

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

FROM: Office of Budget and School Funding

RE: Fiscal Year 2021 September #2 Foundation

Payment DATE: September 18, 2020

Provisions of Am. Sub. HB 166 of the 133rd General Assembly govern the calculation of the FY 2021 foundation funding. All funding calculations are to be based on the parameters specified in this law.

General Information on the 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 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 the payment reports.

SCHOOL FINANCE PAYMENT REPORT (SFPR)

The SFPR displays information on various funding elements of the foundation formula. The bulk of the foundation funding school districts receive in FY 2020 and FY 2021 is based on the total formula funding in FY 2019 distributed as Foundation Formula Funding. Accordingly, we initially reflected the FY 2019 foundation funding that appeared on line 'N' of the FY 2019 SFPR, on line 'A' of the FY 2020 SFPR as the FY 2020 Foundation Formula Funding. With the implementation of the state funding cuts in FY 2020, starting with the May #2 payment distribution, the FY 2020 foundation funding was reduced by funding cuts in response to COVID19 emergency. As a result, the FY 2021 Foundation Formula Funding is also scaled back from the FY 2019 level to the reduced FY 2020 level. As was the case with the FY 2020 foundation funding, no calculation is necessary for determining this funding amount and the funding is not affected by changes in data factors in FY 2021. This is reflected on line 'A' of the FY 2021 SFPR under STATE FUNDING. HB166 introduced two new funding components for FY 2020 and FY2021: Student Wellness and Success Funding and Student Growth Supplement. These are also shown on the FY 2021 SFPR under ADDITIONAL AID ITEMS on lines 'B' and 'C' respectively. In addition to these funding elements, the SFPR also shows the two additional aid items of Preschool Special Education and Special Education Transportation under this title for FY 2021 on lines 'D' and 'E' respectively with line 'F' showing the total ADDITIONAL AID ITEMS. The sum total of the Foundation Formula Funding (line 'A') and the Total Additional Aid Items (line 'F') comprise TOTAL STATE FUNDING shown on line 'G'. The SFPR includes all the funding transfers and adjustments for FY 2021 under TRANSFERS AND ADJUSTMENTS on line 'H' through 'M'. Line 'N' reflects the Total Transfers and Adjustments and line 'O' shows the NET STATE FUNDING after the application of the Transfers and Adjustments to TOTAL STATE FUNDING. Transfers and adjustments are:

- **Education Service Centers Transfer** for services these entities provide on behalf of the district (line 'H').
- **Open Enrollment Adjustment** reflects the net adjustment of positive and negative funding for the students who participate in the open enrollment program (line 'I').

- **Community School Transfer** shows the amount of funding transferred to community schools for resident students who attend these schools (line 'J').
- **STEM School Transfer** shows the amount of funding transferred to STEM schools for resident students who attend these schools (line 'K').
- **Scholarship Transfer** reflects the amount of funding deduction for students who participate in any of the scholarship programs. The amount of this adjustment is sent to service providers (line 'L')
- **Other Adjustments** shows the amount of funds that are transferred for: special education services districts provide on behalf of each other; CTE services districts provide in a cooperative context in CTE satellite settings and also for transfer of funds to County Boards of Developmental Disabilities for preschool services they provide to school districts. Other Adjustments are shown on line 'M'.

Transfers and Adjustments are calculated outside of the foundation formula in accordance with their respective calculation methodologies specified in law.

The SFPR also includes Disclosure Items on lines 'P', 'Q' and 'R'. These items represent the FY 2019 funding for Career-Technical Education, Economic Disadvantaged and Special Education Additional Funding that are all included in the State Funding on line 'A'. These items are disclosed separately to enable the districts to account for them individually for coding and/or maintenance of efforts purposes.

STATEMENT OF SETTLEMENT

The Statement of Settlement shows the amount of funding by component paid in each bi-weekly payment calculation. Typically, the bi-weekly amounts fluctuate based on data updates that occur during the course of the fiscal year. Funds are generally paid out on a percentage basis or remaining payments of the year and they are recovered throughout the year over the remaining payments of the year.

Specific Information Relevant to the September #2 Payment

Traditional School Districts

SFPR

State Funding

What is considered Foundation Formula Funding in FY 2020 and FY 2021 is the total funding the district has received in FY 2019 as foundation formula after the application of the guarantee and the funding cap that were in place in FY 2019. The Foundation Formula Funding reflected on line 'A' of the FY 2021 SFPR is the FY 2019 Total Formula Funding after the application of the funding cuts that were introduced in FY 2020 in response to COVID19 pandemic emergency. So, the FY 2021 Foundation Formula Funding reflects the FY 2020 amount which include the funding cuts. At this point in time we do not know of any additional forthcoming cuts in FY 2021 funding. In the foundation letters for FY 2020 for the May #2 and the ensuing payments we included this [link](#) on information on the funding cuts and their calculation.

