Illustrations of School Funding in Ohio

Legislative Service Commission

Updated November, 2008

Agenda

1. Why Is School Funding Complicated?
2. School Funding Overview
3. Operating Funding for Schools - Model Cost & Distribution Formula
4. Funding Transfers for Certain Students
5. Funding for Joint Vocational Schools

Agenda - *continued*

6. School District Property and Income Taxes and H.B. 920
7. Interaction of the School Funding Formula and H.B. 920
8. Phase-out of General Business TPP Tax
9. Capital Funding for Schools
10. Federal Funding for Schools

Why Is School Funding Complicated?

Why Is School Funding Complicated?

A BALANCE

- Simplicity
- Uniform per pupil funding

- Fairness
- Equity
- Equal educational opportunity

Different Students Have Different Needs

- “Regular” services
- Special education services
- Career-technical education services
- Gifted education services
- Extra intervention services for students from low-income families
- Transportation services

Different Districts Face Different Challenges

- Geographic size of school districts
  - 61 districts < 10 square miles
  - 25 districts > 200 square miles
- Transportation shares of school district budgets
  - 7 districts: no need for transportation service at all
  - 42 districts < 2%
  - 20 districts > 8%
  - State average = 3%

Different Districts Face Different Challenges

- Percentages of students needing special education services
  - Statewide average = 13.5%
  - 24 districts > 18.5%
  - 33 districts < 8.5%
- Percentage of students from families participating in Ohio Works First (OWF)
  - State average = 5.2%
  - 29 districts > 10.2%
  - 26 districts < 0.2%

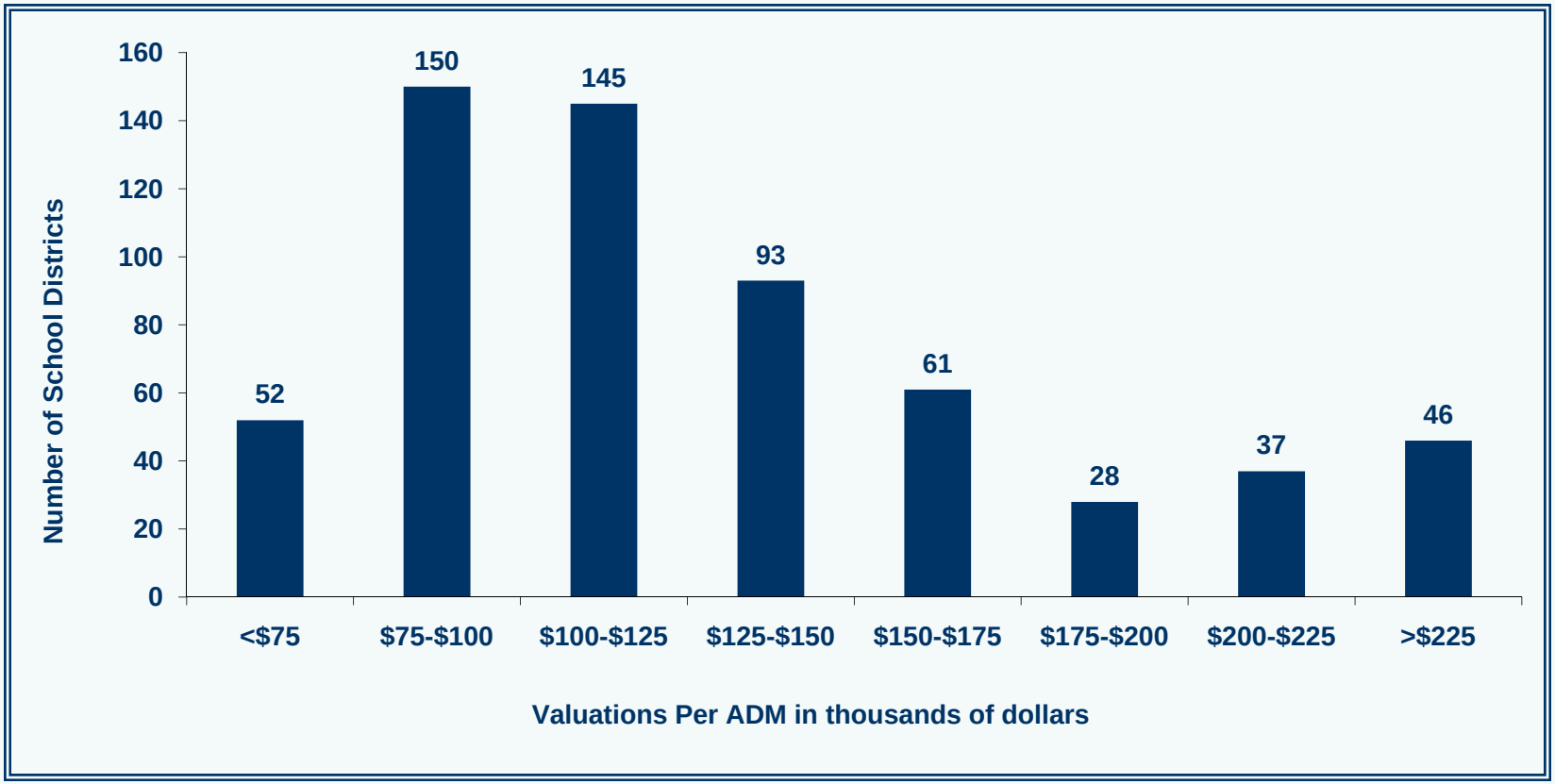
Different Districts Face Different Challenges

- Total state enrollment – 1.8 million students
  - 20 largest districts > 10,000 students each
    - 24% (436,130) of students statewide
    - Average enrollment: 21,807
  - 20 smallest districts < 500 students each
    - 0.4% (7,036) of students statewide
    - Average enrollment: 352
  - Statewide average enrollment: 2,916 students
  - Statewide median enrollment: 1,785 students

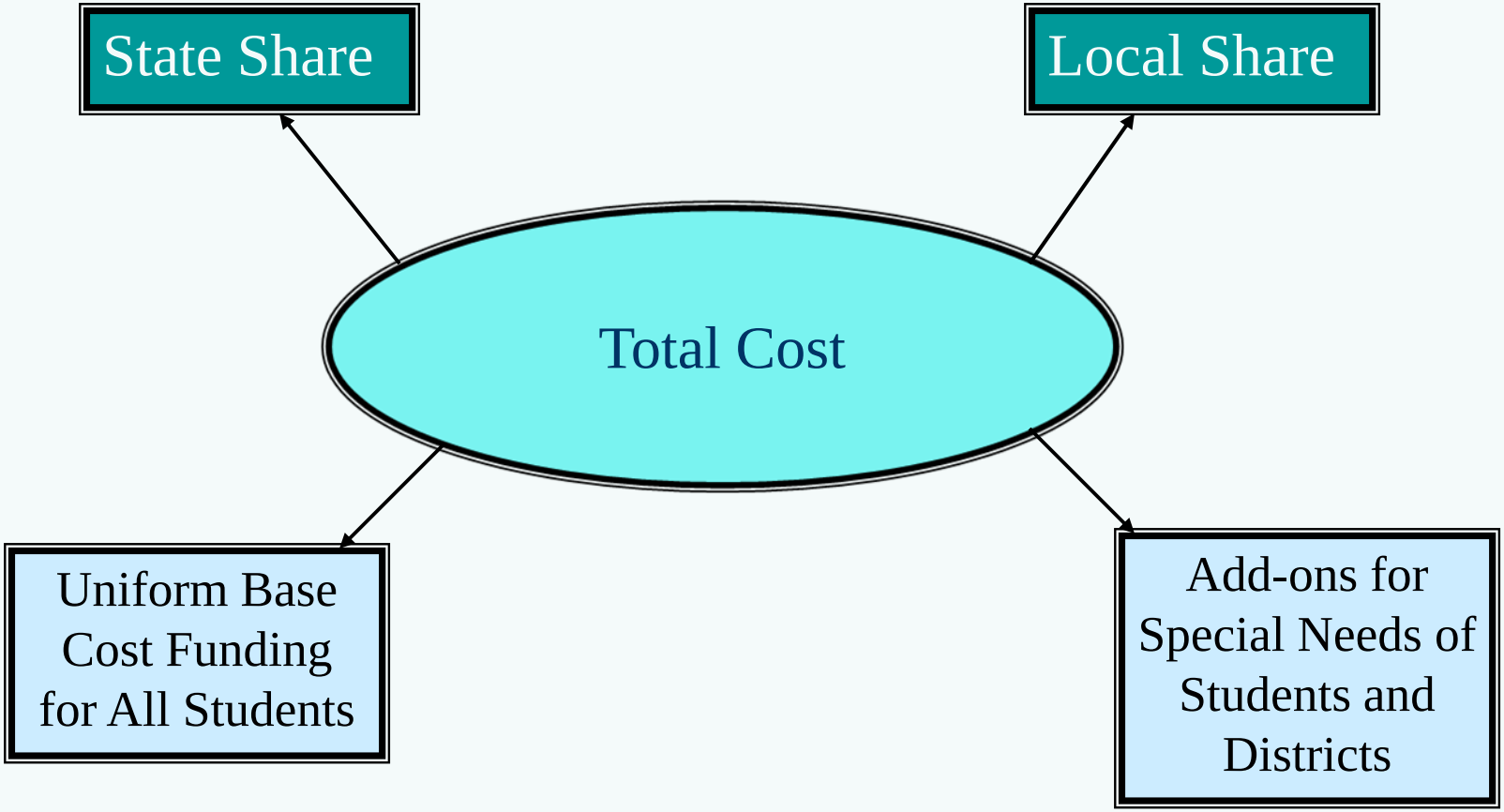
Different Districts Face Different Challenges

- Property wealth of school districts
  - 1 mill of property tax levy revenue
    - Bottom 13 districts < $50 per student
    - Top 13 districts > $287 per student
    - State average: $128 per student
- Income wealth of school districts
    - Bottom 3 districts < $20,000
    - Top 3 districts > $62,000
    - State median: $30,400
- Rural, suburban, and major urban districts
    - 339 rural districts
    - 117 urban districts
    - 153 suburban districts

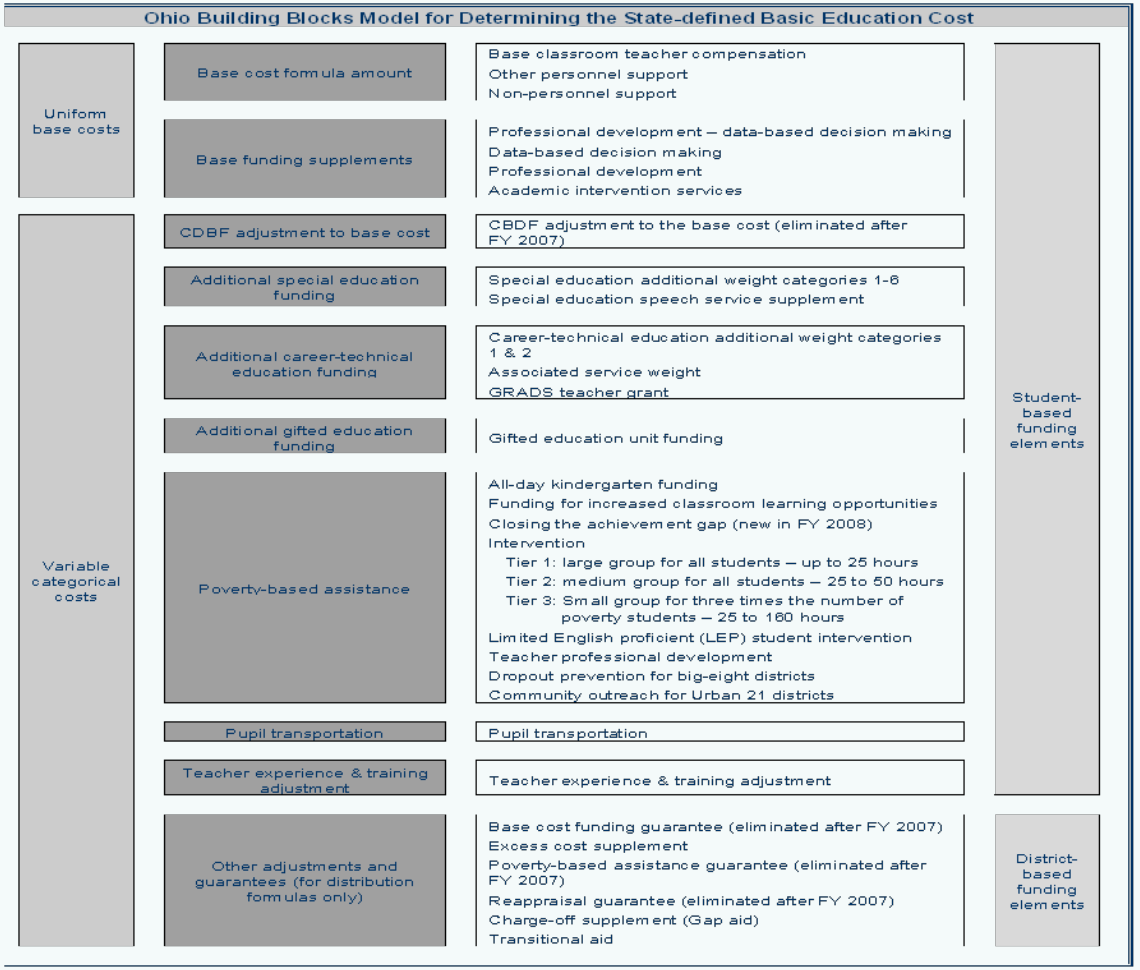
Distribution of Taxable Property Valuations Per Pupil, TY 2007



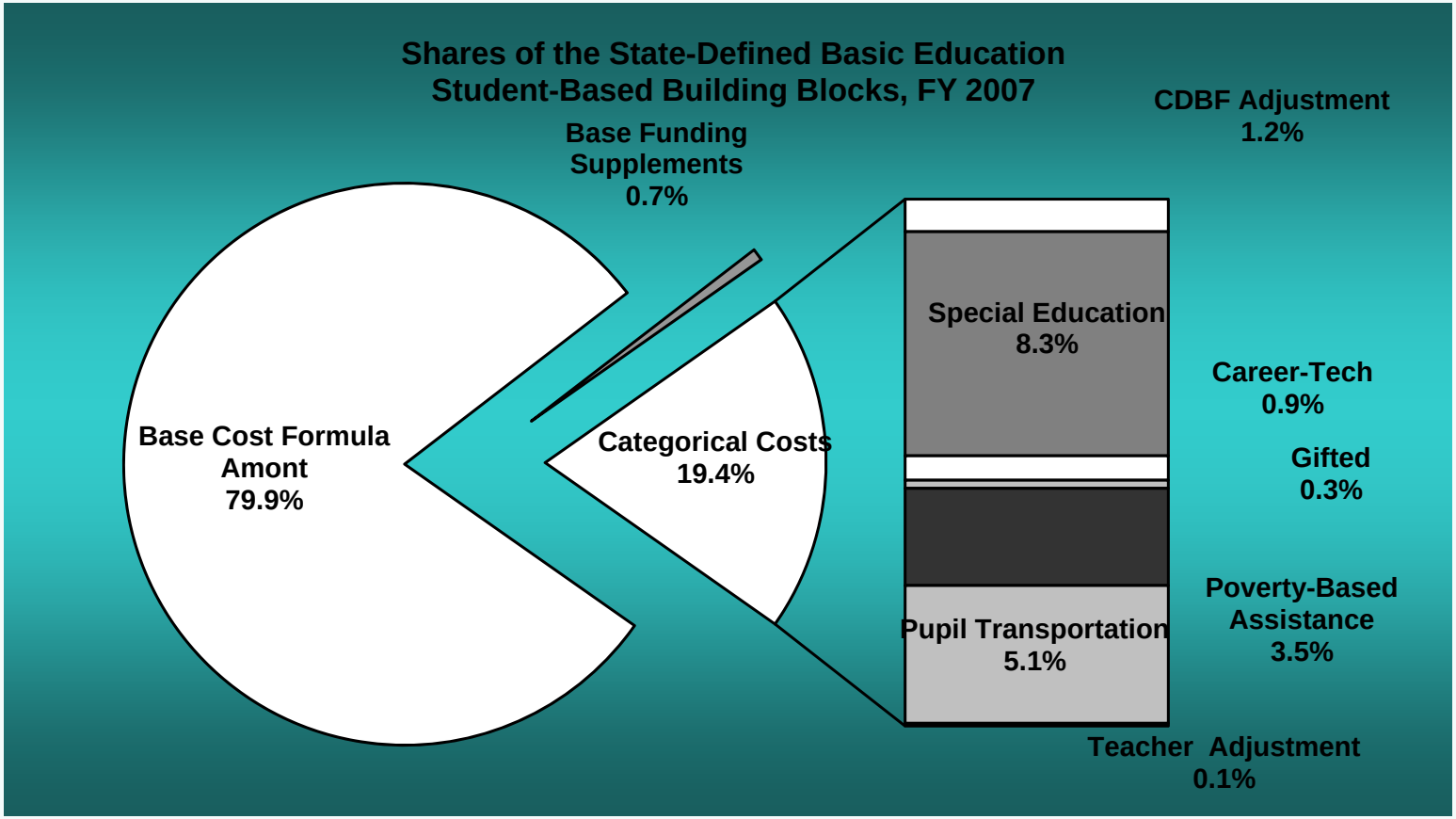
Is School Funding Extremely Complicated? - No!



Is School Funding Really Simple? - Well…



Are All Elements of School Funding Building Blocks Equal?



Is School Funding Understandable? - YES!

- Understanding base cost funding is the key.
  - On average, 80% of total school funding
- The complexity comes from the add-ons.
  - On average, 20% of total school funding

Can I Get Good Grades in School Funding? – YES!

Understands

- base cost funding: 80% B
- plus weighted funding: 90% A-
- plus poverty-based assistance: 94% A
- plus pupil transportation funding: 98% A+

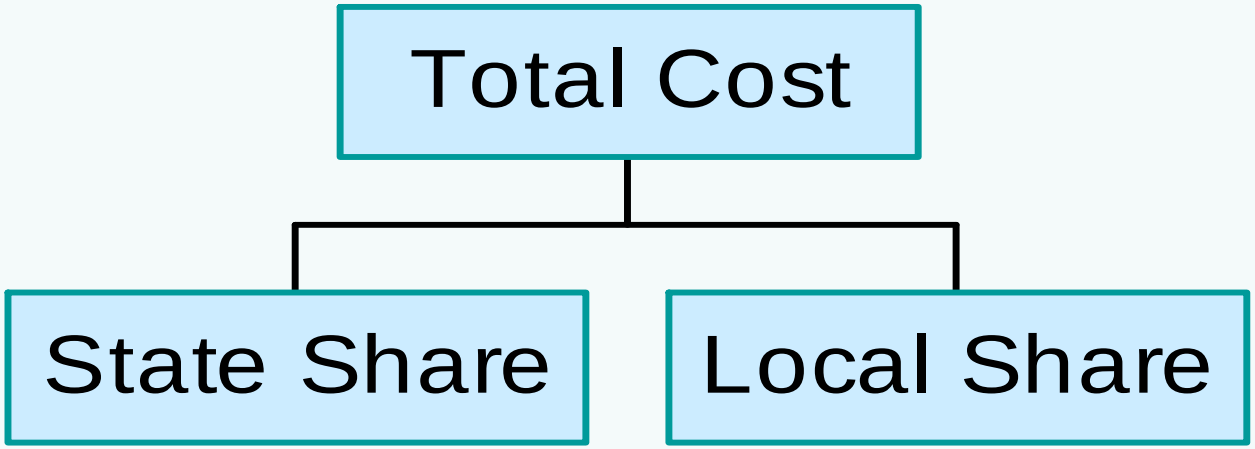
What about the Remaining 2%?

- Burn the mid-night oil to study various guarantee and adjustment provisions that have been added into the distribution formula

- Alternatively, call your LSC staff for assistance!
  - Melaney Carter – 466-6274
  - Andy Plagenz – 728-4815
  - LSC – 466-8734

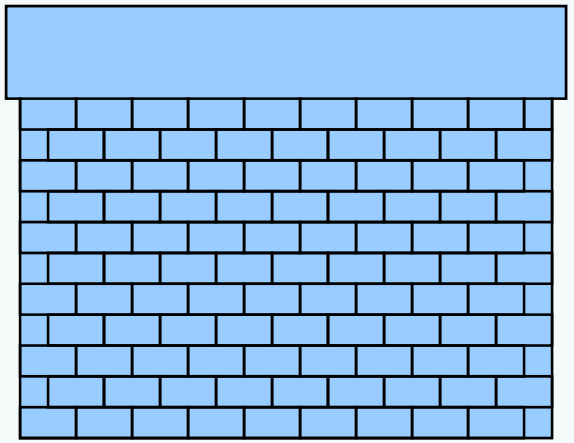
A Few Thoughts on Understanding School Funding

- School funding model and school funding formula are related, but two different things.
  - Model determines the total cost.
  - Formula determines state and local shares.



A Few Thoughts on Understanding School Funding

- Ohio's school funding model consists of many building blocks.
  - These building blocks are interconnected, changing one block may affect other blocks and the final outcome.



A Few Thoughts on Understanding School Funding

- Ohio's school funding distribution formula contains several adjustments and guarantee provisions.
  - address special circumstances of districts and students
  - add complexity in understanding school funding

School Funding Overview

Ohio's Public School System

- 612 traditional public school districts
- 49 joint vocational school districts
- 330 public community schools
- 114,000 full-time equivalent teachers
- 1.8 million students
- 133,000 high school graduates annually, 52.8% of them going directly to college

Teacher Experience, FY 2008

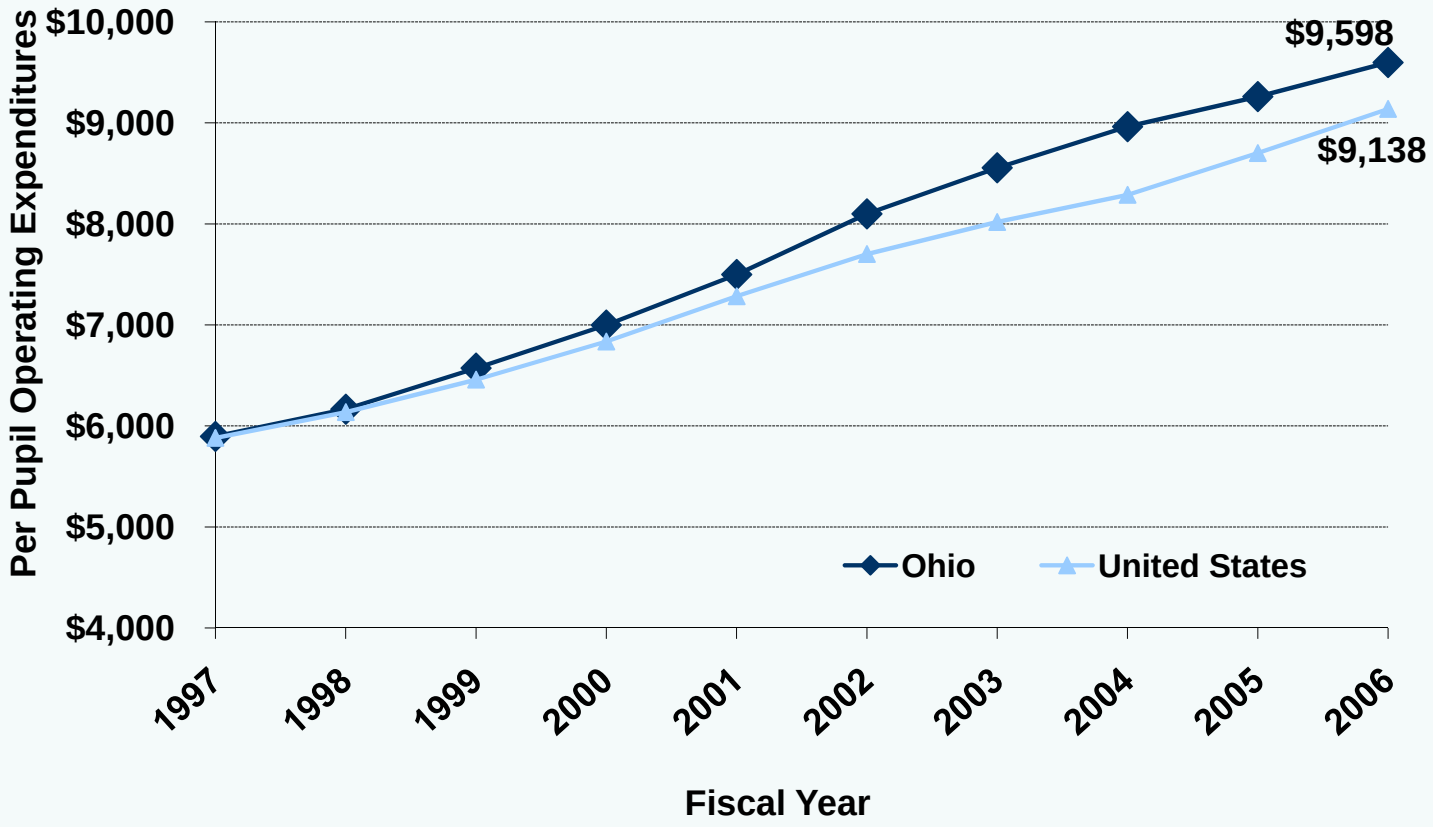
Years of Experience	Teacher FTEs	Teacher FTE %
0-5 years	31,723	28.0%
6-10 years	23,605	20.8%
11-15 years	17,896	15.8%
16-20 years	13,177	11.6%
21-25 years	10,845	9.6%
26-30 years	9,717	8.6%
31+ years	6,504	5.7%
Statewide Total	113,467	100%

Public Student Enrollment, FY 2008

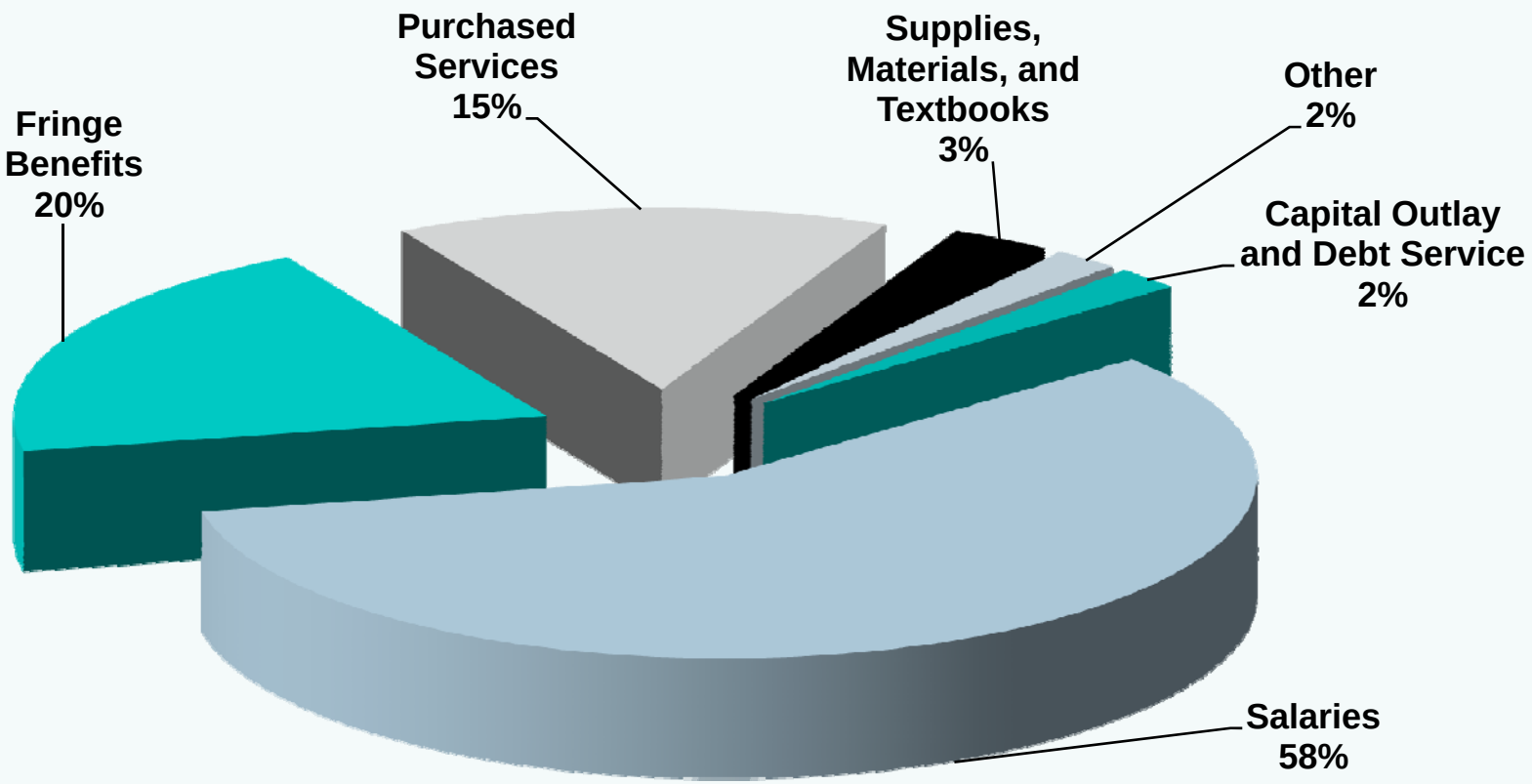
1.8 million total public student enrollment

- 92.9% attend traditional public schools
- 4.6% attend community schools
- 2.1% attend joint vocational school districts
- 0.4% attend private schools under the Ed Choice Scholarship Program

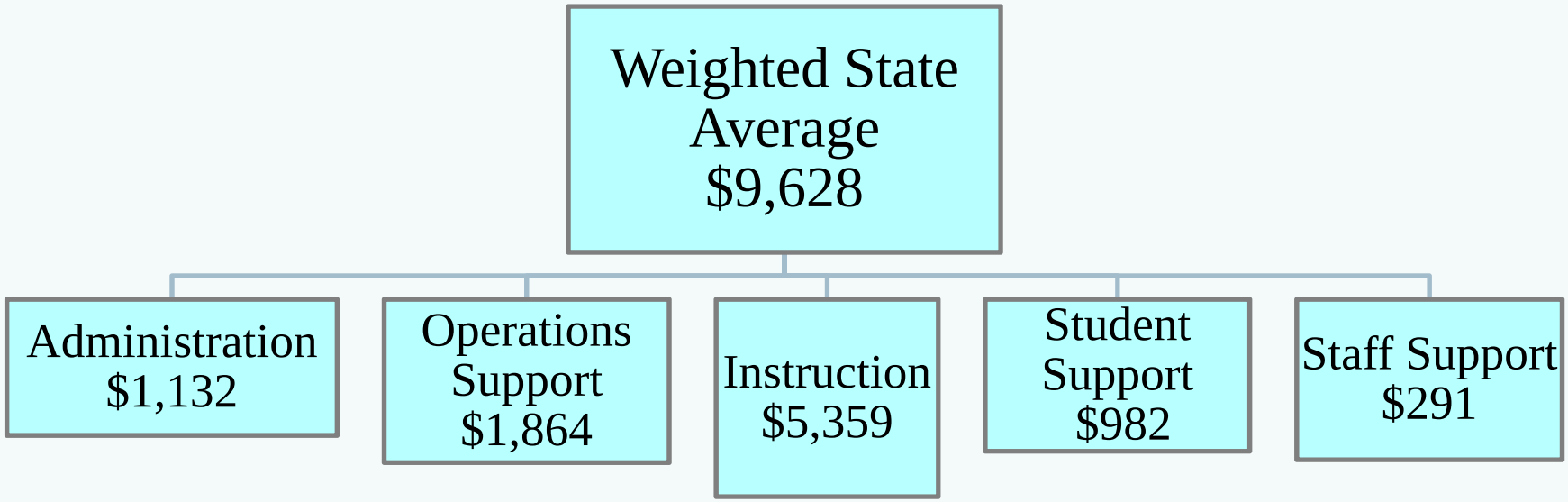
Per Pupil Operating Expenditures for Ohio and U.S.



