State Foundation Payment Letter
Fiscal Year 2023 October #1 Payment Scheduled for Distribution on October 14, 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 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 AND HOUSE BILL 583

This is the second year of the new state foundation formula with direct funding of students where they are educated, rather than where they reside. The calculation of the funding formula is still predicated on a base-cost approach in which district-wide base cost amounts are calculated to generate a universal statewide base cost per pupil for use in funding calculations. H. B. 583 introduced some changes to the provisions of Am. Sub. H. B. 110 as follows:

- **State Share Percentage**. H.B. 583 revised the calculation of the state share percentage. The calculation of this measure is now predicated on the ratio of the state share of the base cost per-pupil to the total base cost per-pupil with a universal 5% percentage for districts whose ratios are calculated to be lower than 5%. This stops the state share percentage from changing with every payment. Most school districts will see a slight increase in their state share percentage, marginally increasing the state foundation payments for districts not subject to the guarantee. This change will also impact the calculation of the funding for regular transportation, special education transportation, and preschool special education services.
- **FY 2020 Funding Base**. The FY 2020 Funding Base is used to establish the Base State Funding (column [a] of the Summary SFPR) and the temporary transitional aid guarantee. Initially the law required the Department to include the FY 2020 special education excess cost adjustment (paid in FY 2021) in the calculation of the FY 2020 Funding Base. Since this was not in the simulations or the intent of the Fair School Funding Plan, the Department flagged this issue last fall. Because of the lateness in the fiscal year, the General Assembly did not change the FY 2020 funding base for use in FY 2022 but did direct the Department to remove this adjustment from the FY 2020 funding base in FY 2023. The updated FY 2020 Funding Base for each district is available here.
- **Supplemental Targeted Assistance**. The General Assembly moved the supplemental targeted assistance outside of the calculation of the temporary transitional aid guarantee. The correction increases the funding for some of the districts that receive this funding.
- **20% Credit for Open Enrollment Students Participating in CTE at a JVSD or Compact**. H. B. 583 corrects a language oversight in the text of Am. Sub. H. B. 110 to ensure that all traditional districts receive a 20% credit for students who open enroll into a district, and subsequently attend a JVSD or a neighboring school district for career-technical education. While resident students who attend a JVSD or a neighboring district generate the 20% credit now, open enrollment students were not included in the provision. Statewide, the Department anticipates an increase of 725 FTE to the Enrolled ADM and Base Cost Enrolled ADM.

- **Revised English Learner Categories**. The General Assembly made minor modifications to the English Learner student categories to align their funding with the funding categories of the Ohio English Language Proficiency Assessment. This change is anticipated to increase the number of English Learner students and their funding.
- **Special Education Transportation (ESC and CBDD).** H. B. 583 aligns the special education transportation reimbursement funding of ESCs and CBDDs with the traditional school districts. All ESCs and CBDDs should see increased reimbursement for transporting special education students.

TRADITIONAL SCHOOL DISTRICTS

SUMMARY SCHOOL FINANCE PAYMENT REPORT

Provisions of Am. Sub. H. B. 110 as amended by H. B. 583 are applied to the calculation and distribution of state foundation funding in FY 2023. The Summary School Finance Payment Report (SFPR) displays information on each funding element of the 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. As in previous years, reports explaining all elements of the payment in greater detail are also provided for added transparency. All FY 2023 payment reports can be accessed through this link.

The Summary SFPR provides the calculated funding amounts for all the components of the foundation formula. Under the title State Support, seven funding elements of Foundation Funding that are subject to a phase-in are listed on lines A through G with line H providing the total of the phased-in amounts. Additionally, under the State Support the funding elements of the Foundation Formula that are not subject to any phase-in are given on lines I through L with line M providing the Total Formula Funding. The report also includes Additional Aid Items and Transfers with line T citing the Net State Funding. Finally, the report includes a Disclosure section which is comprised of the Student Wellness and Success of the Base Cost funding and the Core Foundation Funding which is also known as State Education Aid pursuant to provisions of ORC Section 5751.20(A). The report also provides information on the phase-in percentages of the Foundation Funding elements of the formula.

