LEGISLATIVE SERVICE COMMISSION

SCHOOL FUNDING COMPLETE RESOURCE

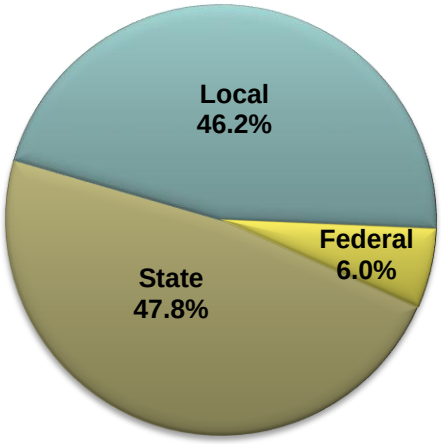
February 2015

INTRODUCTION

Primary and secondary education is one of the primary focuses of the state budget process in Ohio. This area has traditionally comprised the largest share of state-source General Revenue Fund (GRF) and lottery spending in the state budget. In FY 2014, of total state-source GRF and lottery spending of $21.49 billion, 42.3%, or $9.10 billion, went to this program area, and most of this was distributed to public schools. The operating costs of public schools in Ohio are funded primarily with these state revenues and revenues raised at the school district level. A smaller amount is provided by the federal government. The state uses a foundation funding formula to distribute the bulk of its contribution. A new foundation funding formula was enacted in H.B. 59 of the 130th General Assembly and began to be used in FY 2014. This document presents an analysis of that foundation formula and is primarily meant to assist legislators in understanding it. In addition, this document analyzes other major sources of operating revenue from state, local, and federal government sources.

Chart I.1 illustrates, for FY 2014, the composition of public school operating revenues by source. The revenue included in this chart is broken down in Table I.1.[1] As the chart shows, state sources comprise 47.8% of public school operating revenue, followed by local tax sources (46.2%), and federal sources (6.0%). As can be seen from the table, the foundation formula comprises 78.5% of state source revenues, property tax rollbacks and tangible personal property (TPP) direct reimbursements, together,

Chart I.1: Public School Operating Revenues by Source, FY 2014



[1] This revenue does not include competitive grants, such as the state's Straight A Fund or the federal government's Race to the Top grant. It also does not include fees and donations collected at the local level or federal reimbursements for free and reduced-price meals. This measure of operating revenue differs from that available on the Department of Education's website, which has previously been reported by LSC, and should not be compared with it.

comprise 18.9%, and all other sources comprise the remaining 2.8%. Local revenues are comprised of property taxes (94.4%), school district income taxes (4.5%), and the gross casino revenue tax (1.1%). Federal revenues come mainly through the Elementary and Secondary Education Act's (ESEA) Title I (51.7%) and the Individuals with Disabilities Education Act (IDEA, 35.5%); with all other sources comprising the remaining 12.8%.

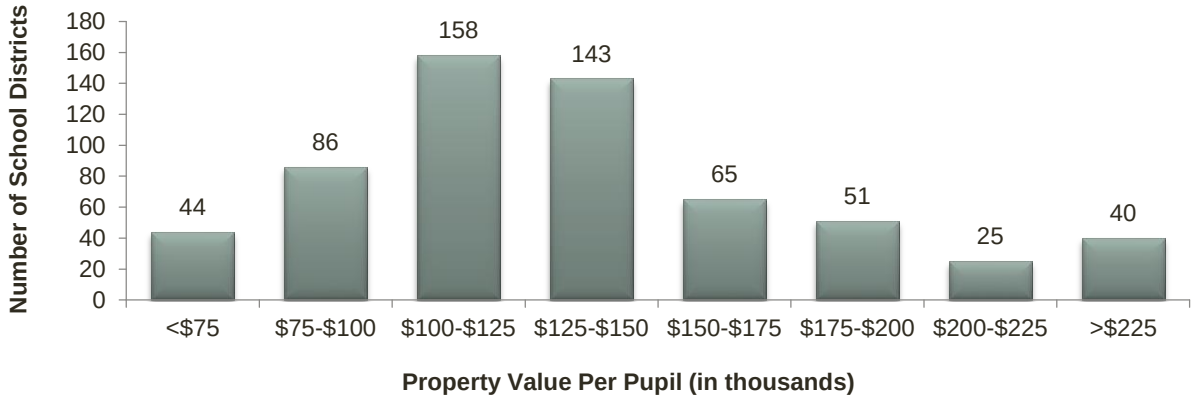
Table I.1: Public School Operating Revenues by Source, FY 2014

Source Components	Revenue (in millions)	Percentage of Source
State Sources		
Foundation Formula	$6,866.6	78.5%
Property Tax Rollbacks	$1,142.3	13.1%
TPP Direct Reimbursements	$509.7	5.8%
Preschool Special Education	$100.0	1.1%
Special Education Transportation	$55.4	0.6%
Educational Service Centers	$47.3	0.5%
Directly Funded Scholarships	$21.1	0.2%
Community School Facilities	$7.5	0.1%
Total State Sources	**$8,749.9**	**100.0%**
Local Sources		
Property Taxes	$7,982.1	94.4%
Income Taxes	$380.9	4.5%
Casino Tax	$92.7	1.1%
Total Local Sources	**$8,455.6**	**100.0%**
Federal Sources		
ESEA Title I	$566.8	51.7%
Special Education (IDEA)	$389.5	35.5%
Improving Teacher Quality	$80.5	7.3%
Career and Technical Education	$36.7	3.3%
Special Education Preschool	$10.7	1.0%
English Language Acquisition	$9.2	0.8%
Rural Education	$3.1	0.3%
Total Federal Sources	**$1,096.4**	**100.0%**
Total All Sources	**$17,843.9**	

