

State Foundation Payment Letter Fiscal Year 2022 November #1 Payment Distributed on November 12, 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 reside. 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. Presently, 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. Initially we were planning to fully incorporate the provisions of HB110 by October, but the transition process has taken longer than expected and we now believe it will be December before a full transition can be achieved. Presently the SFPR continues to predominantly reflect the FY 2021 funding amounts with the goal of a full transition to the new formula by December.

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 for July through the present payment 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 Adjustment at the time and consequently the SFPR for July through September listed Student Wellness and Success funding and any open enrollment adjustment. Starting with the October #1 payment however, the funding for Student Wellness and Success Funding was removed from the SFPR as part of the transition to implementing the new funding formula. At the completion of the transitional period, Open Enrollment Adjustment will also be removed.

In this payment, the FY 2022 SFPR contains 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 the zeroed-out FY 2021 Student Wellness and Success Funding. *HB 110 repealed the calculation of this funding that existed in FY 2020 and FY 2021 as a standalone funding element. In the new formula, once implemented, this funding will be a component of the base cost funding of the new foundation formula.*
- 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 is made available with this 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 is made available with this 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 realignments 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 payment reports after the complete implementation of HB110.*

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 from SFPR and non-SFPR sources. Typically, the biweekly amounts fluctuate based on data updates that occur during each payment period. Presently payments serve as a transition to the full implementation of the changes to state foundation funding with very few changes through the end of the transitional 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. For an explanation of these methodologies please visit this [link](#). 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 are applied with this payment for the first time this fiscal year. All positive adjustments are distributed with this payment and the negative adjustments will be applied through the remaining payments of the year.

(JV09) College Credit Plus Deduction is included.

(JV22) SERS Insufficient Funds are reflected.

(JV33) STRS Insufficient Funds are reflected.

(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 in time, 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.

(JV52) & (JV53) Tuition Adjustments are included. These adjustments that are for special education students reflect the amounts for FY 2021 period 1. All positive adjustments are distributed with this payment and the negative adjustments will be distributed among the remaining payments of the year.

(JV71) Community School FTE Review Adjustment in this payment reflects the redistribution of funds to affected school districts following the court ruling on the Electronic Classroom Of Tomorrow (ECOT) community school. Last month, the Ohio Supreme Court issued a ruling in ECOT's lawsuit against the State Board of Education. ECOT had sued over whether they had the right to appeal State Board of Education's 2017 decision related to ECOT's FTE review (under Revised Code section 119.12). In June 2017, the State Board voted to accept the decision of a hearing officer who

heard ECOT's appeal of the Department of Education's FTE determination for the 2015-16 school year and ordered ECOT to pay back more than \$60 million. Last month, the Court ruled ECOT did not have the right to appeal the State Board's decision. While the ruling did not address payments to the Department, it resolved the question of whether the State Board's 2017 decision could be overturned or further appealed by a court. Following the State Board's 2017 action, the Department began holding a portion of ECOT's state foundation payments to recover the overpayment. ECOT ultimately suspended operations in January 2018 and closed later that year. Prior to closure, the Department was able to recover approximately \$8 million from ECOT. The Department has held these funds pending resolution of the ongoing litigation. With the Court's recent decision, the Department is now redistributing this \$8 million to the affected traditional public school districts with this payment. The redistribution is based on a recalculation of FY16 foundation funding for both traditional districts and ECOT. Due to the manner in which school funding was calculated that year, as well as the presence of both funding limitations (caps) and guarantees in place for traditional districts, most of the funding due from ECOT should be redistributed to traditional districts. In total, 589 school districts had resident students attending ECOT in the 2015-16 school year and will receive a portion of the \$8 million. The remaining \$52.3 million for FY16, as well as \$19.3 million for FY17 and \$35.0 million for FY18 was previously certified to the Ohio Attorney General's Office for collection (\$106.6 million in total).

(JV87) FY 2022 Judgment Repayment is included.

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

DATA UPDATES AND ADJUSTMENTS APPLIED TO THIS PAYMENT

1. Traditional School Districts:
 - a. ADM based on FY 2021 – Updated as of 06/07/21
 - b. Community School Add-in based on community school FY 2021 as of June
 - c. CTE FTE based on FY 2021 – as of 6/07/21
 - d. Scholarship FTE based on FY 2021 data as of 06/07/21
 - e. Open Enrollment adjustment based on data as of 06/07/21
 - f. CTE FTE based on FY 2021 as of 06/07/21
 - g. Other Adjustments including CTE FTE based on FY 2021 as of 06/07/21
 - h. Preschool Funding based on FY 2021 data as of 06/07/21 paid at 100%
 - i. Regular Transportation based on data as of 02/25/19
 - j. Community School Transportation based on data as of 04/30/19
 - k. Special Ed Transportation based on FY 2020 data as of 07/13/21 paid at 100%
2. Education Service Centers:
 - a. Payments based on FY 2021 factors and formulae
 - b. Special Ed Transportation based on FY 2020 data as of 07/13/21 paid at 100%
 - c. Contracts based on FY 2022 data as of 11/01/21
 - d. Preschool Funding based on FY 2021 data as of 06/07/21 paid at 100%
 - e. Gifted Funding based on FY 2021 as of 06/04/21 paid at 68.62%
 - f. State Per Pupil Amount paid at 100.00%
3. County Boards of Developmental Disabilities

- a. Payments based on FY 2021 factors and formulae
- b. Special Ed Transportation based on FY 2020 data as of 07/13/21 paid at 100%
- c. Preschool Funding based on FY 2021 data as of 06/07/21 paid at 100%
- d. School Age Funding based on FY 2021 data as of 06/07/21

ADDITIONAL NOTES

- The first installment of the FY 2022 TPP Reimbursement is scheduled for distribution on November 24th, 2021. This distribution will be based on reimbursement calculations that capture the latest information from the Taxation Department on levy changes of the school districts.
- FY 2022 Tuition Rates calculations can be accessed through this [link](#).
- FY 2022 Set-aside calculations can be accessed through this [link](#).
- FY 2020 District Profile (Cupp) Report (the most recent) can be accessed through this [link](#).
- 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 or your area coordinator.