



Office of Budget and Management

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PRIMARY & SECONDARY EDUCATION

FY2018-19 Ohio School Foundation Funding Formula Simulation

- **Per-Pupil Funding:** Maintains the Opportunity Grant funding level of \$6,000 per-pupil in each year as enacted in current law. Remaining per-pupil funding components are also maintained as enacted in current law.
- **Pupil Transportation:** The budget proposes one change to the foundation funding formula: a reduction in the minimum state share for pupil transportation. Unlike other components of the formula, the transportation calculation includes a provision for a 50% minimum state share for school districts with a calculated state share index lower than 50%. The use of a minimum state share of 50% disproportionately benefits wealthier districts, as any district with a state share percentage between 5% and 49% receives an upward adjustment to the minimum state share percentage factor for their transportation funding calculation. The proposal reduces the minimum state percentage for all districts from 50% to 37.5% in FY 2018 and 25% in FY 2019.
- **Gain Cap:** The budget proposes a gain cap of 5.0% each year as well as including the capacity aid and transportation supplement components under the cap.
- **Transitional Aid:** The budget proposes to implement a new guarantee calculation that examines school districts' changes in total Average Daily Membership (ADM) over a five-year period. Any district that experiences a decline of greater than 5.0% in total ADM between FY 2011 and FY 2016 will now have its guarantee base adjusted downward on a smooth-sliding scale that allows a district's guarantee base to decline up to a maximum of 5.0% depending on the percent decline of total ADM over the five-year period. School districts with a five-year total ADM decline between zero and up to 5.0% will have no reduction in their guarantee base. School districts with a five-year total ADM decline above 5.0% and up to 10.0% will have a reduction in their guarantee base up to 5.0%. School districts with a five-year total ADM decline above 10.0% receive the maximum 5.0% reduction in their guarantee base. Additionally, the proposal shifts the third grade reading proficiency bonus and graduation bonus off transitional aid. Finally, as enacted in HB 64, payments for the career technical education component of the formula will also remain outside of the guarantee.

For the purposes of analyzing the simulated data, organizing the more than 600 school districts into five quintiles based on capacity is helpful for evaluating formula results and trends. A district's capacity is determined through its wealth index which is a calculation that examines the relationship between school district property values and income. Districts in quintile 1 have the lowest capacity and districts in quintile 5 have the highest. The table below displays school districts in quintiles by capacity. As shown in the table, increases in formula funding are concentrated in the lower capacity quintiles, which is the objective of the school foundation funding formula.

ESTIMATED TOTAL FY2018-19 STATE FORMULA FUNDS, BY QUINTILE

Quintile	FY17 Enrollment	FY18 Formula Funds (\$)	Change FY17-18 (\$)	% Change FY17-18	FY19 Formula Funds (\$)	Change FY18-19 (\$)	% Change FY18-19
1—Lowest Capacity	460,965	3,446,091,938	104,894,452	3.1%	3,512,520,119	66,428,181	1.9%
2—Low Capacity	323,140	1,624,427,203	25,687,182	1.6%	1,656,308,672	31,881,472	2.0%
3—Avg. Capacity	304,584	1,285,461,782	11,042,333	0.9%	1,296,493,344	11,031,561	0.9%
4—High Capacity	314,243	987,402,812	5,994,072	0.6%	1,000,105,826	12,703,013	1.3%
5—Highest Capacity	306,586	581,896,003	(1,044,069)	-0.2%	588,614,679	6,718,675	1.2%
TOTAL	1,709,519	7,925,279,738	146,573,970	1.9%	8,054,042,641	128,762,902	1.6%

Simulation Methodology & Data

The attached FY2018-19 Ohio School Foundation Funding Formula Simulation is based on the following methodology and data:

- Fiscal Year 2017 Estimated Final Core Aid allocations represent current payments to school districts as reported by the Ohio Department of Education in the first January school payment report in 2017.
- Fiscal Year 2018 and 2019 Estimated Final Core Aid allocations incorporate:
 - Average daily membership (ADM) for fiscal year 2017 as reported by the Ohio Department of Education.
 - Actual and projected property valuation provided by the Ohio Department of Taxation.

Key Factors/Definitions in Formula Calculations

There are numerous components and variables that make up the calculation of foundation funding in Ohio. As a result, there are numerous reasons as to why an individual school district will experience changes in foundation funding across fiscal years. Below are a few key factors that may affect changes in a school district's foundation funding.

- **Student Population and Demographics**: Ohio's student-centered funding formula provides resources based on a school district's ADM. Changes in ADM, whether increases or decreases, can have an impact on a school district's foundation funding. Similarly, changes in the numbers of students and their needs, from special education to those who are economically disadvantaged, also impact the amount of funding each district receives.