The main driver behind the distribution of state revenue through the foundation formula is each public school district's capacity to raise revenues at the local level for the students residing in the district. This capacity varies among the 612 school districts in Ohio as it is largely dependent on the taxable property value per pupil of the district. Chart I.2 shows the distribution of property value per pupil in tax year (TY) 2012. Taxable value per pupil ranges from less than $75,000 in 44 districts to more than

$225,000 in 40 districts. The statewide weighted average is $137,000 and the statewide median is $128,000.

Chart I.2: Distribution of Taxable Property Value Per Pupil, TY 2012

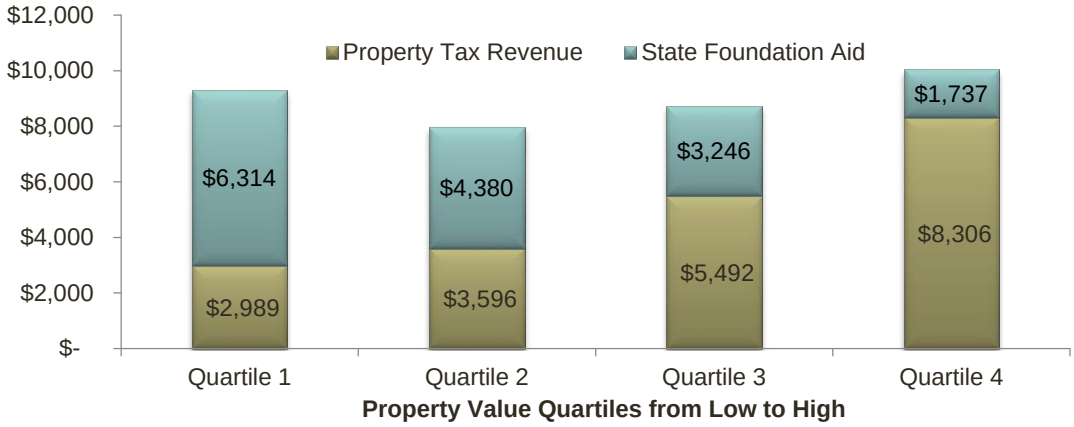


The variation in per pupil property values impacts each individual district's ability to raise local revenue. The same one-mill property tax levy generates $75 per pupil for a district with a property value per pupil of $75,000 and $225 per pupil for a district with a property value per pupil of $225,000. As a result, local per pupil operating revenues vary significantly across school districts in Ohio.[2] In Chart I.3, school districts are ranked from lowest to highest property value per pupil and separated into four quartiles with roughly the same number of pupils. Districts in quartile 1 have the lowest taxable property value per pupil, whereas districts in quartile 4 have the highest. The bottom portions of the bars in the chart show average property tax revenue per pupil. As expected, property tax revenue per pupil is lower for districts with lower property value per pupil. It ranges from an average of $2,989 for districts with the lowest property value per pupil to an average of $8,306 for districts with the highest.

The foundation formula partially offsets the results of variations in per pupil property values. The top portions of the bars in the chart show average state foundation aid per pupil for each of the district quartiles. Per pupil foundation aid is higher for districts with lower property value per pupil. It ranges from an average of $6,314 for districts with the lowest property value per pupil to an average of $1,737 for districts with the highest. The following analysis looks at the three sources of public school revenues in more detail, concentrating on the state foundation funding formula.

[2] The other variable that affects local property tax revenue is tax effort – the millage rate levied in each district, which is mainly determined by the voters residing in the district.

Chart I.3: Per Pupil Property Tax and Foundation Aid by Property Value Quartile, FY 2014



STATE OPERATING REVENUE

The following discussion describes the major sources of state revenue for educating public school students at traditional school districts, community schools, educational service centers, and joint vocational school districts as well as students attending chartered nonpublic schools with state scholarships.