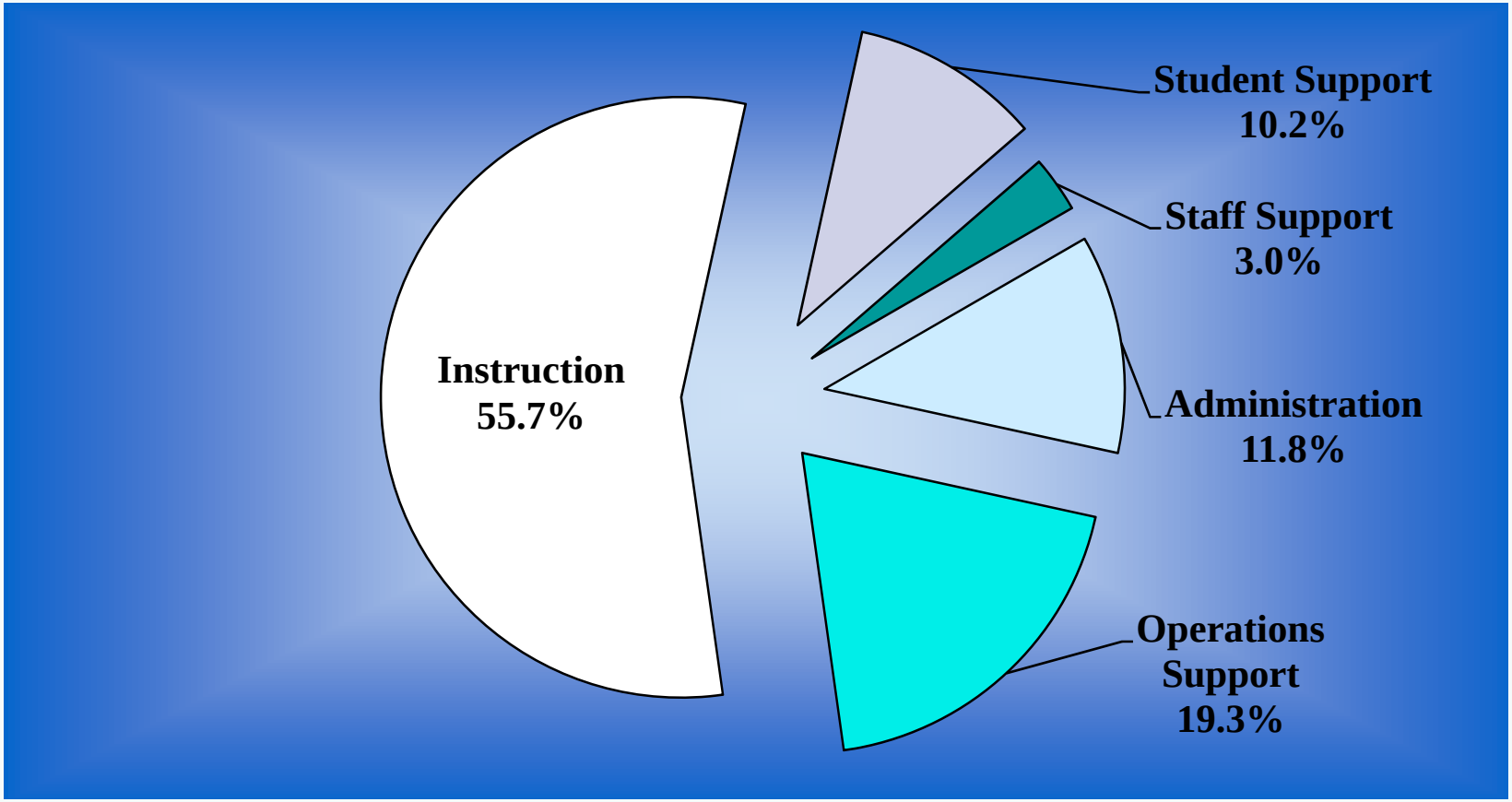
Breakdown of Typical School District Budget, FY 2007



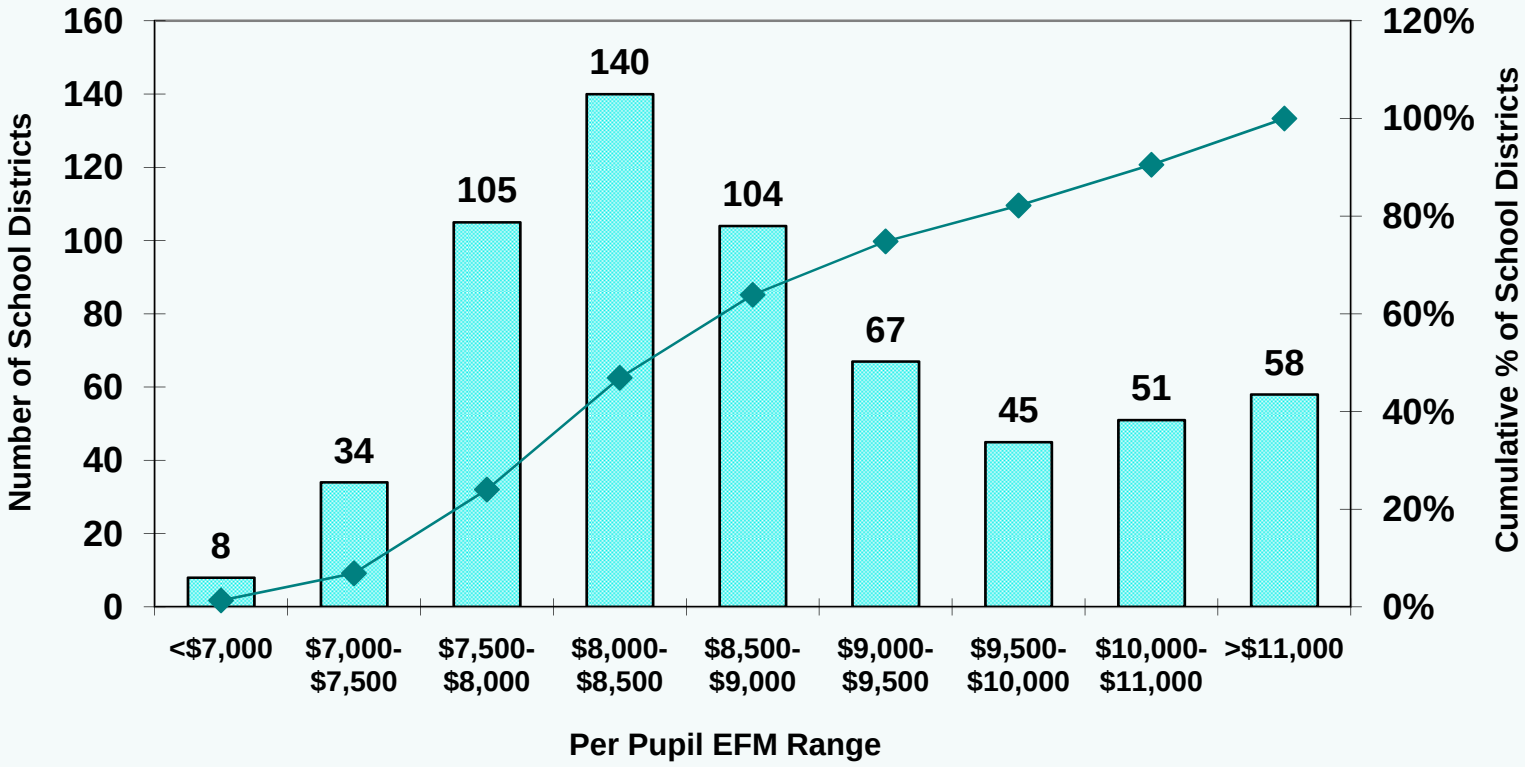
Expenditure Flow Model (EFM), FY 2007



Expenditure Flow Model (EFM), FY 2007

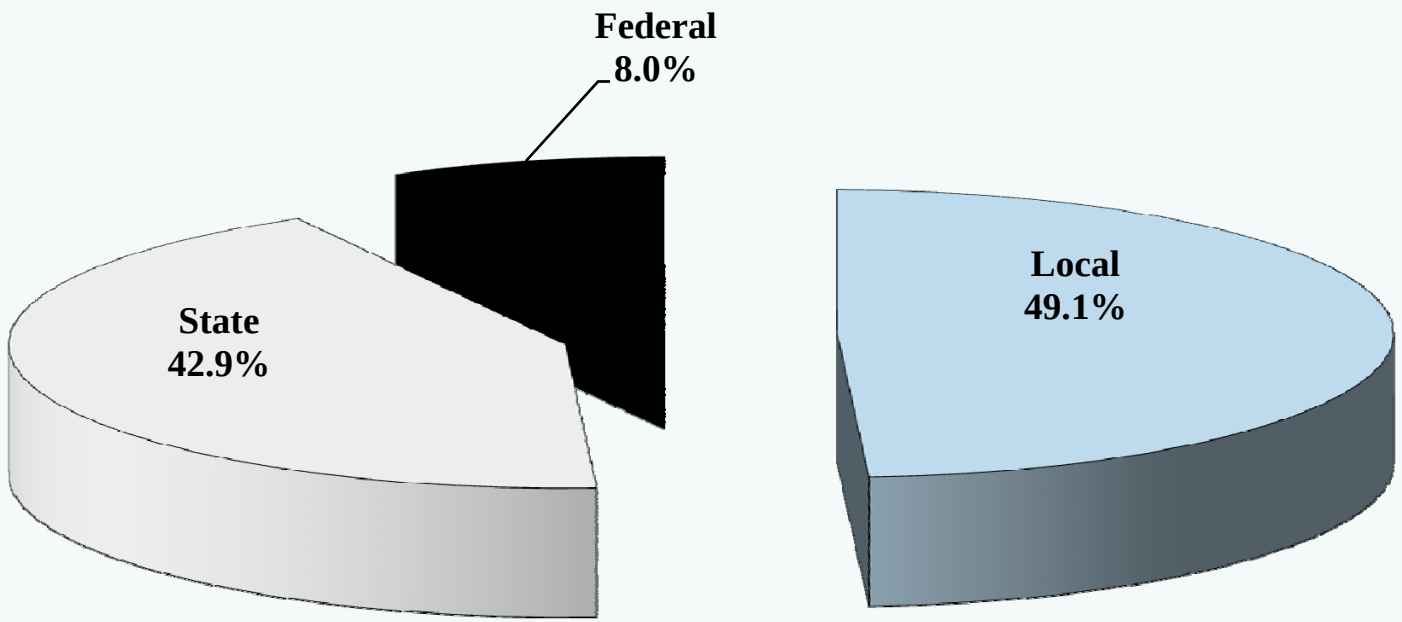


Distribution of Per Pupil EFM, FY 2007

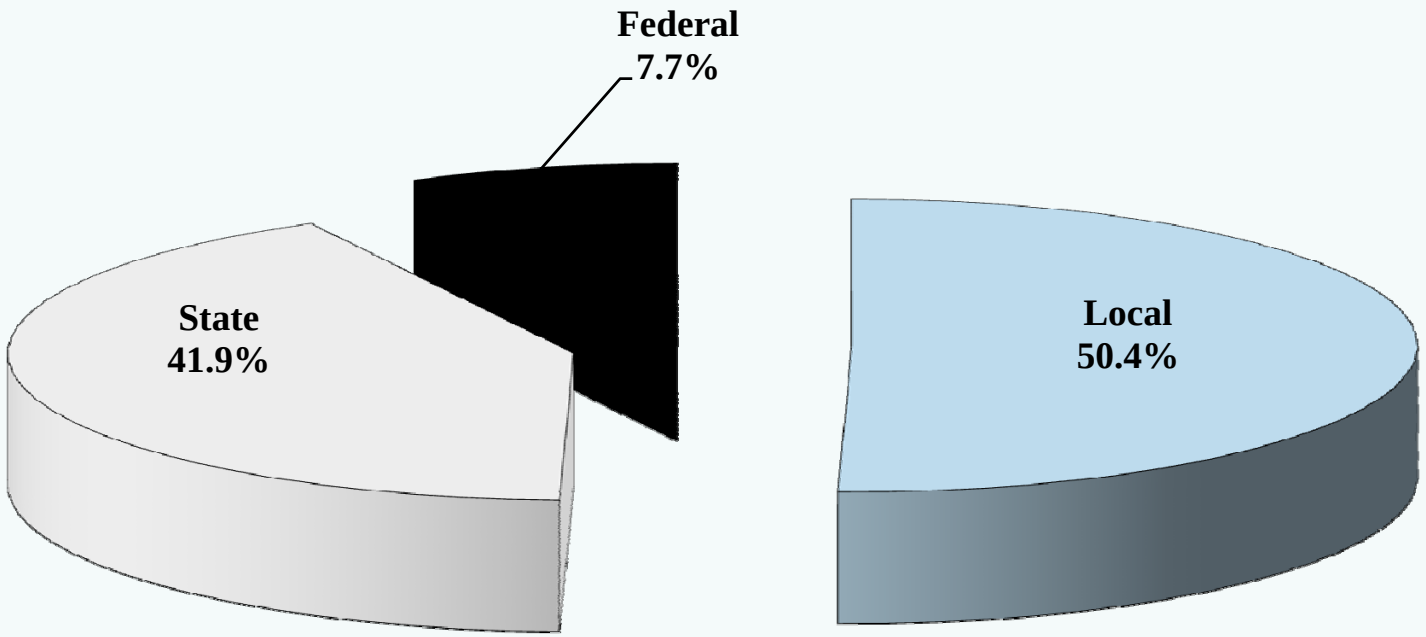


5th Percentile – $7,381; 95th Percentile – $12,236; Median – $8,556 ; Weighted Average - $9,638

School Operating Revenue by Source, FY 2007

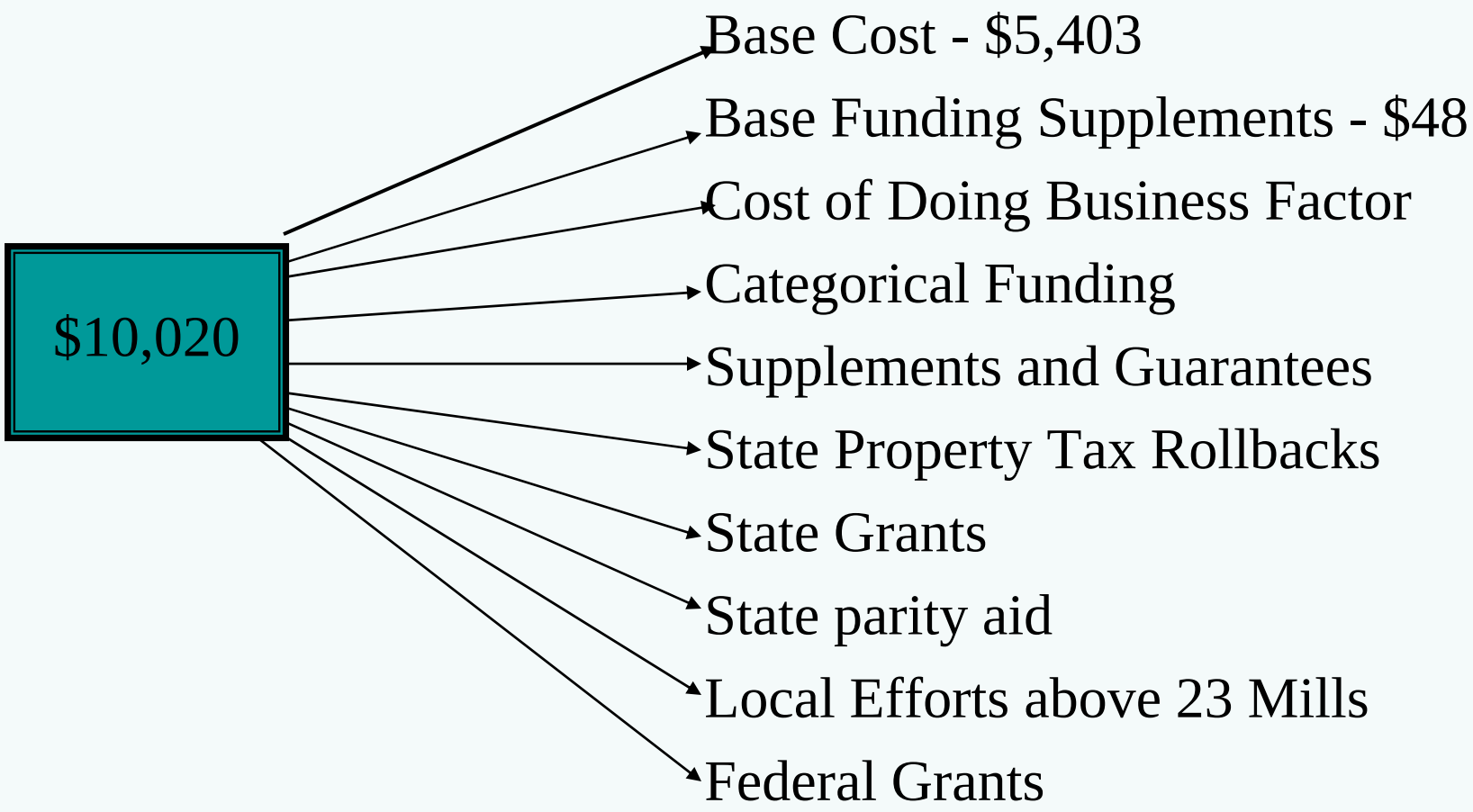


School Operating Revenue by Source, FY 2007



Excludes funding for community schools, including $530.8 million in state funds

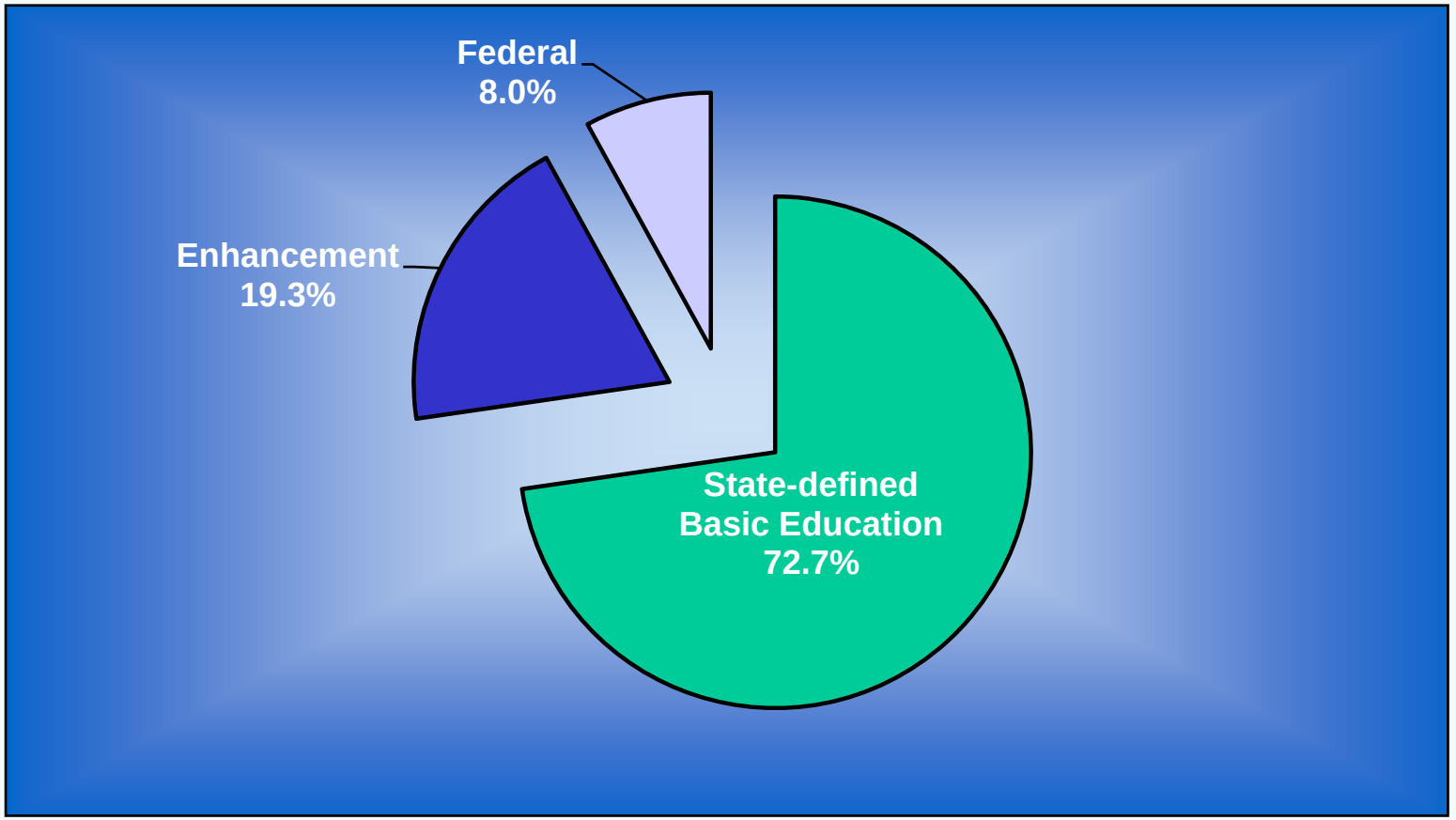
School District Per Pupil Operating Revenue, FY 2007



School Funding Components

- Operating
  - State-defined Basic Education
    - Funding sources: state & local
  - Enhancement above the state-defined basic education level
    - Funding sources: local & state
  - Federal
- Capital
  - Funding sources: state & local

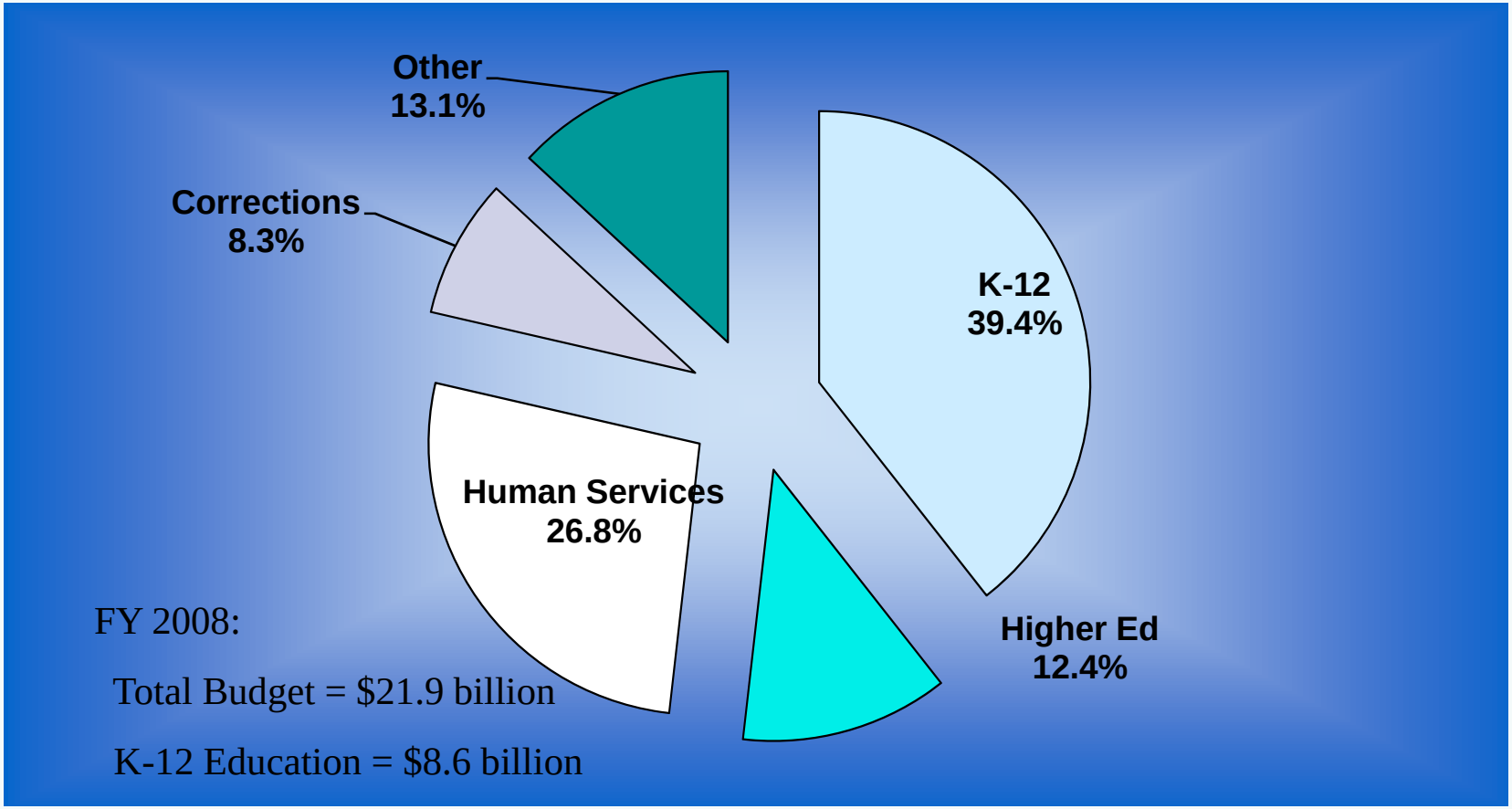
District Operating Revenue by Component, FY 2007



