



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

FROM: Daria Shams, Office of Budget and School Funding

RE: Fiscal Year 2016 Foundation Payment Calculation Distributed as March #2 Payment

DATE: March 18, 2016

Provisions of Am. Sub. H. B. 64 govern the calculation of the various funding components of the FY 2016 foundation formula.

General Information on the 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 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 School Finance Payment Report (SFPR) which contains the foundation calculation details, a Statement of Settlement report is also provided as before that summarizes the payment information to school districts based on the SFPR calculation and adjustments as well as additional adjustments and transfers from outside of the foundation formula that are relevant to each payment.

The 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 formula 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)

FY 2016 Summary School Funding Report

This portion of the SFPR provides the annual funding amounts of the various components of the foundation formula the calculation and factors of which are provided on the second page of the SFPR. Lines 'A' to 'Z' of this page list all of the funding components of the 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 of the 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 formula that limits the funding of some school districts.

Foundation Funding Components that make up the 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
- J. Capacity Aid
- K. Graduation Bonus
- L. Third Grade Reading Bonus

In addition to these funding components, the foundation formula also provides for a Transitional Guarantee which guarantees that no district will receive less in total FY 2016 funding than it did in FY 2015 by distributing the difference between the FY 2015 total funding (guarantee base) and the FY 2016 total calculated amount (line 'N' of the report). Although the formula guarantees at least the FY 2015 total funding, it also caps the FY 2016 calculated funding at 7.5% above the FY 2015 funding 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 'P' and 'Q') and Transfers and Adjustments (lines 'S', 'T', 'U', 'V', 'W' and 'X') are, as before, calculated outside of the foundation formula and therefore not subject to the cap.

FY 2016 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.

Statement of Settlement

With each bi-weekly payment we include the details of the foundation formula calculation as well as all the 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 blended approach to calculating payments and recoveries. A 'percentage' based method is usually used for payments and the 'remaining payments' method is used for recoveries.

Specific Information Relevant to the March #2 Payment

School Districts

SFPR

Foundation Funding Components

- The SFPR calculations are based on provisions of Am. Sub. H. B. 64.
- FY 2015 Final #3 payment file serves as the basis for the FY 2016 March #2 payment calculation in terms of the guarantee and the funding cap bases.
- The school age FTE data used in the FY 2016 March #2 calculations are from the current compilations for FY 2016. At this point however, the CTE and preschool data are still the current FY 2015 counts.
- Graduation and Third Grade Reading Bonuses were calculated and distributed in the February #1 and the March #1 SFPR payments respectively. Since these calculations are functions of the state share index among other variables, and the state share index was updated with the processing of the FY 2015 Final #3 file, the calculation of these bonuses had to be adjusted in this payment. Typically these adjustments are very minor in scope.
- The school age and preschool data used in the Boards of Developmental Disabilities (BDD) funding calculations are all FY 2015 data.
- Valuation and income data used in these calculations are certified by the Ohio Department of Taxation and are not subject to change.
- Regular and special education transportation components of the SFPR are calculated based on updated data. We are now basing the base statewide per-pupil and per-mile figures on FY 2015 T2 data and the funding calculation on the FY 2016 T1 ridership and mileage data. Please keep in mind that at this time both FY 2015 T2 and FY 2016 T1 data are subject to change.

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 SFPR payment report.
- The calculation of the preschool special education funding in this payment is based on FY 2016 funding parameters and FY 2015 current data.
- Special Education Transportation as explained above.

Transfers and Adjustments

- Education Service Center Transfer included in this payment reflects the per-pupil transfer amount (\$6.50 etc.) applied to the FY 2015 Report Card count of the students and based on FY 2016 calculation methodology and any new FY 2016 contract amounts we have received so far. This is the first payment of this fiscal year in which we utilize FY 2015 Report Card student counts. As far as preschool special education funding is concerned, the transfer amount reflects funding calculated based on provisions of HB 64 and current FY 2015 data as has been reported by school districts of residence as of the time of this payment.
- Open Enrollment Adjustment included in this payment is based on FY 2016 current data compilation and HB 64 provisions for FY 2016.
- Community School Transfer in this payment is based on community school deduction calculation under provisions of HB 64 as reflected in the FY 2016 March community school payment file.
- STEM School Transfer in this payment is based on STEM school deduction calculation pursuant to provisions of HB 64 as reflected in the FY 2016 March STEM school payment file.
- Scholarship Transfer in this payment reflects calculations based on FY 2016 data and parameters for EdChoice, Autism and Jon Peterson programs.
- Other Adjustments calculation in this payment is based on provisions of HB 64 and FY 2016 current data for all adjustments except CTE which is still based on FY 2015 data.

Statement of Settlement

Statement of Settlement reflects the components of the FY 2016 foundation formula as they appear on the SFPR and the other adjustments we apply to the districts' funding, and as before, it generally employs two different approaches to payments and recoveries: the percentage approach and the remaining payments approach. In this payment:

- **FY 2015 SFPR Adjustments** which result from the update of the FY 2015 SFPR payment from the June #2 to the Final #1 payment are included. All positive adjustments are distributed with the FY 2016 August #2 payment in lump sums and the negative adjustments are recaptured through the remaining payments of the year (JV01).

