts.
- Keep in mind that no deduction to the funding of regular school districts is made for BDDs. The entire BDD funding is paid by the state.

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Important Additional Notes

- Please note that the Bridge form includes information on funding targeted to special education, career technical education and gifted education services for FY 2012. These amounts that are shown at the bottom of the Bridge form on lines "Y" through "AA" are part of the total state funding resources amount that appears on line "O" of the form and are not additional funding items. Provisions of the law require us to show these amounts on the Bridge form so that school districts' personnel would know what portion of the total funding calculation should be devoted to provision of these services. Special and career technical education allocations are equal to the FY 2011 amounts whereas gifted education allocation equals the FY 2009 unit and identification funding amounts.
- In previous fiscal years reimbursements for the phase-out of tangible personal property (TPP) were distributed 3 times a year in August, October and May. Am. Sub. H. B. 153 has introduced major changes in the calculation of TPP reimbursement and also in the distribution schedule. Additionally, the new legislation requires an eligibility test to be performed to determine if school districts are still eligible to receive this reimbursement. Reimbursement to eligible districts for all fixed rate levy losses will be paid in two equal installments and for fixed sum levy losses will be paid based on 2/3 and 1/3 in November 2011 and May 2012 respectively. Also, whereas previously a second reimbursement calculation (true-up) was performed at the end of each fiscal year to account for changes in data elements that occurred during the course of the fiscal year, no such recalculation will be done in FY 2012 for FY 2011. The first round of TPP reimbursements was distributed with the November #2 payment. We have posted the detailed calculations of TPP reimbursements on ODE webpage to assist you in your financial planning. You can access this information by clicking here or alternatively by navigating the following path: ODE Homepage → Finance → State Funding for Schools → Information on the Phase-out and Loss Reimbursement of Tangible Personal Property Taxes (FY 2012).
- Related to the issue of reimbursements for levy losses please note that the June 2012 election is NOT a special election as defined in ORC 3501.01(D) and therefore renewal emergency levies CANNOT be placed on ballot in that election. The 2012 filing schedule for districts considering a school district income tax is now available on the Department of Taxation website and can be accessed by clicking here.
- Another piece of important information that is not entirely foundation related but needs to be mentioned is that Am. Sub. H. B. 153 eliminated EMIS payments to districts and other educational entities. In the past, EMIS subsidies were deposited into Fund 432 at the local level but since these payments have now been eliminated it is not necessary to use this fund anymore and any amounts remaining in Fund 432 must be expended by June 30, 2012.

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- The FY 2012 Set-aside calculations based on provisions of H. B. 30 are posted. This information can be accessed by clicking here or following this path: ODE Homepage → Finance → State Funding for Schools → Set-asides → FY 2012 Set-asides (Based on FY 2011 Data).
- A simulation tool of FY 2012 Bridge funding is now available for your use. This tool enables the user to change certain data fields on the Bridge calculation form to evaluate the funding implications. This tool can be accessed by clicking here or following this path: ODE Homepage → Finance → State Funding for Schools → Bridge Form Simulation Tool – FY12.
- Please note that for the benefit of those users who wish to do analytical work based on the factors and funding calculations of the Bridge formula in FY 2012, we are now including Excel versions of each foundation payment file on the ODE Website. The Excel files can be accessed by clicking here or navigating the following path: ODE Homepage → Finance → State Funding for Schools → District Payment Reports → Bridge Report – Excel Format.
- A comprehensive explanation of every line of the Bridge funding formula can also be accessed by clicking here or navigating the following path: ODE Homepage → Finance → State Funding for Schools → District Payment Reports → Bridge Funding Line-by-Line Calculation (FY2012).

Changes in FY 2011 Foundation Calculation – June #2 File vs. Final File

For the FY 2011 bi-monthly PASS foundation payments through the June #2 compilation, the basis of the funding calculation for all districts was a formula ADM that was extracted from either the FY 2010 October count ADM (taken in October 2009) and FY 2010 community school FTE (used as an estimate) or FY 2011 October count ADM (taken in October 2010) and FY 2010 community school FTE (used as an estimate). Although this was a close proxy for the ADM that should have been used, the FY2011 community school add-in FTE was not previously incorporated. In FY 2011 the law required the use of a so-called 'hybrid' formula ADM that was calculated based on either:

a. FY 2010 total October count (taken in October 2009) plus community school FTE add-in for FY 2011 or
b. FY 2011 total October count (taken in October 2010) plus community school FTE add-in for FY 2011

If the ADM compiled according to 'b' above was at least 2% greater than the ADM compiled in 'a', the formula ADM calculation would be based on 'b' otherwise on 'a'.

The cumbersome task of tracking non-traditional school students and matching them with the appropriate resident counts over fiscal year boundaries was the cause of the

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delay in utilizing the appropriate formula ADM in funding calculation in payment files through the June #2 file. Now, the Final FY 2011 PASS payment file utilizes the appropriate formula ADM derived from the compilations in 'a' and 'b' above.

This update in the payment file did not result in major changes in the foundation calculation of most school districts in FY 2011. A handful of districts however, experienced sizable changes in foundation calculation. Recognizing the financial constraints most districts are under, the Department has decided to modify the usual collection procedure of recapturing previous year overpayments. Accordingly, with the consent of the district, if the amount of recapture is more than $50,000 we will split it in half and recapture one half through the end of this fiscal year and the other half through the FY 2013 July #1 to the FY 2013 December #2 payments. Affected districts will have an adjustment description of "JV02 FY2011 PASS ADJ *SEE JV LISTING" on their statements of settlement whereas districts with "normal" adjustment handling will have an adjustment description of "JV02 FY2011 PASS ADJUSTMENT".

If affected districts prefer for the entire recapture to be made in this fiscal year through the last payment of the year (June #2) they need to send in a request informing Daria Shams Daria.Shams@ode.state.oh.us of the Division of Quality School Choice and Finance of their preference as soon as possible.

Questions should be directed to Daria Shams at Daria.Shams@ode.state.oh.us or your area coordinator.

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