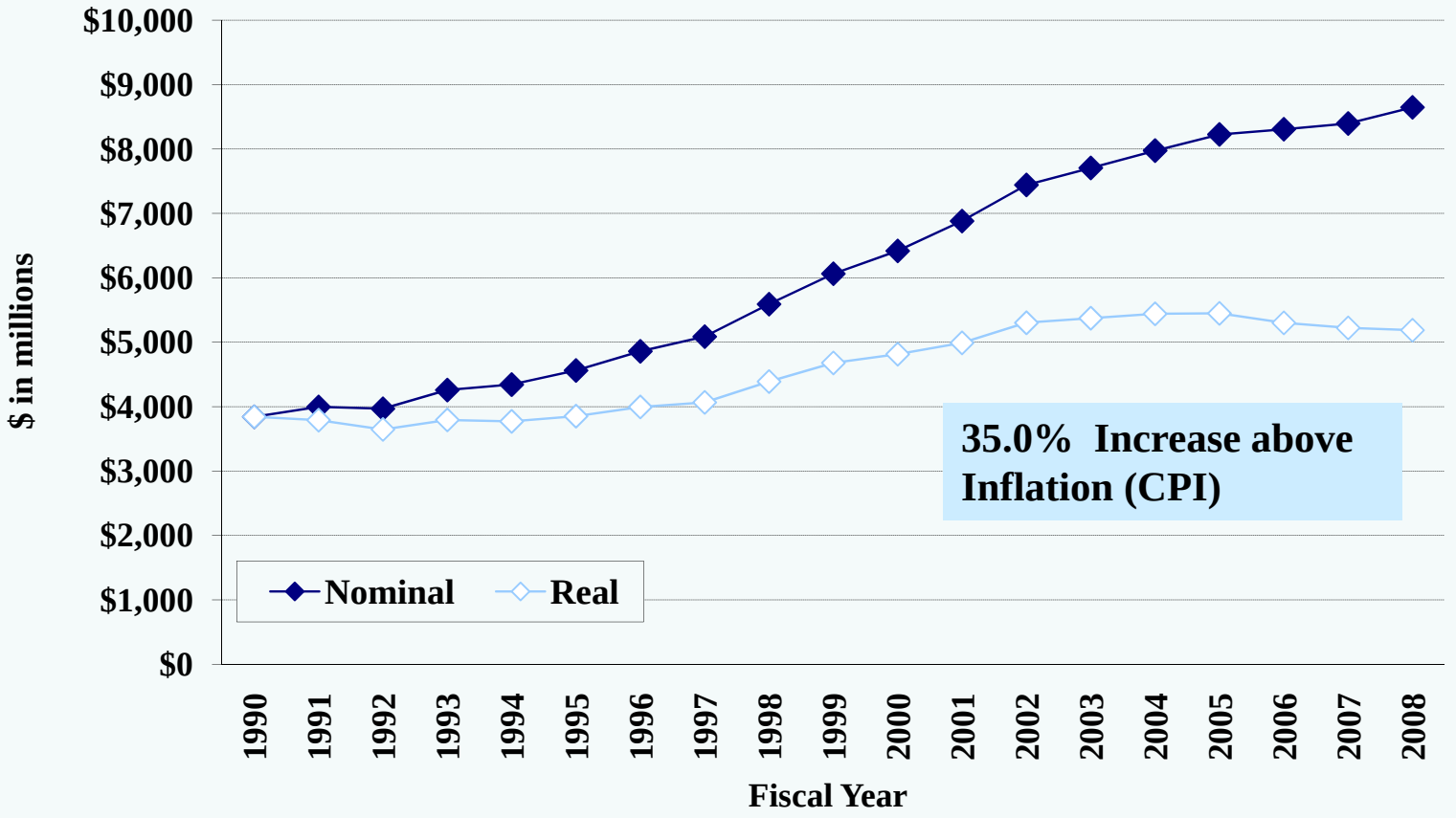
State Education Funding Components

- Operating
  - Department of Education
  - eTech Ohio
- Capital
  - School Facilities Commission

K-12 Education - Largest Share of the State Budget

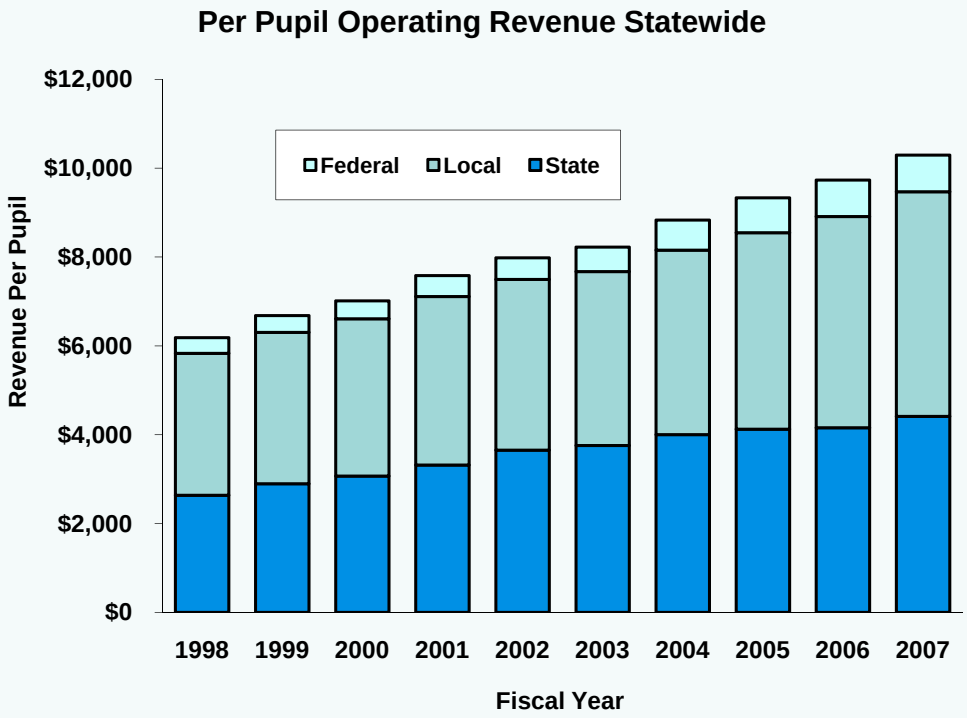


State GRF & Lottery Funding for K-12 Education



Per Pupil Operating Revenue for Schools* since FY 1998

- Total: increase of 67% from $6,185 to $10,296
  - Local: increase of 58% from $3,193 to $5,059
  - State: increase of 67% from $2,639 to $4,412
  - Federal: increase of 134% from $353 to $825

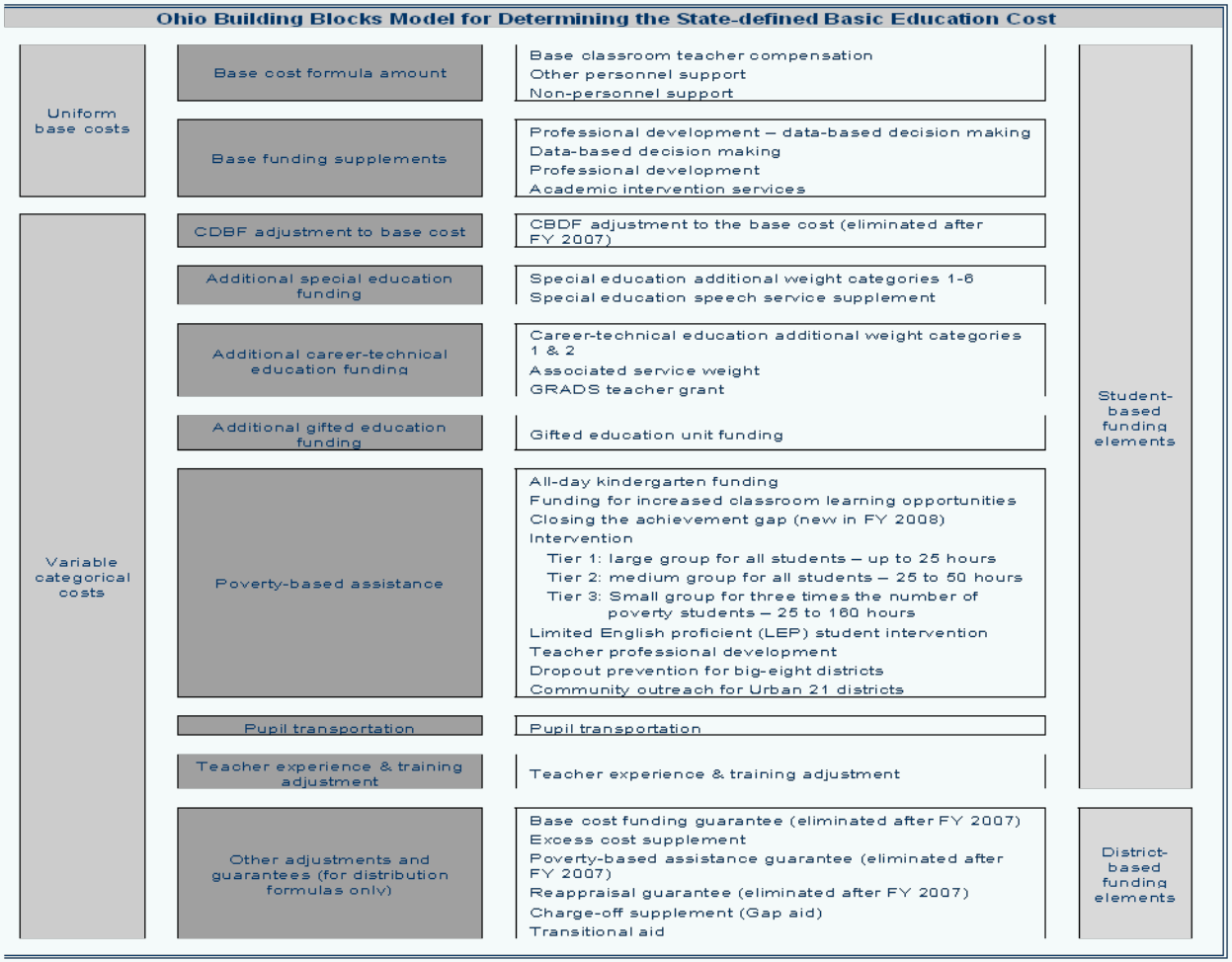


*Includes community schools

Operating Funding for Schools

Model Cost & Distribution Formula

Building Blocks of the State-defined Basic Education Model



Funding for State-defined Basic Education Model Cost

- State - SF-3 funding
  - GRF and lottery
- Local – SF-3 formula determined local share (charge-off)
  - Property and school district income taxes

What Is SF-3?

- SF-3 is the name of the form used by the Department of Education (ODE) to detail state and local share calculations of the state-defined basic education model cost, as well as the state parity aid calculation.

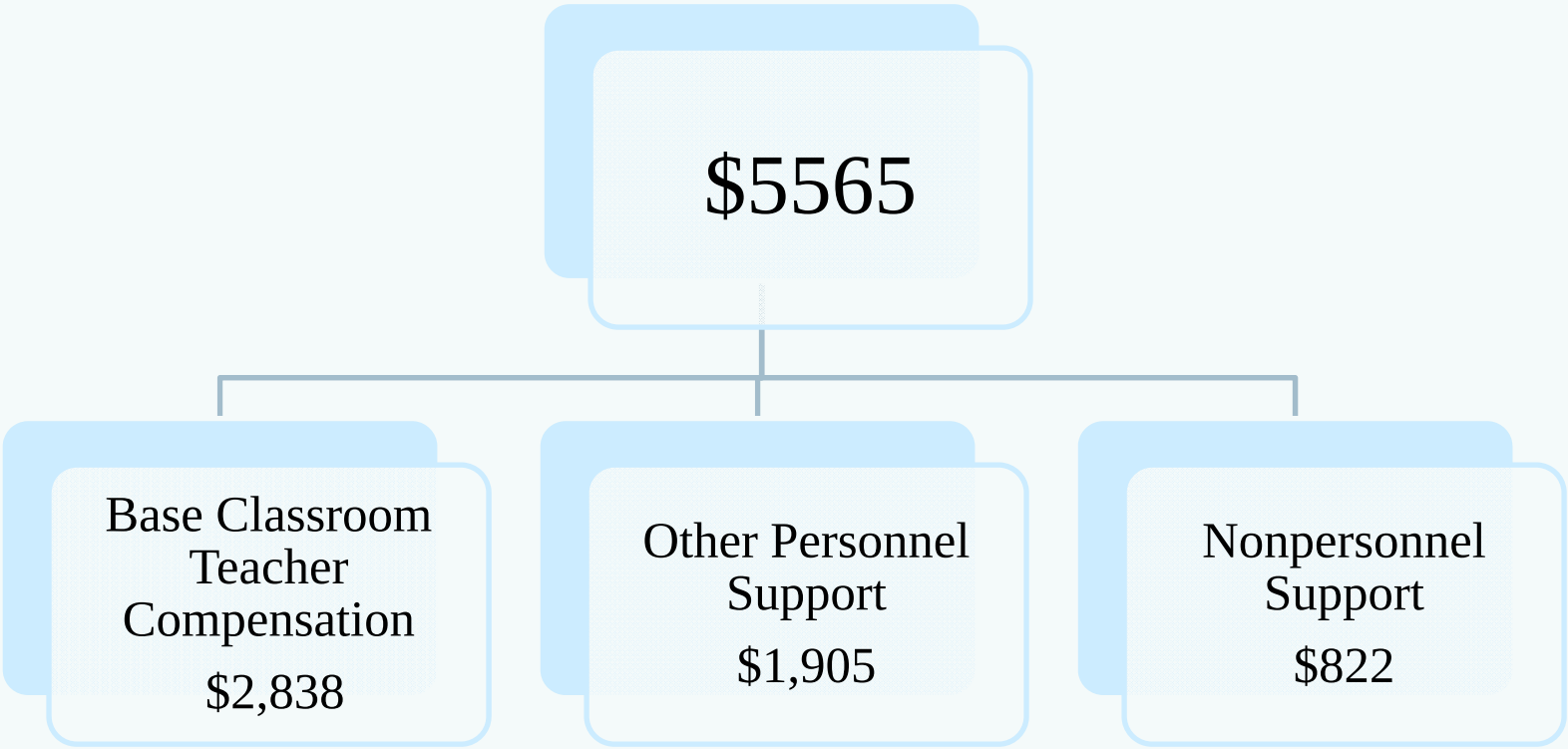
- SF-3 funding represents approximately 75% of ODE's GRF and lottery appropriations.

Base Cost Building Blocks

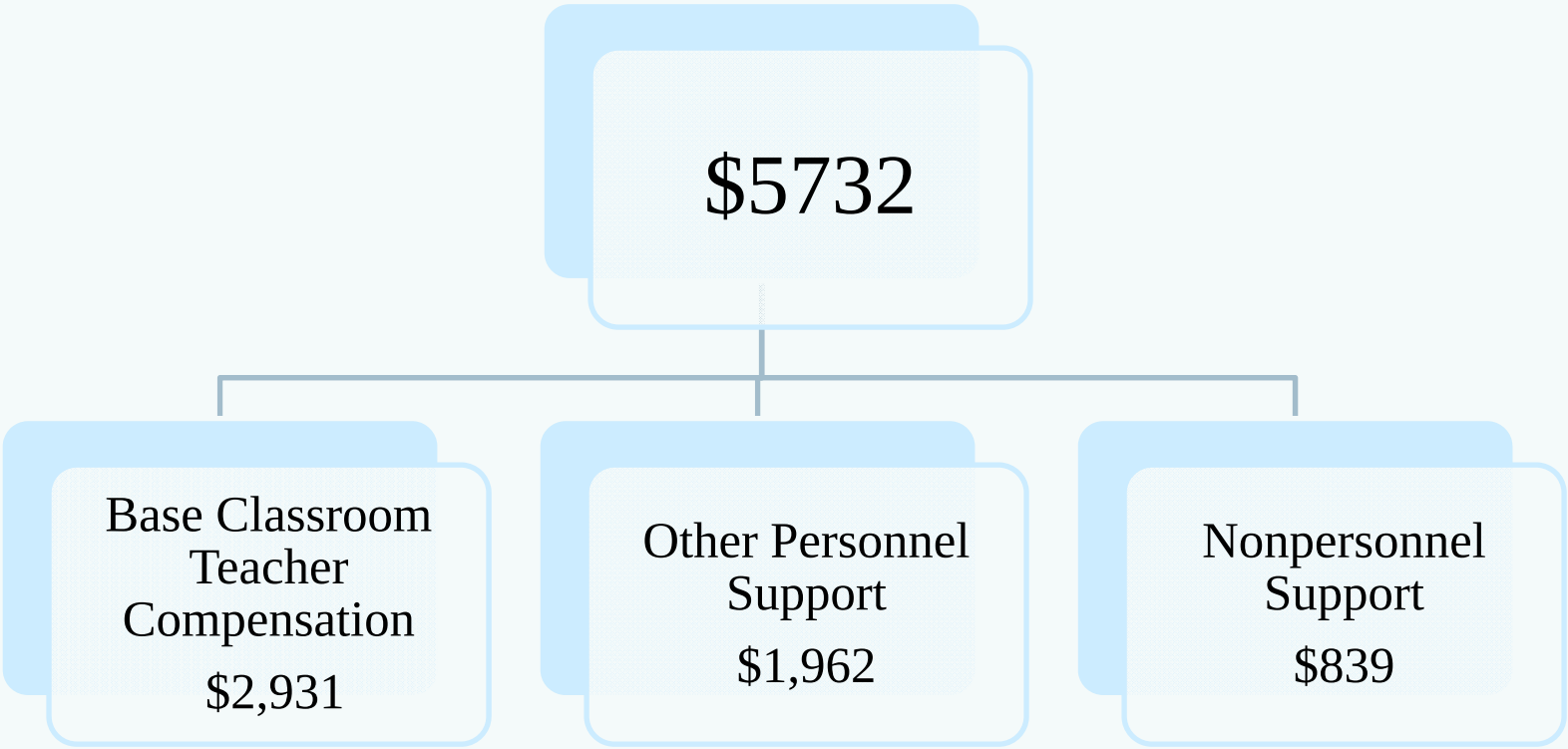
1. Base Cost Formula Amount

2. Base Cost Funding Supplements

Base Cost Formula Amount, FY 2008



Base Cost Formula Amount, FY 2009



Base Cost Formula Amount for Future Years

- Base classroom teacher compensation
  - Based on two policy decisions
    - Teacher compensation level
    - Student-teacher ratio
- Other personnel support
  - The same rate as for the base classroom teacher compensation level
- Non-personnel support
  - Gross domestic product deflator

Cost of Doing Business Factor (CDBF)

- Eliminated in FY 2008
- Countywide factor – all districts within the same county have the same CDBF
- Based on the average weekly wage for the county and all contiguous counties
- Used to increase the base cost formula amount for every district

Cost of Doing Business Factor (CDBF)

- Gallia County has a factor of 1.0.
  - The two districts in Gallia County receive no CDBF increase
  - $5,403 ($5,403 x 1.0) in FY 2007
- Hamilton County has a factor of 1.025.
  - All districts in Hamilton County receive a 2.5% CDBF increase to their base cost formula amount
  - $5,538 ($5,403 x 1.025) in FY 2007
- Base cost formula amounts for all other districts range from slightly higher than $5,403 to slightly lower than $5,538 in FY 2007.

Base Funding Supplements, FY 2008

- $26.26 – Academic intervention services
  - 25 hours of large (20 student) group intervention at $21.01 per hour
- $11.05 – Professional development (PD)
  - 4.5% of the formula amount; 17:1 student-teacher ratio
  - Funded at 75% in FY 2008
- $ 5.56 – Data-based decision making
  - 0.1% of the formula amount for each student
- $ 6.55 – PD for data-based decision making
  - 8.0% of the formula amount for 20% of teachers and all principals
  - 17:1 student-teacher ratio; 340: 1 student-principal ratio
- **$49.42** – Total base funding supplements

Base Funding Supplements, FY 2009

- $27.05 – Academic intervention services
  - 25 hours of large (20 student) group intervention at $21.01 per hour
- $11.38 – Professional development (PD)
  - 4.5% of the formula amount; 17:1 student-teacher ratio
  - Funded at 75% in FY 2009
- $ 5.73 – Data-based decision making
  - 0.1% of the formula amount for each student
- $ 6.74 – PD for data-based decision making
  - 8.0% of the formula amount for 20% of teachers and all principals
  - 17:1 student-teacher ratio; 340: 1 student-principal ratio
- **$50.90** – Total base funding supplements

Total Base Cost

Total base cost formula amount

+

Total base funding supplements

=

Total Base Cost

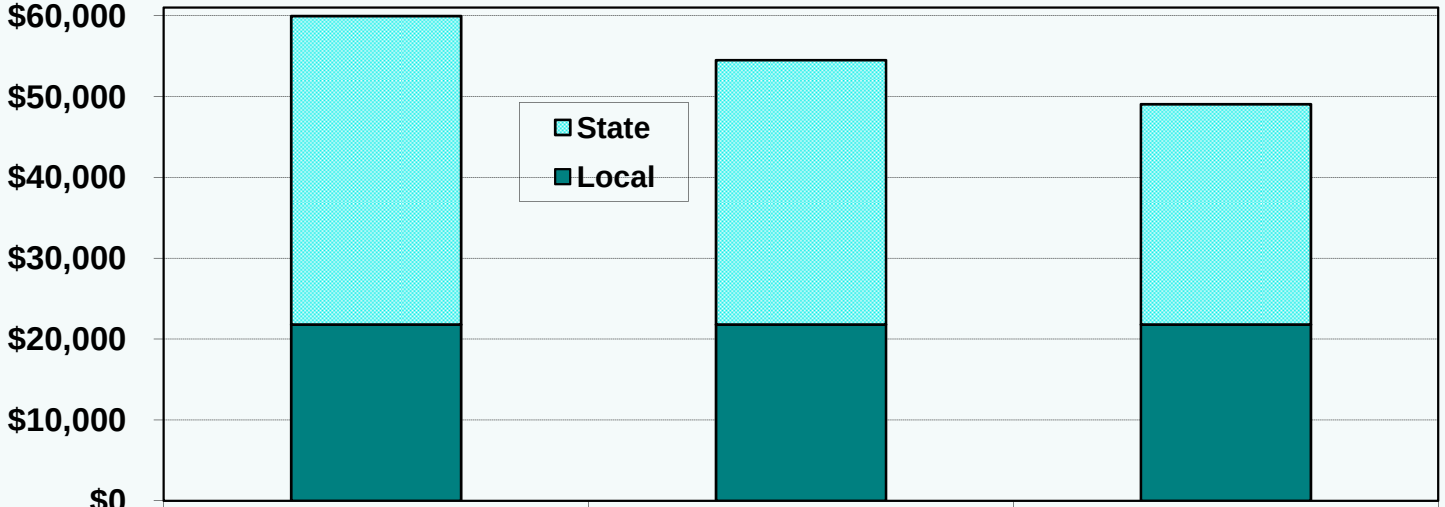
Total base cost formula amount = Base cost formula amount x ADM

Total base funding supplements = Per pupil base funding supplements x ADM

How Does the Base Cost Funding Formula Work?

L1	ADM		10
L2	Per Pupil Base Cost	$	5,565
L3	Per Pupil Base Funding Supplements	$	49.42
L4 = L1*(L2+L3)	Total Base Cost	$	56,144
L5	Total Recognized Valuation	$	976,421
L6 = L5*0.023	Charge-off @ 23 Mills	$	22,458
L7 = L4 - L6	State Base Cost Funding	$	33,687
L8 = L6/L4	Local Share Percentage		40%
L9 = L7/L4	State Share Percentage		60%
L10 = L6/L1	Average Per Pupil Local Share	$	2,246
L11 = L7/L1	Average Per Pupil State Share	$	3,369

How Does the Base Cost Funding Formula Really Work?



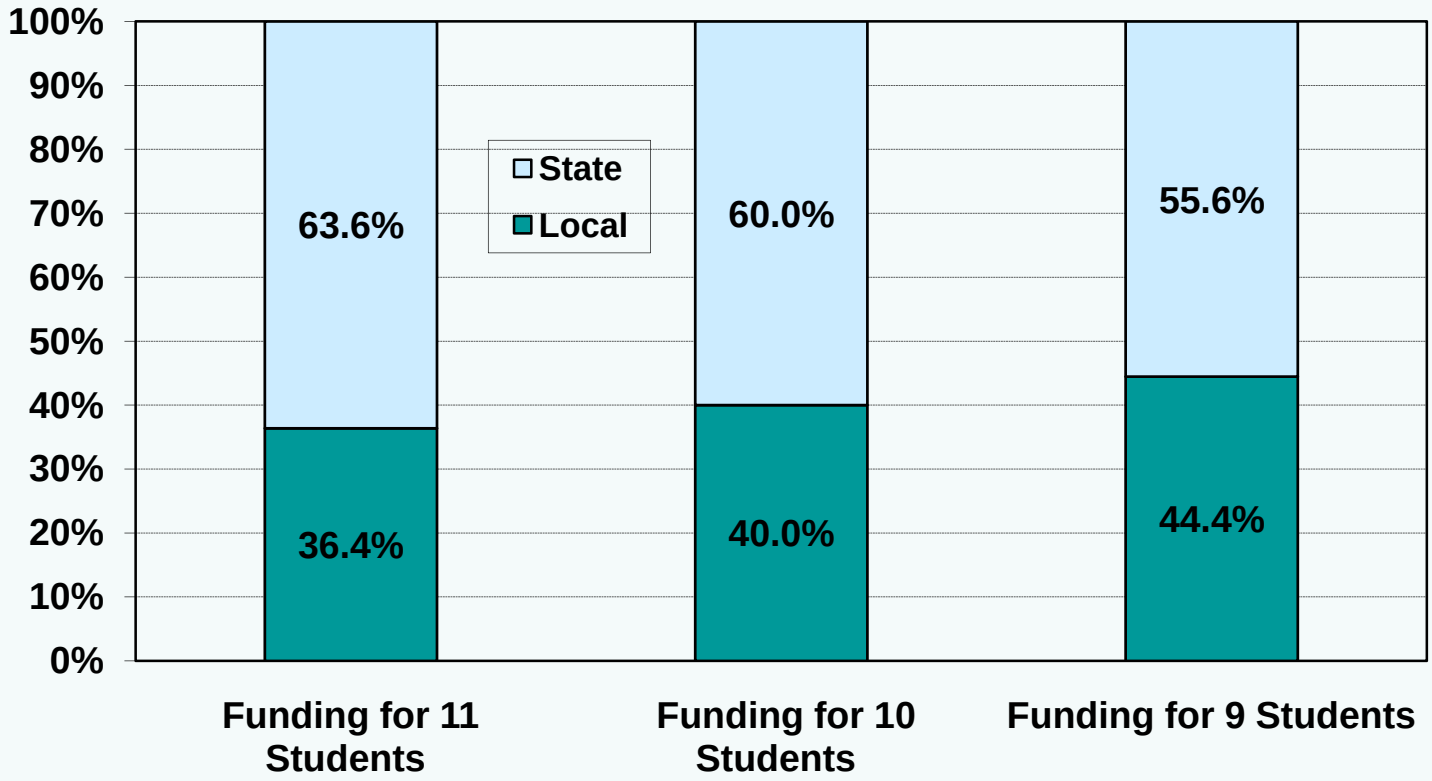
	Funding for 11 Students	Funding for 10 Students	Funding for 9 Students
Total	$59,961	$54,510	$49,059
State	$38,157	$32,706	$27,255
Local	$21,804	$21,804	$21,804

Change in Local share of base cost funding (11,10, or 9 students) = $0

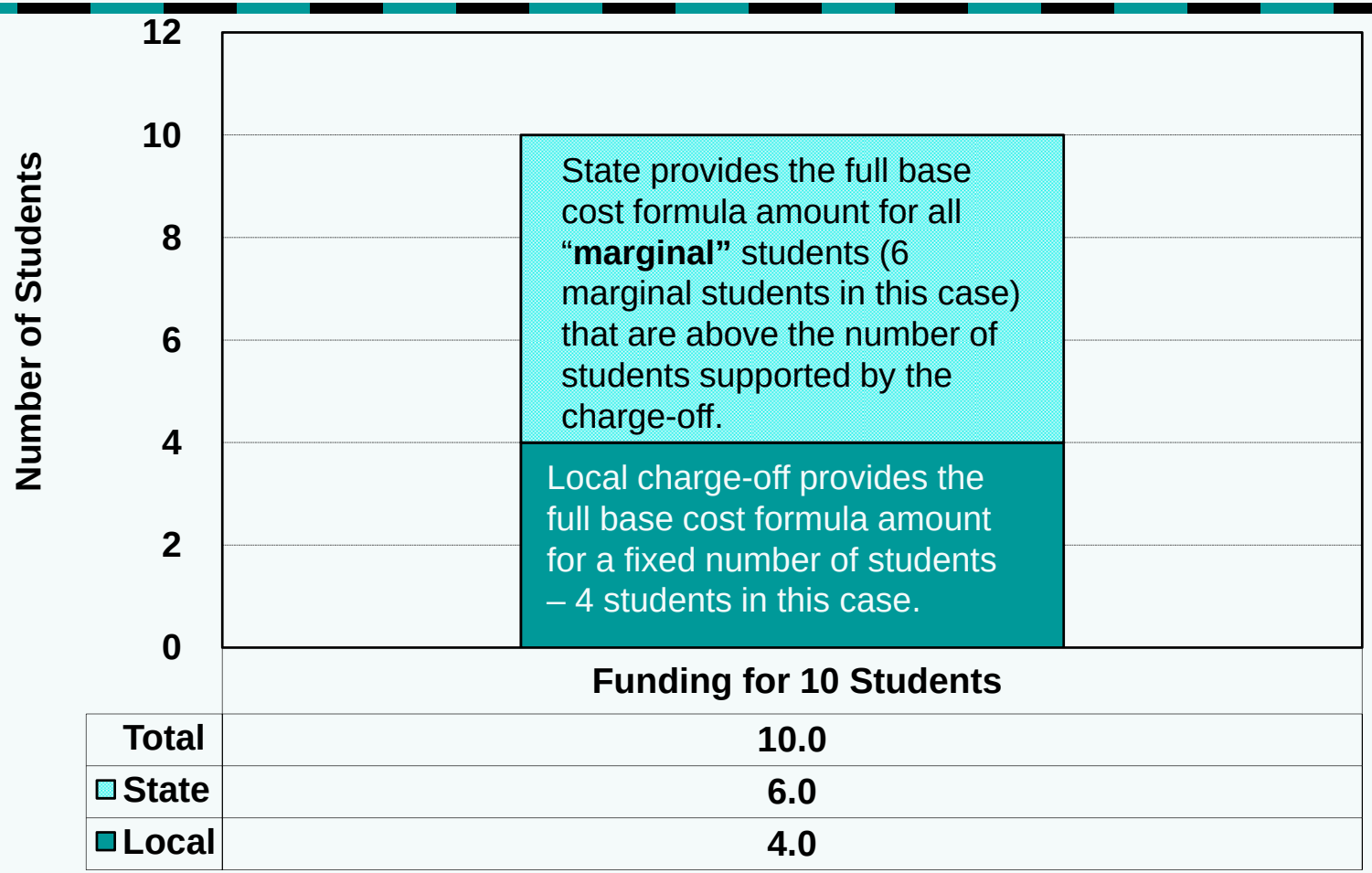
Increase in Total and State base cost funding (11 v. 10 students) = $5,451

Decrease in Total and State base cost funding (9 v. 10 students) = -$5,451

How Does the Base Cost Funding Formula Really Work?



