State Foundation Payment Letter
Fiscal Year 2022 April #1 Payment Scheduled for Distribution on April 8, 2022

GENERAL INFORMATION ON STATE FOUNDATION PAYMENTS

Foundation payments to traditional school districts, educational service centers and boards of developmental disabilities are calculated twice a month. This letter, generated with each foundation payment, provides details about updated payments to these entities including fund deductions, adjustments and transfers. The Department strongly encourages the reading of this letter as it answers many questions regarding foundation payments and provides links to important reports.

AMENDED SUBSTITUTE HOUSE BILL 110

The recently enacted state budget made significant changes to the calculation and payment of state foundation funding. One of the biggest changes is a move to fund students where they are educated, rather than where they reside. Students attending a community school, STEM school, participating in a scholarship program (EdChoice, Cleveland Scholarship, Autism Scholarship, Jon Peterson Special Needs Scholarship) or participating in open enrollment are now directly funded at their educating entities. This change has resulted in eliminating the deduction and transfer of funds from resident districts to educating entities for students participating in these school choice options.

As a result, there will be significant changes in both revenue and expenditures that school districts receive in fiscal year (FY) 2022 and beyond as compared to previous years. School districts with large numbers of students who leave through the choice options will now see less state foundation funding without the inclusion of these students. However, these districts also will no longer see purchased services expenses associated with the deduction and transfer of funds for these students.

TRADITIONAL SCHOOL DISTRICTS

SCHOOL FINANCE PAYMENT REPORT

Beginning with the January #1 payment, provisions of Am. Sub. H. B. 110 were applied to the calculation and distribution of state foundation funding. The new School Finance Payment Report (SFPR) displays information on each funding element of the new foundation formula with all the relevant data elements and calculation parameters for each educational entity. Each SFPR is supplemented with several reports providing information on detailed data elements utilized in funding calculations as well as information on calculation methodologies. Future payment reports will include additional worksheets explaining all elements of the payment in greater detail including base cost, targeted assistance and transportation. See this link for all FY 2022 reports presently available.

The Summary SFPR provides the calculation of funding components in the foundation formula. Under the title State Support, the seven funding elements of Core Foundation Funding are listed on lines A through G. In addition to Core Foundation Funding, the report includes other funding elements of the formula on lines I through L. Next, the report includes Additional Aid Items and Transfers with line T citing the Net State Funding. Finally, the report also includes a Disclosure Item and information on the phase-in percentages of Core Foundation Funding elements.

Under Core Foundation Funding, four columns of numbers are provided on the Summary SFPR. These are:

- Base State Funding (column [a])
- Calculated State Funding (column [b])
- Phase-in Funding (column [c])
- Distributed State Funding (column [d])

The Summary Report is comprised of the following lines:

State Support

A. Base Cost – This comprises the largest part of total funding that school districts receive in FY 2022 and includes five sub-components:
   a. Teachers
   b. Student Support
   c. Leadership and Accountability
   d. Building Leadership
   e. Athletic Co-curricular Activity

   The sum of these amounts represents the aggregate base cost of the district, and the state portion is reflected in column [b]. *Future payments will include detailed base cost report to illustrate the calculation of this element of the formula.*
B. Targeted Assistance – The state calculated portion is reflected in column [b].
C. Special Education – The state calculated portion is reflected in column [b].
D. Disadvantaged Pupil Impact Aid (DPIA) – The state calculated portion is reflected in column [b].
E. English Learners – The state calculated portion is reflected in column [b].
F. Gifted – The state calculated portion is reflected in column [b].
G. Career Technical Education – The state calculated portion is reflected in column [b].
H. Core Foundation Funding – Sum of lines A though G.
I. Supplemental Targeted Assistance
J. Temporary Transitional Aid Guarantee
K. Transportation
L. Formula Transition Supplement
M. Total Formula Funding – Sum of lines H, I, J, K and L.

Additional Aid Items

N. Preschool Special Education.
O. Special Education Transportation
P. Total State Support – Sum of lines M, N and O.

Transfers

Q. Educational Service Center
R. Other Adjustments
S. Total Transfers – Sum of lines Q and R.
T. Net State Funding – Sum of lines P and S.

