



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

**FROM: Daria Shams, Office of Budget and School Funding**

**RE: Fiscal Year 2015 Foundation Payment Calculation Distributed as May 2015 Payment #2**

**DATE: May 22, 2015**

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Provisions of Am. Sub. H. B. 59 govern the calculation of the various funding components of the FY 2015 foundation formula.

### **General Information on the Foundation Payment Report**

As before, foundation payments are calculated twice a month and for each payment a foundation letter is generated that specifically references that particular payment and provides detailed information on the formula funding calculation as well as the distribution of various other funds and transfers by which the foundation calculation is adjusted. In addition to the School Finance Payment Report (SFPR) which contains the foundation calculation details, a Statement of Settlement report is also provided as before that summarizes payment information to school districts based on the SFPR calculation and adjustments as well as additional adjustments and transfers from outside of the foundation formula that are relevant to each payment.

The SFPR is a comprehensive document designed to walk the user through every step of the funding calculation with relative ease by referencing the data and the funding formulae provided. There are 2 pages to the SFPR. The first page provides a summary of the state payment calculation for each component of the funding formula and the second page provides the details of the calculations in 3 segments: Statewide Factors and Parameters, District Factors and Parameters and Detailed Calculation of Funding Components of the Formula.

### **School Finance Payment Report (SFPR)**

#### ***FY 2015 Summary School Funding Report***

This portion of the SFPR provides the annual funding amounts of various components of the foundation formula the calculation and factors of which are provided on the second page of the SFPR. Lines 'A' to 'W' of this page list all of the funding components of the formula together with any additional aid item and various transfers and adjustments that have historically been reflected on the payment calculation report.

There are 2 columns of numbers on this report that show the Calculated Funding and the State Funding for all components of the formula. It then follows that what is calculated for a funding component is not necessarily what the state distributes for it due to the existence of a funding cap in the formula that limits the funding of some school districts.

Foundation Funding Components that make up the foundation formula are:

- A. Opportunity Grant
- B. Targeted Assistance
- C. K-3 Literacy Funding
- D. Economic Disadvantaged Funding
- E. Limited English Proficiency Funding
- F. Gifted Education Funding
- G. Transportation Funding
- H. Special Education Additional Funding
- I. Career Tech Educational funding

In addition to these funding components, the foundation formula also provides for a Transitional Guarantee which guarantees that no district will receive less in total FY 2015 funding than it received in FY 2013 by distributing the difference between the FY 2013 total funding and the FY 2015 total calculated amount (line 'K' of the report). Although the formula guarantees at least the FY 2013 total funding, it also caps the FY 2015 calculated funding at 10.5% above the FY 2014 level. The second column of the Summary Page shows the funding calculations after the application of the cap for districts that are affected by it.

Additional Aid Items (lines 'M' and 'N') and Transfers and Adjustments (lines 'P', 'Q', 'R', 'S', 'T' and 'U') are, as before, calculated outside of the foundation formula and therefore not subject to the cap.

### ***FY 2015 Detailed School Funding Report***

This page of the SFPR provides the details of the funding calculations that appear on the summary page by means of providing all the pertinent formulae and factors that are applied to them. This page of the report is divided into 3 sections providing the Statewide Factors and Parameters, the District Factors and Parameters and the Detailed Calculation of the Funding Components.

The Detailed Calculation of Funding Components of the Formula portion gives the formulae for the calculation of each funding component with references to the statewide and district factors.

The report is self-explanatory and the funding amounts could easily be verified by going through the calculation steps.



## Statement of Settlement

With each bi-weekly payment we include the details of the foundation formula calculation as well as all other additional payments, adjustments and transfers on the Statement of Settlement as we have always done in the past. As before, this report contains the new blended approach to calculating payments and recoveries. A 'percentage' based method is usually used for payments and the 'remaining payments' method is used in calculating the bi-monthly payment amounts in previous fiscal years is for recovery of overpayments.

### Specific Information Relevant to the May #2 Payment

#### School Districts

#### SFPR

##### Foundation Funding Components

- The foundation formula is calculated based on provisions of Am. Sub. H. B. 59 based on all the formulae and parameters imbedded in the law.
- The school age FTE data used in the calculations are from the current compilations for FY 2015 as of the morning of May 12<sup>th</sup> 2015. At this point the FTE update applies to every component of funding except career tech funding which is still being calculated based on FY 2014 FTE numbers. This is due to the fact that career tech FTE updates have not been finalized yet. As far as preschool funding calculation is concerned we are still using the FY 2014 December count data for now as well. One thing about the FY 2015 FTE is that with every payment the most updated data will be utilized in the payment programs, so you will see calculation updates in every payment for the remainder of the fiscal year.
- Valuation and income data used in these calculations are certified by the Ohio Department of Taxation and are not subject to any updates or changes.
- The FY 2013 file that is used for establishing the guarantee base in FY 2015 is the Final #4 file. The FY 2014 base file that is used to establish the funding cap limit in FY 2015 has now been updated with the Final #3 file.
- Regular transportation component of the SFPR is calculated based on updated data for FY 2015.