How Does the Base Cost Funding Formula Really Work?



	Funding for 10 Students
Total	10.0
State	6.0
Local	4.0

A Few Thoughts on the Base Cost Funding Formula

- Local share only depends on the charge-off rate and a district's total recognized taxable property value.
- A district's local share is independent of the number of students enrolled in the district.

A Few Thoughts on the Base Cost Funding Formula

- A district's local share does not change when one student is added into or subtracted from the district's ADM. However, the total base cost and the state share do change (by the same amount).

- The increase or decrease for the total base cost and the state share generally equals the full base cost formula amount per pupil plus the base funding supplement amount per pupil.

A Few Thoughts on the Base Cost Funding Formula

- The base cost funding formula does not operate based on the state share percentage. Instead, it produces a state share percentage for a given number of students.

- A district's state share percentage changes when students are added into or subtracted from the formula.

A Few Thoughts on the Base Cost Funding Formula

- The formula effect of adding or subtracting a marginal student on a district's state base cost funding amount.

Does Not equal

- The fiscal effect of increasing or losing a student on the district's expenditures.

State Share Percentage

- Starting in FY 2008, poverty-based assistance and parity aid are added in to the state share of base cost funding and total base cost funding to calculate the state share percentage
- Since these two subsidies are completely funded by the state, adding them causes the state share percentage to increase
- The state share percentage is used to determine the state share of weighted funding

Summary of State Share Percentage, FY 2008

- 349 (57.0%) school districts with state shares of 50% or higher
  - 1,041,419 students (58.4%) in these 349 school districts
- 53.8% - Median state share
- 47.0% - Weighted average state share
- 28 school districts (4.6%) with 0% of state share
  - 123,506 (6.9%) students in those 28 school districts

Summary of State Share Percentage, FY 2008

State Share Percentage Range	Number of School Districts
Above 80%	17
70 – 80%	61
60 – 70%	154
50 – 60%	117
40 – 50%	76
30 – 40%	61
10 – 30%	73
1 – 10%	25
0%	28
Total	***612***

Categorical Building Blocks

1. Special Education Weighted Cost
2. Career-Technical Education Weighted Cost
3. Gifted Unit Funding
4. Poverty-Based Assistance
5. Pupil Transportation

Special Education Student Weight Categories

- Category 1: 0.2892
  - speech only students
- Category 2: 0.3691
  - Specific learning disabled, developmentally handicapped, other health – minor
- Category 3: 1.7695
  - Hearing impaired, vision impaired, severe behavior handicapped
- Category 4: 2.3646
  - Orthopedically handicapped, other health – major
- Category 5: 3.1129
  - Multihandicapped
- Category 6: 4.7342
  - Autism, traumatic brain injury, both visually and hearing disabled

Total Special Education Student Weight

Total Special Education Student Weight =
Number of category 1 students x Category 1 weight
+ Number of category 2 students x Category 2 weight
+ Number of category 3 students x Category 3 weight
+ Number of category 4 students x Category 4 weight
+ Number of category 5 students x Category 5 weight
+ Number of category 6 students x Category 6 weight

Special Education Weighted Cost Funding

Total Special Education Student Weight

X

Base Cost Formula Amount

X

State Share Percentage

X

Phase-in Percentage

(90% in FY 2008 & FY 2009)

Special Education Speech Service Supplement

District's Formula ADM / 2,000

X

$30,000

X

State Share Percentage

Special Education ADM Growth, FY 2004-FY 2008

- Special education ADM grew while total ADM declined slightly from FY 2004 to FY 2008.
  - 7.4% (16,063 students) for special education ADM
  - -1.7% (30,218 students) for total ADM

Special Education ADM, FY 2004 - FY 2008

- FY08 Special Education ADM
  - Category 1: 33,821
  - Category 2: 151,879
  - Category 3: 20,852
  - Category 4: 2,575
  - Category 5: 11,616
  - Category 6: 11,358
- Total: 232,101
- Total ADM: 1,784,456
- Special education ADM as a % of total ADM in FY08: 13.0%

- Change from FY04
  - Category 1: 5.2% (1,677)
  - Category 2: 4.4% (6,436)
  - Category 3: 1.8% (370)
  - Category 4: 1.1% (28)
  - Category 5: 14.5% (1,470)
  - Category 6: 115.3% (6,082)
- Total: 7.4% (16,063)
- Total ADM: -1.7% (-30,218)
- Special education ADM as a % of total ADM in FY04: 11.9%

Career-Technical Education Weight Categories

- Category 1: 0.57
  - students enrolled in workforce development programs
- Category 2: 0.28
  - students enrolled in non-work force development programs
- Associated service weight: 0.05 for all career-technical education students
- Career-technical education weight is based on the time a student attends career-technical education programs – career-technical education FTEs

Total Career-Technical Education Student Weight

Total Career-Technical Education Student Weight =

Category 1 FTEs x Category 1 weight

+ Category 2 FTEs x Category 2 weight

+ (Category 1 FTEs + Category 2 FTEs) x Associated service weight

Career-Technical Education Weighted Cost Funding

Total Career-Technical Education Student Weight

X

Base Cost Formula Amount

X

State Share Percentage

Note: Funding for the associated service weight is transferred to lead school districts that actually provide these services.

Career-Technical Education
GRADS Teacher Grants

Number of GRADS Teacher FTEs
approved by ODE
X
$47,555 in FY 2008 & FY 2009
X
State Share Percentage

A Few Thoughts on Weighted Cost Funding

- State and local shares of weighted cost funding are the same as for base cost funding.

- Unlike base cost funding, state weighted funding increases or decreases by only the district's state share when a weighted student is added into or subtracted from the weighted ADM.

Additional Funding for Gifted Students

- Unit funding – funding personnel (gifted education classroom teachers or coordinators)

- State funds 1,110 gifted units in FY 2008 & FY 2009 and about 20% of these units are located in educational service centers.

Gifted Education Unit Funding

The number of units approved by ODE

X

(Teacher salary allowance plus 15% for fringe benefits

+ Classroom allowance ($2,678)

+ Supplemental unit allowance($5,251))

A Few Thoughts on Gifted Education Unit Funding

- Teacher salary allowance used in gifted unit funding is based on the state minimum ($17,000) teacher salary schedule before FY 2002, not on the district's actual teacher salary schedule.
- The minimum salary increases along with a teacher's education and experience.
- $37,300 – Average unit value for FY 2008

Poverty-Based Assistance (PBA)

- Poverty indicator – the number of students whose families participate in Ohio Works First (OWF)
- Poverty index = A district's poverty student percentage / Statewide poverty student percentage
- Poverty student count used in the poverty index calculations – five-year average of students whose families participate in OWF

Poverty-Based Assistance (PBA)

- ***Funding eligibility*** for each component of PBA largely depends on a district's poverty index.

- ***Funding amount*** for each component of PBA is largely tied to each district's student enrollment, not the number of poverty students.

PBA Funding Components

- All-day and every day kindergarten
  - Eligibility: A poverty index of 1.0 or higher or received this funding in the previous year
  - 50% of the base cost formula amount for kindergarten students
- LEP (limited English proficiency) student assistance
  - Eligibility: 2% or higher LEP students & 1.0 or higher poverty index
  - 25.0% of the base cost formula amount if the index is 1.75 or higher
  - 12.5% to 25.0% of the base cost formula amount if the index is between 1.0 and 1.75
  - Phases in at 70% in FY 2008 & FY 2009

PBA Funding Components

- K-3 increased learning opportunities
  - 15:1 if the index is 1.5 or higher
  - 15:1 to 20:1 if the index is between 1.5 and 1.0
- Teacher professional development
  - Assumed teacher-student ratio of 17:1
  - 4.5% of the base cost formula amount per assumed teacher if the index is 1.75 or higher
  - Up to 4.5% of the base cost formula amount per assumed teacher if the index is between 1.0 and 1.75

PBA Funding Components

- Dropout prevention
  - Big-8 districts (Akron, Canton, Cincinnati, Cleveland, Columbus, Dayton, Toledo, and Youngstown)
  - Per pupil funding level equal to 0.5% of the base cost formula amount times the poverty index
- Community outreach
  - Urban 21 districts (Big-8 plus Cleveland Heights-University Heights, East Cleveland, Elyria, Euclid, Hamilton, Lima, Lorain, Mansfield, Middletown, Parma, South-Western, Springfield, and Warren)
  - Per pupil funding level equal to 0.5% of the base cost formula amount times the poverty index

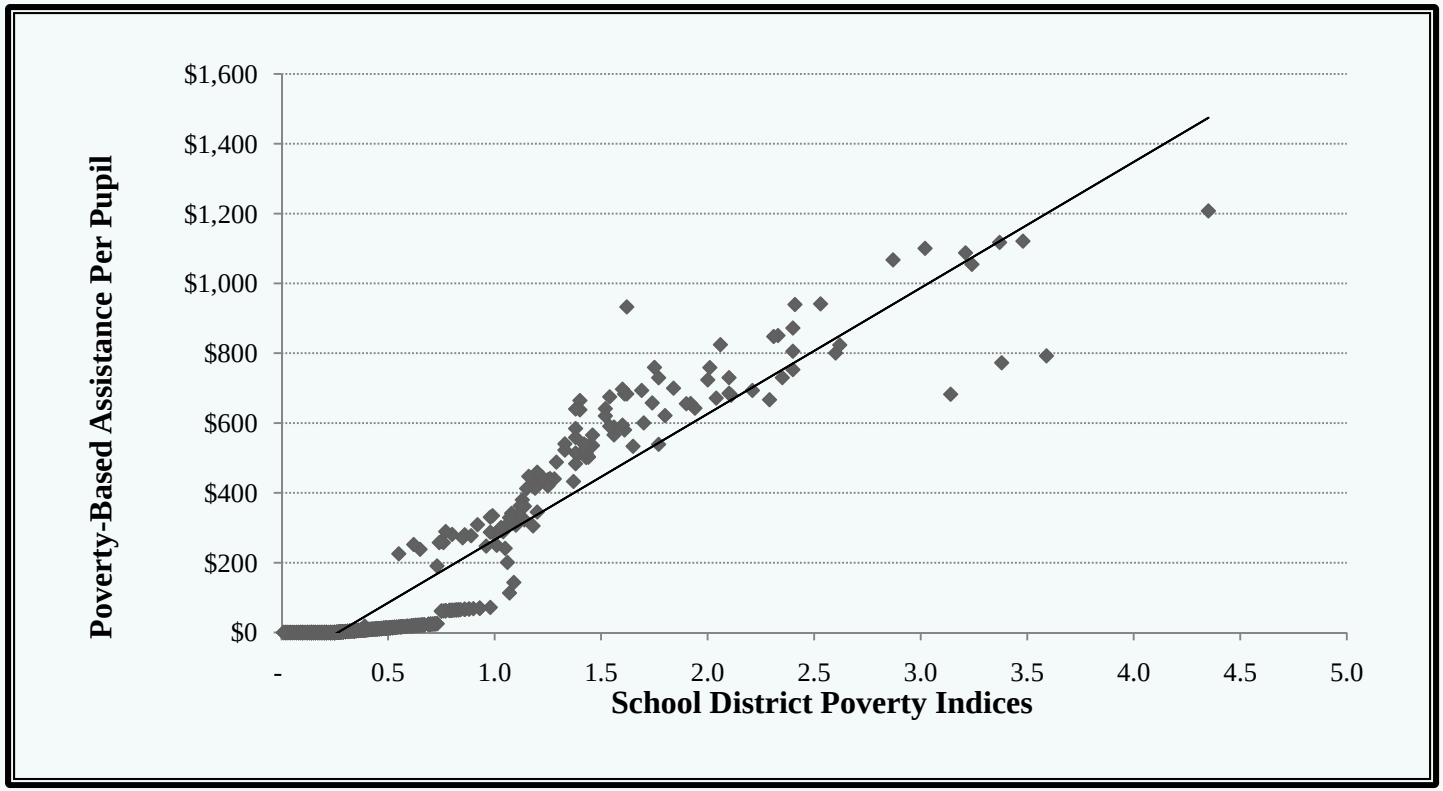
PBA Funding Components

- Intervention
  - Level 1 large group intervention for all students
    - 20:1 student-teacher ratio
    - 25 hours if the index is 0.75 or higher
    - Up to 25 hours on a sliding scale if the index is between 0.25 and 0.75
  - Level 2 medium group intervention for all students
    - 15:1 student-teacher ratio
    - 50 hours if the index is 1.5 or higher
    - 25 to 50 hours on a sliding scale if the index is between 0.75 and 1.5
  - Level 3 small group intervention for ***three*** times # of poverty students
    - 10: 1 student-teacher ratio
    - 160 hours if the index is 2.5 or higher
    - 25 to 160 hours on a sliding scale if the index is between 1.5 and 2.5
- Total intervention funding = Levels 1 + 2 + 3

PBA Funding Components

- Closing the Achievement Gap
  - New subsidy for FY 2008
  - Based on a district's "academic distress index" – the percentage of buildings in the district in academic watch or academic emergency as compared to the same percentage for the state
  - Districts qualify if poverty index and academic distress index are both at least one or the district received funding in the previous year
  - District receives 0.15% of the formula amount times academic distress percentage times poverty index the first year the district qualifies
  - In subsequent years, the district receives the same amount as previous year unless academic distress index improves, in which case the district receives an increase of 3.5%

PBA per Pupil by Poverty Index, FY 2008



Total: $454.4 million

PBA Funding Statistics, FY 2008

Poverty-Based Assistance Per Pupil for Ten Districts with Highest Poverty Concentrations, FY 2008				
District	**County**	**FY 2008 ADM**	**FY 2008 Poverty Index**	**FY 2008 Poverty-Based Assistance Per Pupil**
Youngstown City	Mahoning	10,534	4.35	$1,208
New Boston Local	Scioto	305	3.59	$792
Toledo City	Lucas	33,065	3.48	$1,121
Steubenville City	Jefferson	1,885	3.38	$773
Dayton City	Montgomery	21,536	3.37	$1,117
East Cleveland City	Cuyahoga	3,518	3.24	$1,055
Cincinnati City	Hamilton	39,697	3.21	$1,088
Campbell City	Mahoning	1,388	3.14	$682
Cleveland Municipal	Cuyahoga	60,273	3.02	$1,100
Columbus City	Franklin	60,780	2.87	$1,068

56.0% - the combined PBA funding share for these ten districts

Pupil Transportation

- Districts are required to transport K-8 students who live at least two miles away from school.
- State provides funding for K-12 students who live at least one mile away from school.

Pupil Transportation

- Two types of factors affecting a district's pupil transportation spending.
  - Factors that are outside of the control of the district, such as the geographic size of the district and road conditions.
  - Factors that are within the control of the district, such as schedules and service levels above the state requirement.

Pupil Transportation

- A regression model has been used to determine state funding for pupil transportation since FY 1999.
- The cost predicted by the regression model is the basis for state funding.
- The modeled cost typically represents about 92% - 95% of the actual spending.

Pupil Transportation

- Since FY 2003, the state share of pupil transportation modeled cost is 60% or the state share percentage, whichever is greater.
- State also provides a rough road supplement to districts with higher percentages of rough roads.
- Formula has been suspended from FY 2006 through FY 2009; districts receiving pupil transportation funding in FY 2005 receive 2% annual increase in FY 2006 and FY 2007 and 1% annual increase in FY 2008 and FY 2009.

State and Local Share Adjustments

- Excess Cost Supplement
- Gap Aid
- Transitional Aid

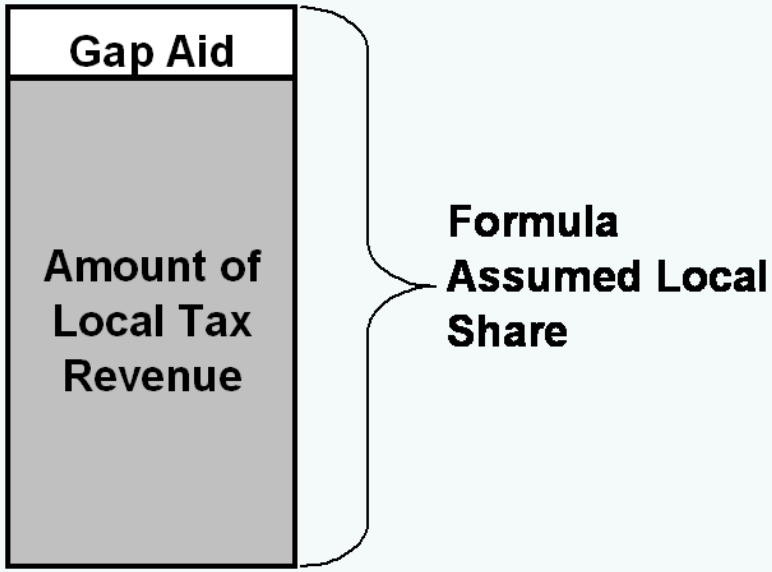
Summary of Local Share of the State-defined Basic Education

- 23 mills for base cost funding
- Additional mills for local shares of special education weighted funding, career-technical education weighted funding, and pupil transportation funding
  - Range from less than 1.0 mill in some districts to more about 6.0 mills in some other districts
  - Weighted average 3.2 mills
  - Median: 3.41 mills

Excess Cost Supplement

- Created in FY 2002, limits a district's combined local share of the special education weighted cost, career-technical education weighted cost, and pupil transportation model cost to 3.3 mills of local property tax levies.
- Addresses different levels of needs for these services across school districts.
- $55.6 million was provided in FY 2008 to 339 school districts.

Charge-off Supplement (Gap Aid)



- Formula assumed local share = 23 mills for base cost plus up to additional 3.3 mills for special education, career-technical education, and pupil transportation
- Ensures every district has the full amount of state & local revenues determined by the state-defined basic education model

Charge-off Supplement (Gap Aid)

- $85.2 million was provided in FY 2008 to 158 districts.
- While gap aid and excess cost supplement intend to address revenue gap and varying needs for services, respectively, they are somewhat inter-dependent.
- For districts eligible for both (106 districts in FY2008), gap aid would have been higher if the excess cost supplement did not exist.

Transitional Aid

- Guarantees district is not credited with less state aid than total aid in the previous year
- Has been provided since FY 2004
- Other guarantees were combined into this one guarantee in FY 2008

A Few Thoughts on Guarantees

- Guarantees provide districts with funding that is above the level determined by the formula alone.
- They are not part of the model that determines the total cost of the state-defined basic education.
- They are added in the distribution formula that determines state and local shares of the state-defined basic education model cost.
- They shift part of the formula determined local share to the state.

A Few Thoughts on Guarantees and Transitional Aid

- They are added to address the impact of transitional factors facing individual school districts that might not have yet been fully addressed by the model.
- School districts on the guarantee in two consecutive years receive no growth in state funding, but in both years they receive more than the amount determined by the formula alone.

Enhancement Funding Building Blocks

1. State parity aid

2. Additional local property and income tax levies

Parity Aid- State Funding for Enhancement Services

- Established in FY 2002
- Provides state funding to help narrow the disparity in local enhancement education spending (above the state-defined basic education level)
- Equalizes an additional 8.0 mills (FY2008) and 8.5 mills (FY2009) (above the 23-mills to 26.3-mills local share of the state-defined basic education) to the 80th percentile district's wealth level
- Wealth measure in parity aid is the combination of property wealth (2/3) and income wealth (1/3)

Parity Aid Formula, FY 2008

(Threshold wealth level – District's wealth level)

X

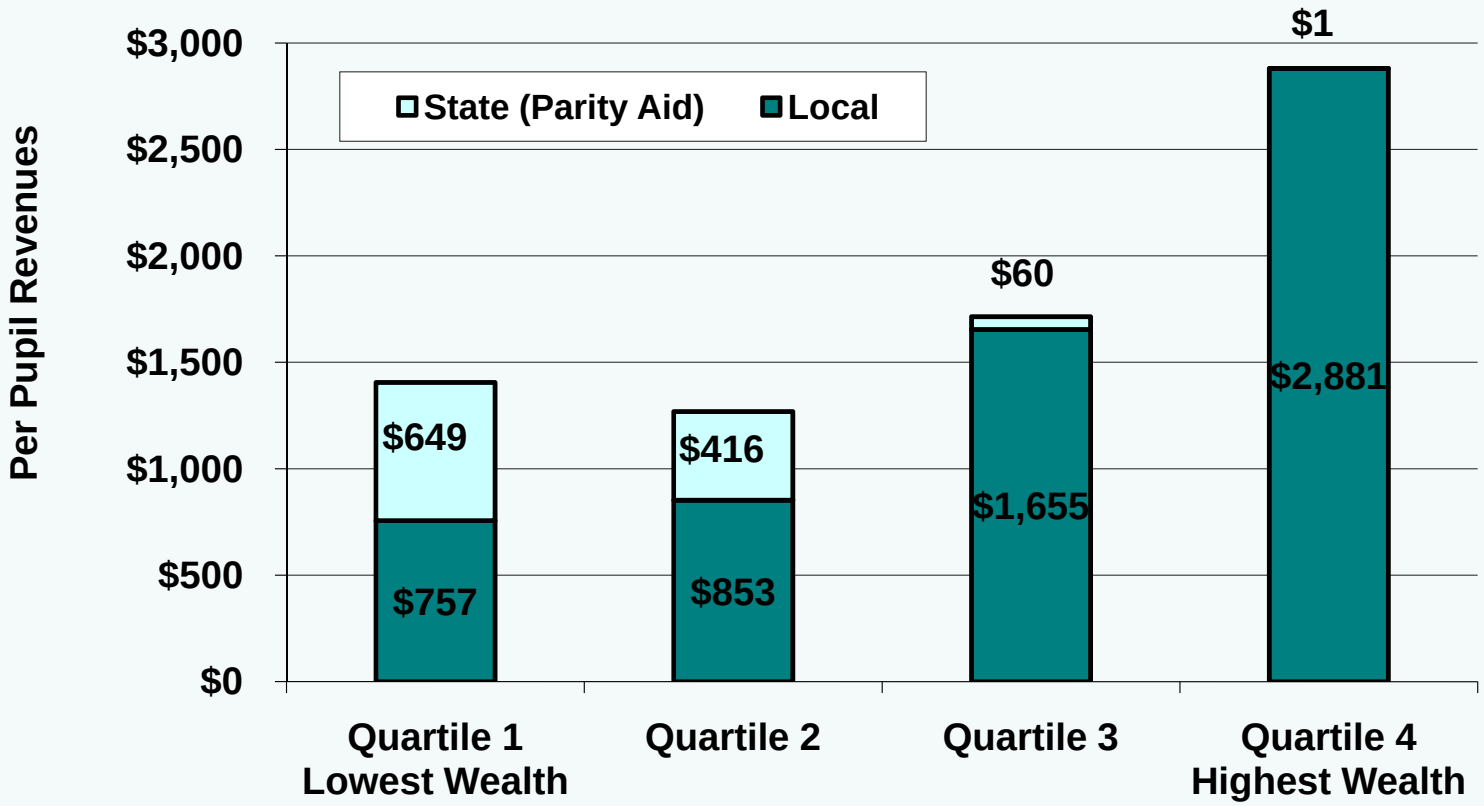
0.0080 (8.0 mills)