- Property Valuation: Changes in property valuation, whether increases or decreases in total or in relationship to the statewide average, can have a significant impact on a school district's foundation funding.
- Income: Changes in the income of the residents in a district, whether increases or decreases, also have an impact on a school district's foundation funding.
- State Share Index: The measurement of a district's capacity to raise local revenue is based on a district's three-year average valuation per-pupil relative to the statewide average. In certain circumstances the relative valuation is adjusted by the district's median income relative to the statewide median. The state share index is a primary factor in determining formula funding. Shifts in a school district's state share index can have a significant impact on foundation funding.
- Transitional Aid: The budget proposes to implement a new guarantee calculation that examines school districts' changes in total ADM over a five-year period. Districts with a five-year ADM decline greater than 5.0% will experience a reduction in their guarantee base, which can impact a school district's foundation funding.

Note: The factors listed above, as well as all the other components that comprise the foundation formula calculation, work together simultaneously. As a result, a school district's change in foundation funding will often be attributable to a combination of these factors.

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ADM Change Analysis

The new transitional aid proposal examines changes in total ADM between FY 2011 and FY 2016. The five-year ADM change of the 610 school districts is as follows:

- 106 school districts experienced an increase in ADM and therefore maintain the 100% guarantee base.
- 181 school districts experienced a decline in ADM between 0.0% and 5.0% and therefore maintain the 100% guarantee base.
- 322 school districts experienced a decline in ADM of greater than 5.0% and will therefore receive a reduction in their guarantee base according to the sliding scale with a maximum downward adjustment to a 95% guarantee base.
 - Of these 322 school districts, 89 are projected to receive an FY 2018 increase from calculated formula aid or formula aid subject to the gain cap.
 - Of these 322 school districts, 233 are projected to receive an FY 2018 decrease in their foundation funding.
 - Of these 233 school districts, 48 are projected to receive an FY 2018 decrease in calculated formula aid.
 - Of these 233 school districts, 185 are projected to receive an FY 2018 decrease in their calculated formula aid which would reduce funding below their adjusted guarantee base of less than 100%. Therefore, these districts are on the guarantee.

Formula Aid Change Analysis

In FY 2018, the School Foundation Funding Formula Simulation printout estimates that 256 school districts will receive an increase in foundation funding, 8 school districts will experience no change in foundation funding, and 346 school districts will receive a decrease in foundation funding.

In FY 2019, the School Foundation Funding Formula Simulation printout estimates that 255 school districts will receive an increase in foundation funding, 309 school districts will experience no change in foundation funding, and 46 school districts will receive a decrease in foundation funding.

These reductions are due to the combination of the many factors that make up the calculation of the foundation funding formula such as changes in school districts' student population, property valuation, income, as well as the new transitional aid proposal.

FY 2018

- Of the 610 school districts, 256 are projected to receive an increase from their calculated formula aid and formula aid subject to the gain cap.
- Of the 610 school districts, 8 are projected to experience no change in their foundation funding.
- Of the 610 school districts, 346 are projected to receive a decrease in their foundation funding.
 - Of these 346 school districts, 48 are projected to receive a decrease in calculated formula aid.

- Of these 346 school districts, 185 are projected to receive a decrease in their calculated formula aid which would reduce funding below their adjusted guarantee base of less than 100%. Therefore, these districts are on the guarantee.
- Of these 346 school districts, 113 are projected to receive a decrease in calculated formula aid as a result of current law that places career technical education funding outside of the guarantee, or due to the proposed placement of the third grade reading proficiency bonus and graduation bonus outside of the guarantee.

FY 2019

- Of the 610 school districts, 255 are projected to receive an increase from their calculated formula aid and formula aid subject to the gain cap.
- Of the 610 school districts, 309 are projected to experience no change in their foundation funding.
- Of the 610 school districts, 46 are projected to receive a decrease in their foundation funding.
 - Of these 46 school districts, 33 are projected to receive a decrease in their calculated formula aid.
 - Of these 46 school districts, 6 are projected to receive a decrease in their calculated formula aid which would reduce funding below their adjusted guarantee base of less than 100%. Therefore, these districts are on the guarantee.
 - Of these 46 school districts, 7 are projected to receive a decrease in calculated formula aid as a result of current law that places career technical education funding outside of the guarantee, or due to the proposed placement of the third grade reading proficiency bonus and graduation bonus outside of the guarantee.

A Note on Foundation Aid Reductions

It is also important to note that many of the above school districts are receiving reductions in their formula funding of less than \$100,000.

FY 2018

Of these 346 school districts in FY 2018 there are 187 districts with a decline under \$100,000:

- 71 school districts are estimated to receive a reduction of up to \$5,000.
- 32 school districts are estimated to receive a reduction between \$5,000 and \$10,000.
- 28 school districts are estimated to receive a reduction between \$10,000 and \$25,000.
- 56 school districts are estimated to receive a reduction between \$25,000 and \$100,000.

FY 2019

Of these 46 school districts in FY 2019 there are 39 districts with a decline of under \$100,000:

- 7 school districts are estimated to receive a reduction of up to \$5,000.
- 4 school districts are estimated to receive a reduction between \$5,000 and \$10,000.
- 13 school districts are estimated to receive a reduction between \$10,000 and \$25,000.
- 15 school districts are estimated to receive a reduction between \$25,000 and \$100,000.