##### Additional Aid Items

- As has always been the case, although they are calculated outside of the foundation formula, Preschool Special Education and Special Education Transportation Funding are shown on the SFPR payment report.

John Kasich, Governor  
Dr. Richard A. Ross Superintendent of Public Instruction

- The calculation of the preschool special education funding in this payment is based on the FY 2015 funding parameters and 2014 December counts as were utilized in the FY 2014 Final #3 payment calculation as a placeholder (same as the May #1 payment).
- Special Education Transportation funding in this payment is calculated based on updated data for FY15 (same as the May #1 payment).

### Transfers and Adjustments

- Education Service Center Transfer included in this payment reflects the per-pupil transfer amount (\$6.50 etc.) applied to the FY 2014 Report Card count of the students and based on FY 2015 calculation methodology and any new FY 2015 contract amounts we have received so far. As far as preschool special education funding is concerned, the transfer amount reflects funding calculated based on provisions of HB 59 and the FY 2014 December count data as has been reported by school districts of residence as of the time of this payment as a placeholder (updated since the May #1 payment).
- Open Enrollment Adjustment included in this payment is based on the FY 2015 current data compilation and HB 59 provisions for FY 2015 (updated since the May #1 payment).
- Community School Transfer in this payment is based on community school deduction calculation under provisions of HB 59 as reflected in the FY 2015 May community school payment file (updated since the May #1 payment).
- STEM School Transfer in this payment is based on STEM school deduction calculation pursuant to provisions of HB 59 as reflected in the FY 2015 May STEM school payment file (updated since the May #1 payment).
- Scholarship Transfer in this payment is based on FY 2015 current data for EdChoice, Autism and Jon Peterson programs (updated since the May #1 payment).
- Other Adjustments calculation in this payment is based on provisions of HB 59 and FY 2015 current data for all adjustments except CTE adjustments which are still based on FY 2014 data applied to the FY 2015 parameters (updated since the May #1 payment).

### Statement of Settlement

Statement of Settlement reflects the components of the FY 2015 foundation formula as they appear on the SFPR and the other adjustments we apply to districts' funding, and as before, it generally employs two different approaches to payments (percentage) and recoveries (remaining payments). In this payment:

- **Straight 'A' Transportation** funding is included. This fund is distributed without a JV code to all eligible districts that have a state share index greater than 0.5 and have pupil density below the statewide median based on a per-

pupil figure that uses up the entire appropriation multiplied by the number of qualified riders.

- **FY 2015 State Insufficient Fund** Adjustments are reflected.
- **FY 2014 SFPR** adjustment is reflected. This adjustment is due to the update of the FY 2014 June #2 to the Final #1 payment. Positive adjustments were all made with the August #2 payment in lump sum regardless of the adjustment size. Negative adjustments were applied to the remaining payments of the year if they were larger than \$10,000 otherwise they were applied to the August #2 payment in lump sum as well. We continue deducting for negative adjustments (JV01).
- **FY 2014 SFPR** adjustment is reflected. This adjustment is due to the update of the FY 2014 Final #1 to the Final #2 payment. Positive adjustments were all made with the February #1 payment in lump sum regardless of the adjustment size. Negative adjustments were applied to the remaining payments of the year if they were larger than \$10,000 otherwise they were applied to the February #1 payment in lump sum as well (JV03).
- **FY2015 Type IV In Lieu of Transportation** is reflected. This funding is distributed outside of the foundation formula and goes to eligible parents based on a per-pupil amount of \$130.84 applied to the number of students transported. The FY 2015 statewide appropriation for this funding is \$2.5 million (JV04).
- **FY 2014 SFPR** adjustment is reflected. This adjustment is due to the update of the FY 2014 Final #2 to the Final #3 payment (JV05).
- **FY 2014 Post Secondary** deduction is reflected. This deduction which was first applied to the August #1 payment in this fiscal year is for FY 2014 deductions. There is always a one year lag in the application of this deduction (JV09).
- **FY 2014 Post Secondary** adjustment is reflected. This adjustment which is part of the (JV09) accounts for cases requiring data modification or for late data submission (JV10).
- **FY 2014 Jon Peterson Reimbursement** true-up is included. With the September #1 payment we provided positive adjustments to some districts for students who had never been part of the funding ADM base but were participating in the Jon Peterson Scholarship program. With the same payment we also started a process of data correction which resulted in negative adjustments for some districts being recovered through the remaining payments (JV12).
- **School District Community School FTE Adjustment Settlement** is included. This adjustment which started with the September #2 payment affects a few school districts and is due to data correction following an ADM audit of Beacon Hill Academy and Hamilton Academy (JV17).
- **FY 2014 ORC Section 3317.027** continues to be reflected (JV20).
- **FY 2014 ORC Section 3317.028** continues to be reflected (JV21).
- **FY 2013 Bridge Funding** adjustment resulting from running the Final #3 payment file is included (JV23).
- **FY 2014 SB 140 SF14 Tuition** continues to be reflected (JV50 and JV51).