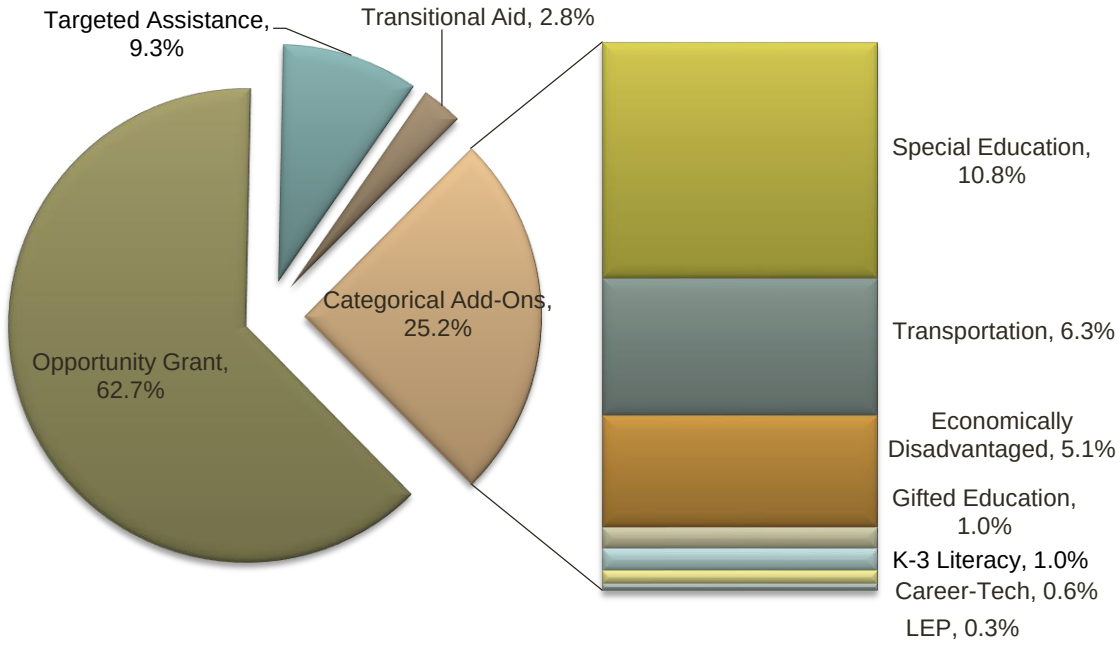
Traditional school district funding

As stated in the introduction, of the major sources of state revenue distributed to public schools in Ohio, the majority (78.5% in FY 2014) comes through the state foundation formula. In FY 2014, Ohio began using new foundation formulas for traditional and joint vocational school districts (JVSDs). The formulas are similar and more is said about the JVSD formula below. This section discusses the formula for traditional districts. The foundation formula for traditional districts funds students based on the district in which they reside. Generally, if a student is not educated by the student's resident district, funding for that student is deducted from the resident district's allocation and transferred to the educating school. The foundation formula for traditional districts can be broken into four main components:

- **Opportunity grant**: This component is based on a uniform per-pupil formula amount. It makes up the largest portion of state foundation aid.
- **Targeted assistance**: This component provides additional funding to districts with lower capacities to raise local revenues.
- **Categorical add-ons**: These variable funding components address the needs of "nontypical" students: those receiving special, gifted, or career-technical education services, those who are economically disadvantaged, and those who are limited English proficient. This area also includes transportation, which varies greatly among districts, partly due to the size and road conditions of each district.
- **Additional funding adjustments:** In contrast to the above categories, most of which are funded based on each student's individual characteristics, the formula includes two district-based funding elements, temporary transitional aid and a gain cap, that smooth out large fluctuations in state aid.

State foundation aid, after the application of temporary transitional aid and the gain cap, averages $3,902 per pupil statewide in FY 2014. Of this amount, $2,445 (62.7%) is for the opportunity grant, which is based on a uniform formula amount of $5,745 in FY 2014. On average, categorical add-ons totaled $982 per student statewide and comprised 25.2% of state foundation aid. Average targeted assistance amounted to $364 per pupil statewide, or 9.3% of the statewide total. The remaining component, temporary transitional aid, accounts for $111 per pupil, or 2.8%. The total average state foundation aid per pupil for FY 2014 is separated into its components in Chart S.1.

Chart S.1: Elements of State Foundation Aid, FY 2014



State foundation aid is based largely on the number of students residing in each district and the capacity of each district to raise revenues locally. The formula uses average daily membership (ADM) and the state share index, respectively, to measure these two variables.

Average daily membership

Average daily membership (ADM) is the measure the state uses to determine the number of students residing in each district. In FY 2014 and prior years, districts counted their students over one week in October then calculated the daily average. Beginning in FY 2015, students are counted based on the portion of the year they are enrolled in public education and residing in the district. For example, a full-time student who moves from one district to another one-quarter of the way through the school year will be counted as 0.25 full-time equivalent (FTE) in the first district and 0.75 FTE in the second district. School districts may provide the Ohio Department of Education (ODE) with updated data as changes occur, but must report data by the last day of October, March, and June.

Two slightly different ADM calculations are used in the funding formula – total ADM and formula ADM. Total ADM is the number of all students who reside in the district even if they attend a nonpublic school under the traditional Educational Choice Scholarship Program,[3] the Jon Peterson Special Needs Scholarship Program, or the

[3] The traditional Educational Choice Scholarship Program differs from the new income-based program in that scholarships awarded under the latter are paid directly by the state instead of the deduction and

Autism Scholarship Program; or a public school that is not part of the district, such as a school in a different district under open enrollment, a community school, or a JVSD. Since funding for JVSDs is provided by a separate formula, not a transfer, the second ADM calculation - formula ADM - is calculated by subtracting 80% of the JVSD student count from total ADM. The largest component of foundation funding, the opportunity grant is distributed using formula ADM. Traditional school districts include 20% of their JVSD student count in their formula ADM in order to cover expenses the resident district may incur for these students. Beginning in FY 2015, the formula also adds 20% of the number of students residing in each district that are enrolled in another school district under a career-technical education compact. These students are not counted in their resident district's total ADM. This adjustment had been included in previous school funding formulas. However, the school funding formula enacted in H.B. 59 omitted it. Subsequently, H.B. 483 of the 130th General Assembly restored the adjustment effective FY 2015.

The formula below summarizes the calculation of formula ADM for each district. Statewide, school district formula ADM in Ohio totaled 1.7 million students in FY 2014.