Additional Aid Items

Student Wellness and Success Funding This is one of two funding elements (the other being the Enrollment Growth Supplement) that were introduced by Am. Sub. HB 166 for implementation in FY 2020. The calculation of this funding stream in FY 2021 is a function of the federal census poverty data on student populations below the age of 18 for the five-year period of FY 2014 through FY 2018. Rather than distributing the annual amount of this fund based on the remaining payments of the year, the law requires us to distribute half of the calculated annual amount in October and the other half in February. A worksheet explaining the data factors and

calculation methodology for this fund by school district can be accessed by clicking this [link](#) and checking the box labeled Student Wellness and Success.

Enrollment Growth Supplement This funding element that was also introduced by Am. Sub. HB 166, is aimed at providing additional funding to school districts that have experienced ADM increases in the 3-year time period FY 2017 to FY 2019. The calculation of this funding in this payment was prorated to 97.23% of the calculated amount to stay within the appropriation amount of \$23,000,000. A worksheet explaining the data factors and calculation parameters for this calculation by school district can be accessed by clicking this [link](#) and checking the box labeled Enrollment Growth Supplement.

Preschool Special Education Funding The SFPR also provides information on funding for Preschool Special Education as has always been the case. Preschool funding is calculated based on current data so it gets updated in each payment. In this payment, the preschool funding calculation is for now based on FY 2020 data as of 09/08/2020 and FY 2021 parameters. This funding is prorated to 86.55% of the calculated amount to limit the statewide distribution to the appropriation amount of \$110,000,000.

Special Education Transportation The SFPR also provides information on Special Education Transportation. This calculation is for now based on data for FY 2019 as of 04/24/2020. The law requires this calculation to be based on FY 2020 transportation data, however since that data is not available yet, we are basing the calculation on FY 2019 data as proxy. The funding in this payment is prorated to 86.25% of the calculated amount to stay within the appropriation amount of \$60,469,220. One important point that needs to be made here is that pursuant to a change in Administrative Code 3301-83-01, the state calculation of special education transportation in FY 2021 is now predicated on the greater of the FY 2019 state share index of the district or 25%. Prior to this change, this calculation was based on the greater of the state share index or 60%. This change will result in some school districts that have a state share index less than 60% to see a drop in their special education transportation funding.

Transfers and Adjustments

Education Service Center Transfer reflects the per-pupil transfer amount (\$6.50 etc.) for now applied to the FY 2019 Report Card count of the students. When the FY 2020 Report Card data becomes available, this calculation will be based on the count of the students from that file. The contract amounts reflected here are for FY 2021 approved in the ESC Contract system. Additional contracts for FY 2021 will also be included as they are approved.

Open Enrollment Adjustment is for now based on FY 2020 open enrollment data as of 09/08/2020.

Community School Transfer reflects the FY 2021 September community school deductions based on FY 2020 Community school FTE.

STEM School Transfer reflects the FY 2020 September STEM school deductions based on FY 2020 STEM school FTE.

Scholarship Transfers for Autism, Jon Peterson and EdChoice are now based on FY 2020 estimated data extracted from EMIS files as of 09/08/2020.

Other Adjustments for now reflect updated FY 2020 school age data as of 09/08/2020. CTE data is also from FY 2020 as of 09/08/2020.

Disclosure Items

These items of funding are part of the Foundation Funding that appears on line 'A' of the SFPR. Therefore, they represent the distributions of these funds in FY 2019 as part of their total foundation formula funding. Some of these funding elements have restricted use and have to be spent in accordance with certain specifications in law or they have to satisfy the requirements of the federal maintenance of efforts. Consequently, their amounts need to be identified individually to assist school districts with proper coding of these items. The 3 Disclosure Items we are identifying on the FY 2021 SFPR are:

Career-Technical Funding Component of Line 'A'
Economic Disadvantaged Funding Component of Line 'A'
Special Education Additional Funding Component of Line 'A'

Statement of Settlement

Statement of Settlement is the document that shows the distribution of the funds calculated on the SFPR as well as other adjustments that are outside of the SFPR, in installments over the course of the fiscal year. It reflects the FY 2021 SFPR components plus all the adjustments and transfers for FY 2021 that are applied to the districts' funding. The report generally employs two different approaches to payments and recoveries: The percentage approach and the remaining payments approach, usually whichever provides the [larger payment amount](#).

