



**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 May 2014 Payment #1**

**DATE: May 9, 2014**

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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.

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.



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 May #1 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.
- School age ADM data used in these funding calculations are based on the FY 2014 October compilations and the preschool data is based on the December counts. The 'K' reporting period is now closed and no further data adjustments will be allowed. Of course as always, community school data is subject to monthly adjustments and to that extent resident ADM changes may occur.
- 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.
- The FY 2013 file on the basis of which the FY 2014 funding calculations are made has been updated to the Final #2 file which utilizes a reduced per-pupil statewide adjustment amount of \$82 (down from \$100). This reduction in the per-pupil amount distributes more foundation money to school districts in FY 2013 which will take the form of additional positive funding adjustment on the statement of settlement. Accordingly, this change results in the FY 2014 foundation funding to increase as the guarantee and the funding cap bases in FY 2014 will increase.
- Regular transportation component of the May #1 SFPR is updated utilizing more recent ridership data at generally higher funding levels that result in higher fund calculation for all districts. For districts that are not on the funding cap or the guarantee, this update which was made to address a language conflict issue in the Revised Code, generates additional funding.

### 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.
- With the February #1 payment we started calculating preschool special education funding according to provisions of Am. Sub. H. B. 59 and based on the data collected in December 2013. A total statewide amount of \$103,000,000 is available for distribution to school districts and boards of developmental disabilities (BDD). Any funding to education service centers (ESC) takes the form of transfers from resident districts. The funding distributed to each district is based on 100% of the calculated amount. With the March #2 SFPR payment we also calculated the share of the BDD based on new data gathered. The funding calculation is done based on the school district of residence child count and then transferred to BDD or ESC. BDD transfers are shown as part of the Other Adjustments on the SFPR. A worksheet of the preschool funding is included with the SFPR for each individual district which shows the details of the fund calculation ([updated since the April #2 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 April #2 payment](#)).

### 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. As far as preschool special education funding is concerned, the transfer amount reflects funding calculated based on provisions of HB 59 and the December count data as has been reported by school districts of residence as of the time of this 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 no such transfers from school districts are made ([updated since the April #2 payment](#)).
- Open Enrollment Adjustment included in this payment is based on FY 2014 October data and HB 59 provisions ([same as the April #2 payment](#)).
- Community School Transfer in this payment is based on community school deduction calculations under provisions of HB 59 as reflected in the April community school payment file ([same as the April #2 payment](#)).
- STEM School Transfer in this payment is based on STEM school deduction calculation pursuant to provisions of HB 59 as reflected in the March STEM school payment file ([same as the April #2 payment](#)).
- Scholarship Transfer included in this payment is based on estimated FY 2014 data and calculations ([updated since the April #2 payment](#)).

- Other Adjustments calculation in this payment is based on provisions of HB 59 and FY14 October data which now also includes transfers to BDD for preschool special education funding ([updated since the April #2 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:

- **Straight 'A' Transportation** funding is included. This fund is distributed without a JV code to all the districts that qualify for the Supplemental Transportation funding based on a per-pupil figure that uses up the entire appropriation multiplied by the number of qualified riders.
- **FY 2013 SF6 Excess Cost** adjustments continue to be reflected in this payment. Whereas all positive adjustments are applied to this payment, negative adjustments are recovered through the remaining payments of the fiscal year (JV98 and JV99).
- **FY 2013 Bridge** adjustment resulting from the update of the FY 2013 June #2 payment with the FY 2013 Final #1 payment is reflected (JV01).
- **FY 2013 Bridge** adjustment resulting from the update of the FY 2013 Final #1 payment with the FY 2013 Final #2 payment is reflected (JV03).
- **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).
- **FY 2014 Jon Peterson Reimbursement** for participating students who had never attended a public school is included (JV12).
- **FY 2014 State Insufficient Fund** adjustments are reflected.

For a more detailed explanation of all of the adjustments please visit [journal voucher codes](#) report on ODE website.

## [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 April #2 payment).
- b. Gifted unit funding which is now being calculated based on finalized FY 2014 Period 'K' unit data. HB 59 reduced the FY 2014 appropriations for ESC gifted units and as a result we reduced the payment to 57.6% of the calculated amount to stay within the appropriations (same as the April #2 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 April #2 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 calculated based on FY 2013 Report Card ADM data (same as the April #2 payment).
  - b. Preschool special education funding is based on provisions of HB 59 and child count extracted from the December count that school districts have reported to have been contracted to ESCs as of the date of this payment (updated since the April #2 payment).
  - c. ORC Section 3313.845 contracts are based on FY 2014 data which could include payments for preschool services as well. ODE is updating the contracts as they come in for FY 2014 (updated since the April #2 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.

### **Boards of Developmental Disabilities (BDD)**

- The school age component of BDD funding is now based on FY 2014 data and calculation methodology (updated since the April #2 payment).
- Preschool Special Education Funding is based on FY 2014 preschool child count and calculation methodology (updated since the April #2 payment). The BDD calculated amounts are deducted from the school districts of residence. These deductions are included as part of the Other Adjustments of the SFPR.
- Special Education Transportation part of the BDD funding is also from FY 2013 (same as the April #2 payment).



## **Additional Notes**

- Worksheets are included with the SFPR that explain the calculations of various funding components that are not imbedded in the SFPR. The worksheets that are posted are:
  - ADM Detail Report
  - Education Service Center Deduction
  - Open Enrollment
  - Other Adjustments
  - Scholarship Deduction
  - State Share Index Calculation
  - Community School Deduction
  - Community School Deduction Summary
  - Preschool Special Education Funding Calculation
- Detailed information on FY 2014 TPP reimbursements can be viewed at this [link](#).
- Detailed information on FY 2014 Public Utility Tangible Deregulation reimbursements can be viewed at this [link](#).
- FY 2014 Career Tech Guidance Letters (previously known as the Certification Letter) are now posted for regular school districts and JVS for each payment on this [link](#).
- The [FY 2013 District Profile Report](#) (Cupp Report) is now available.

Questions should be directed to Daria Shams at [Daria.Shams@education.ohio.gov](mailto:Daria.Shams@education.ohio.gov) or your area coordinator.