X

District's formula ADM

Threshold wealth level = $172,147 in FY 2008

Per Pupil Enhancement Revenue by Wealth Quartile, FY 2008



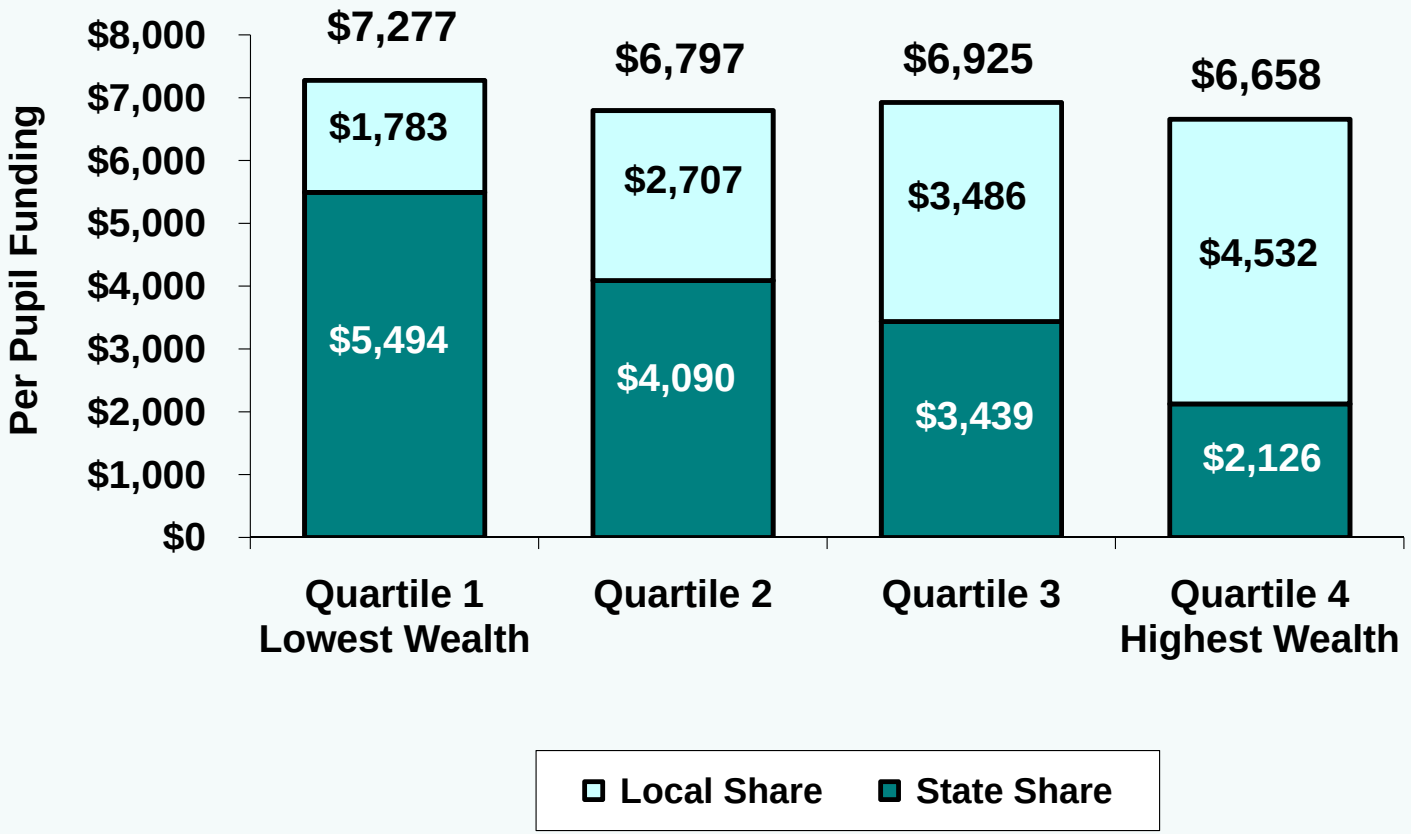
Summary of SF-3 Funding, FY 2008

- $3,917.4 million
  - Base cost funding (including base funding supplements)
- $461.4 million
  - Additional special education weighted funding
- $48.2 million
  - Additional career-technical education weighted funding
- $454.4 million
  - Poverty-based assistance (PBA)
- $363.3 million
  - Pupil transportation
- $33.1 million
  - Gifted education

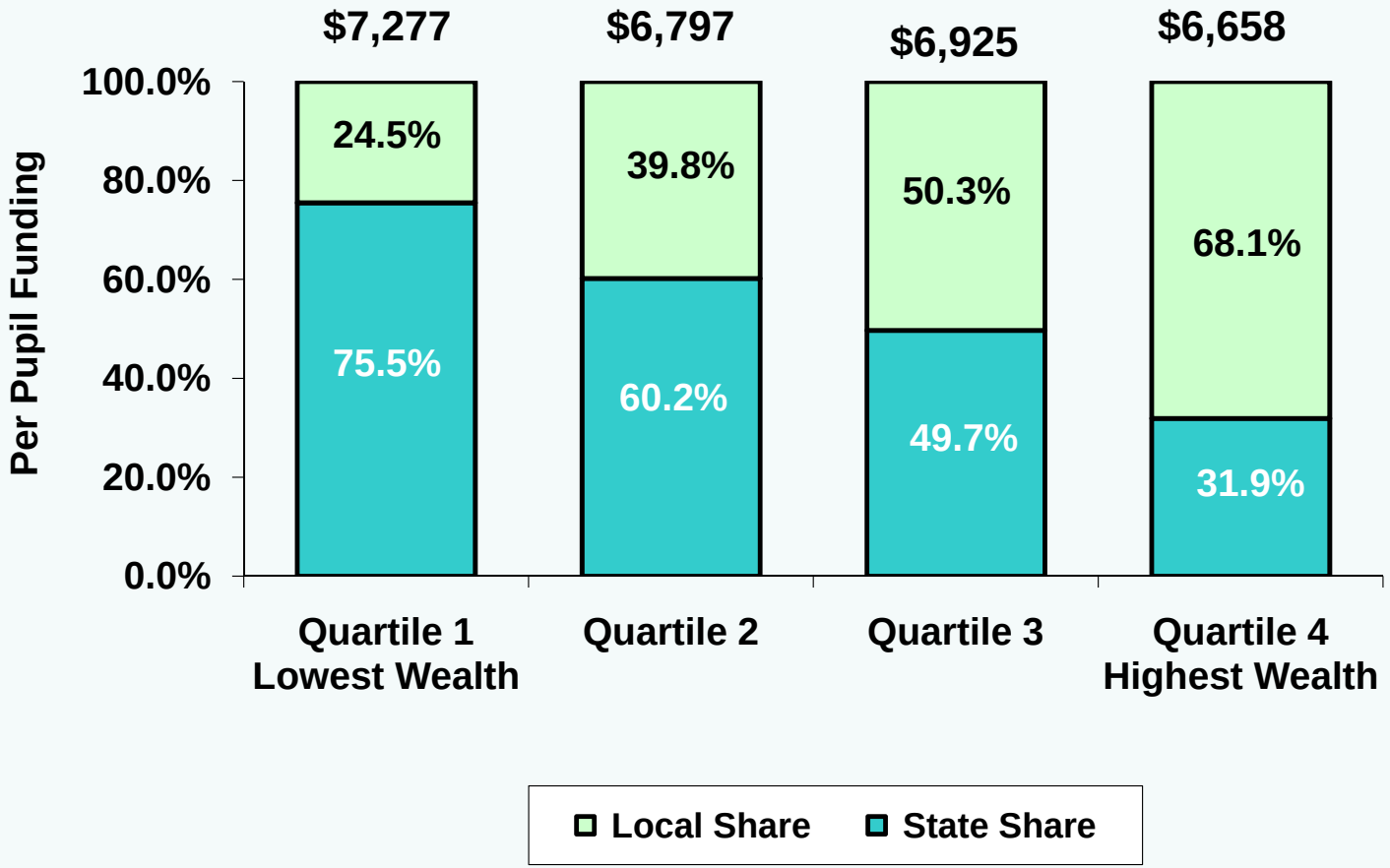
Summary of SF-3 Funding, FY 2008

- $55.6 million
  - Excess cost supplement
- $14.8 million
  - Teacher training & experience
- $85.2 million
  - Gap aid
- $454.3 million
  - Transitional aid
- $478.5 million
  - parity aid (included in SF-3, but for education above the state-defined basic level)

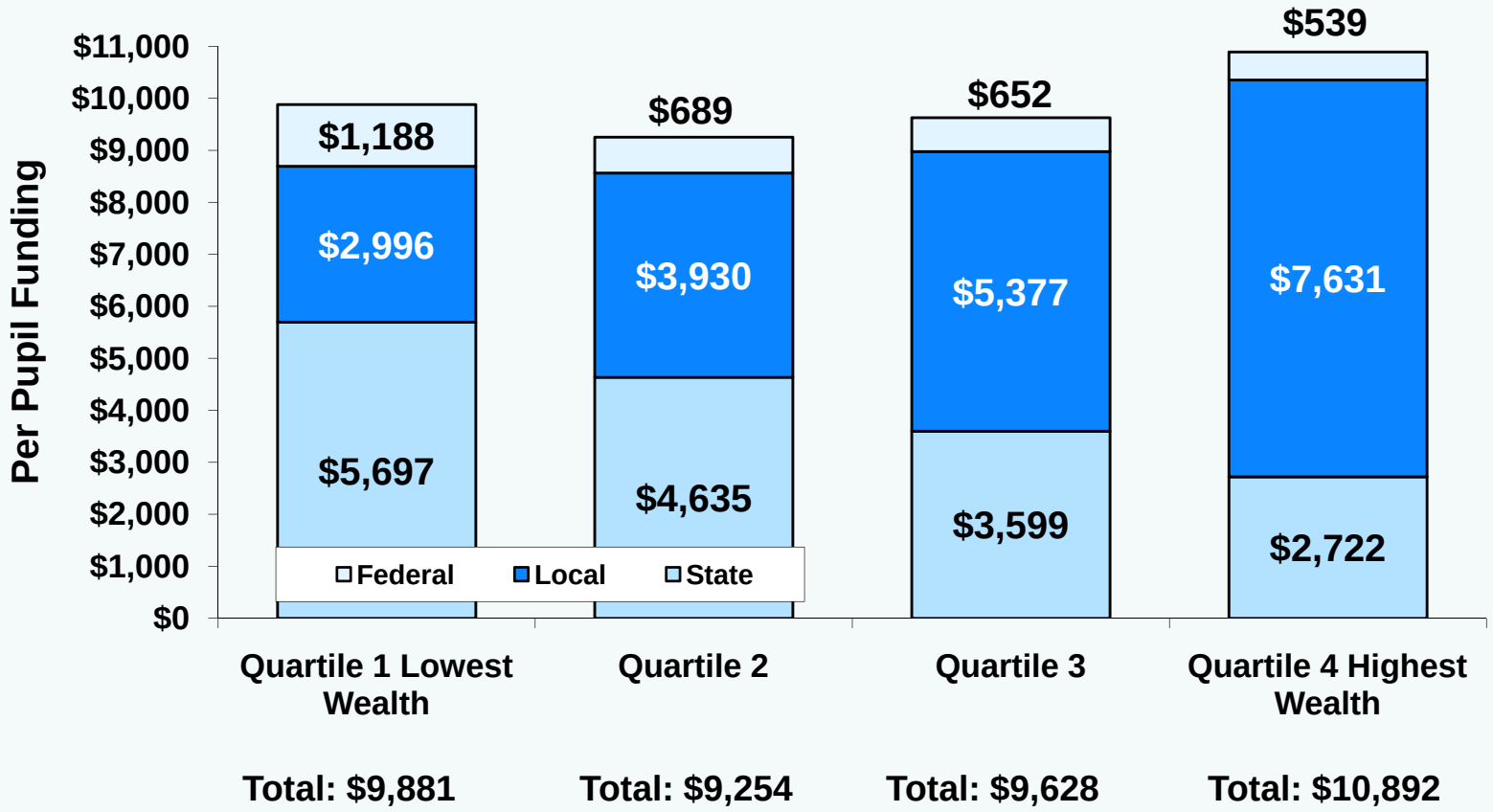
Per Pupil Funding for State-Defined Basic Education, FY 2008



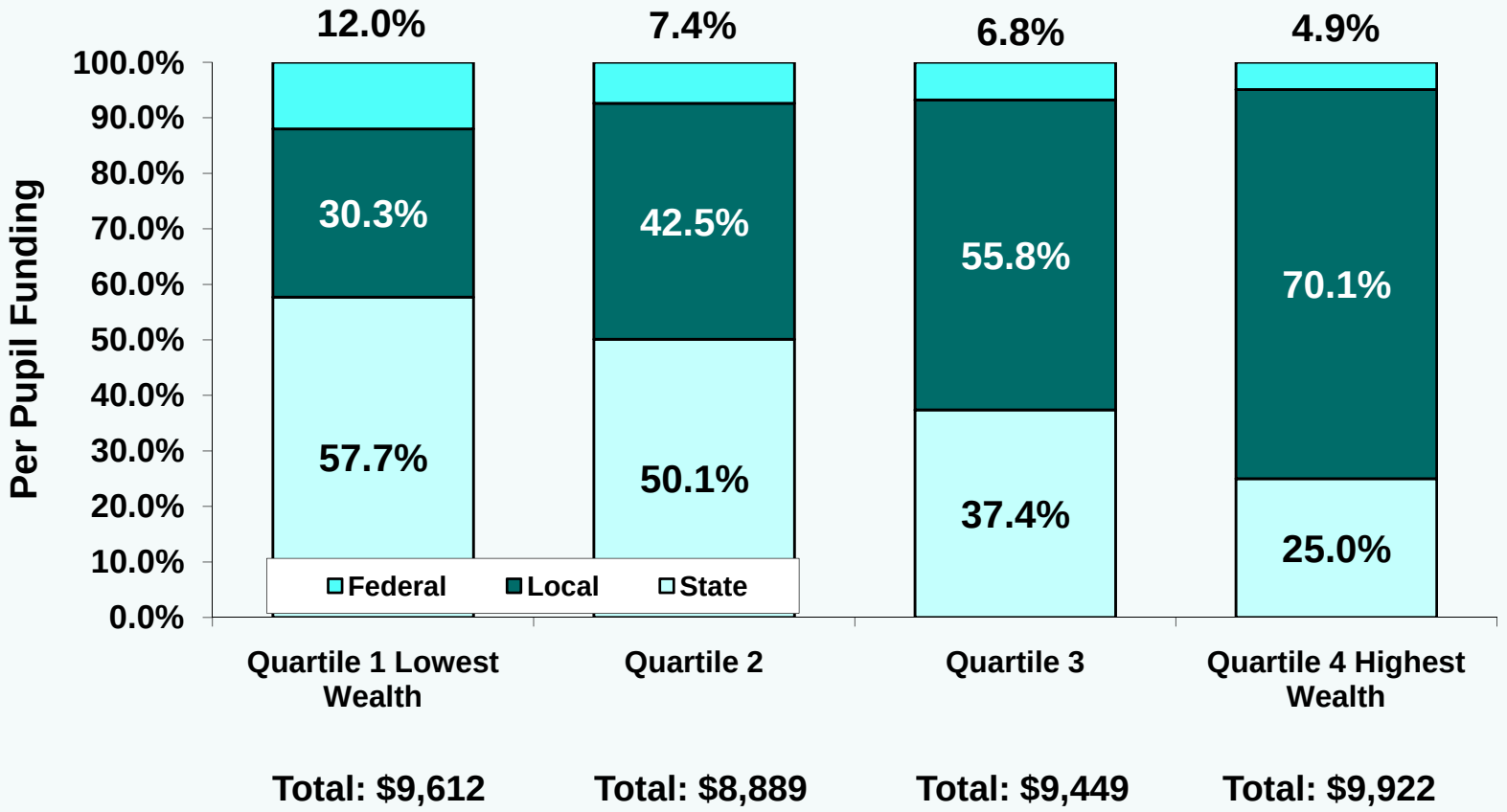
State & Local Shares of the State-Defined Basic Education, FY 2008



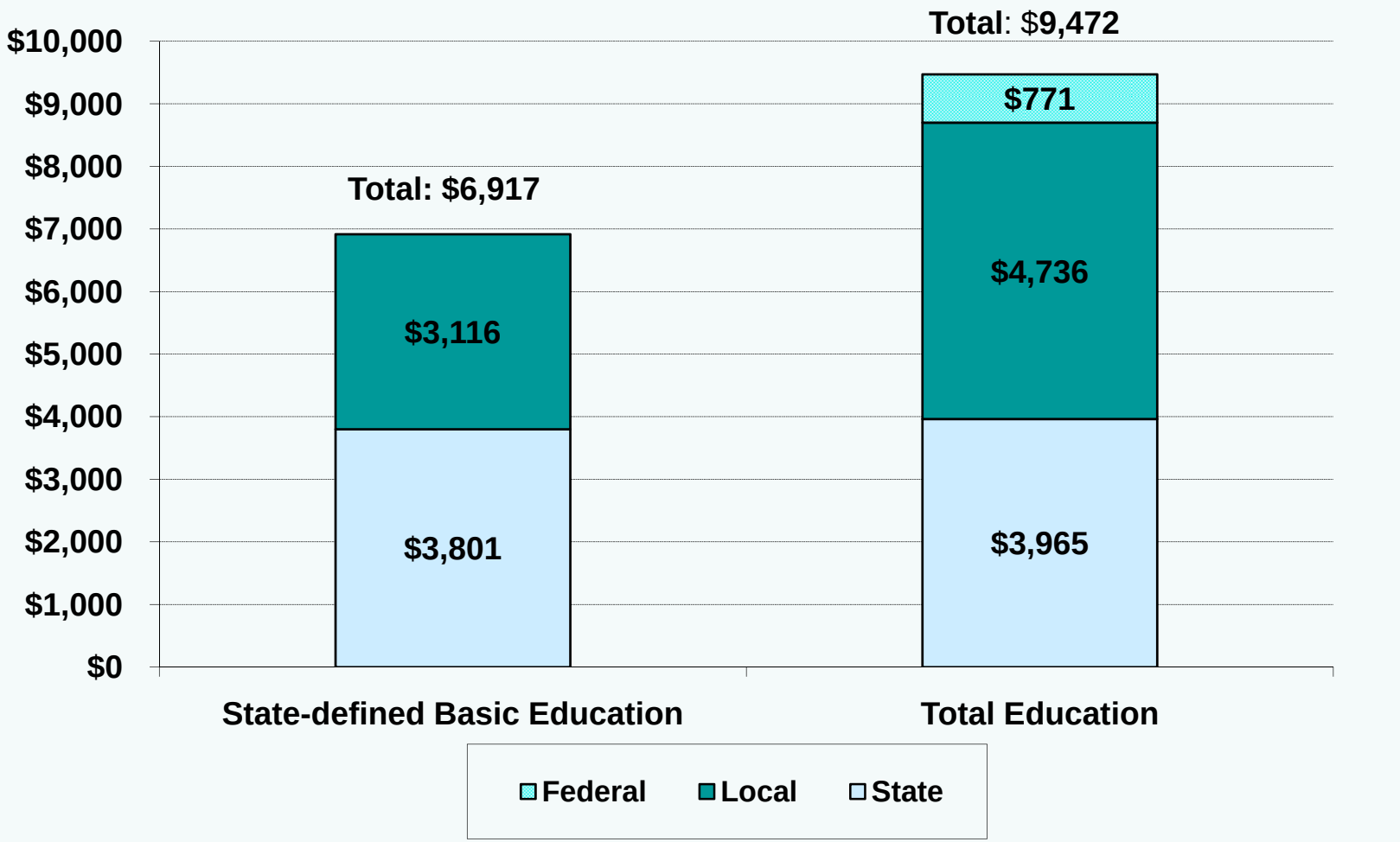
Per Pupil Total Operating Revenues by Wealth-based Quartile, FY 2007



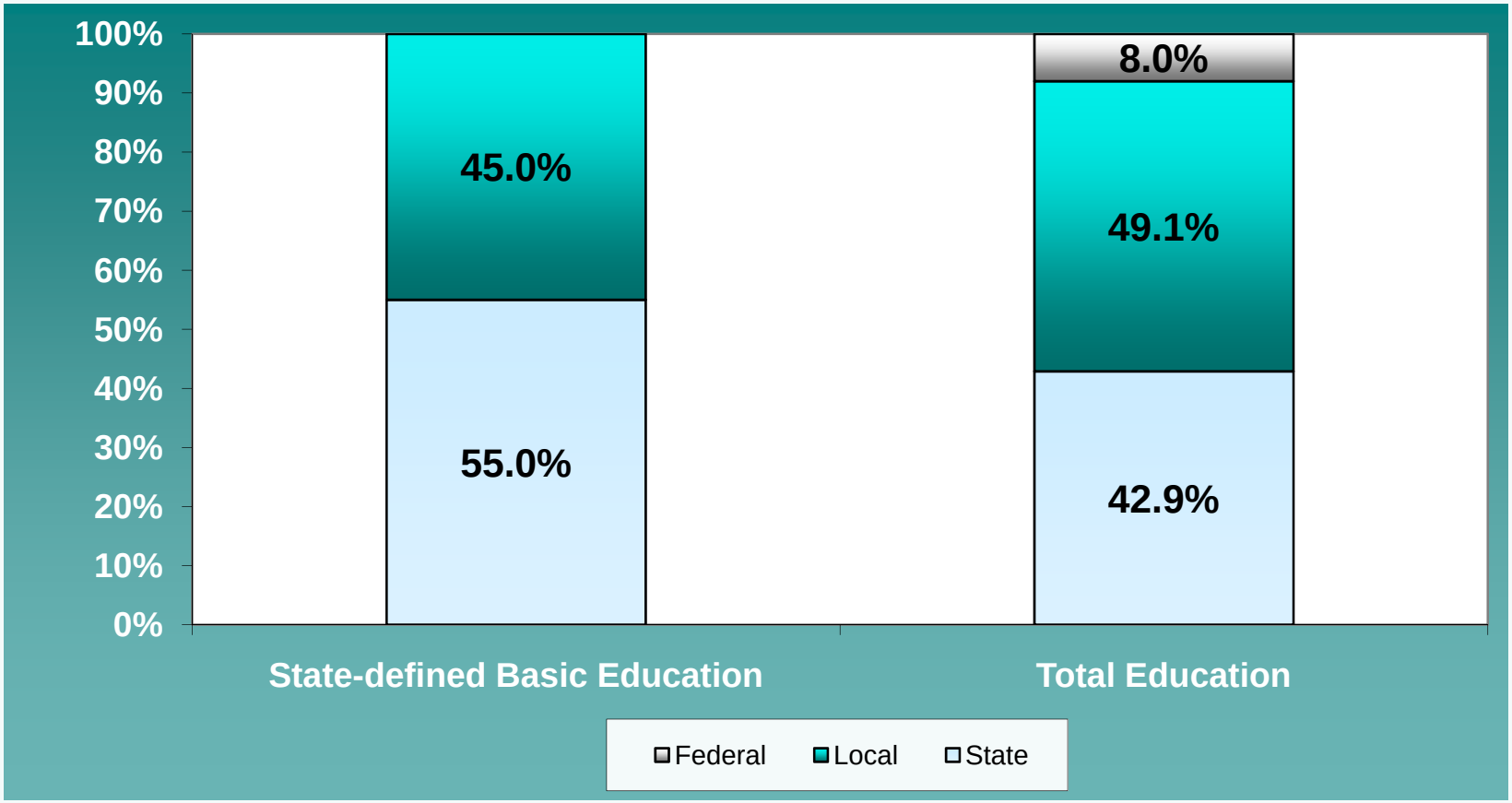
State, Local, & Federal Shares of Operating Revenues by Quartile, FY2007



State and Local Shares of Education, FY 2008



State and Local Shares of Education, FY 2008



Funding Transfers for Certain Students

Funding Transfers

- For students enrolled or receiving services in schools/entities other than their resident schools
  - Community schools
  - Educational service centers
  - Post-secondary enrollment options programs
  - Open enrollment
  - Vouchers

Community Schools

- Established in FY 1999
- Public schools that are not part of a school district and that are exempt from some state requirements
- Have no tax authority

Community School Growth

FY 1999	FY 2008
15 schools	330 schools
2,245 students – 0.1% of total public school enrollment	82,652 students – 4.6% of total public school enrollment
$11.0 million in transferred funding	$585.3 million in transferred funding

Funding for Community Schools

- Students are included in their resident district's ADM for purposes of state aid calculations.
- Funding for community school students is deducted from their resident districts' state aid and transferred to community schools where the students are enrolled.
- Community school students generally receive base cost funding, special and career-technical education weighted funding, PBA, and parity aid.
- Community schools are also eligible for various state and federal grants.

Funding for Community Schools, FY 2008

- $585.3 million in Total SF-3 Funding Transfer
  - ✓ $445.0 million – Base Cost Funding
  - ✓ $44.4 million – PBA
  - ✓ $65.0 million – Special Education Weighted Funding
  - ✓ $6.5 million – Career-technical Education Weighted Funding
  - ✓ 1.0 million - Transportation
  - ✓ $23.4 million – Parity Aid

ESC Funding Transfers

- Educational service centers (ESCs) are required to provide oversight functions to all local (member) districts within their region.
- ESCs also provide similar services to city and exempt village (client) districts that have entered into an agreement with an ESC.
- ESCs provide other services to member and client districts on a fee-for-service basis.

ESC Funding Transfers

- $6.50 per pupil was deducted from each member and client district – $36.7 million in total for FY 2008.

- The contractual amounts are also deducted from member and client districts - $146.1 million in total for FY 2008.

Post-Secondary Enrollment Options (PSEO)

- Allows high school students to earn college and high school credit without cost to the student.
- Both public and private high school students are eligible for participation.
- Funding for public school students is deducted from their resident districts' state aid.
- Funding for nonpublic school students is through an earmark of GRF appropriation item 200-511, Auxiliary Services.