In this payment:

(JV01) FY2020 Final #1 Payment Adjustments are included. All positive adjustments are distributed with this payment and the negative adjustments are to be applied through the remainder of the fiscal year

(JV09) College Credit Plus Adjustments are included

(JV18) FY 2021 HB164 Section 19 Adjustments are included

(JV50 & JV51) SF14 Regular Tuition Adjustments are included. These adjustments only reflect the FY 2020 period two actual adjustments at this time. We expect to include the FY 2020 period one clean-ups together with these adjustments in the FY 2021 October #2 payment. The FY 2021 adjustments will be incorporated at a later point during the fiscal year but for now everything is still FY 2020 adjustments. All positive adjustments are paid out with this payment while negative adjustments are applied to the foundation payment through the course of the fiscal year.

(JV52 & JV53) SF14 Special Education Tuition Adjustments are included. These adjustments only reflect the FY 2020 period two actual adjustments at this time. We expect to include the FY 2020 period one clean-ups together with these adjustments in the FY 2021 October #2 payment. The FY 2021 adjustments will be incorporated at a later point during the fiscal year but for now everything is still FY 2020 adjustments. All positive adjustments are paid out with this payment while negative adjustments are applied to the foundation payment through the course of the fiscal year.

(JV62 & JV63) Per Diem SF14 Tuition Adjustments are included

(JV86) FY 2020 Insufficient Funds Repayments are included. Most of these insufficiencies resulted from the FY 2020 funding cuts due to COVID19 pandemic

(JV87) Judgment Pay Recapture is included

For a more detailed explanation of all of the adjustments please visit the FY 2021 [Journal Voucher Codes](#) report on ODE website.

We have now included in the footnote to the settlement report, information on the coding of the Disclosure Items for accounting purposes.

Education Service Centers (ESC)

ESC funding comes from 2 sources:

1. State – This funding is distributed as follows:
 - a. State per-pupil amount of \$26 for now applied to the FY 2019 Report Card count of the students. When the FY 2020 Report Card becomes available, the student counts from that file will be used for this calculation. This payment is based on the full calculated amount of \$39,797,550 which is within the appropriation of \$40,000,000 and is therefore fully distributed.
 - b. Gifted unit funding calculation is based on FY 2020 gifted unit data updated on 09/04/2020. This payment is based on 65.04% of the calculated amount to stay within the statewide appropriation.
 - c. Special education transportation calculation is for now based on data for FY 2019 as of 04/24/2020. When the FY 2020 data becomes available this calculation will be based on that data as the law requires. This payment is based on 86.25% of the calculated amount to stay within the statewide appropriation of \$60,469,220. As is the case now, the state share index for this calculation is set at 25% (established in ORC 3317.0212).
2. Local – This funding is deducted from the member school districts' funding and is distributed as follows:
 - a. The \$6.50 or an alternative per-pupil amount calculated based on FY 2019 Report Card count of students for now. When the FY 2020 Report Card data becomes available the student counts from that file will be utilized here.
 - b. Preschool special education funding is based on FY 2021 parameters and data as of 09/08/2020. This payment is now prorated to 86.55% of the calculated amount to stay within the appropriation amount of \$110,000,000.
 - c. ORC Section 3313.845 contracts are based on FY 2021 data as of 09/08/2020.

County Boards of Developmental Disabilities (CBDD)

- School age funding reflects FY 2021 parameters and for now FY 2020 data as of 09/08/2020.
- Preschool Special Education Funding reflects FY 2021 parameters and FY 2020 data as of 09/08/2020 prorated to 86.55% of the calculated amount to stay within the appropriations. CBDD preschool special education calculated amounts are deducted from the school districts of residence of the students. These deductions are included as part of the Other Adjustments of the traditional school districts' SFPR.
- Special education transportation calculation is based on data for FY 2019 as of 04/24/2020. This payment is based on 86.25% of the calculated amount to stay within the statewide appropriation of \$60,469,220. When the FY 2020 data becomes available this calculation will be recalculated based on that as the law requires. The state share index has been adjusted to 25% (established in ORC 3317.0212).

Additional Notes

- FY 2019 District Profile (Cupp) Report (the most recent) can be accessed through this [link](#).
- FY 2020 TPP Reimbursement information can be accessed through this [link](#). The payment of the first installment of the reimbursements was distributed in November 2019 and the second installment was distributed in May 2020. The first installment of the FY 2021 TPP reimbursements will be distributed in November 2020.

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