Calculation of Formula ADM
Formula ADM = Total ADM – 80% x JVS ADM + 20% CTE compact ADM

State share index

As seen in the introduction, the amount of local revenue a district raises is dependent, largely, on the property value of the district. The formula uses the state share index to account for a district's capacity to raise local revenue when distributing state funds. A district's three-year average property value forms the basis of the state share index.

Three-year average value

Real property values are reappraised every six years in Ohio and updated in the third year following each sexennial reappraisal. As a result, in the reappraisal and update years, school districts generally experience significant changes in real property value. A three-year average is used to smooth these large changes in value. To make the formula even more stable, the state share index is calculated once for both years of the biennium. That is, the index for FY 2014 and FY 2015 is based on the average property value for FY 2012, FY 2013, and FY 2014 (TY 2010, TY 2011, and TY 2012).[4]

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transfer method used for the former. Thus, students awarded a scholarship under the income-based criteria are not counted in their resident district's ADM.

[4] Tax years are generally from January 1 to December 31, whereas state and school fiscal years are from July 1 to June 30. Most property taxes for a given tax year are paid in the following tax year. Taxes paid

Adjusted value

Three-year average value is adjusted for districts that have a relatively large amount of state property exempt from property taxation. If a district's tax exempt property value (not counting property owned by the federal government) is at least 30% of its potential property value, its value is reduced for the purposes of the formula. The calculation of this adjustment is summarized below. Since adjusted value is lower for these districts, their state share index values and thus the state's share of the formula cost ultimately increase. In FY 2014, 15 districts received this adjustment. These districts' values were reduced by a total of $1.16 billion. While this adjustment increases the initial calculation of FY 2014 state funding by about $33.1 million statewide, the subsequent application of the formula's gain cap provision limits the net increase to about $620,000.

The state share index takes into account a district's property value per pupil and, in some circumstances, median income to measure a district's capacity to raise local revenue.

Adjusted Property Value
Three-year average value = Average of taxable property value for fiscal years 2012, 2013, and 2014
Potential value = Three-year average value + Exempt value
Adjustment = Greater of $0 or (Exempt value - 0.30 x Potential value)
Adjusted value = Three-year average value - Adjustment

To demonstrate how the state foundation aid formula works, this item and others throughout this section will illustrate the calculations used in the state foundation aid formula using one or more hypothetical school districts. The following is an example of the FY 2014 formula ADM calculation for a hypothetical district, District A.

District A's Formula ADM for FY 2014	
Factor	**Count**
A. Total ADM	1,000
B. JVS ADM	30
C. Formula ADM = A - (0.8 x B)	976

for TY 2012, therefore, are mostly received in FY 2014. For purposes of the school funding formula, property values in a given tax year correspond to the fiscal year two years later.

Property value index

Using adjusted values, the formula computes a property value index for each district by dividing a district's adjusted value per pupil for FY 2014 by the statewide average per pupil, as shown in the table below. Thus, a district with an adjusted value per pupil the same as the state average will have a value index of 1.0. For FY 2014 and FY 2015, the statewide three-year average value per pupil is $140,500. The property value index ranges from about 0.24 to 5.51, excluding several outlier districts.

Property Value Index
District value per pupil = Adjusted value / Total ADM for FY 2014
State value per pupil = Sum of all districts' three-year average unadjusted values / Sum of all districts' total ADM
Property value index = District value per pupil / State value per pupil

Median income index

The formula also takes into account the ability of a district's residents to pay property taxes by including median income in the determination of the state share index for certain districts. To do so, the formula calculates the median income index for each district by dividing a district's median Ohio adjusted gross income by the statewide median. The statewide median was $32,000. Median income index values range from 0.54 to 2.34.

Median Income Index
Median income index = District median Ohio adjusted gross income / Median of the median Ohio adjusted gross income of all districts statewide

Wealth index

The formula then compares a district's median income index with its property value index in order to determine the district's wealth index. For a district with relatively low median income (a median income index less than its property value index), the wealth index is based on 2⁄3 of the property value index and 1⁄3 of the median income index. This makes an applicable district look less wealthy to the formula and thus, increases its state share. For a district not meeting this criterion, the wealth index is equal to the property value index, so the use of the median income index can never result in a wealth index that is lower than the property value index. In FY 2014 and FY 2015, the median income adjustment applies to 190 school districts (31.0%). While this adjustment increases the initial calculation of FY 2014 state funding by about $114.6 million statewide, the subsequent application of the formula's gain cap provision limits the net increase to about $4.2 million.

Wealth Index
If Median income index < Property value index: Wealth index = (⅔ x Property value index) + (⅓ x Median income index) If Median income index ≥ Property value index: Wealth index = Property value index

Final calculation

Using a district's computed wealth index, the formula then determines a district's state share index according to the calculations shown below. As the table indicates, no district has a state share index greater than 0.90 or less than 0.05.

State Share Index
If Wealth index ≤ 0.35: State share index = 0.90; If Wealth index > 0.35 but ≤ 0.90: State share index = {0.40 x [(0.90 – Wealth index) / 0.55]} + 0.50; If Wealth index > 0.90 but < 1.8: State share index = {0.45 x [(1.8 – Wealth index) / 0.9]} + 0.05; If Wealth index ≥ 1.8: State share index = 0.05

This formula may appear complicated, but it merely results in two lines meeting at a wealth index of 0.9 and a state share index of 50%, as illustrated in Chart S.2. The state share index directs more state funds to districts with lower wealth indexes. It is used in the calculation of the opportunity grant and five other components of the state foundation aid formula.

