



**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 2016 Foundation Payment Calculation Distributed as September 2016 Payment #2**

**DATE: September 25, 2015**

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Provisions of Am. Sub. H. B. 64 govern the calculation of the various funding components of the FY 2016 foundation formula. For now however the FY 2016 payments are being calculated utilizing the provisions of Am. Sub. H. B. 59 (as if FY 2015 is still in progress) until we have reconfigured all of the foundation formula programs in accordance with the new law. The legislature has given ODE until the end of September 2015 to do that. Therefore with the first payment in October 2015 we will convert to Am. Sub. H. B. 64 provisions.

### **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 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 2016 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 2016 funding than it received in FY 2013 by distributing the difference between the FY 2013 total funding and the FY 2016 total calculated amount (line 'K' of the report). Although the formula guarantees at least the FY 2013 total funding, it also caps the FY 2016 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 2016 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 September #2 Payment

#### School Districts

#### SFPR

##### Foundation Funding Components

- All calculations are being done in the context of the FY 2015 funding formula and factors for now. With the October #1 payment we will update everything with the FY 2016 foundation formula based on provisions Am. Sub. H. B. 64.
- The foundation formula is calculated based on provisions of Am. Sub. H. B. 59 for now until the funding programs are reconfigured based on provisions of Am. Sub. H. B. 64.
- The school age FTE data used in the calculations are from the current compilations for FY 2015 (the same data as was used in the September #1 SFPR). At this point all the FTE used in the calculations are FY 2015 data except for community school CTE which are still the FY 2014 data. As far as preschool funding calculation is concerned we are using updated FY 2015 data for all entities except the Boards of Developmental Disabilities (BDD). In fact BDD school age data is also from FY 2014.
- Valuation and income data used in these calculations are certified by the Ohio Department of Taxation.
- The FY 2013 file that is used for establishing the guarantee base in FY 2016 is the Final #4 file. The FY 2014 base file that is used to establish the funding cap limit in FY 2016 is 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.
- The calculation of the preschool special education funding in this payment is based on FY 2015 funding parameters and FY 2015 current data.
- Special Education Transportation funding in this payment is calculated based on data for FY 2015.

### 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 2016 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 current FY 2015 data as has been reported by school districts of residence as of the time of this payment.
- Open Enrollment Adjustment included in this payment is based on the FY 2015 current data compilation and HB 59 provisions for FY 2015.
- Community School Transfer in this payment is based on community school deduction calculation under provisions of HB 59 as reflected in the FY 2016 September community school payment file.
- STEM School Transfer in this payment is based on STEM school deduction calculation pursuant to provisions of HB 59 as reflected in the FY 2016 September STEM school payment file.
- Scholarship Transfer in this payment is based on FY 2015 current data for EdChoice, Autism and Jon Peterson programs.
- Other Adjustments calculation in this payment is based on provisions of HB 59 and FY 2015 current data for all adjustments.

### Statement of Settlement

Statement of Settlement reflects the components of the FY 2016 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 and recoveries: the percentage approach and the remaining payments approach. In this payment:

- **FY 2015 SFPR Adjustments** which result from the update of the FY 2015 SFPR payment from the June #2 to the Final #1 payment are included. All positive adjustments are distributed with the FY 2016 August #2 payment in

lump sum and the negative adjustments are recaptured through the remaining payments of the year (JV01).

- **Youth Services Tuition** adjustment is included (JV06).
- **FY 2015 Post-Secondary** deduction is reflected. This is for the students who participated in the post-secondary option program in the previous school year for whom deductions are now being applied. There is a one year lag in this process (JV09).
- **HB455 Section 3323.091 Tuition** adjustment is included (JV14).
- **School District Community School FTE Adjustment Settlement** is included. This adjustment which started with the FY 2015 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 2015 ORC Section 3317.028** adjustment is reflected (JV21).
- **FY 2015 SB 140 SF14 Tuition** adjustment is reflected. These are FY 2015 adjustments that are still coming in after the end of the fiscal year (JV50 and JV51).
- **FY 2015 SF14 Special Education Tuition** is reflected. These are FY 2015 adjustments that are still coming in after the end of the fiscal year (JV52 and JV53).
- **FY 2015 Solvency Assistance** repayment to be collected in FY 2016 is reflected (JV61).
- **FY 2015 SF14 Per Diem** is reflected. These are FY 2015 adjustments that are still coming in after the end of the fiscal year (JV62 and JV63).
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- **FY 2015 Insufficient Fund** repayment is included (JV86).
- **FY 2015 SF6 Excess Cost** adjustments are reflected. These are FY 2015 adjustments that are still coming in after the end of the fiscal year and are based on FY 2014 data. There is always a one year lag in the application of this deduction. Whereas all positive adjustments are paid in lump sum, negative adjustments are recovered through the remaining payments of the fiscal year (JV98 and JV99).
- **FY 2016 State Insufficient Fund** is included.

For a more detailed explanation of all of the adjustments please visit the FY 2016 [Master Voucher Journal](#) 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 in this payment is based on the FY 2016 per-pupil amount of \$33 applied to the FY 2014 count of students extracted from the FY 2014 Report Card for now. The payment is based on 74.18% of the calculated amount to stay within the statewide appropriation of \$37,950,000.

- b. Gifted unit funding is being calculated based on FY 2015 unit data. HB 59 and HB 64 limited the statewide appropriation for ESC gifted units to a total of \$3.8 million and as a result we prorated the distribution to 55.37% of the calculated amount to stay within the appropriation.
    - 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.
  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 for now.
    - b. Preschool special education funding is based on FY 2015 parameters and current FY 2015 data that school districts have reported to have been contracted to ESCs as of the date of this payment.
    - c. ORC Section 3313.845 contracts are based on FY 2016 data which could include payments for preschool services as well. ODE is updating the contracts as they come in.

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

- a. The school age component of BDD funding is calculated based on FY 2015 parameters and for now on FY 2014 data.
- 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.
- c. Special Education Transportation part of the BDD funding is based on FY 2015 data and calculation.

### **Additional Notes**

- The combined FY 2016 TPP and Deregulation Reimbursements calculated pursuant to provisions of Am. Sub. H. B. 64 were initially scheduled to be distributed in August 2015 and February 2016 and based on that schedule some districts did receive their first installment on August 26<sup>th</sup>. The distribution dates however had to be changed to November 2015 and May 2016 even though some districts had received their first installment on August 26<sup>th</sup>. Those districts that did not get their first installment in August will get that in November 2015 and all districts will get their second installment in May 2016. Please click on this [link](#) to access the explanation and the reimbursement by levy allocations.
- The [FY 2014 District Profile Report](#) (Cupp Report) is available for your use.



Department  
of Education

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

- The FY 2016 Tuition rates and letters have been finalized and will soon be posted on this [link](#).
- The FY 2016 Set-asides have been calculated and will soon be posted on this [link](#).

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