- **FY 2015 SFPR Adjustments** resulting from the update of the FY 2015 SFPR payment from the Final #1 to Final #2 payment are reflected. All positive adjustments are distributed in lump sum with the December #2 payment and the negative adjustments will be recaptured through the remaining payments of the year (JV02).
- **FY 2015 SFPR Adjustments** resulting from the update of the FY 2015 SFPR payment from the Final #2 to Final #3 payment are reflected. All positive adjustments are distributed with this payment and the negative adjustments will be recaptured through the remaining payments of the year (JV03).
- **Youth Services Tuition Adjustments** are reflected (JV06).
- **FY 2015 Post-Secondary** deduction is reflected. This is for the students who participated in the post-secondary option program in the previous school year for whom deductions are now being applied. There is a one year lag in this process (JV09).
- **FY 2015 Post-Secondary Deduction** adjustment is included. This adjustment is for students enrolled in the post-secondary option program in FY 2015 whose information was modified or submitted after the initial payment was processed (JV10).
- **HB 455 Section 3323.091 Tuition Adjustments** are reflected (JV14).
- **School District Community School FTE Adjustment Settlement** is included. This adjustment which started with the FY 2015 September #2 payment affects a few school districts and is due to data correction following an ADM audit of Beacon Hill Academy and Hamilton Academy (JV17).
- **FY 2015 ORC Section 3317.028** adjustment is reflected (JV21).
- **FY 2016 SB 140 SF14 Tuition** adjustment is reflected (JV50 and JV51).
- **FY 2016 SF14 Special Education Tuition** is reflected (JV52 and JV53).
- **FY 2016 Solvency Assistance** repayment to be collected in FY 2016 is reflected (JV61).
- **FY 2015 Insufficient Fund** repayment is included (JV86).
- **FY 2015 SF6 Excess Cost** adjustments are reflected. These are FY 2015 adjustments that are still coming in after the end of FY 2015 and are based on FY 2014 data. There is always a one year lag in the application of this deduction. Whereas all positive adjustments are paid in lump sum, negative adjustments are recovered through the remaining payments of the fiscal year (JV98 and JV99).

For a more detailed explanation of all of the adjustments please visit the FY 2016 [Master Journal Voucher](#) 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 in this payment is based on the FY 2016 per-pupil amount of \$33 applied to the FY 2015 count of students extracted from the FY 2015 Report Card. The payment is based on

- 74.53% of the calculated amount to stay within the statewide appropriation of \$37,950,000.
- b. Gifted unit funding is being calculated based on FY 2015 gifted unit data. HB 64 limits the statewide appropriation for ESC gifted units to a total of \$3.8 million and as a result we prorated the distribution to 55.26% of the calculated amount to stay within the appropriation.
 - c. Special education transportation calculation is based on T2 data for FY 2015 and T1 data for FY 2016. This payment is based on 74.45% of the calculated amount to stay within the appropriation.
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 2015 Report Card count of students.
 - b. Preschool special education funding is based on FY 2016 parameters and current FY 2015 data that school districts have reported to have been contracted to ESCs as of the date of this payment.
 - c. ORC Section 3313.845 contracts are based on FY 2016 data which could include payments for preschool services as well. ODE is updating the contracts as they come in.

Boards of Developmental Disability (BDD)

- a. The school age component of BDD funding is calculated based on FY 2016 parameters and for now on FY 2015 data.
- b. Preschool Special Education Funding is based on FY 2016 parameters and FY 2015 preschool child count. 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.
- c. Special Education Transportation part of the BDD funding is based on FY 2015 data and calculation.

Additional Notes

- We have provided funding simulations for FY 2017 based on provisions of Am. Sub. H. B. 64 for [traditional](#) and [joint vocational school](#) districts that can be accessed on line. These simulations are accompanied by calculator tools that enable the user to evaluate the funding implications of changing certain data factors in the simulation files.
- The combined FY 2016 TPP and Deregulation Reimbursements calculated pursuant to provisions of Am. Sub. H. B. 64 were initially scheduled to be distributed in August 2015 and February 2016 and based on that schedule some districts did receive their first installment on August 26th. The distribution dates however had to be changed to November 2015 and May 2016 even though some districts had received their first installment in August. Those



John Kasich, Governor
Dr. Lonny J. Rivera, Interim Superintendent of Public Instruction

districts that did not get their first installment in August, received it on November 25th 2015 and all districts will get their second installment in May 2016. Please click on this [link](#) to access the explanation and the reimbursement by levy allocation as well as the calculation methodology for FY 2016.

- The [FY 2014 District Profile Report](#) (Cupp Report) is available for your use.
- The FY 2016 Tuition rates and letters have been finalized and are posted on this [link](#).
- The FY 2016 Set-asides have been calculated and posted on this [link](#).
- One other point that should be mentioned is that as far as property valuation figures are concerned, up through FY 2015, we have always referenced them in all our payment reports in terms of fiscal year. With the FY 2016 reports we have changed that by referring to them in terms of tax year to adhere to the text in the revised code. There is a two-year gap between a fiscal year and a tax year; so FY 2016 is the same as TY 2014 and FY 2015 is the same as TY 2013 and so forth. It is important to take note of this fact when comparing payment reports for FY 2016 with reports for earlier years.

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