Chart S.2: State Share Index

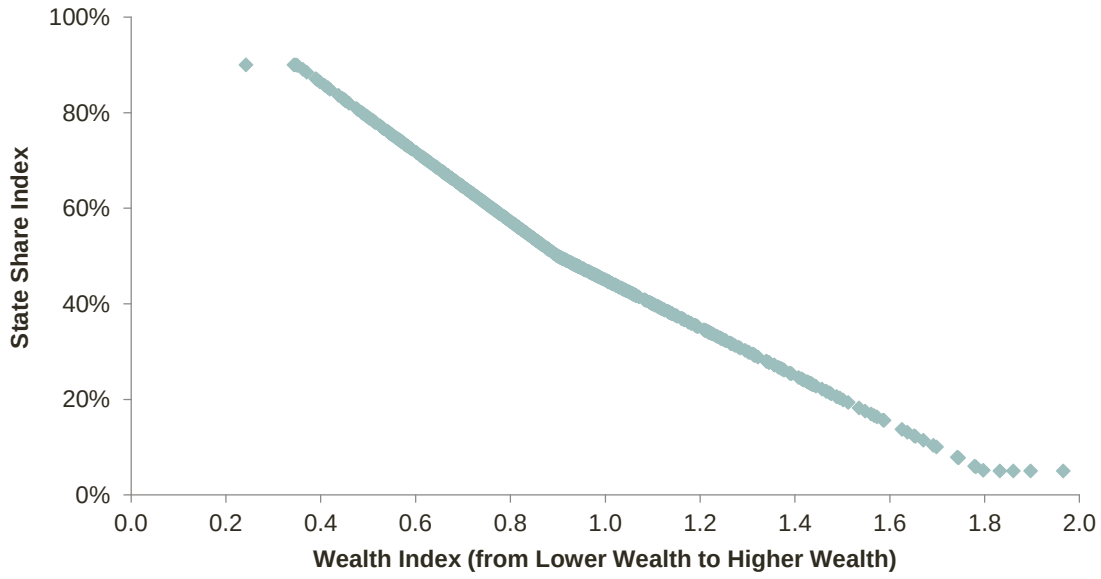
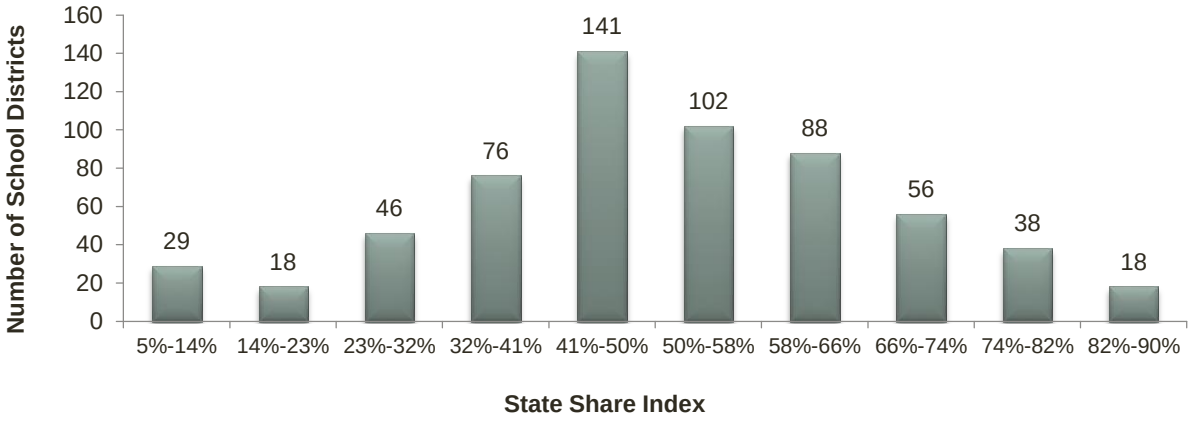


Chart S.3 shows the distribution of the state share index over the 612 school districts. As can be seen from the chart, there is a spike in the middle of the distribution. The state share index lies between 32% and 66% for 407 districts (66.5%). In FY 2014 and FY 2015, 17 high-wealth districts have state share index values of 5%, the index's floor level, while three low-wealth districts are at the ceiling level of 90%.

Chart S.3: Distribution of State Share Index, FY 2014



Opportunity grant

As indicated above, the opportunity grant makes up the largest portion of state foundation aid. It is based on a per-pupil formula amount of $5,745 in FY 2014 and $5,800 in FY 2015, which is adjusted by a district's state share index to distribute a higher per-pupil amount to lower wealth districts. Preschool autism scholarship students are included in the formula for calculating a district's opportunity grant in order to credit the district with funding for such students prior to the deduction for their scholarships. The opportunity grant totaled approximately $4,802.8 million in FY 2014. Note that this and other formula funding data for the components that follow represent the funding calculated by the formula before the application of the gain cap.