PSEO Funding, FY 2003 & FY 2007

	FY 2003		FY 2007		% Change	
	Students	**Funding**	**Students**	**Funding**	**Students**	**Funding**
Public	9,588	$14.8 million	11,196	$18.7 million	17.0%	26.4%
Nonpublic	1,247	$1.1 million	999	$1.5 million	-19.9%	36.4%
Total	10,835	$15.9 million	12,195	$20.2 million	12.6%	27.0%

Inter-district Open Enrollment Policy

Policy Type	No. of Districts	% of Districts
No	168	25.3%
Adjacent Districts Only	109	16.5%
Statewide	386	58.2%
Total	661	100.0%

School Vouchers

1. Cleveland Scholarship and Tutoring Program
2. Autism Scholarship Program
3. Educational Choice Scholarship Pilot Program

Cleveland Scholarship and Tutoring Program

- Created in FY 1997
- 6,272 students received scholarships in FY 2008
- $17.6 million – program spending for FY 2008
- Scholarship students generally are not counted in Cleveland's ADM
- Funded by a set-aside of Cleveland's PBA assistance allocation and GRF
  - $11.9 million Cleveland's PBA set-aside in FY 2008
  - $8.7 million GRF in FY 2008

Autism Scholarship Program

- For autistic students only
- Started in FY 2004
- Scholarship amount - $20,000 or the total fees charged by the provider, which ever is less
- Scholarship students are counted in their resident district's ADM for funding purposes
- $12.1 million was transferred for students from 243 districts in FY 2008

Educational Choice Scholarship Pilot Program

- Started in FY 2007
- Up to 14,000 scholarships per year
- Available to students who attend or who otherwise would be entitled to attend a school that has been in academic emergency or academic watch in two out of the last three years
- Maximum scholarship amounts in FY 2007: $4,250 for K-8 students and $5,000 for grades 9-12 students

Educational Choice Scholarship Pilot Program

- EdChoice scholarship students are included in their resident district's ADM for base cost funding purposes.
- State aid deduction amounts:
  - $2,700 per kindergarten student
  - $5,200 per student in grades 1-12
- $31.4 million deducted in FY 2008 for 6,659 full time equivalent scholarship students

Funding for Joint Vocational School Districts

Joint Vocational School Districts

- 49 joint vocational school districts
- 38,000 students
- 495 associate districts
- Average taxable value – $4.2 million per pupil
- Have taxing authority same as regular school districts

State Operating Funding for Joint Vocational School Districts

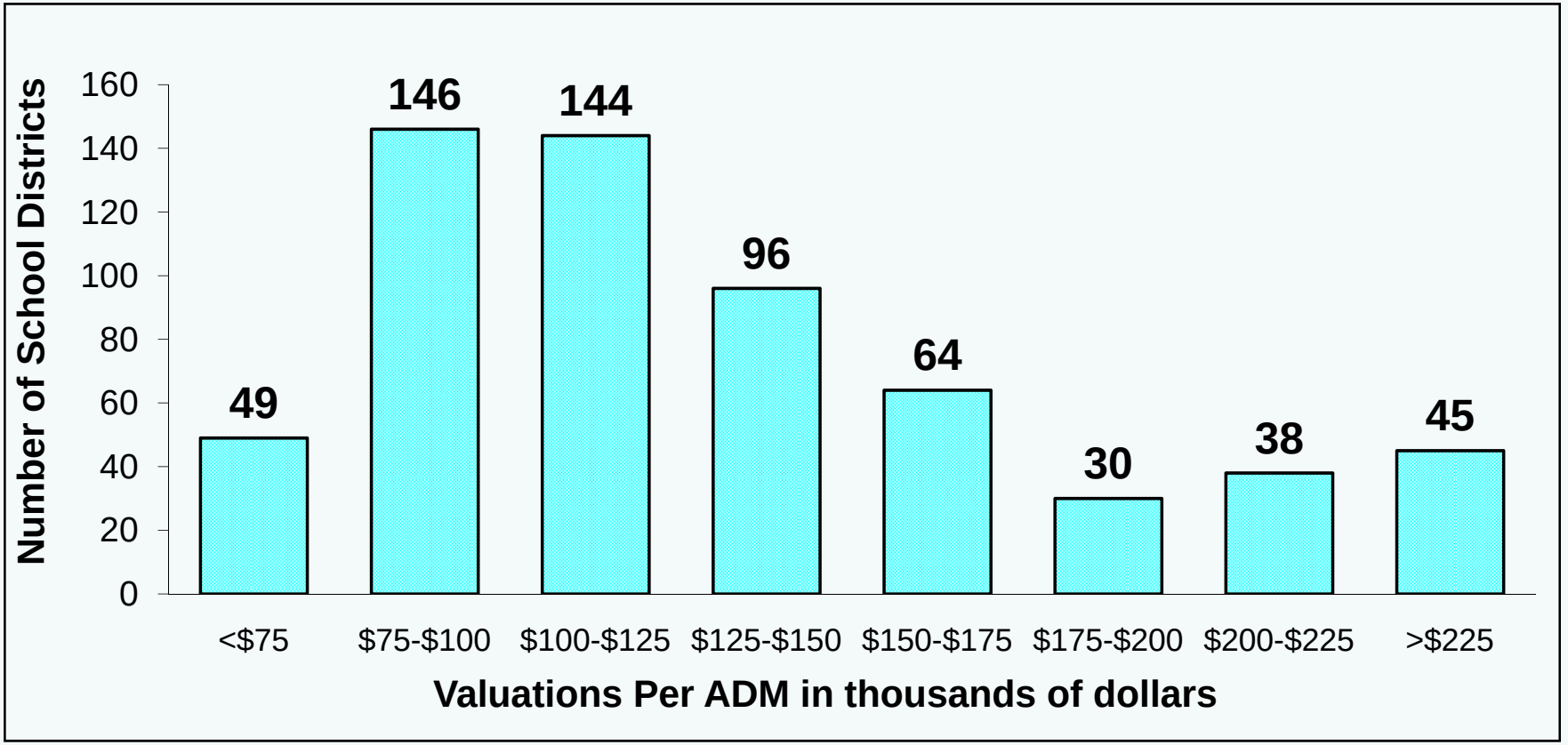
- Same base cost formula amount, but no base funding supplements
- Same weights for special and career-technical education students
- Same transitional aid
- Parallel, but separate SF-3 funding formula to determine state and local shares
- The charge-off rate is 0.5 mills
- $242.1 million in state SF-3 funding for FY2008

JVSD Operating Property Tax Revenue, TY 2007

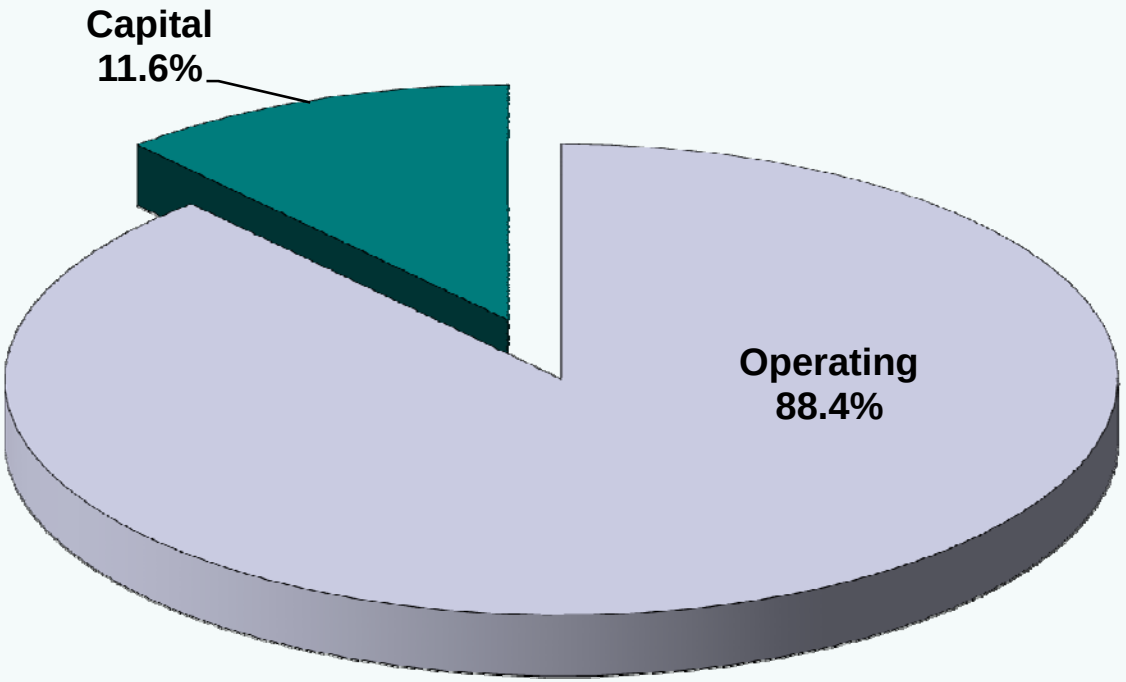
- $310.4 million
- $8,183 per pupil
- Average effective rate – 2.0 mills

School District Property and Income Taxes and H.B. 920

Distribution of Valuations Per Pupil, TY 2007



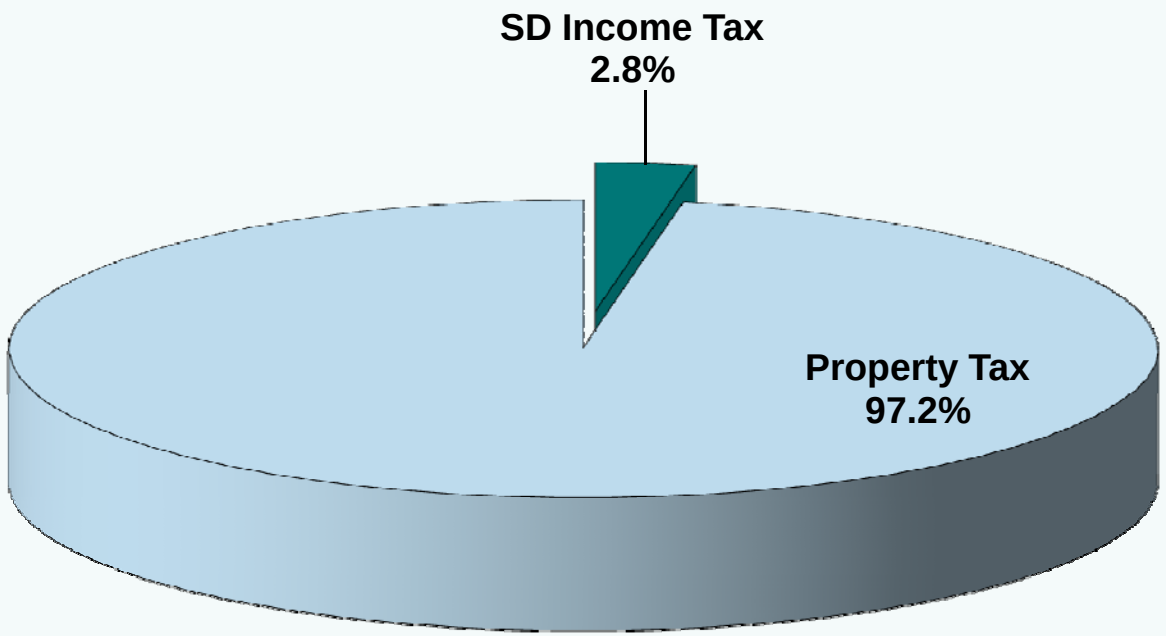
School District Local Tax Revenue, FY 2008



Operating: $8.5 billion

Capital: $ 1.1 billion

School District Local Operating Tax Revenue, FY 2008



Total: $8.5 billion

Property Classifications

- Real Property – land & building
  - Class I – residential & agricultural
  - Class II – commercial & industrial

- Tangible Personal Property – machinery, equipment, inventories, furniture, & fixtures
  - General business (phased-out after TY 2011)
  - Public utility

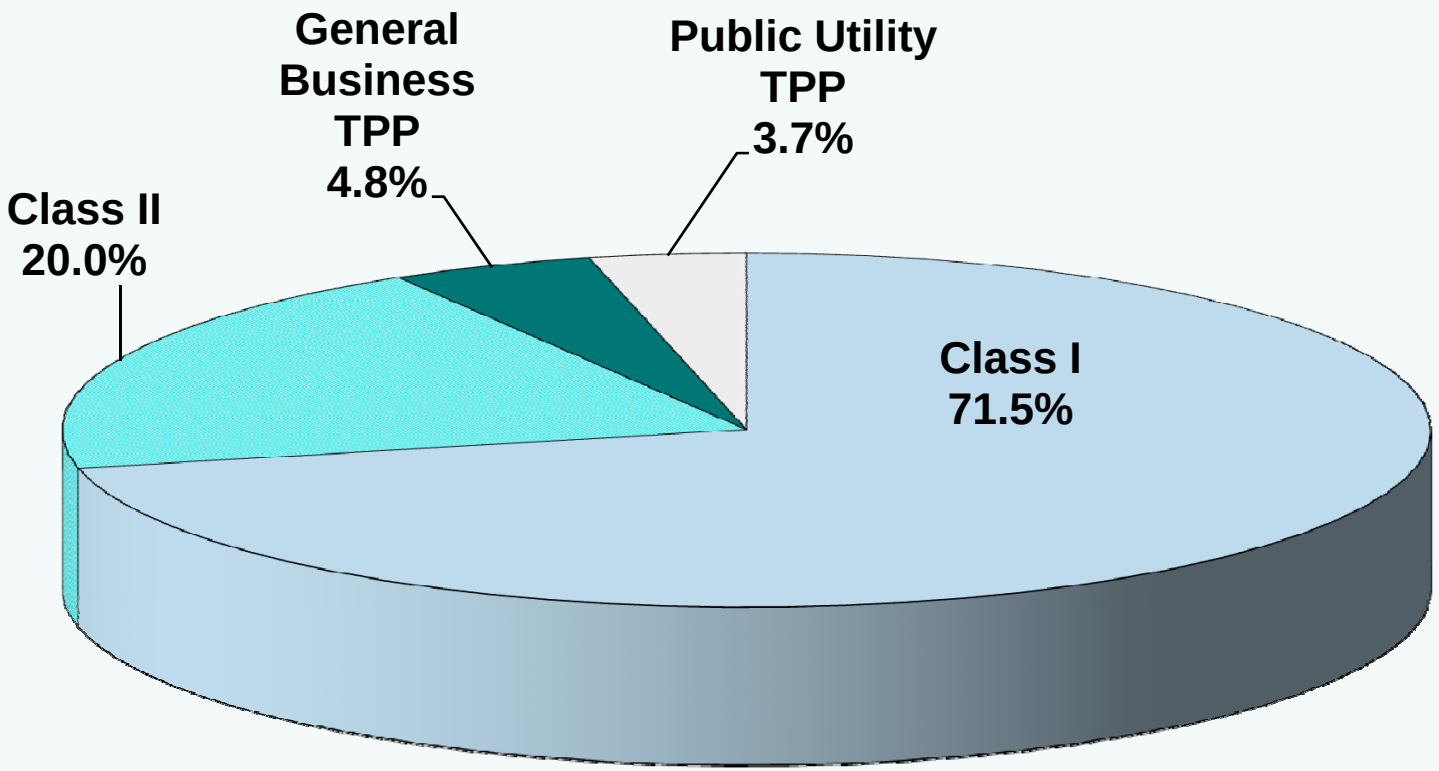
Taxable Property Valuation

- Real property is reappraised every six years
  - Values are updated every three years between reappraisals
- Taxable value of real property is set at 35% of fair market value
- Taxable value of tangible personal property (TPP) generally ranges from 25% to 88% of true value, which is self-reported by the business based on certain methods

Taxable Property Value, TY 2007

- Class I - $184.1 billion
- Class II - $51.6 billion
- General business TPP - $12.3 billion
- Public utility TPP - $9.5 billion
- Total taxable value - $257.5 billion

The Statewide Taxable Property Value Composition, TY 2007



Taxable Property Value Composition, TY 2007

Category	Minimum	Maximum	Median
Class I	17.3%	96.7%	77.0%
Class II	1.4%	55.9%	13.6%
Public Utility TPP	0.7%	60.7%	3.7%
General Business TPP	0.2%	27.5%	3.7%

School District Property Tax Operating Revenue, TY 2007

Category	Dollar Amount	% of Total
Class I	$5.3 billion	64.3%
Class II	$1.8 billion	22.3%
General Business TPP	$0.6 billion	7.9%
Public Utility TPP	$0.4 billion	5.5%
Total	$8.2 billion	100.0%

H.B. 920 Reduction Factors

- Enacted in 1976
- Limits inflationary revenue growth from existing real property
- Calculated separately for Class I and Class II
- Not all levies are subject to H.B. 920 reduction factors

H.B. 920 Reduction Factors

- Inside mills
  - not subject to tax reduction factors
- Current expenses & Permanent improvement
  - subject to tax reduction factors
- Emergency & Bond
  - not subject to tax reduction factors
- Tangible personal property & New construction
  - not subject to tax reduction factors

H.B. 920 Floor

- H.B. 920 prevents a district's operating tax rate from falling below 20 mills.
- Only current expense levies (inside & outside) are included in the calculation of the H.B. 920 floor.
- In TY 2007, about 317 districts are at the 20 mill floor for at least one class of real property (120 for both classes; 184 for class I only; 13 for class II only).

Floor Districts

- For floor districts, property tax revenues grow at the same rate as property values increase
- The majority (70.7%) of the floor districts have emergency levies or school district income taxes
- Average tax effort (class I property tax plus school district income tax):
  - 27.06 mills for floor districts
  - 31.31 mills for non-floor districts
  - 29.84 for the state as a whole

Property Tax Rates

- Unvoted Rate – inside mills; on average 4-6 inside mills for school districts

- Voted Rate – the rate at which the original levy was approved

Property Tax Rates

- Class I Effective Rate – the calculated rate after applying H.B. 920 tax reduction factors to Class I real property
- Class II Effective Rate – the calculated rate after applying H.B. 920 tax reduction factors to Class II real property
- Total Rate – the sum of inside mills and voted rate; it is always applied to tangible personal property.

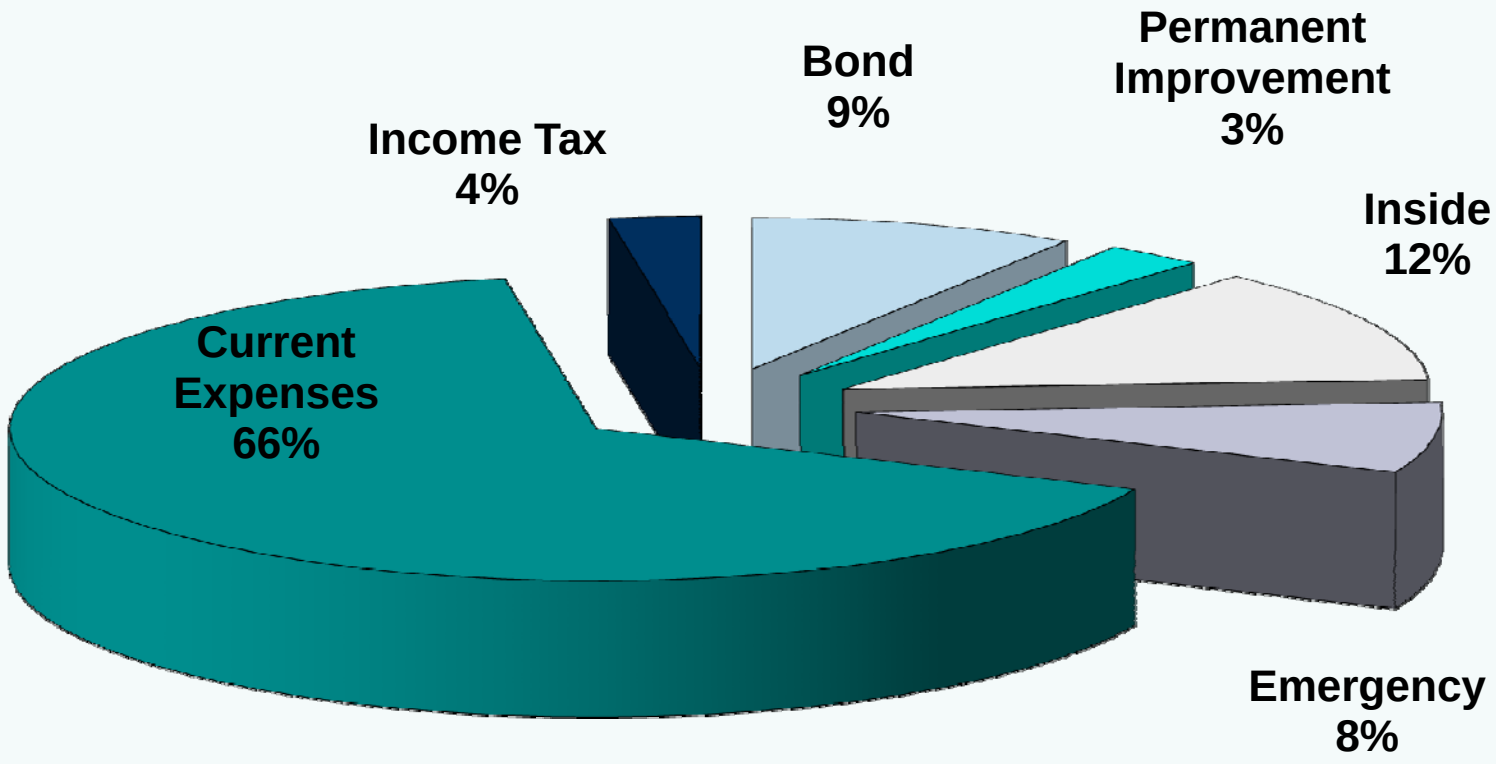
Operating Property Tax Rates, TY 2007

	Class I	Class II	Total
Minimum	20.00	20.00	20.00
Maximum	70.47	96.61	170.30
Average	29.91	33.69	49.67
Median	28.83	31.98	46.96

Property Tax Levy Purposes

- Inside mills (4 – 6 mills for school districts)
  - generally designated by school districts for general operations
- Current expenses
  - for the general operations of school districts
- Emergency
  - for the general operations of school districts
- Permanent improvement
  - generally for maintenance of physical plants or for things that have at least five years of useful life
- Bond
  - for site acquisition and building renovation/construction

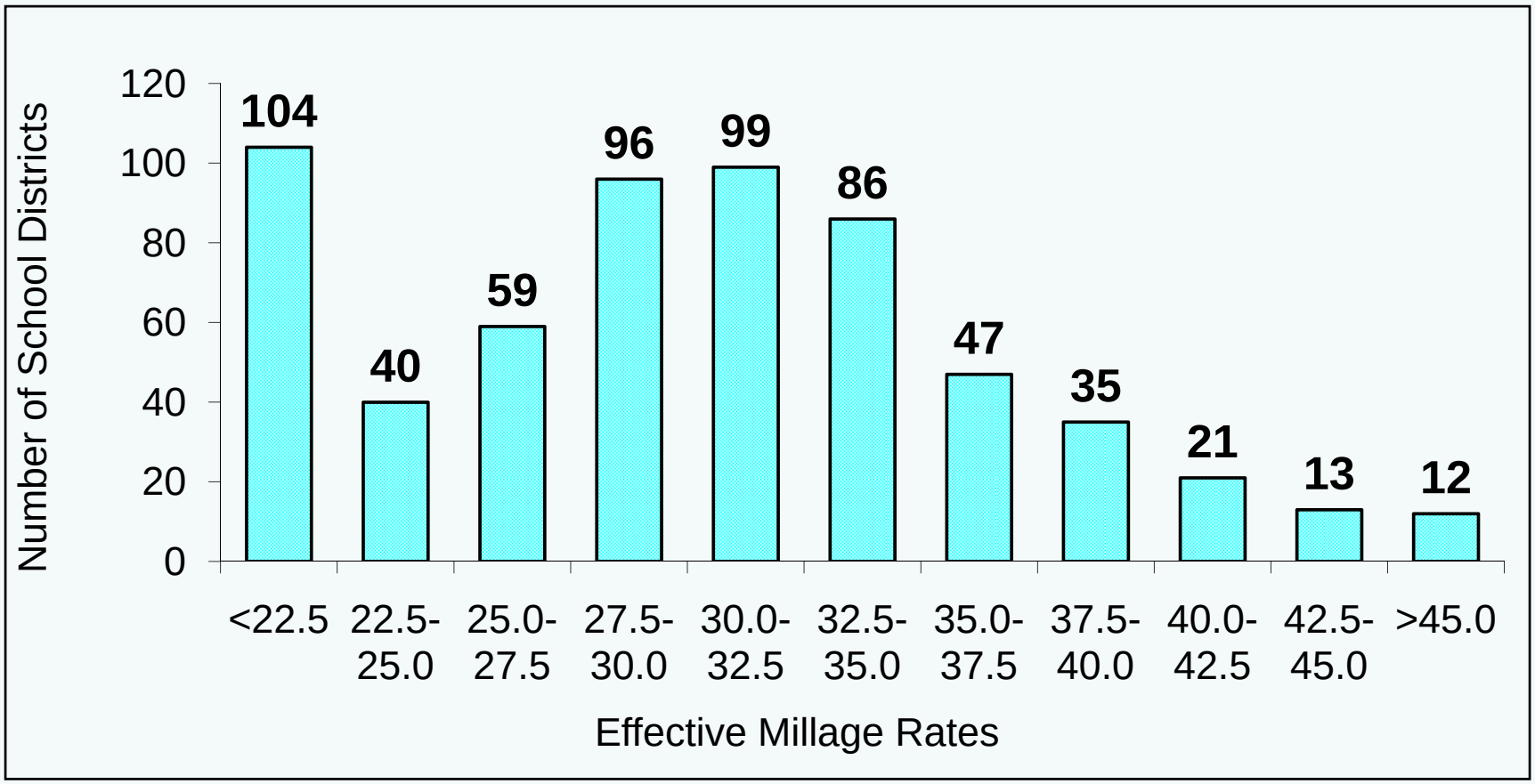
School District Operating and Capital Tax Revenue by Levy Type, TY 2007



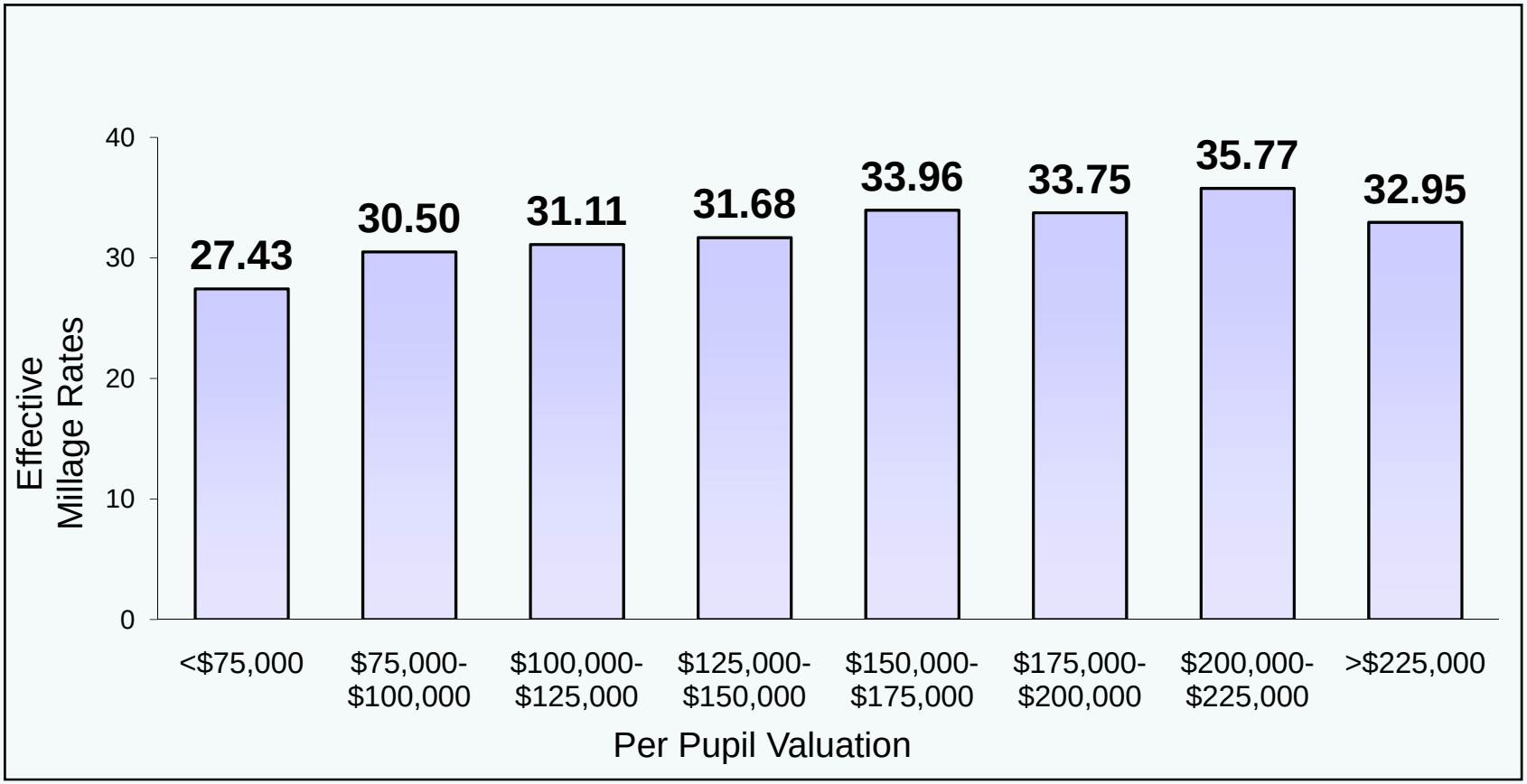
School District Income Tax

- 172 school districts levied a school district income tax in FY 2008.
- Collected a total of $240.0 million in school district income taxes
- Range from less than $100 per pupil in some districts to over $3,000 per pupil in some other districts
- Tend to be small, rural districts with relatively low business property wealth
- Many districts with school district income taxes are at the H.B. 920 20-mill floor.