Under Am. Sub. H. B. 110, the calculated elements of Core Foundation Funding in FY 2022 are phased in at 16.67% relative to the comparable amounts for these funding elements in the Base State Funding in column [a]. Districts receive 16.67% of the difference between the Base State Funding in column [a] and the FY 2022 Calculated State Funding in column [b] in addition to the amounts identified as Base State Funding in column [a]. For DPIA, the phase-in percentage is 0%, which means districts receive the same amount of DPIA funding in FY 2022 as is identified as Base State Funding in column [a].

The phase-in of Core Foundation Funding is calculated in relation to the Base State Funding in column [a]. Generally, Base State Funding reflects FY 2020 foundation funding, before executive budget reductions, with adjustments for students who enter or leave the district through various choice options (community schools, STEM schools, scholarship programs, and open enrollment). The Base State Funding also includes any net special education excess cost adjustments. Special education excess cost is funding charged by the educating district to the resident district for services provided to students with disability on behalf of the resident district that exceeds the calculated funding transferred to the educating district. Typically, charges occur nine months after the end of the fiscal year and vary based on the number of open enrollment students and specific services provided. The Department is recommending legislative action to remove this from the calculations. Once the change takes place, the bases will be adjusted accordingly.[1]

If the above-mentioned adjustments result in the calculation of a negative Base State Funding in column [a] for specific funding elements, the negative amounts are set equal to $0, and the difference is applied to the Base Cost (line A[a]). If the amount on line A[a] is negative, positive amounts from lines B[a] (Special Education), C[a] (Targeted Assistance), E[a] (English Learners), F[a] (Gifted) and G[a] (Career Technical Education) are added to line A column [a] amount. Note that line D (DPIA) is not used for this adjustment.

To ensure full transparency, a detailed calculation of the Base State Funding amounts in column [a] is provided in the 'NEW: Foundation Funding Bases' link posted on the Department website. The spreadsheet posted at this link is comprised of 5 worksheets. The worksheet labeled 'Introduction' gives general information on the Base State Funding calculation. The second worksheet is labeled 'Core Foundation Funding (Ha)'. This source provides the calculation of the Core Foundation Funding on line H[a] of the SFPR Summary report. The third worksheet is labeled 'Components (Aa-Ga) – January' which gives information on the configuration of the Base Funding on line A[a] for the two January payments. For those payments there were a few districts for which the calculation of the components of Base Cost amounted to negative numbers. This worksheet includes the negative amounts for those districts. At this time this worksheet is provided for informational purposes. The worksheet labeled 'Components (Aa-Ga) – February' contains the same information except that any negative component amount is set equal to $0, and any negative Base Cost amount is adjusted as explained above. This source also includes a worksheet labeled 'FY21 Funding Base' that gives information on the calculation of the FY 2021 Funding Base. The FY21 funding base is used to calculate Formula Transition Supplement funding.

[1] Excess cost adjustments were not included in the Legislative Service Commission (LSC) funding simulation released during the budget process.

Column [c] on the Summary SFPR reflects the phase-in amounts for Core Foundation Funding components. The amounts in this column are added to the amounts in column [a] to yield the amounts in column [d]. Column [d] lists the annual amounts the state will pay school districts. Funding elements beyond Core Foundation Funding are not subject to any phase-in and school districts receive the calculated amounts for these funding elements.

The Summary SFPR also provides a disclosure amount for Student Wellness and Success funding. While this funding is included in the Student Support component of the Base Cost, it is restricted for specific purposes. The disclosure amount is separately identified on the Statement of Settlement with a restricted receipt code. The restricted portion of the Base Cost is calculated by applying the ratio of the Student Wellness and Success component of the Base Cost to the Aggregate Base Cost to the Base Cost in column [d]. Guidance on the use of funds is available here.

With this payment Other Adjustments distributions are compiled based on provisions of Am. Sub. H. B. 110. The calculation of this adjustment includes the following:

- Net Contract Education Transfers
- Career Technical Planning District Transfers
- Preschool Special Education Services provided by Boards of Developmental Disabilities
- Net Preschool Open Enrollment Transfers
- Catastrophic Cost Reimbursement Set-Aside

A new funding for Career Technical Planning Districts - Career Awareness and Exploration – is generated based on each member school districts ADM. Guidance on the use of funds is available here.