Opportunity Grant
Opportunity grant = Formula amount x (Formula ADM + Preschool autism scholarship ADM) x State share index
Formula amount = $5,745 in FY 2014 and $5,800 in FY 2015

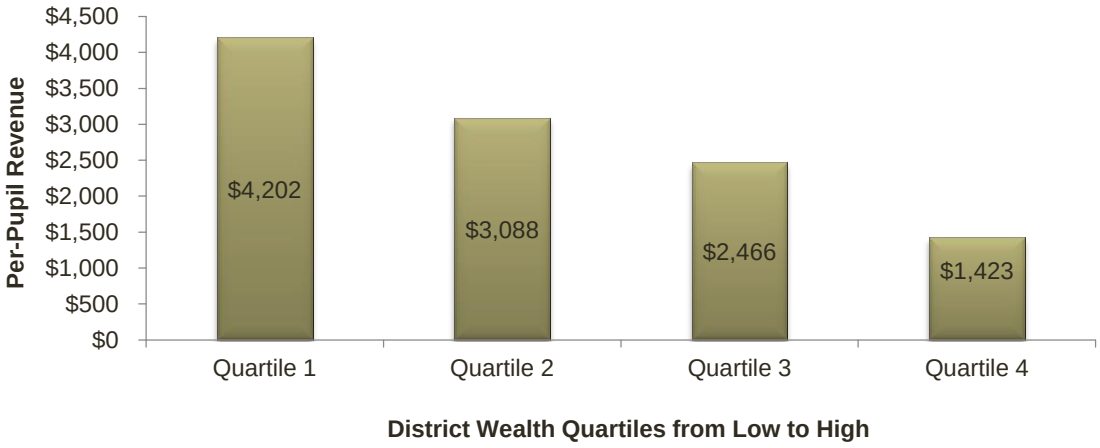
The following table computes the state share index for the hypothetical District A as well as two other hypothetical districts that have identical total ADM but differing values per pupil, which are indicated in line L below. In general, the state share index for a district depends on how its value per pupil compares to the statewide average. District A is a little less wealthy than the statewide average while districts B and C are the least and most wealthy of the three, respectively. Note that District B has a large amount of state tax-exempt property and thus, qualifies for the value adjustment that makes the district look even less wealthy. Also notice that District C's relative median income is less than its relative value per pupil. The formula compensates for this through the inclusion of the income factor in the calculation of the district's wealth index to make the district look less wealthy and thus to provide a greater share of state funding. Had there been no income factor, District C's state share index would have been 0.1707, or about 17.1%.

State Share Index for FY 2014 and FY 2015			
Factor	**District A**	**District B**	**District C**
A. Taxable property value for FY 2012	$105,000,000	$78,000,000	$219,000,000
B. Taxable property value for FY 2013	$130,000,000	$75,000,000	$218,000,000
C. Taxable property value for FY 2014	$131,000,000	$72,000,000	$220,000,000
D. 3-year average value = (A + B + C) / 3	$122,000,000	$75,000,000	$219,000,000
E. State tax-exempt property value	$13,000,000	$80,000,000	$30,000,000
F. U.S. government-owned property value	$300,000	$0	$6,000,000
G. Potential value = D + E - F	134,700,000	$155,000,000	$243,000,000
H. 30% of Potential value = G x 0.3	$40,410,000	$46,500,000	$72,900,000
I. Adjustment = Greater of (E - F - H) or $0	$0	$33,500,000	$0
J. Adjusted 3-year Average Value = D - I	$122,000,000	$41,500,000	$219,000,000
K. Total ADM for FY 2014	1,000	1,000	1,000
L. District Value Per Pupil= J / K	$122,000	$41,500	$219,000
M. Statewide Value Per Pupil	$140,513	$140,513	$140,513
N. Value Index = L / M	0.8682	0.2953	1.5586
O. Median Income for TY 2011	$32,000	$30,000	$35,000
P. Statewide Median for TY 2011	$32,180	$32,180	$32,180
Q. Median Income Index = O / P	0.9944	0.9323	1.0876
R. Wealth Index	0.8682	0.2953	1.4016
S. State Share Index	0.5231	0.9000	0.2492

The equalization effect of the state share index is evident from this example as the highest wealth district, District C, has the lowest share provided by the state (24.9%) whereas the lowest wealth district, District B, has the highest share provided by the state (90%). District A is in the middle of the two, at 52.3%.

Chart S.4 shows the average per-pupil funding in FY 2014 calculated under the opportunity grant for districts in each wealth quartile. As the chart shows, the opportunity grant for the lowest wealth districts (quartile 1) calculated to an average of $4,202 per pupil. The average per-pupil amount for districts in wealthier quartiles is progressively smaller. The statewide average in FY 2014 was $2,840 per pupil.

Chart S.4: Average Opportunity Grant Per Pupil by Wealth Quartile, FY 2014



Targeted assistance

The targeted assistance component of the formula directs additional funding to districts with lower capacities to raise local revenues. Most of the funding in this component is distributed through a base tier that equalizes a varying amount of millage for districts outside of the top 20% on a measure of per-pupil wealth. In addition, this component contains a supplemental tier for districts with high percentages of

The following calculates the opportunity grant for the hypothetical Districts A, B, and C, which are assumed to have identical ADM figures. Due to the state share index, the lowest wealth district, District B, receives the largest opportunity grant amount while the highest wealth district, District C, receives the lowest amount.