For 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 SFPR 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 2023 and includes five sub-components:
    a. Teachers Base Cost Funding
    b. Student Support Base Cost Funding
    c. Leadership and Accountability Base Cost Funding
    d. Building Leadership Base Cost Funding
    e. Athletic Co-curricular Activity Base Cost Funding

    The sum of these amounts represents the Aggregate Base Cost Funding of the district, the state portion of which is reflected in column [b].
B. Targeted Assistance
C. Special Education
D. Disadvantaged Pupil Impact Aid (DPIA)
E. English Learners
F. Gifted
G. Career Technical Education
H. Foundation Funding – Sum of lines A though G.
I. Temporary Transitional Aid Guarantee
J. Supplemental Targeted Assistance
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, all the calculated elements of Foundation Funding in FY 2023 except DPIA are phased in at 33.33% relative to the Base State Funding amounts in column [a]. Districts receive 33.33% of the difference between the FY 2023 Calculated State Funding in column [b] and the Base State Funding in column [a] in addition to the amount identified as Base State Funding in column [a]. DPIA, is distributed based on the same approach with the phase-in percentage of 14.00%. The result is reflected in column [d]. The amounts in column [d] are the annual distributions.

Generally, Base State Funding reflects the 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 as used in FY 2022, included any net special education excess cost adjustments. As mentioned above, upon the recommendation of the Department, pursuant to provisions of H. B. 583, this adjustment has now been removed from the Base State Funding used for FY 2023 funding calculation.

If the above-mentioned adjustments result in the calculation of specific funding elements of the Base State Funding in column [a] to be negative, the negative amounts are set equal to $0, and the differences are applied to the Base Cost (line A[a]). If ultimately 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 elements of the Base State Funding in column [a] is provided in the Foundation Funding Bases link posted under the FY 2022 section on the Department website. The link contains a spreadsheet with six worksheets as follows:

- The worksheet labeled 'Introduction' gives general information on the Base State Funding calculation.
- The worksheet labeled 'Core Foundation Funding (Ha)'. This source provides the calculation of the Core Foundation Funding on line H[a] of the SFPR Summary report as utilized in FY 2022.
- The worksheet 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) – Feb FY22' contains the same information as the previous worksheet except that any negative component amount is set equal to $0, and any negative Base Cost amount is adjusted as explained above.
- The worksheet labeled 'Components (Aa-Ha) FY23' contains the elements of the calculation of the Base State Funding for FY 2023 pursuant to provisions of H. B. 583 with excluded Special Education Excess Cost adjustment.
- 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.

Column [c] on the Summary SFPR reflects the phase-in amounts for 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 Foundation Funding are not subject to any phase-in and school districts receive the calculated amounts for these funding elements.

The Summary SFPR provides a disclosure amount for

1. **Base Cost Student Wellness and Success -** 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 student wellness and success funds are available here.

2. **Core Foundation Funding** which equals to the sum of Foundation Funding and Supplemental Targeted Assistance – Lines H and J.

A funding for Career Technical Planning Districts - Career Awareness and Exploration – is generated based on each member school districts ADM. This funding increased from $2.50 in FY22 to $5.00 in FY23 per-pupil. Guidance on the use of funds is available here.

DETAILED SFPR AND OTHER REPORTS

For this payment the following payment reports are posted online to ensure full transparency in the implementation of the formula:

1. **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.
2. **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.
3. **Career Technical Education Restricted Funding** – This report provides the breakdown of the 75% and 25% of CTE restricted funding amounts as directed by ORC 3317.014(C). For CTPDs this report shows restricted Associated Services and Career Awareness and Exploration.
4. **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. This report also provides the calculation for both temporary transitional aid guarantee and formula transition supplement.
5. **Education Service Center Deduction** – Illustrates the funding deductions for Education Service Centers (ESC) for:
    - District Per-Pupil
    - Preschool Special Education
    - Open Enrollment Preschool Special Education
    - Contract Amount
6. **Local Capacity** – Provides information on the calculation of the Local Capacity Per-Pupil Amount which is the basis of the calculation of the state share of the foundation funding.
7. **Other Adjustments** – Provides the details of the Other Adjustments calculation. Under provisions of Am. Sub. H. B. 110 these transfers are comprised of:
    - Net Contract Education
    - Career Technical Planning District Payment
    - Preschool Special Education Services provided by CBDD
    - Net Open Enrollment Preschool Special Education
    - Catastrophic Cost Set-Aside
8. **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.
9. **Preschool Special Education** – Provides information on the calculation of the Preschool Special Education Funding.