- **FY 2014 SF14 Special Education Tuition** continues to be reflected (JV52 and JV53).
- **FY 2014 Solvency Assistance** repayment collected in FY 2014 continues to be reflected (JV60).
- **FY 2015 Solvency Assistance** repayment to be collected in FY 2015 continues to be reflected (JV61).
- **FY 2015 SF14 Per Diem** is reflected (JV62 and JV63).
- **FY 2014 SF6 Excess Cost** adjustments that are paid in FY 2015 are reflected in this payment. This is the first payment of FY 2015 in which we are applying the FY 2014 adjustments. Whereas all positive adjustments are paid in lump sum, negative adjustments are recovered through the remaining payments of the fiscal year (JV98 and JV99).

For a more detailed explanation of all of the adjustments please visit the FY 2015 [Master Journal Voucher](#) report on ODE website.

### [Education Service Centers \(ESC\)](#)

ESC funding comes from 2 sources:

1. State – This funding is distributed as follows:
  - a. State per-pupil amount which in this payment is based on the FY 2015 per-pupil amount of \$35 applied to the FY 2014 count of students extracted from the FY 2014 Report Card. The payment is based on 76.65% of the calculated amount to stay within the appropriations (same as the May #1 payment).
  - b. Gifted unit funding which for now is being calculated based on FY 2014 Period 'K' unit data. HB 59 limited the appropriation for ESC gifted units to a total of \$3.8 million and as a result we reduced this funding to 57.23% of the calculated amount to stay within the appropriation (same as the May #1 payment).
  - c. Special education transportation calculation is based on data for FY 2015 and is paid based on 76.44% of the calculated amount to stay within the appropriation (same as the May #1 payment).
2. Local – This funding is deducted from member school districts and is distributed as follows:
  - a. The \$6.50 or an alternative per-pupil amount calculated based on FY 2014 Report Card counts (same as the May #1 payment).
  - b. Preschool special education funding is based on FY 2015 parameters and for now the child count extracted from the FY 2014 December count as reflected in the FY 2014 Final #3 payment file that school districts have reported to have been contracted to ESCs as of the date of this payment (same as the May #1 payment).
  - c. ORC Section 3313.845 contracts are based on FY 2015 data which could include payments for preschool services as well. ODE is updating the contracts as they come in for FY 2015 (updated since the May #1 payment).

### **Boards of Developmental Disabilities (BDD)**

- a. The school age component of BDD funding is calculated based on FY 2015 parameters and for now on FY 2014 data (same as the May #1 payment).
- b. Preschool Special Education Funding is based on FY 2015 parameters and for now on FY 2014 preschool child count. The BDD calculated amounts are deducted from the school districts of residence. These deductions are included as part of the Other Adjustments of the SFPR (same as the May #1 payment).
- c. Special Education Transportation part of the BDD funding is based on FY 2015 data and calculation (same as the May #1 payment).

### **Additional Notes**

- The FY 2015 [Public Utility Deregulation Reimbursement](#) for the first half of the fiscal year was distributed on August 27<sup>th</sup> 2014 independently of the foundation payment. The second half was distributed on February 25<sup>th</sup> 2015. Please visit the link provided above for details of the reimbursement distribution and their allocation by levy type.
- The FY 2015 [Tangible Personal Property \(TPP\) Phase-out Reimbursement](#) for the first half of the fiscal year was distributed on November 26<sup>th</sup> 2014 independently of the foundation payment. Reimbursements for the second half of the fiscal year will be distributed on May 27<sup>th</sup> 2015 independently of the foundation payment. Please visit the link provided above for details of the reimbursement distribution and their allocation by levy type.
- The [FY 2014 District Profile Report](#) (Cupp Report) is available for your use.

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