Opportunity Grant for FY 2014			
Factor	**District A**	**District B**	**District C**
A. Formula ADM	976	976	976
B. Preschool autism scholarship ADM	2	2	2
C. State share index	0.5231	0.9000	0.2492
D. Opportunity grant = $5,745 x (A + B) x C	$2,939,095	$5,056,749	$1,400,158

agricultural real property. Combined, both tiers of targeted assistance for school districts totaled approximately $695.1 million in FY 2014.

Base tier

Unlike the opportunity grant, the base tier of targeted assistance does not use the state share index to measure a district's revenue-generating capacity. Rather, the base tier depends on a combination of a district's property value per pupil and income per pupil. Property value is computed as the average of the preceding three years. While this is similar to the measure used for the state share index, there is no adjustment for tax-exempt property, the measure is recomputed each year,[5] and formula ADM is used as the student count. Income is computed as the three-year average of federally adjusted gross income (FAGI). The formula defines a district's wealth per pupil as the average of its property value per pupil and its income per pupil. Similarly, the formula also computes the statewide wealth per pupil using statewide sums of property value, FAGI, and formula ADM. These calculations are summarized below.

Wealth Per Pupil
District wealth per pupil = 0.5 x (Average of last three years' taxable property value / Formula ADM) + 0.5 x (Average of last three years' FAGI / Formula ADM)
Statewide wealth per pupil = 0.5 x (Sum of the average of all districts' taxable property value / Sum of all districts' formula ADM) + 0.5 x (Sum of the average of all districts' FAGI / Sum of all districts' formula ADM)

Base targeted assistance is provided to the 489 districts with the lowest wealth per pupil. Millage is equalized to the wealth per pupil of a threshold district, which is the district with the 490th lowest wealth per pupil. In FY 2014, the threshold district's wealth per pupil is $183,500. The millage equalized by the base tier varies depending on the wealth per pupil of the district. The formula calculates a wealth index for each district that is equal to the statewide wealth per pupil divided by the district's wealth per pupil. So, if a district's wealth per pupil is average (equal to the state's) then the wealth index is 1.0. If a district's wealth per pupil is greater than average, its wealth index will be less than 1.0 and if it is lower than average, its index will be greater than 1.0. In FY 2014, statewide wealth per pupil is $150,000 and the wealth index values of the 489 districts eligible for base targeted assistance vary from about 0.82 to about 2.48. The wealth index of each district is multiplied by a target millage rate of six mills in each fiscal year. As a result, the millage equalized by the base tier in FY 2014 ranges

[5] That is, for FY 2014, value per pupil is the average of FYs 2012, 2013, and 2014 and, for FY 2015, it is the average of FYs 2013, 2014, and 2015.

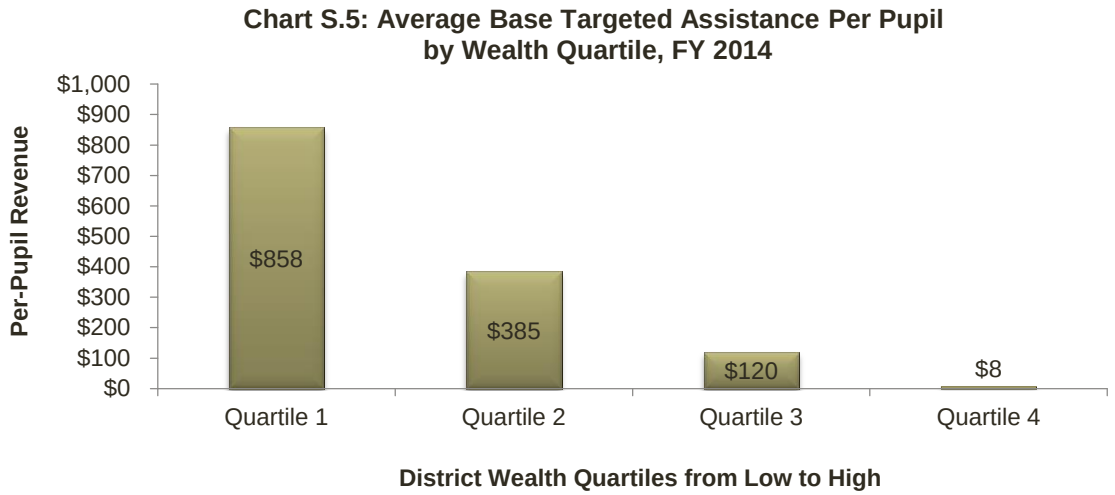
from about 4.9 mills (6 mills x 0.82) to about 14.9 mills (6 mills x 2.48). The calculation of a district's equalized millage is summarized below.

Millage Equalized by Base Targeted Assistance
District wealth index = Statewide wealth per pupil / District wealth per pupil
District additional millage = 0.0006 x District wealth index

Although targeted assistance is computed on a per-pupil basis, it is not included in the calculation of the Educational Choice, Autism, and Jon Peterson Special Needs scholarships. It is also not provided to e-schools and provided at only 25% to "brick and mortar" community and STEM schools. Therefore, an adjustment is made to the formula ADM of each district so as to not credit the district with targeted assistance for students educated through these programs. The resulting ADM figure is referred to as "net formula ADM." Base targeted assistance per pupil calculated by the formula for eligible districts ranged from about $2 to about $1,828. The calculation of the base tier is given below. Base targeted assistance for school districts totaled approximately $604.1 million in FY 2014.