10. **Summary SFPR** – Displays the annual funding amounts for various funding elements of the foundation formula.
11. **Targeted and Supplemental Targeted Assistance** – Provides the details of the calculation of Targeted Assistance and Supplemental Targeted Assistance.
12. **Transportation** – Provides the details of the calculation of Regular and Special Education Transportation.

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. An explanation of the biweekly payment approaches can be accessed here.

The funding formula includes several 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 FOR TRADITIONAL DISTRICTS IN THIS PAYMENT

Am. Sub. H. B. 110 introduced major changes in data compilation and calculation methodologies. As is sometimes the case, during the process of implementing new approaches, calculation issues and problems may occur. In the interest of transparency, we identify any such issues in the current and previous payments in this section with identification of the resolutions.

In the Previous Payment

In this Payment

DATA UPDATES APPLIED TO THIS PAYMENT

- ADM data used in the calculation of base cost enrolled ADM are based on FY 2022, FY 2021, and FY 2020 data.
- FY 2023 ADM data needed for the calculation of various funding elements of the foundation formula are not available yet, so as proxy for the FY 2023 ADM, FY 2022 ADM is being utilized based on compilations as of 10/03/22.
- Preschool Funding based on FY 2022 data compilations as of 10/03/22 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 10/03/22 and distributed based on 100% of the calculated amount.
- Other Adjustments calculation is based on Am. Sub. H. B. 110 calculation for FY 2022 and data compilations as of 10/03/22.
- ESC Gifted unit funding is based on FY 2022 data as of 10/03/22 paid at 67.91% of the calculated amount to stay within the budgeted amount of $3.8 million.

Also in this payment:

- **(JV01) FY 2022 Fina #1 Payment Adjustments** are included. These adjustments were applied with the FY 2023 August #2 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 Deductions** are included.
- **(JV09) College Credit Plus Deductions** are included.
- **(JV37) Audit Funding for Recovery** are included.
- **(JV50) & (JV51) Tuition Adjustments** are included. These adjustments for non-special education students reflect the FY 2022 period 1 and 2 amounts. Positive adjustments are paid out as they occur, and negative adjustments are distributed among the remaining payments of the year.
- **(JV52) & (JV53) Tuition Adjustments** are included. These adjustments for special education students reflect the FY 2022 period 1 and 2 amounts. Positive adjustments are paid out as they occur, and negative adjustments are distributed among the remaining payments of the year.
- **(JV86) FY 2022 Insufficient Funds Repayments** are included.

For a more detailed explanation of all the adjustments please see FY 2023 Journal Voucher Codes

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 of 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. 33.33% of the difference between this calculation and the Funding Base (FY 2020 funding) is added to the Funding Base to get to the State Operating Subsidy.
    b. Gifted Unit Funding – This funding is calculated based on the state approved gifted units as of 09/14/22. This payment is based on 67.91% of the calculated amount to stay within the statewide appropriation of $3.8 million.

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 10/03/22 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. The enrollment figure is extracted from the FY 2022 Report Card.
   b. Preschool special education funding transfer is based on the parameters for the calculation of preschool funding for client districts and for now the count of preschool children for FY 2022. For this payment, the count of children as of 10/03/22 is utilized and ESCs receive 100% of the calculated funding amount.
   c. ORC Section 3313.845 contracts are based on FY 2023 data as of 10/03/22.

KNOWN ISSUES AND UPDATES FOR EDUCATIONAL SERVICE CENTERS IN THIS PAYMENT

In the Previous Payment

In this Payment

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 2023 parameters and FY 2022 data as of 10/03/22.
   b. Special Education Transportation Funding – This funding is calculated based on FY 2022 parameters and data as of 10/03/22. 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 2023 parameters and FY 2022 data as of 10/03/22. 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 FY 2023 foundation formula Line-by-Line explanation is available at this link.
- Payment Data Calendar is available here.
- The FY 2021 District Profile Report (Cupp Report) is available through this link.
- The second installment of the FY 2022 TPP Reimbursement was distributed on 05/25/22. This distribution was based on reimbursement calculations that capture the latest information from the Taxation Department on levy changes of the school districts. In addition to that, projection of the reimbursements through FY 2024 are also available.

- FY 2023 Tuition Rates calculations can be accessed through this link.
- FY 2023 Set-aside calculations can be accessed through this link .

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