

## State Foundation Payment Letter Fiscal Year 2022 July #1 Payment on July 9, 2021

### GENERAL INFORMATION ON SCHOOL FOUNDATION PAYMENT REPORT

Foundation payments to traditional school districts, education service centers and boards of developmental disabilities are calculated twice a month. This letter, generated with each foundation payment, provides specific details about updates to payments to these entities, including fund deductions, adjustments, and transfers. We strongly encourage you to read this letter as it answers many of your questions regarding your foundation payment and provides links to important reports.

### AMENDED SUBSTITUTE HOUSE BILL 110

The recently enacted state budget includes 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 live. Community school students, STEM school students, students participating in a scholarship program (EdChoice, Cleveland Scholarship, Autism Scholarship, and Jon Peterson Special Needs Scholarship), and students participating in open enrollment will all be directly funded at their educating entity. This change will eliminate the deduction and transfer of funds from resident districts to educating entities for students participating in these school choice options.

As a result, this will cause significant changes in both the revenue and expense that school districts should expect in FY 2022 and beyond. School districts with large numbers of students who leave through choice options should expect to see less state foundation funding without the inclusion of these students. However, school districts will no longer see purchased services expenses associated with the deduction and transfer of funds for these students.

These changes will require significant changes to the payment reports, and result in the removal of the lines that reflect fund transfers for open enrollment students, community and STEM schools as well as for scholarship programs.

### SCHOOL FINANCE PAYMENT REPORT (SFPR)

SFPR displays information on various funding elements of the foundation formula with all the relevant data elements and calculation parameters. Typically, there are two pages to this report: A 'Summary' page that lists each component of the formula as well as additional aid items with funding transfers and adjustments; and a 'Payment Detail' page that provides data elements, factors and parameters that are utilized in the funding calculations.

The complete implementation of the provisions of the foundation formula based on the new law for FY 2022 requires a complete overhaul of the funding calculation programs. The SFPR and payments for July through September will generally reflect net funding levels equal to FY 2021 levels, with the goal of implementing the new funding calculations enacted under Am. Sub. HB 110 by October.

At the time the FY 2022 transitional SFPR was developed, both the House and Senate versions of the budget included direct funding for community school, STEM school, and scholarship students.

Both versions also included the elimination of enrollment growth supplement funding. As a result, the SFPR for FY 2022 has eliminated these lines and included them in a revised line A calculation (see below for detailed calculation).

Unfortunately, differences between the House and Senate versions prevented the Department from acting on Student Wellness and Success Funding and Open Enrollment Funding. While neither of these lines will remain on the payment reports in the revised funding calculations, schools should expect to see the lines to remain on the payment report through the transition.

The initial FY 2022 payments' SFPR for July #1 through September #2 contain the following funding elements by line.

- A. Reflects the Foundation Formula Funding as was calculated for the FY 2021 June #2 (FY 2021 Line A), the addition of Enrollment Growth Supplement Funding (FY 2021 Line C), and the application of Community School, STEM school, and Scholarship transfers (FY 2021 Lines J, K, and L).
- B. Reflects Student Wellness and Success Funding as was calculated in FY 2021 June #2 payment. *HB 110 repealed the calculation of Student Wellness and Success funding that existed in FY 2020 and FY 2021. This action was not resolved until after the development of the FY 2022 transitional SFPR. Future SFPRs will reflect this change.*
- C. Reflects Preschool Special Education Funding as was calculated in the FY 2021 June #2 payment. *HB 110 increased the available funding for preschool special education. The increased appropriation will be made available starting with the July #2 payment.*
- D. Reflects the Special Education Transportation Funding from the FY 2021 June #2 payment. *HB 110 increased the available funding for special education transportation. The increased appropriation will be made available starting with the July #2 payment.*
- E. Reflects the total of lines 'B' 'C' and 'D'.
- F. Reflects the total of lines 'A' and 'E'.
- G. Reflects the Education Service Center Transfer updated to reflect new contractual agreements and district alignments beginning in FY 2022.
- H. Reflects Open Enrollment Adjustments as was calculated for the FY 2021 June #2 payment. *HB110 eliminates open enrollment transfers and adjustments in favor of funding these students at their district of education. This action was not resolved until after the development of the FY 2022 transitional SFPR. As a result, the Statement of Settlement directs districts to reflect both positive and negative open enrollment adjustments as unrestricted state grants in aid until the permanent law provisions of HB 110 can be implemented.*
- I. Reflects the Other Adjustments as was calculated for the FY 2021 June #2 payment.
- J. Reflects the total of lines 'G' 'H' and 'I'.
- K. Reflects the Net State Funding or the total of lines 'F' and 'J'.
- L. Line 'L' through line 'N' are the Disclosure Items as were reflected on the FY 2021 June #2 payment report. *HB 110 continues to restrict Career-Technical Education, Economically Disadvantaged funding (renamed Disadvantaged Pupil Impact Aid), and Special Education funding. Additionally, HB 110 restricts Gifted Education and English Learner funding. Revised restrictions will be included in the October payment reports.*

For details about the calculation of the above-mentioned funding components please refer to the FY 2021 June #2 Foundation Letter through this [link](#).

## STATEMENT OF SETTLEMENT

The Statement of Settlement shows the amount of funding by component paid out in each biweekly payment calculation from SFPR and non-SFPR sources. Typically, the biweekly amounts fluctuate based on data updates that occur during each payment period of the fiscal year. Payments between July and September will serve as a transition to the full implementation of the changes to state foundation funding with very few changes over the next three months. 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 methodology. For an explanation of the percentage base and the remaining payments of the year base methodologies please visit this [link](#). In this payment:

**(JV87) FY22 Judgment Repayment** is included.

**(JV86) FY21 Insufficient Funds Reimbursement** is included.

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

## ADDITIONAL NOTES

- FY 2020 District Profile (Cupp) Report (the most recent) can be accessed through this [link](#).
- FY 2021 TPP Reimbursement information can be accessed through this [link](#). The first installment of the FY 2022 reimbursement will be distributed in November 2021 and the second installment will be distributed in May 2022.
- FY 2021 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.

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