DETAILED SFPR AND FUTURE REPORTS

For this payment the following payment reports are posted online:

1. Summary SFPR – Displays the annual funding amounts for various funding elements of the foundation formula.
2. Detailed SFPR – Illustrates the calculation of many lines of the SFPR in detail. It provides important enrollment data, statewide factors, and calculations for special education, DPIA, English Learner, Gifted, and Career-Technical Education elements of Core Foundation Funding. The Detailed SFPR also provides the calculation for both temporary transitional aid guarantee and formula transition supplement.
3. Base Cost – Displays the details of the calculation of the Base Cost component of the foundation funding in detail. It gives the statewide and district factors with calculation formulae of the Base Cost funding elements.
4. Local Capacity – Provides information on the calculation of the Per-Pupil Local Capacity Amount which is the basis of the calculation of the state share of the foundation funding.
5. Other Adjustments – Provides the details of the Other Adjustments calculation.

6. Payment Comparison – Provides a comparison of all the funding components of the foundation formula and the underlying data in this payment with the same from the previous payment.
7. Preschool Special Education – Provides information on the calculation of the Preschool Special Education Funding.
8. Statement of Settlement – Provides the details of fund distributions from SFPR and non-SFPR sources. It shows the actual payment calculation for this payment derived from annual calculation of various funding elements of the SFPR and all the transfers and adjustments with information on staff and teachers' retirement fund distribution.
9. Targeted Assistance – Provides the details of the calculation of Targeted Assistance and Supplemental Targeted Assistance.
10. Transportation – Provides the details of the calculation of Regular and Special Education Transportation.

These reports ensure full transparency in the implementation of the new formula.

STATEMENT OF SETTLEMENT

The Statement of Settlement shows the amount of funding by component paid out biweekly from SFPR and non-SFPR sources. Typically, the biweekly amounts fluctuate based on data updates that occur during each payment period. On the statement of settlement, funds are generally paid out on a percentage basis or the remaining payments of the year basis. Fund recovery is typically based on the remaining payments of the year approach.

The new funding formula includes more restricted funding elements. At the Department's request, the Auditor of State confirmed or added the following restricted receipt codes to accommodate these changes. The links will take you to the guidance on the use of funds. These are as follows:

- 3211 – Disadvantaged Pupil Impact Aid (DPIA) (formerly known as Economically Disadvantaged funding)
- 3215 – Career Technical Education Funding (previously receipted with 3219)
- 3216 – Gifted Education Funding
- 3217 – English Learner Funding
- 3218 – Student Wellness and Success Funding (previously receipted with 3219)

KNOWN ISSUES AND UPDATES IN THIS PAYMENT

The Department continues the implementation of the new funding formula. This section will highlight known issues and updates in each payment. Following the release of the previous payment, a limited number of formula and data issues were identified.

The following corrections were made in this payment:

- Driver Training funding for ESCs have been included in this payment.
- An issue with Driver Training JV adjustments application in the March #2 payment has been resolved in this payment.

- A problem of IRN mismatch in Preschool Special Education deductions for ESCs was resolved.

DATA UPDATES APPLIED TO THIS PAYMENT

- ADM data used in the calculation of base cost enrolled ADM figures are based on finalized FY 2021, FY 2020, and FY 2019 data.
- FY 2022 ADM data for the calculation of the base cost and categorical funding components are based on compilations as of 03/30/22.
- Preschool Funding based on data compilations as of 03/30/22 paid at 100%.
- Special Education Transportation is based on FY 2021 data compilations and HB 110 calculation methodology paid at 100%.
- Regular Transportation is based on FY 2020 statewide average per rider and per mile amounts applied to FY 2022 T-1 milage and ridership data as of 03/30/22 and distributed based on 100% of the calculated amount.
- Other Adjustments is based on Am. Sub. H. B. 110 calculation for FY 2022 and data compilations as of 03/30/22.
- ESC Gifted unit funding is based on FY 2022 data as of 03/30/22 paid at 68.56% of the calculated amount to stay within the budgeted amount of $3.8 million.

Also in this payment:

(JV01) FY 2021 Final #1 Payment Adjustments are included. These adjustments were applied with the September #1 payment for the first time this fiscal year. All positive adjustments were distributed with that payment and the negative adjustments will be applied through the remaining payments of the year.
(JV02) FY 2021 Final #2 Payment Adjustments are included. These adjustments were applied with the November #1 payment for the first time this fiscal year. All positive adjustments were distributed with that payment and the negative adjustments will be applied through the remaining payments of the year.
(JV07) Transportation Noncompliance Fines for a handful of school districts are included. These fines are assessed for consistent and prolonged periods of noncompliance with transportation requirements pursuant to provisions of ORC Section 3327.21.
(JV09) College Credit Plus Deduction is included.
(JV37) Audit Finding Adjustments are included. These adjustments reflect funding adjustments that result from an audit correction.
(JV50) & (JV51) Tuition Adjustments are included. These adjustments that are for non-special education students reflect the period 2 amounts for FY 2021. At a later point, we will also include in these adjustments, the FY 2022 Period 1 amounts when they become available. All positive adjustments were distributed with the October #2 payment and the negative adjustments will be distributed among the remaining payments of the year. No new updates relative to the previous payment.
(JV52) & (JV53) Tuition Adjustments are included. These adjustments that are for special education students reflect the amounts for FY 2021 period 2. At a later point, we will also include in these adjustments, the FY 2022 Period 1 amounts when they become available. All positive

adjustments were distributed with the October #2 payment and the negative adjustments will be distributed among the remaining payments of the year. No new updates relative to the previous payment.
(JV78) Insufficient Funds Adjustments are included.
(JV87) FY 2022 Judgment Repayment is included.
(JV98) & (JV99) Excess Cost Adjustments are included. These adjustments which were initiated in the previous payment have been updated with the FY 2021 Period 2 expenditures. They result from expenditures on special education students by districts of education in excess of what is transferred from resident districts. These adjustments reflect expenditures that were incurred in FY 2021. No updates relative to the previous payment.

For a more detailed explanation of all the adjustments please visit FY 2022 Journal Voucher Codes on ODE website.

EDUCATION SERVICE CENTERS (ESC)

ESC funding comes from 2 sources:

1. **State** – Funds are distributed as follows:
    a. State Operating Subsidy – This funding is calculated based on the size of the ESC in terms of the number of students served. It is comprised of a base amount of $356,250 plus the product of $24.72 times the number students in excess of 5,000 and up to 35,000 and an additional per-pupil amount of $30.90 times the number of students in excess of 35,000. 16.67% of the difference between this calculation and the Funding Base (FY 2020 funding) is added to the Funding Base to obtain the State Operating Subsidy.
    b. Gifted Unit Funding – This funding is calculated based on the state approved gifted units as of 03/30/22. This payment is based on 68.56% of the calculated amount to stay within the statewide appropriation of $3,800,000.
    c. Special Education Transportation Funding – This is a reimbursement to service providers for the transportation of students with special needs. The calculation of this funding is based on the count of students from the previous year and the parameters in law. For this payment, student count data as of 03/30/22 is utilized and service providers receive 100% of the calculated amount.
2. **Local** – Funds are transferred from school districts to ESCs for the following purposes:
    a. Per-Pupil Transfer – $6.50 or an alternative per-pupil amount applied to the enrollment of client school districts.
    b. Preschool special education funding transfer is based on the parameters for the calculation of preschool funding for client districts and the count of preschool children. For this payment, the count of children as of 03/30/22 is utilized and ESCs receive 100% of the calculated funding amount.
    c. ORC Section 3313.845 contracts are based on FY 2022 data as of 03/30/2022.

COUNTY BOARDS OF DEVELOPMENTAL DISABILITIES (CBDD)

CBDD funding comes from 2 sources:

1. **State** – Funds are distributed as follows:
    a. School Age Special Education Funding – In this payment this funding is based on FY 2022 parameters and data as of 03/30/22.
    b. Special Education Transportation Funding – This funding is calculated based on FY 2022 parameters and data as of 03/30/22. In this payment it is paid at 100% of the calculated amount.
2. **Local** – Preschool Special Education Funding – In this payment this funding is calculated based on FY 2022 parameters and data as of 03/30/22. CBDDs receive 100% of the calculated amount. This funding is deducted from the funding of the school district of residence as part of the Other Adjustments of the SFPR and transferred to the CBDD.

ADDITIONAL NOTES

- The FY21 version of the District Profile Report (Cupp Report) is now available through this link.
- The first installment of the FY 2022 TPP Reimbursement was distributed on November 24th, 2021. This distribution was based on reimbursement calculations that captured the latest information from the Taxation Department on levy changes of the school districts. Information on this reimbursement can be accessed through this link.
- FY 2022 Tuition Rates calculations can be accessed through this link.
- FY 2022 Set-aside calculations can be accessed through this link.
- CTE Guidance Letters for traditional school districts, joint vocational school districts and community schools are posted online. You can access this information through this link. The FY 2022 letters will also be posted soon

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