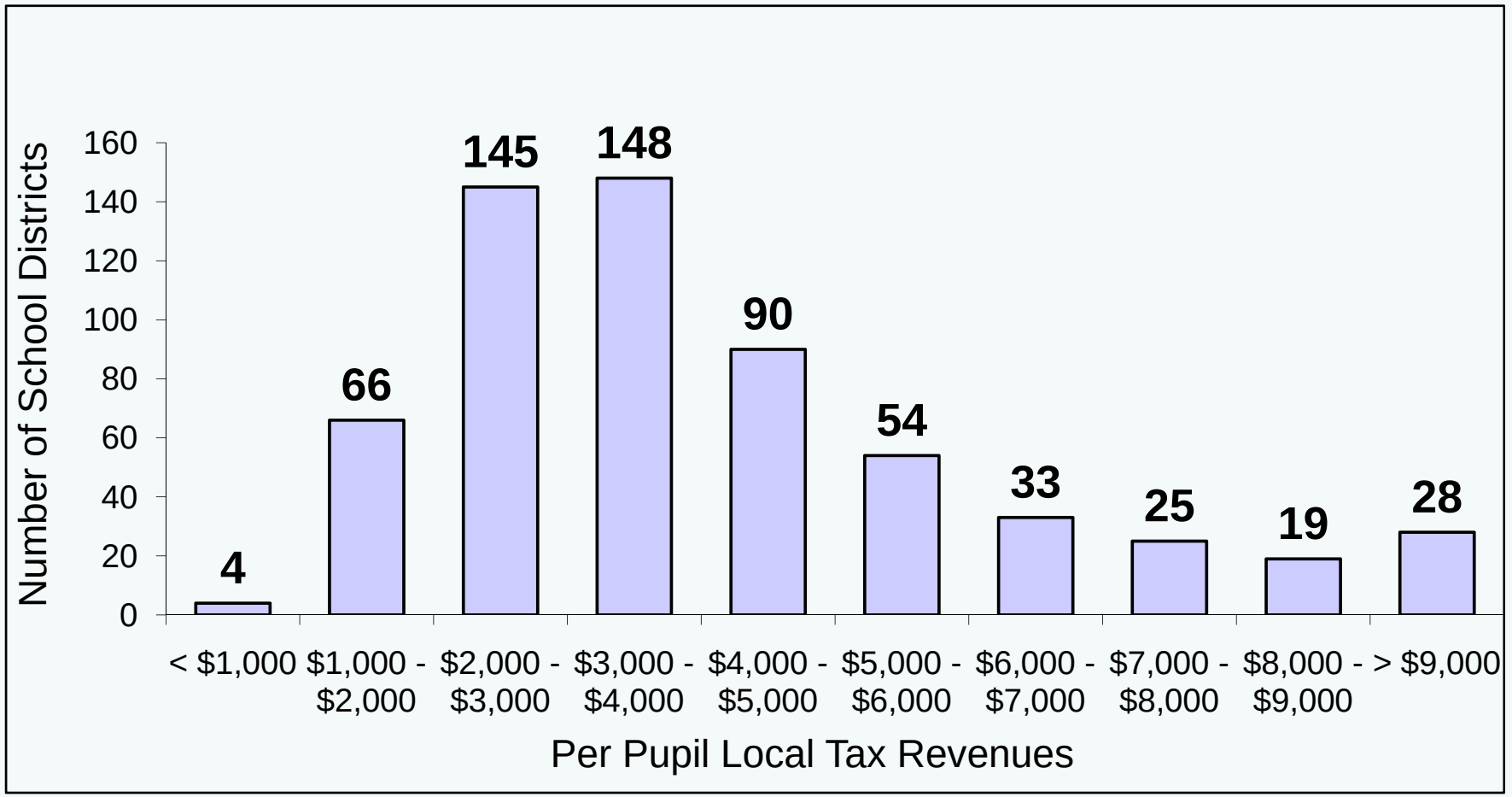
Distribution of Overall Effective Operating Tax Rates, TY 2007



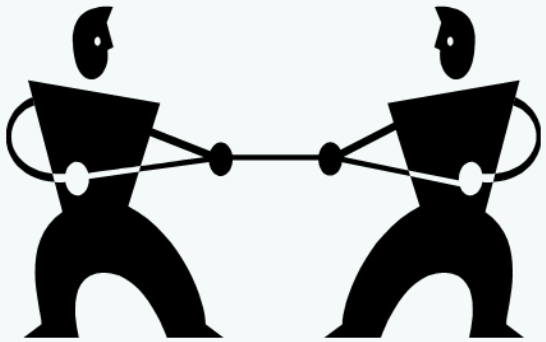
Average Overall Effective Tax Rates by Valuation Per Pupil, TY 2007



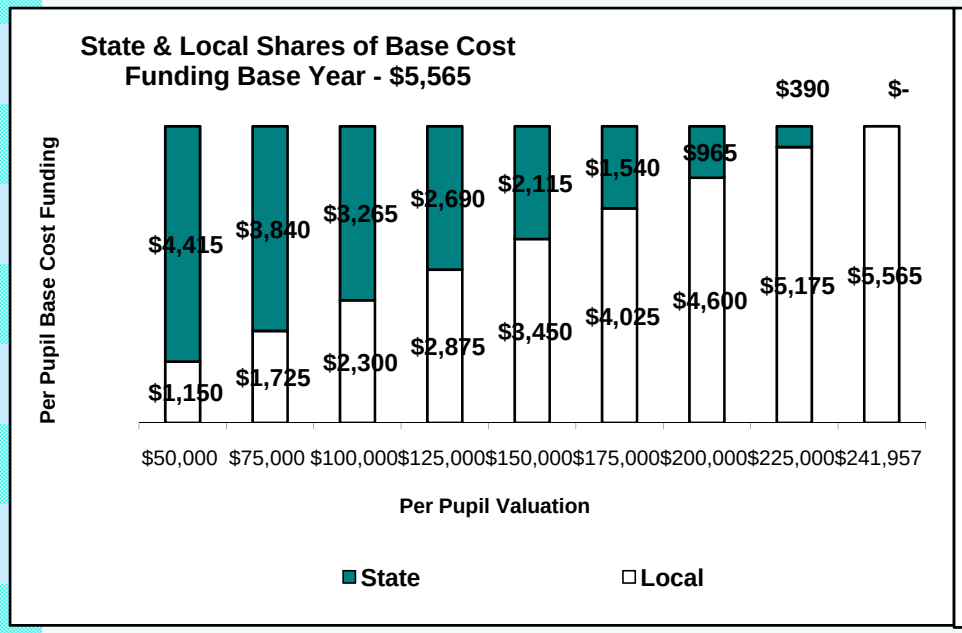
Distribution of Per Pupil Local Operating Tax Revenues, TY 2007

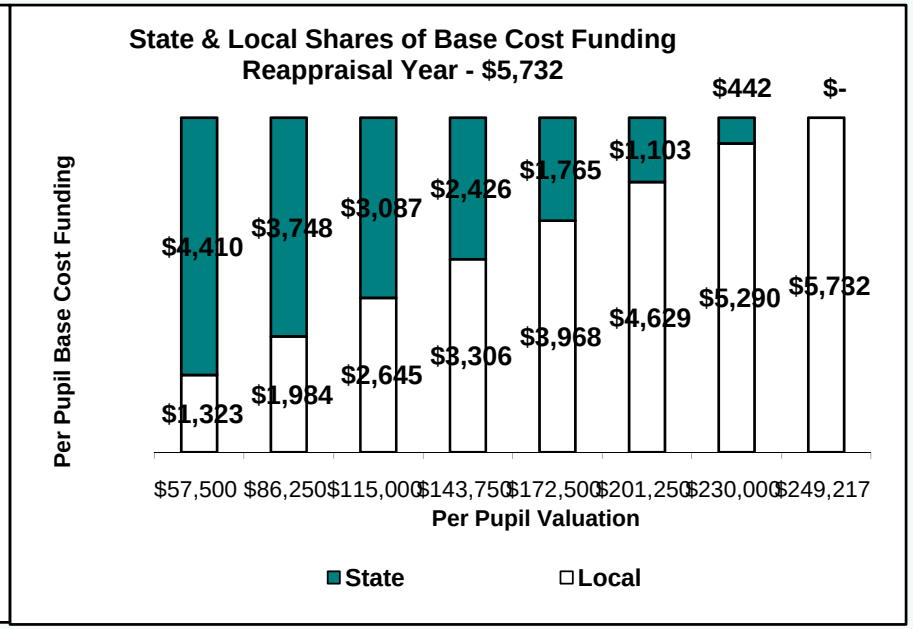


Interaction of Charge-off and H.B. 920 Tax Reduction Factors



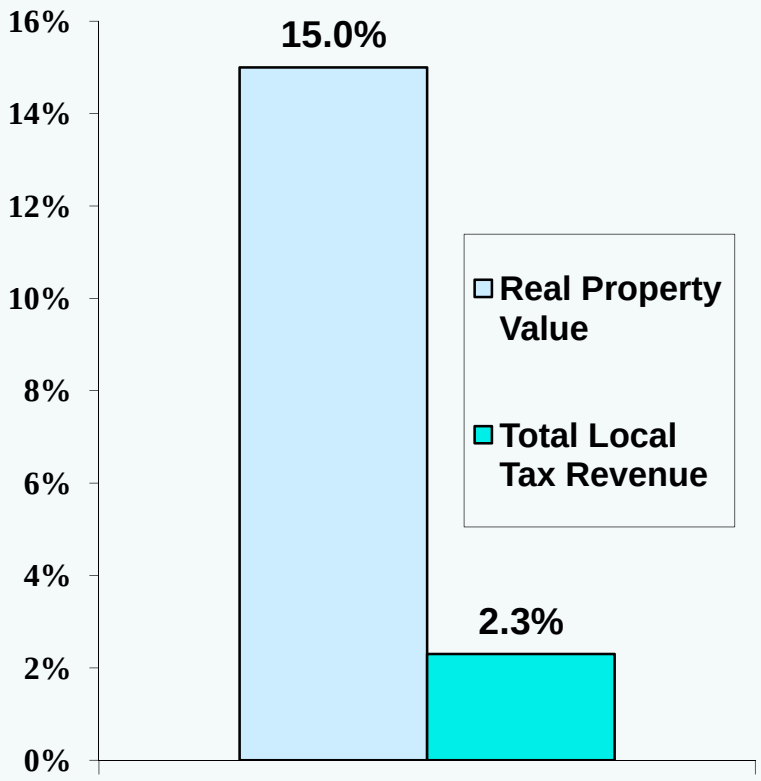
Charge-off Provides More State Funding to Low Capacity Districts





H.B. 920 Limits Inflationary Revenue Increases from Existing Real Property

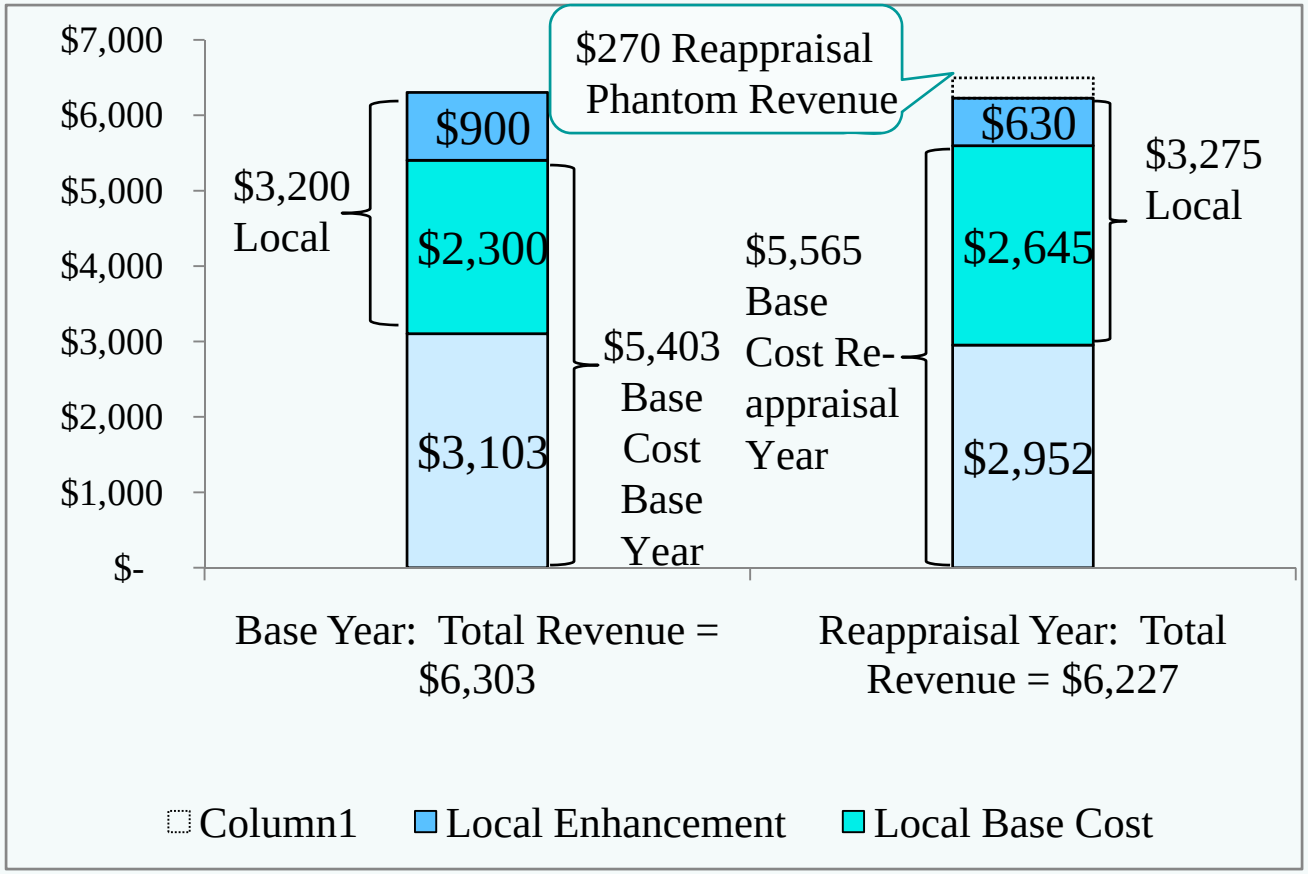
	Base Year	Reappraisal Year
Inside Mills	5.00	5.00
Effective Voted Mills	27.00	23.48
Total Effective Mills	32.00	28.48
Real Property Value Per Pupil	$100,000	$115,000
Real Property Value Growth		15%
Inside Mill Revenue	$500	$575
Voted Mill Revenue	$2,700	$2,700
Total Local Tax Revenue	$3,200	$3,275
Total Local Tax Revenue Growth		2.3%



Phantom Revenue

- Formula (charge-off) phantom revenue
  - Gap between the local share assumed by the formulas and the amount of revenue collected by a district
  - Eliminated by the charge-off supplement (gap aid)
  - No phantom revenue in state-defined basic education
- Reappraisal phantom revenue
  - Interaction between the charge-off and the H.B. 920 tax reduction factors
  - Reduces the amount of local enhancement revenue (above the state-defined basic education) when a district goes though a reappraisal/update
  - Difficult to address through the formulas alone without creating new concerns

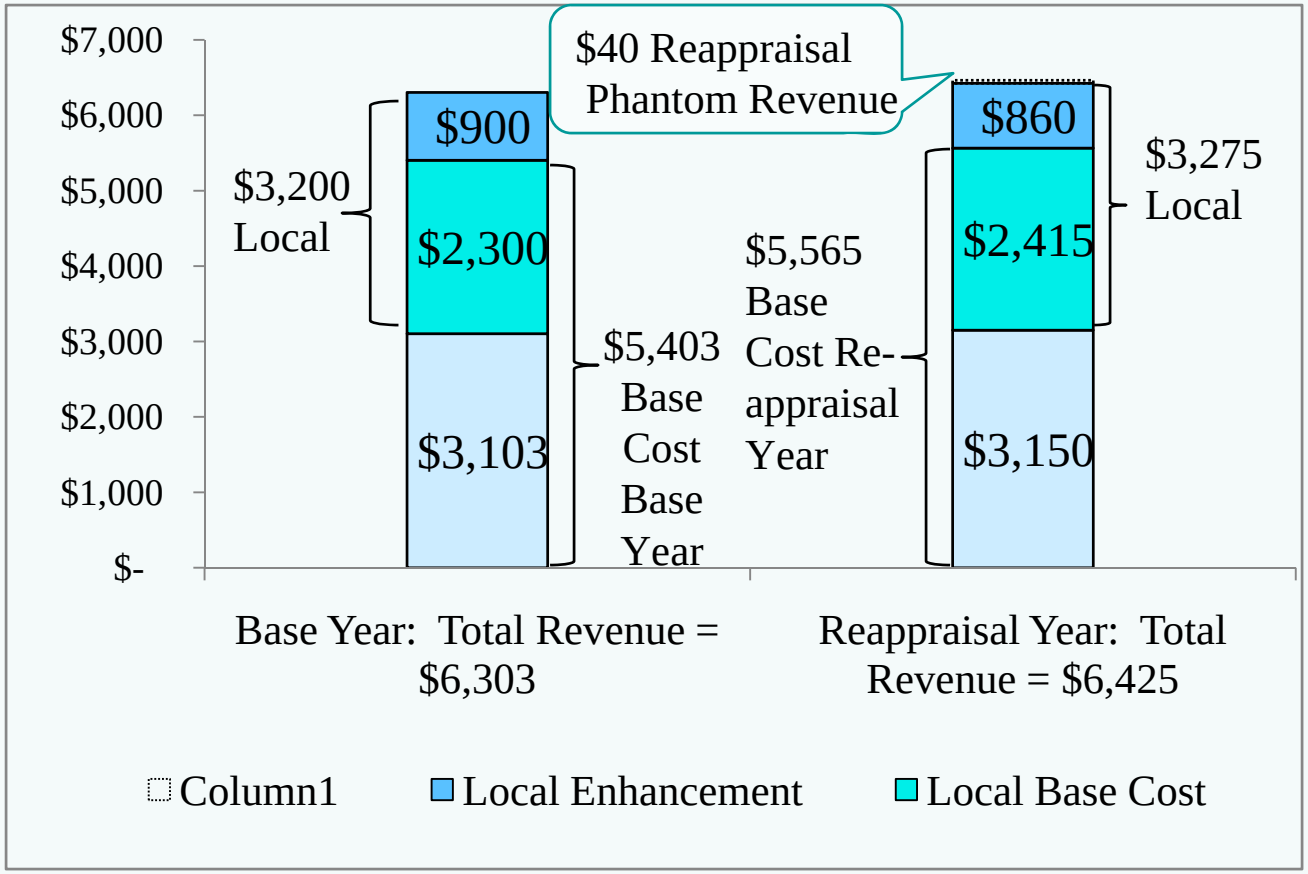
Illustration 1 – Old Charge-off Method Based on Total Taxable Value



Assumptions:

- ✓ No categorical funding
- ✓ 5 inside mills
- ✓ 27 effective voted mills in base year
- ✓ $100,000 per pupil real value in base year
- ✓ 15% inflationary increase
- ✓ No new construction
- ✓ No TPP
- ✓ No new levies

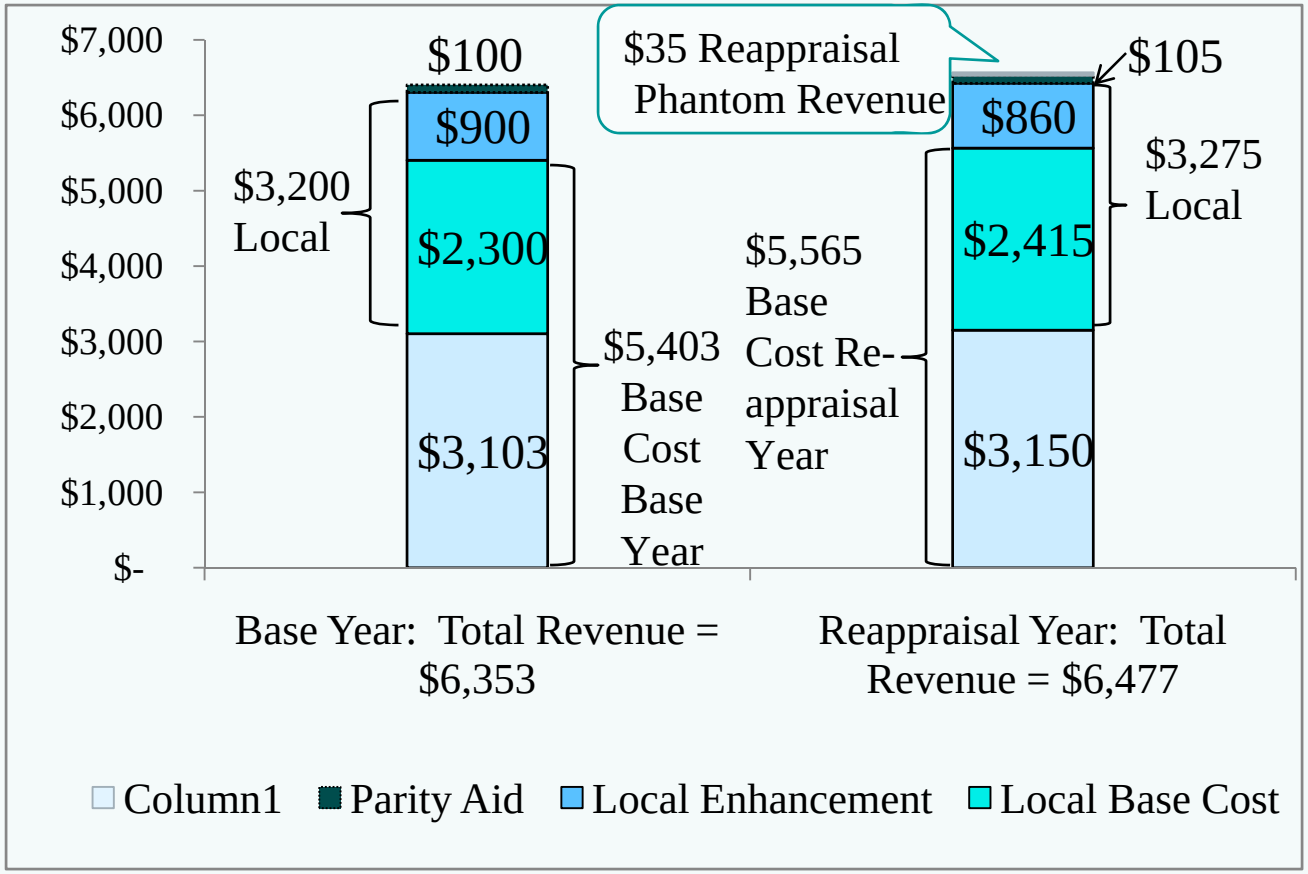
Illustration 2 – Current Charge-off Method Based on Recognized Value



Assumptions:

- ✓ No categorical funding
- ✓ 5 inside mills
- ✓ 27 effective voted mills in base year
- ✓ $100,000 per pupil real value in base year
- ✓ 15% inflationary increase
- ✓ No new construction
- ✓ No TPP
- ✓ No new levies

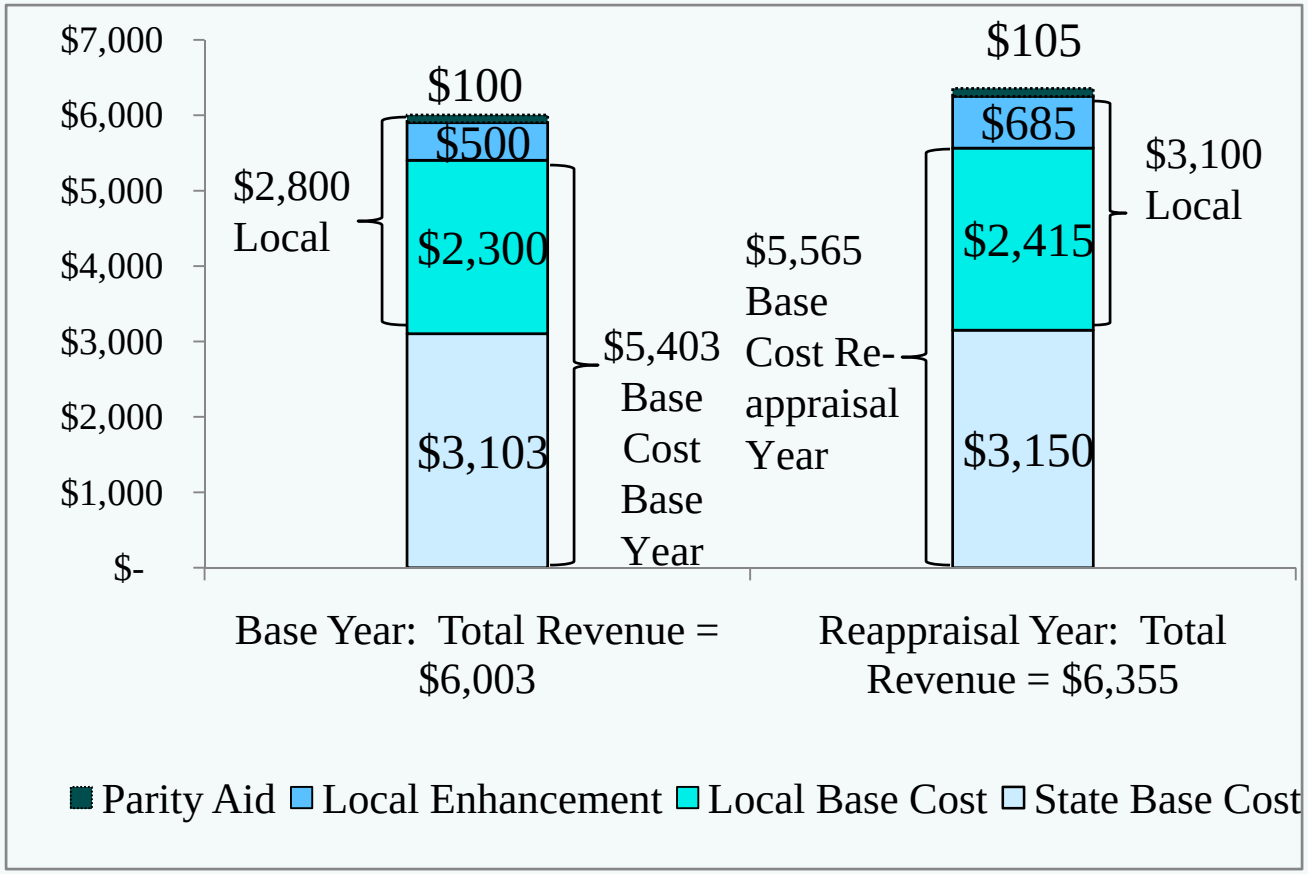
Illustration 3 – Current Charge-off Method Based on Recognized Value Plus Parity Aid



Assumptions:

- ✓ No categorical funding
- ✓ 5 inside mills
- ✓ 27 effective voted mills in base year
- ✓ $100,000 per pupil real value in base year
- ✓ 15% inflationary increase
- ✓ No new construction
- ✓ No TPP
- ✓ No new levies

Illustration 4 – Floor District



Assumptions:

- ✓ No categorical funding
- ✓ 5 inside mills
- ✓ 15 voted mills in base year
- ✓ 8 emergency mills in base year
- ✓ $100,000 per pupil real value in base year
- ✓ 15% inflationary increase
- ✓ No new construction
- ✓ No TPP
- ✓ No new levies

A Few Thoughts on Reappraisal Phantom Revenue

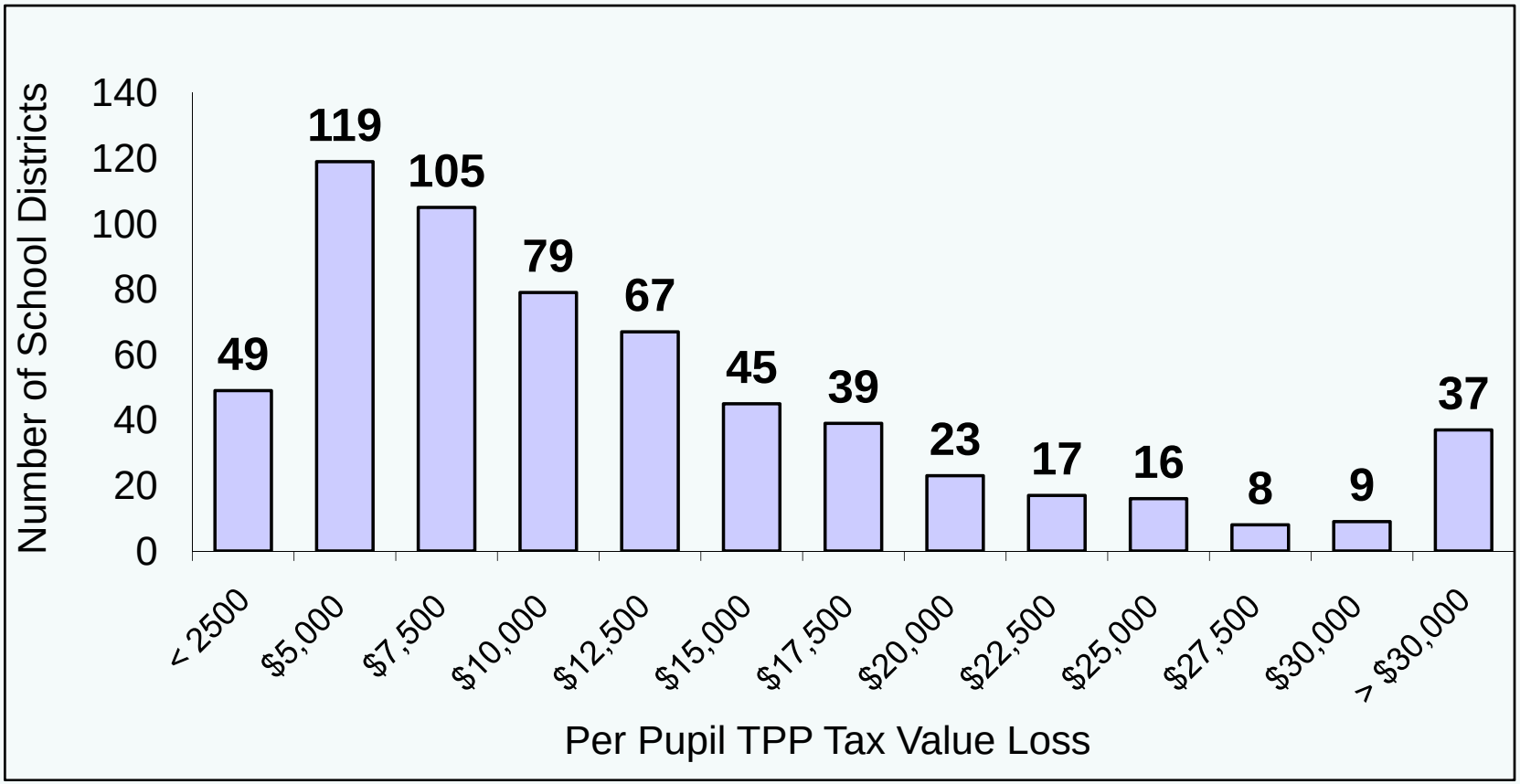
- Both charge-off and H.B. 920 achieve what they are designed to do.
- Reappraisal phantom revenue is a by-product of interaction of charge-off and H.B. 920.
- The sheer share of property taxes in school district revenue exacerbates the problem.
- It is difficult to address reappraisal phantom revenue in the school funding formula alone without creating new concerns.

