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 October 2013 Payment #2

DATE: October 25, 2013

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

Calculation of the various components of the new foundation formula in FY 2014 require the use of new enrollment data collected in the first full week of October. Some of these data will be compiled for the first time this year which means comparable data from previous year(s) are not available to be used as proxy until the October data becomes available. In the absence of such historical data, estimates of the FY 2014 factors are made to facilitate the running of the foundation calculation. Obviously there will be instances where our estimates may not meet your expectation due to our lack of informational resources on your individual school district. For that reason a new resource, Foundation Formula Calculator is provided that enables you to adjust the data used in the new foundation calculation according to your preferences until the actual October data becomes available.

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 replaces 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.

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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 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'). 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.

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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.

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 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.

Specific Information Relevant to the October #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.
- All ADM data used in these funding calculations are estimates based on FY 2013 data or derivatives thereof. Most ADM figures needed for these calculations are from the October data compilation which will be incorporated in the calculations as soon as the data is ready and usable.

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- Valuation and income data used in these calculations are certified figures and are not subject to any updates or adjustments.

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 (same as the October #1 payment).
- Special Education Transportation continues to be calculated as before. The amount shown in this payment is still the FY13 funding (same as the October #1 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 calculation and any new contract amounts we have received since the previous payment. Please keep in mind that HB 59 no longer provides 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 October #1 payment).
- Open Enrollment Adjustment included in this payment is based on FY 2013 calculation (same as the October #1 payment).
- Community School Transfer included in this payment is based on FY 2013 calculation (same as the October #1 payment).
- STEM School Transfer included in this payment is based on FY 2013 calculation (same as the October #1 payment).
- Scholarship Transfer included in this payment is based on FY 2013 calculation (same as the October #1 payment).
- Other Adjustments included in this payment is based on FY 2013 calculation (same as the October #1 payment).

Statement of Settlement

Since the payment report is now totally redesigned to match the requirements of the new foundation formula, the Statement of Settlement also needs to be redesigned to reflect the contents of the new SFPR report. At this transitional point in time however, the Statement of Settlement is still geared to the old Bridge payment report and still reflects the funding components on that payment document. Obviously this creates an imbalance between the two forms. Until a redesigned Statement of Settlement report

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is generated, our short term remedy for this situation is to start with the total capped funding on the SFPR from the October #2 payment as the total foundation funding due the district. We then summed up the SFPR funding excess over the Bridge total funding in the Bridge supplemental guarantee and reflected that as additional guarantee on the Statement of Settlement. So the total annual Bridge funding including the guarantee, should add up to the SFPR total capped funding.

The rest of this report is the same as before, reflecting various payment items that are relevant to each specific payment and as before, the document contains information on Annual, Year-to-Date, Balance and Payment amounts listed in the same manner as before.

In this payment:

- **FY 2013 Bridge** adjustment resulting from the update of the FY 2013 June #2 payment to the FY 2013 Final #1 Bridge payment is reflected (JV01).
- **FY 2013 Postsecondary** deduction is reflected (JV09).
- **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).
- **SB 140 SF-14 Tuition** adjustment is reflected (JV50 and JV51).
- **SF-14 Special Education Tuition** adjustment is reflected (JV52 and JV53).
- **SF-14 Per Diem** adjustment is reflected (JV62 and JV63).

Education Service Centers (ESC)

ESC funding which is still based on FY 2013 factors comes from 2 sources:

1. State – This funding is distributed as follows:
    a. State per-pupil amount ($37 single-county and $40.52 multi-county) which is based on 85% of the corresponding FY 2012 total amount. This funding (85% of the FY 2012 amount) is distributed at 100% of the calculated amount.
    b. Preschool unit funding which is calculated based on FY 2013 units is paid at 100% of the calculated amount.
    c. Gifted unit funding which is calculated based on FY 2013 units. Am. Sub. H. B. 59 reduces the FY 2014 appropriations for ESC gifted units and as a result we reduced the payment to 52% of the calculated amount to stay within the appropriations.
    d. 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.

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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 ADM data.
    b. 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.

    Please note that Am. Sub. H. B. 59 has eliminated Supervisory Allowance and Special Education Extended Service payments ESCs used to receive from member school districts. We have removed these 2 components of the ESC local funding form this payment.

Boards of Developmental Disabilities (BDD)

- The school age component of BDD funding is based on FY 2013 data and calculation.
- Preschool handicapped unit funding of BDD is calculated based on FY 2013 data and is paid at 100% of the calculated amount.
- Special Education Transportation part of the ESC funding is also from FY 2013.

Additional Notes

Complete information on FY 2014 Public Utility Deregulation reimbursements for regular districts and joint vocation school districts can be viewed on ODE homepage.

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

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