Ohio | Department of Education

John Kasich, Governor
Dr. Richard A. Ross 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 Finance – Policy & Payment Services

RE: Fiscal Year 2014 Foundation Payment Calculation Distributed as January 2014 Payment #2

DATE: January 24, 2014

Provisions of Am. Sub. H. B. 59 govern the FY 2014 funding calculations. Although the initial foundation payments for FY 2014 were based on FY 2013 foundation formula and factors, with the first payment in October we switched to using the new formula provided in the new law.

General Information on the New Foundation Payment Report

As before, foundation payments are calculated twice a month and for each payment a foundation letter is generated that specifically references that particular payment and provides detailed information on the formula funding calculation as well as the distribution of various other funds and transfers by which the foundation calculation is adjusted. In addition to the new School Finance Payment Report (SFPR) which has replaced the Bridge form, a Statement of Settlement report is also provided as before that summarizes payment information to school districts based on the SFPR calculations and adjustments as well as additional adjustments and transfers from outside of the foundation formulae that are relevant to each payment.

The new SFPR is a comprehensive document designed to walk the user through every step of the funding calculation with relative ease by referencing the data and the funding formulae provided. There are 2 pages to the SFPR. The first page provides a summary of the state payment calculation for each component of the funding and the second page provides the details of the calculations in 3 segments: Statewide Factors and Parameters, District Factors and Parameters and Detailed Calculation of Funding Components of the Formula.

School Finance Payment Report (SFPR)

FY14 Summary School Funding Report

This portion of the SFPR provides the annual funding amounts of various components of the foundation formula the calculation and factors of which are provided in the second page of the SFPR. Lines ‘A’ to ‘W’ of this page list all of the funding components of the new formula together with any additional aid item and various transfers and adjustments that have historically been reflected on the payment calculation report.

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There are 2 columns of numbers on this report that show the Calculated Funding and the State Funding for all components of the formula. It then follows that what is calculated for a funding component is not necessarily what the state distributes for it due to the existence of a funding cap in the new formula that limits the funding of some school districts.

Foundation Funding Components that make up the new foundation formula are:

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. Career Tech Educational funding

In addition to these funding components, the new foundation formula also provides for a Transitional Guarantee which guarantees that no district will receive less in total FY 2014 funding than it received in FY 2013 by distributing the difference between the FY 2013 total funding and the FY 2014 total calculated amount (line 'K' of the report). Although the new formula guarantees at least the FY 2013 total funding, it also caps the FY 2014 calculated funding at 6.25% above the FY 2013 level. The second column of the Summary Page shows the funding calculations after the application of the cap for districts that are affected by it.

Additional Aid Items (lines 'M' and 'N') and Transfers and Adjustments (lines ' P', 'Q', 'R', 'S', 'T' and 'U') are, as before, calculated outside of the foundation formula and therefore not subject to the cap.

FY14 Detailed School Funding Report

This page of the SFPR provides the details of the funding calculations that appear on the summary page by means of providing all the pertinent formulae and factors that are applied to them. This page of the report is divided into 3 sections providing the Statewide Factors and Parameters, the District Factors and Parameters and the Detailed Calculation of the Funding Components.

The Detailed Calculation of Funding Components of the Formula portion gives the formulae for the calculation of each funding component with references to the statewide and district factors.

The report is self-explanatory and the funding amounts could easily be verified by going through the calculation steps.

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For complete information on the working of the new foundation formula, please refer to the **FY 2014 Foundation Formula Line-by-Line** document (now active).

Statement of Settlement

With each bi-weekly payment we include the details of the foundation formula calculation as well as all other additional payments, adjustments and transfers on the Statement of Settlement as we have always done in the past. As before, this report contains the new blended approach to calculating payments and recoveries. A 'percentage' based method is usually used for payments and the 'remaining payments' method used in calculating the bi-monthly payment amounts in previous fiscal years is for recovery of overpayments

Specific Information Relevant to the January #2 Payment

School Districts

SFPR

Foundation Funding Components

- The foundation formula is calculated based on provisions of Am. Sub. H. B. 59 based on all the formulae and parameters imbedded in the law.
- ADM data used in these funding calculations are based on the FY 2014 October compilations. We will be adjusting the October ADM for the remainder of the 'K' reporting period to ensure data accuracy.
- Valuation and income data used in these calculations are certified by the Ohio Department of Taxation and are not subject to any updates or changes.

Additional Aid Items

- As has always been the case, although they are calculated outside of the foundation formula, Preschool Special Education and Special Education Transportation Funding are shown on the payment report.
- Although the new law requires the calculation of the Preschool Special Education Funding to be based on a per-pupil approach, the calculation in this payment is still based on FY 2013 unit data and calculation methodology with distributions being based on100% of the calculations. Preschool counts were compiled in December and distributions will be based on them and the new formula as soon as the data is finalized (same as the January #1 payment).
- Special Education Transportation continues to be calculated as before. The amount shown in this payment is still the FY 2013 funding (same as the January #1 payment).