Phase-out of General Business TPP Tax

School District TPP Value Loss

Tax Year	Tax Value Loss
2006	$6.1 billion
2007	$11.1 billion
2008	$15.5 billion
2009	$20.9 billion
2010	$21.3 billion
2011	$21.7 billion

Distribution of Per Pupil TPP Value Loss by TY 2011



School District TPP Tax Revenue Loss

Tax Year	Tax Revenue Loss
2006	$370.8 million
2007	$616.2 million
2008	$840.6 million
2009	$1,110.2 million
2010	$1,130.2 million

TPP Tax Revenue Loss Reimbursement

State Education Aid Offset

+

Direct Reimbursement

=

Total Reimbursement Amount

TPP Tax Revenue Loss Reimbursement

- State education aid offset
  - School funding formula requires an increase in state education aid when a district's taxable value decreases.
  - State education aid increases due to the TPP tax value loss are called the state education offset.
  - Generally a little under 50% of the TPP tax revenue loss may be made up by increases in state education aid; however, this percentage may be lower due to the supplement and guarantee components of the formula.

TPP Tax Revenue Loss Reimbursement

- Direct Reimbursement
  - The difference between a district's total reimbursement amount and its state education aid offset
  - School districts are to be held harmless for the first five years (TY 2006-TY 2010).
  - Direct reimbursement begins to phase out in TY 2011 at a rate of 3/17 per year in the first two years, then at 2/17 per year after that until TY 2017.
  - State education aid increases due to the TPP tax phase-out are permanent.

Capital Funding for Schools

School Capital Funding Sources

- State – School Facilities Commission
- Local – bond levies

- $2.1 billion disbursed in FY 2008
  - State – $1.0 billion
  - Local - $1.1 billion

SFC's Main Programs

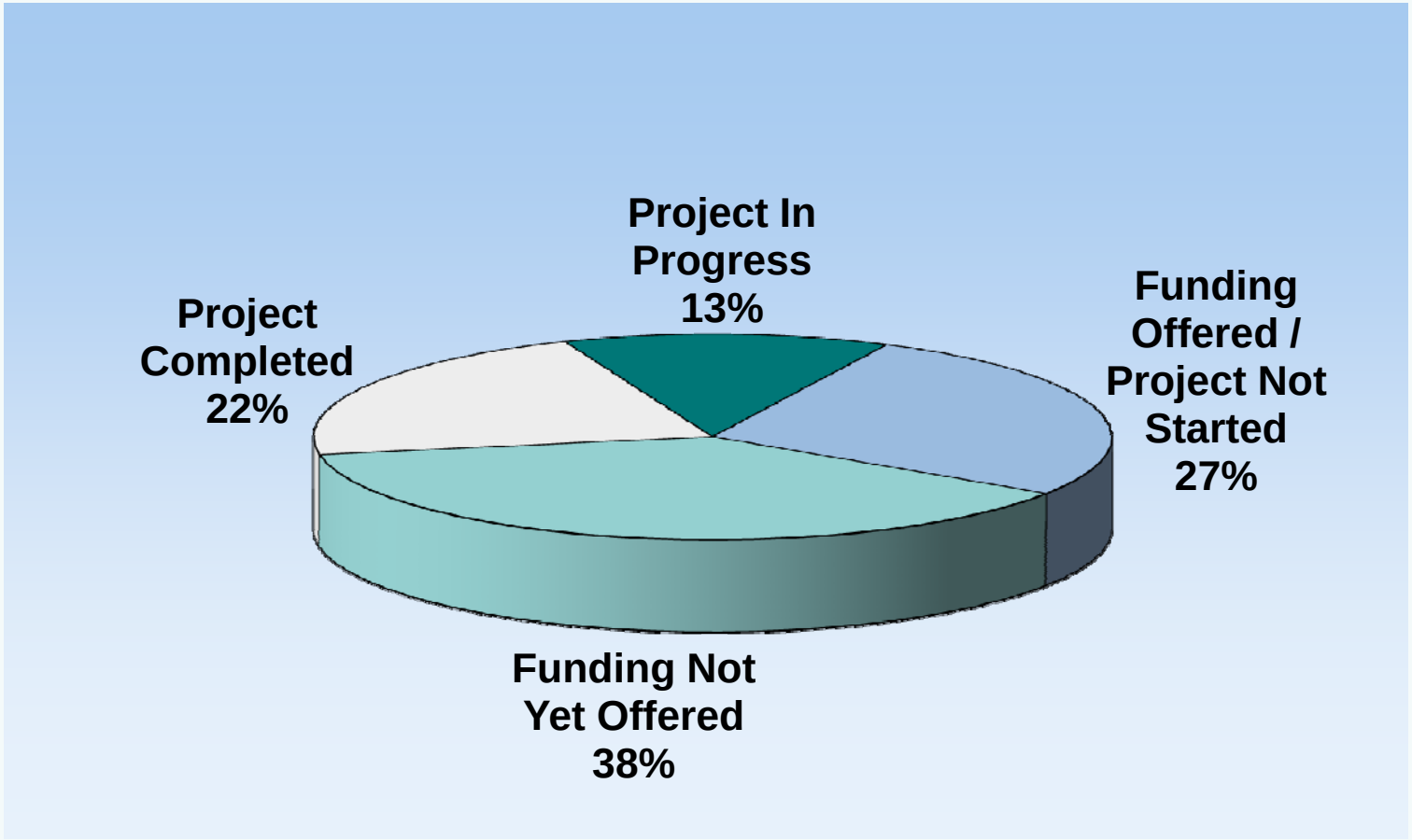
School Districts

- Classroom Facilities Assistance Program
  - Accelerated Urban Initiative
- Exceptional Needs Program
- Expedited Local Partnership Program (ELPP)

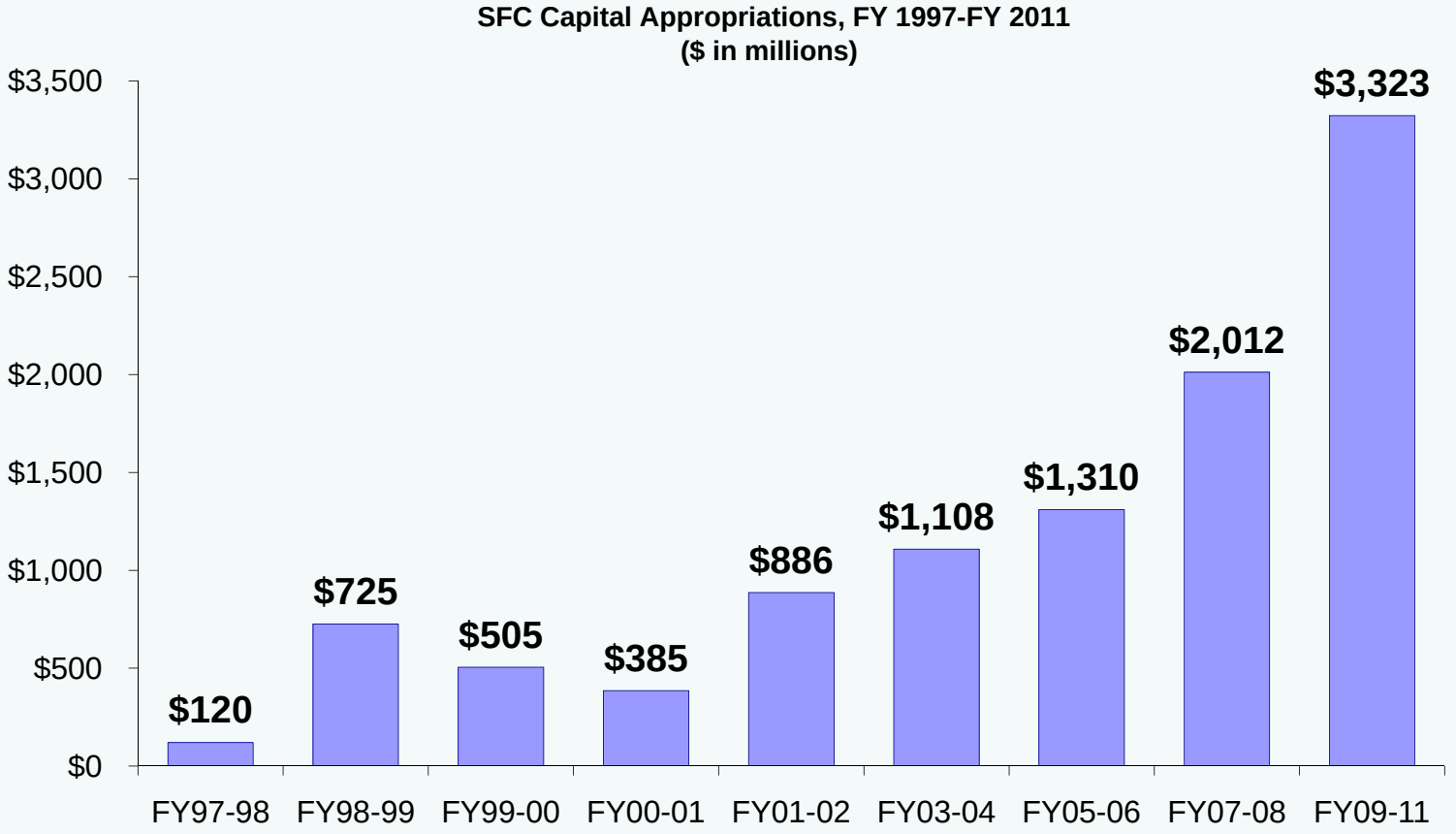
Joint Vocational School Districts

- Vocational Facilities Assistance Program (VFAP)
- VFAP ELPP

Status of SFC Projects, July 2008

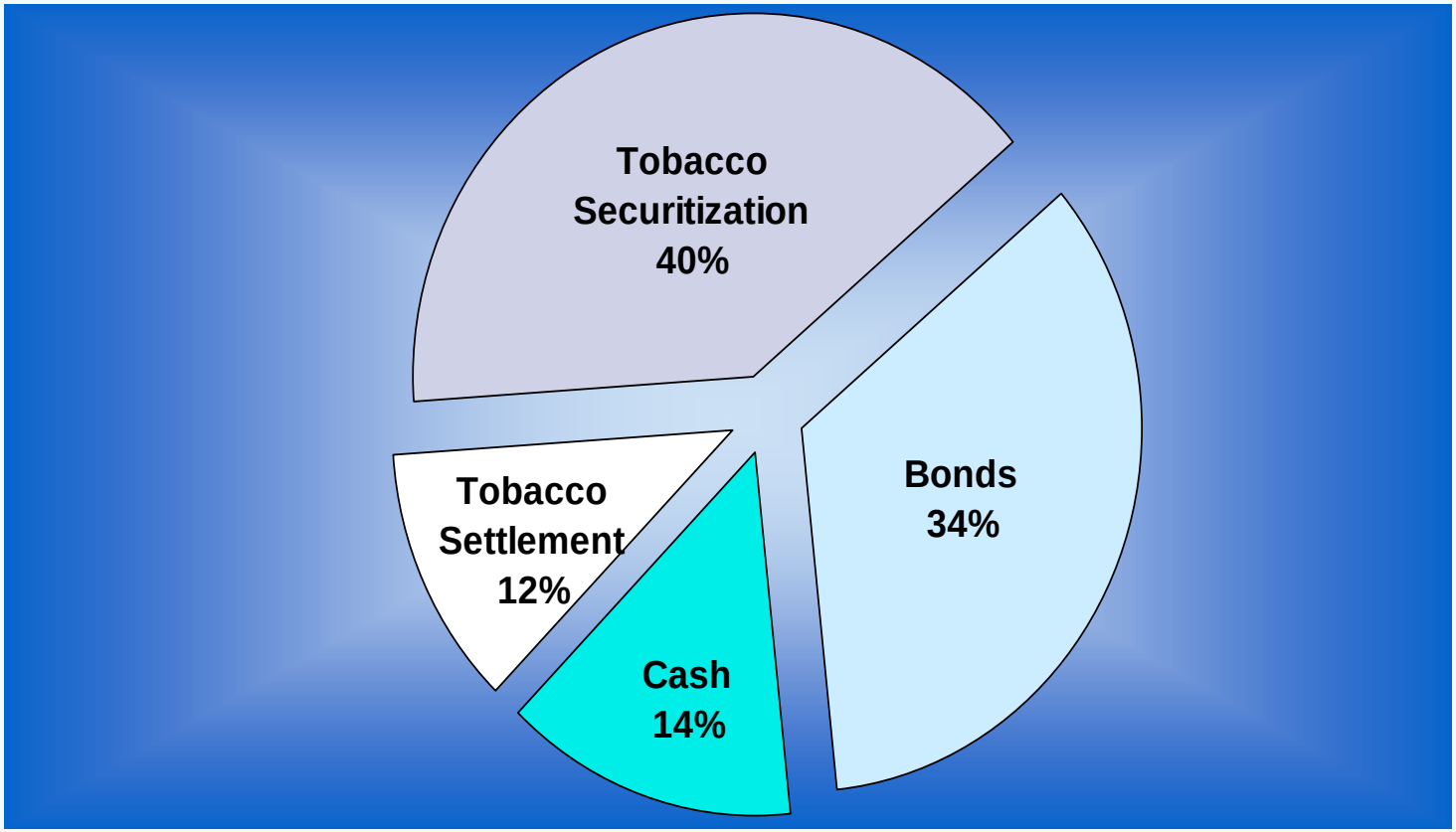


SFC Capital Appropriations



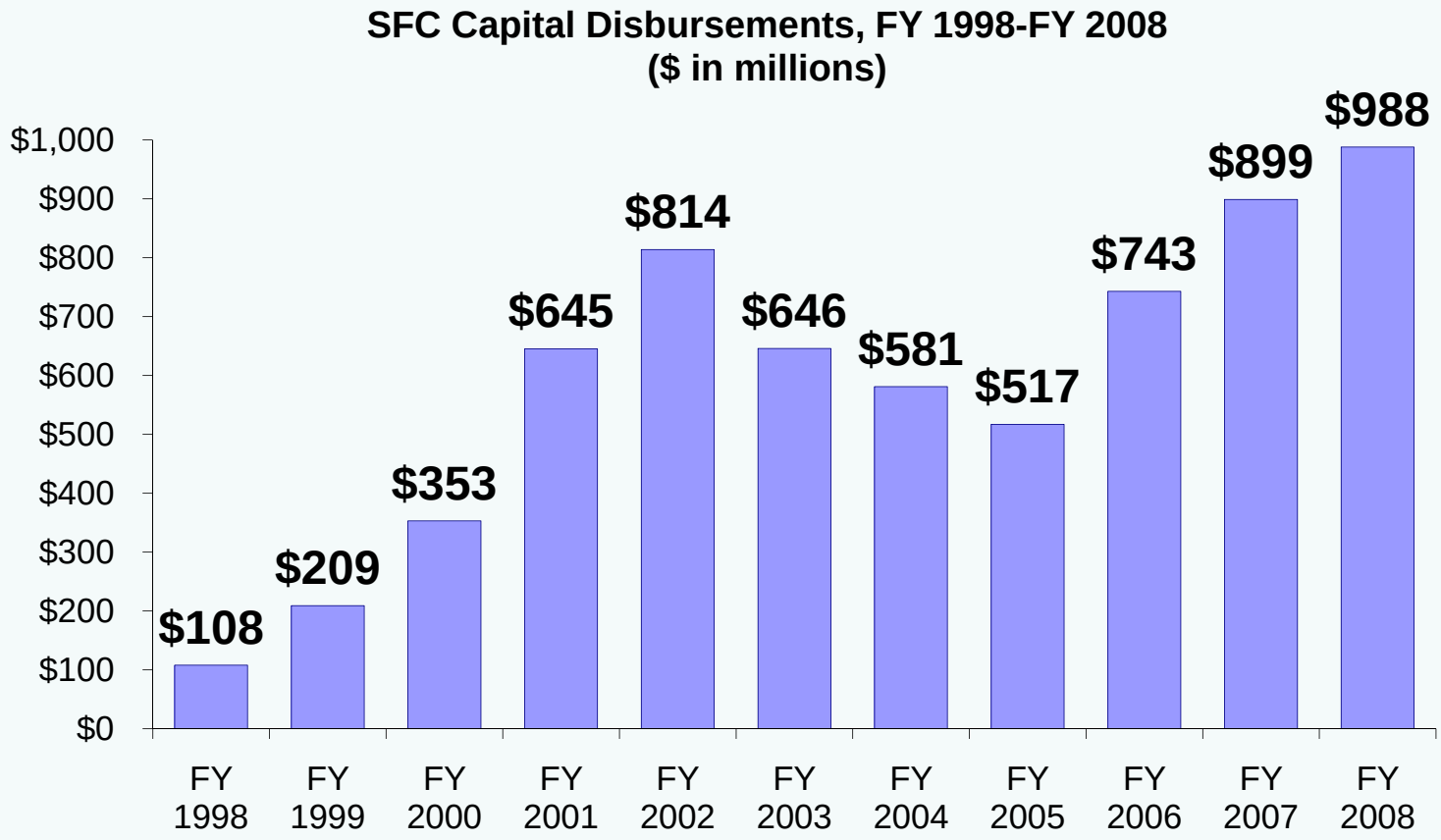
Total: $10.25 billion

SFC Capital Appropriations by Source, FY 1997-FY 2011



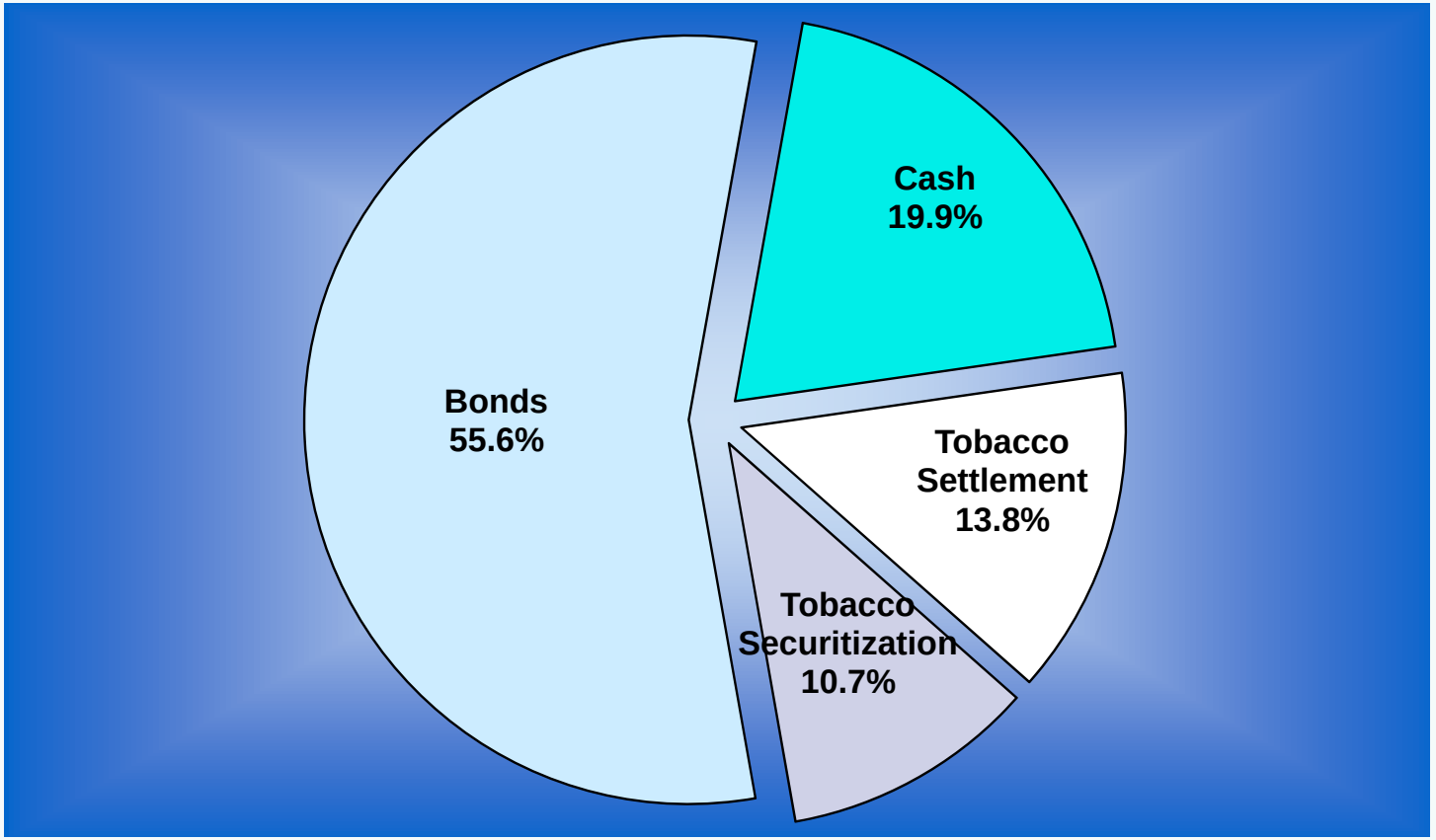
Total = $10.25 billion

SFC Capital Disbursements



Total = $6.5 billion

SFC Capital Disbursements, FY 1998-FY 2008



Total = $6.5 billion

Classroom Facilities Assistance Program (CFAP)

- SFC's main school building program
- Created in S.B. 102 of the 122nd General Assembly
- Eligibility and state share are generally based on a district's wealth ranking in the state
- Lower wealth districts are generally served first and have higher state shares
- A minimum of 5% state share

Classroom Facilities Assistance Program (CFAP)

- Half-mill maintenance tax levy in addition to the local share of the project cost
- Offering CFAP funding to districts up to the 62th percentile rank in FY 2008
- Disbursed over $5.6 billion through FY 2008

Exceptional Needs Program (ENP)

- Created in H.B. 850 of the 122nd G.A.
- Assists school districts in addressing the health and safety needs of a specific building
- Serves districts up through the 75th percentile rank and districts with territories larger than 300 square miles
- SFC can spend up to 25% of its annual capital appropriations for ENP projects.
- SFC has disbursed $528.4 million for ENP projects through FY 2008.

Expedited Local Partnership Program (ELPP)

- Created in S.B. 272 of the 123rd G.A.
- Permits a school district not yet eligible for CFAP to enter into an agreement with SFC to spend local resources to construct new or renovate old facilities
- The local resources spent by the district then are credited to the district's local share when it becomes eligible for CFAP assistance
- Through FY 2008, 95 ELPP districts = $2.0 billion accumulated local share
- In FY 2009, 11 ELPP districts being served through CFAP

Vocational Facilities Assistance Program (VFAP) & VFAP ELPP

- Created in H.B. 675 of the 125th G.A. to assist Ohio's 49 joint vocational school districts (JVSDs)
- Up to 2% of SFC's annual appropriations for VFAP projects
- No JVSD local share of its basic project to be below 25% or above 95%
- Disbursed $59.5 million and served seven JVSDs through VFAP; two offered funding in FY 2009
- Two other JVSDs, with $3.3 million local share, served through VFAP ELPP

SFC-Assisted Projects By Program

Program	# of districts served through FY 2008	# of districts offered funding in FY 2009
CFAP (includes Accelerated Urban	202	35
ENP	34	3
ELPP	95	N/A
VFAP	7	2
VFAP ELPP	2	N/A
Total	340	40

Other SFC Programs

- *Extreme Environmental Contamination Program* – allows a school district experiencing extreme environmental contamination to participate in ENP
- *Emergency Assistance Program* – provides state grants to help defray the costs of replacing damaged facilities that suffer a natural disaster due to "an act of God"
- *Energy Conservation Program* – allows school districts with older facilities to borrow funds, without the vote of the public, to make energy saving improvements

Other SFC Programs

- *Community School Loan Guarantee Program* – provides loan guarantees to community schools to assist them in acquiring, improving, or replacing classroom facilities

- *Half-Mill Maintenance Equalization Program* – provides equalized subsidies, through ODE, to school districts with below statewide average valuation per pupil that have passed the one-half mill maintenance requirement under CFAP

Eligibility Ranking List Determination

- Annually, ODE calculates the adjusted valuation per pupil for all school districts through the following formula:

  District's valuation per pupil –

  [$30,000 X (1 – the district's income factor)]

EXAMPLE:

$100,000,000/1,500 – [$30,000 X (1 – 0.5)] = $51,667

- Then, three-year average adjusted valuation per pupil calculated from the current and preceding two fiscal years

Eligibility Ranking List Determination

- Districts ranked from the lowest three-year average adjusted valuation per pupil to the highest and divided into percentiles

- 1st percentile = lowest wealth districts

  100^{th} percentile = the highest wealth districts

- List certified to SFC by September 1^{st} each fiscal year.

Determining the State and Local Share

- Local Share (not to exceed 95%) = Greater of (a) or (b):

  (a) The district's required percentage of the basic project cost, computed as follows:

  Required Percentage = .01 X (District Percentile Rank)

  (b) The amount necessary to increase the net bonded indebtedness of the school district to within $5,000 of its required level of indebtedness, computed as follows:

  Required Level of Indebtedness Percentage =

  .05 + .0002 x (District Percentile Rank – 1)

Determining the State and Local Share: Example A

School District A

Adjusted valuation per pupil = $66,707

Ranked 152nd in the state = 25th percentile

Required level of indebtedness = 5.48% (0.05 + 0.0002 x (25-1))

No other existing debts

Total Assessed Valuation	$112,947,910
Total Estimated Basic Project Cost	$26,098,528

Local Share Equals the Greater of:

(a)	Required percentage of project cost method:	25% of project costs	$6.5 million
(b)	Required level of indebtedness method:	5.48% of assessed valuation	$6.2 million

Determining the State and Local Share: Example B

School District B.

Adjusted valuation per pupil = $180,211

Ranked 560th in the state = 92nd percentile

Required level of indebtedness = 6.82% (0.05 + 0.0002 x (92-1))

No other existing debts

Total Assessed Valuation	$201,577,352
Total Estimated Basic Project Cost	$14,500,000

Local Share Equals the Greater of:

(a) Required percentage of project cost method: 92% of project costs — $13.3 million

(b) Required level of indebtedness method: 6.82% of assessed valuation — $13.7 million

Federal Funding for Schools

Main Purposes of Federal Funding

- Target children from low-income families and children with disabilities
- 7.7% of total funding for school districts in FY2007.
- $774 – average per pupil federal funding for school districts in FY 2007

Types of Federal Grants

- Entitlement – 81% of all federal funds
  - Subsidy payments driven by federal formulas
- Discretionary – 19% of all federal funds
  - Competitive grants – 10% of all federal funds
  - State-level activities – 7% of all federal funds
  - State administration – 2% of all federal funds

Federal Discretionary Grants

- Competitive grants
  - Distributed based on application criteria established with federal grant guidelines
- State-level activities
  - The majority are distributed to educational partners outside of ODE for technical assistance, professional development, and program evaluations
- State administration
  - Range from 1% to 8% of the grant amounts
  - 2% overall

Growth of Federal Grants

- Increased rapidly in recent years
- Doubled from FY 1998 to FY 2008
  - $796 million in FY 1998
  - $1.6 billion in FY 2008

Timing of Spending Federal Funds

- Federal FY: October 1 – September 30
- Appropriated on 10/1
- Available for spending on following 7/1 for 27 months with 90 days of extension
- Five years after funds are appropriated, any unspent balances will return to the U.S. Treasury

Major Federal Funding Areas

- Special education
- Title I
- School lunch and breakfast programs
- Head Start (funding goes to providers directly)
- No Child Left Behind (NCLB)

Major Program Funding, FY 2008

Program Name	**Amount**
Special Education	$491.5 million
School Lunch and Breakfast	$348.9 million
NCLB	
Title I, Part A	$412.1 million
Improving Teacher Quality	$93.9 million
Reading First	$20.0 million
21st Century Community Learning Centers	$26.0 million
English Language Acquisition	$6.8 million
State Assessments	$11.2 million
Total	***$1,410.4 million***