



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

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

**RE: Fiscal Year 2015 Foundation Payment Calculation Distributed as November 2014 Payment #1**

**DATE: November 7, 2014**

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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 November #1 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.
- Both school age and preschool ADM data used in the calculations are, at this point, the FY 2014 October compilations and the FY 2014 December counts respectively as reflected in the FY 2014 Final #1 payment file. ADM compilation is an area which will undergo major changes in FY 2015 relative to FY 2014 once the actual data becomes available.
- 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 #2 file. The FY 2014 base file that is used to establish the funding cap limit in FY 2015 is the Final #1 file.
- Regular transportation component of the SFPR is calculated based on the same data as was reflected in the FY 2014 Final #1 payment file with minor adjustments resulting from data update of a couple of districts but in the context of the FY 2015 appropriation. This has given transportation funding a boost as the FY 2015 appropriation is 5% higher than that of FY 2014.

##### 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 payment report.
- The calculation of preschool special education funding in this payment is based on the funding parameters in law and the same 2014 December count that was

utilized in the FY 2014 Final #1 payment calculation as a placeholder (same as the October #2 payment).

- Special Education Transportation funding in this payment is the same calculation as was reflected in the FY 2014 Final #1 payment (same as the October #2 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 2013 Report Card ADM and based on FY 2015 calculation methodology and any new FY 2015 contract amount 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 (same as the October #2 payment).
- Open Enrollment Adjustment included in this payment is based on the FY 2014 yearend data and HB 59 provisions for FY 2015 (same as the October #2 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 August community school payment file (same as the October #2 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 August STEM school payment file (same as the October #2 payment).
- Scholarship Transfer in this payment is based on actual FY 2014 data for EdChoice and estimated data for the other programs as they were exactly reflected on the FY 2014 Final #1 payment file as a placeholder (same as the October #2 payment).
- Other Adjustments calculation in this payment is based on provisions of HB 59 and FY 2014 October data applied to the FY 2015 parameters (same as the October #2 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 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 Post Secondary** deduction is reflected. This deduction which was first applied to the August #1 payment in this fiscal year is for FY 2014 that is being applied to the FY 2015 SFPR payment. There is always a one year lag for the application of this deduction (JV09).
- **FY 2014 Post Secondary** adjustment is reflected. This adjustment which is part of (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. 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 2013 Bridge Funding** adjustment resulting from running the Final #4 payment file is included (JV25).
- **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 2013 SF6 Excess Cost** adjustments that were applied to the FY 2014 funding continue to be reflected in this payment to account for data that was reported after the distribution of the FY 2014 June #2 and Final #1 payments. Whereas all positive adjustments are applied to this payment and paid in lump

sums, 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 [journal voucher codes](#) 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 2013 number of students extracted from the FY 2013 Report Card for now. This calculation will later be based on the FY 2014 Report Card number of students. The payment is based on 75.86% of the calculated amount to stay within the appropriations **(same as the October #2 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 October #2 payment)**.
  - c. Special education transportation calculation which is the FY 2014 funding amount for now and is paid at 79.20% of the calculated amount to stay within the appropriation **(same as the October #2 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 2013 Report Card ADM data **(same as the October #2 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 that school districts have reported to have been contracted to ESCs as of the date of this payment **(same as the October #2 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 October #2 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 October #2 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 October #2 payment).
- c. Special Education Transportation part of the BDD funding is the same calculation as was reflected in the FY 2014 Final #1 payment (same as the October #2 payment).

### **Additional Notes**

- The FY 2015 [Public Utility Deregulation Reimbursement](#) was distributed on August 27<sup>th</sup> 2014 independently of the foundation payment.
- The FY 2015 [Tangible Personal Property \(TPP\) Phase-out Reimbursement](#) scheduled for distribution in November 2014 will be distributed independently of the foundation payment on November 26<sup>th</sup> 2014.
- The [FY 2013 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.