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Transfers and Adjustments

- Education Service Center Transfer included in this payment reflects the per-pupil transfer amount ($6.50 etc.) based on FY 2013 Report Card ADM and FY 2014 calculation methodology and any new FY 2014 contract amounts we have received since the previous payment. Please keep in mind that HB 59 does not provide for funding of ESC Supervisory Allowance and Special Education Extended Service and as a result less funding gets transferred from school districts (updated since the January #1 payment).
- Open Enrollment Adjustment included in this payment is based on FY 2014 October data and HB 59 provisions (updated since the January #1 payment).
- Community School Transfer in this payment is based on community school deduction calculations under provisions of HB 59 as reflected in the January community school payment file (updated since the January #1 payment).
- STEM School Transfer in this payment is based on STEM school deduction calculation pursuant to provisions of HB 59 as reflected in the January STEM school payment file (updated since the January #1 payment).
- Scholarship Transfer included in this payment is based on updated FY 2013 data and calculations (updated since the January #1 payment).
- Other Adjustments calculations in this payment are based on provisions of HB 59 and FY14 October data (updated since the January #1 payment).

Statement of Settlement

The Statement of Settlement reflects the components of the new foundation formula as they appear on the SFPR and other adjustments and as before, it employs two different approaches for payments (percentage) and recoveries (remaining payments).

In this payment:

- **FY 2013 Bridge** adjustment resulting from the update of the FY 2013 June #2 payment to the FY 2013 Final #1 payment is reflected (JV01).
- **FY 2013 Postsecondary** deduction is reflected (JV09 and JV10).
- **FY 2013 Solvency Assistance** repayment collected in FY 2014 is reflected (JV61).
- **FY 2014 Solvency Assistance** repayment collected in FY 2014 is reflected (JV60).
- **Judgment Payment** is reflected (JV87).
- **Private Treatment Facility Tuition** adjustment is reflected (JV84).
- **Private Treatment Facility Excess Cost** adjustment is reflected (JV88).
- **SB 140 SF-14 Tuition** adjustment is reflected (JV50 and JV51).
- **SF-14 Special Education Tuition** adjustment is reflected (JV52 and JV53).
- **Straight 'A' Transportation** funding is included. This fund is distributed without a JV code to all the districts that qualify for the Supplemental

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Transportation funding based on a per-pupil figure that uses up the entire appropriation multiplied by the number of qualified riders.

Education Service Centers (ESC)

ESC funding comes from 2 sources:

1. State – This funding is distributed as follows:
    a. State per-pupil amount which in this payment is based on the FY 2014 per-pupil amount of $37 applied to the FY 2013 number of students extracted from the FY 2013 Report Card. The payment is based on 81.74% of the calculated amount to stay within the appropriations (same as the January #1 payment).
    b. Gifted unit funding which is now being calculated based on updated FY 2014 Period 'K' unit data. Am. Sub. H. B. 59 reduced the FY 2014 appropriations for ESC gifted units and as a result we reduced the payment to 58.81% of the calculated amount to stay within the appropriations (updated since the January #1 payment).
    c. Special education transportation which is calculated based on adjusted FY 2012 factors is paid at 73.29% of the calculated amount to stay within the appropriations (same as the January #1 payment).
2. Local – This funding is deducted from member school districts and is distributed as follows:
    a. The $6.50 or an alternative per-pupil amount calculation based on FY 2013 Report Card ADM data (updated since the January #1 payment).
    b. Although the new law requires the calculation of the Preschool Special Education Funding to be based on a per-pupil amount, the calculation in this payment is still based on FY 2013 unit data and calculation methodology. Distributions are based on 100% of the calculated amounts (same as the January #1 payment).
    c. ORC Section 3313.845 contracts are based on FY 2014 data; however ODE has not yet received complete information on all contracts for FY 2014 (updated since the January #1 payment).

Please note that HB 59 has eliminated deductions for Supervisory Allowance and Special Education Extended Service for ESCs. Up through the September #2 payment we deducted funds for these purposes as all funding was based on FY 2013 factors and parameters. With the October #1 payment as we converted to the provisions of HB 59, we started negatively adjusting the ESC payments and positively adjusting the district deductions by reflecting these adjustments in the 3313.845 contracts using the 'percentage' or the 'remaining payments' approach.

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Boards of Developmental Disabilities (BDD)

- The school age component of BDD funding is based on FY 2013 data but the calculation parameters have been updated with the FY 2014 law which calculates a new state share index with each payment for the districts involved (updated since the January #1 payment).
- Although the new law requires the calculation of the Preschool Special Education Funding to be based on a per-pupil amount, the calculation in this payment is still based on FY 2013 unit data and calculation methodology. Distributions are based on 100% of the calculated amounts (same as the January #1 payment).
- Special Education Transportation part of the ESC funding is also from FY 2013 (same as the January #1 payment).

Additional Notes

- Detailed information on FY 2014 TPP reimbursements can be viewed at this link.

Questions should be directed to Daria Shams at Daria.Shams@education.ohio.gov or your area coordinator.

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