Base Targeted Assistance
Base targeted assistance per pupil = (Wealth per pupil of 490th lowest wealth district - District wealth per pupil) x Target millage x District wealth index
Base targeted assistance = Base targeted assistance per pupil x Net formula ADM
Target millage = 0.0006
Net formula ADM = Formula ADM - EdChoice Scholarship ADM - Autism Scholarship ADM - Jon Peterson Special Needs Scholarship ADM - e-school ADM - 75% of "brick and mortar" community and STEM school ADM

Chart S.5 illustrates the equalized distribution of these funds by wealth quartile on an average per-pupil basis calculated using the district's formula ADM. As the chart shows, districts in quartile 1 receive significantly more per pupil (an average of $858) than the other quartiles. The chart also illustrates the effect of applying the wealth index to the target millage rate. On average, the districts in quartile 1 have a wealth index of 1.69, while districts in quartiles 2 and 3 have an average wealth index of 1.18 and 0.91, respectively. Thus, the base tier equalizes an average of 10.11 mills (6 mills x 1.69) for the least wealthy districts, close to double the average 5.49 mills equalized in districts comprising quartile 3 (6 mills x 0.91).



Supplemental tier

The formula also provides supplemental targeted assistance based on a district's percentage of agricultural property value. This tier is equal to a maximum of 40% of the base tier for districts with three-year average agricultural property value equal to 10% or more of three-year average real property value scaling down to 0% for districts with agricultural property value equal to 0% of real property value. School districts must receive base targeted assistance in order to receive supplemental tier funding. As with the calculation of the state share index, the property value data used in the calculation of this tier is fixed to three specific fiscal years (2012, 2013, and 2014) so that it does not vary between FY 2014 and FY 2015. The calculation of supplemental targeted assistance is given below. Supplemental targeted assistance for school districts totaled approximately $91.0 million in FY 2014.

Supplemental Targeted Assistance
Agricultural percentage = Three-year average value of real property classified as agricultural property for FYs 2012, 2013, and 2014 / Three-year average value of all real property for FYs 2012, 2013, and 2014
If Agricultural percentage ≥ 10%: Agricultural targeted percentage = 40%; If Agricultural percentage < 10%: Agricultural targeted percentage = 4 x Agricultural percentage
Supplemental targeted assistance = Base targeted assistance x Agricultural targeted percentage

The following calculates base and supplemental targeted assistance in FY 2014 for the hypothetical districts A, B, and C. Once again, assume that these districts have identical ADM figures. Note that, because of its high wealth rank (550), District C is ineligible for these funds.

Targeted Assistance for FY 2014			
Factor	**District A**	**District B**	**District C**
A. 3-year average value	$122,000,000	$75,000,000	$219,000,000
B. Formula ADM	976	976	976
C. Value per pupil = A / B	$125,000	$76,844	$224,385
D. FAGI for TY 2009	$115,000,000	$80,000,000	$220,000,000
E. FAGI for TY 2010	$110,000,000	$83,000,000	$215,000,000
F. FAGI for TY 2011	$105,000,000	$84,000,000	$200,000,000
G. 3-year Average FAGI = (D + E + F) / 3	$110,000,000	$82,333,333	$211,666,667
H. FAGI per pupil = G / B	$112,705	$84,358	$216,872
I. Wealth per pupil = (0.5 x C) + (0.5 x H)	$118,852	$80,601	$220,628
J. Statewide wealth per pupil	$150,412	$150,412	$150,412
K. Wealth index = J / I	1.2655	1.8661	0.6817
L. Wealth rank (from lowest to highest)	212	33	550
M. Threshold wealth = 490th rank	$183,583	$183,583	$183,583
N. Base tier per pupil = (M - I) x 0.006 x K	$492	$1,153	$0
O. EdChoice Scholarship students	7	7	7
P. Autism Scholarship students	3	3	3
Q. Jon Peterson Special Needs Scholarship students	1	1	1
R. E-school ADM	10	10	10
S. Brick and mortar community school ADM	20	20	20
T. Net formula ADM = O - P - Q - R - (0.75 x S)	940	940	940
U. Base targeted assistance = N x T	$462,012	$1,083,865	$0
V. 3-year average agricultural real property value	$50,000,000	$5,000,000	$45,000,000
W. 3-year average total real property value	$118,000,000	$70,000,000	$215,000,000
X. Agricultural percentage = V / W	0.4237	0.0714	0.2093
Y. Agricultural targeted percentage = if X < 0.10, then X x 4, else 0.4	0.4	0.2856	0.4
Z. Supplemental targeted assistance = U x Y	$184,805	$309,552	$0
AA. Total targeted assistance = U + Z	$646,817	$1,393,417	$0

Categorical components

The opportunity grant is the cornerstone of the state foundation aid formula. However, funding based on a flat per-pupil amount will not ensure a similar education for every student in every district since students have different needs and districts face different challenges. The current school funding formula includes a series of additional components to account for individual districts' unique characteristics. They account for students receiving special education and related services, economically disadvantaged students, gifted students, students in grades K-3, students receiving career-technical education services, and limited English proficiency students. Since the size and road conditions of districts also vary considerably, this section also discusses the formula for determining transportation aid.

State funding accounts for a district's unique characteristics that result in differences in costs that are beyond the district's control.

Special education additional aid

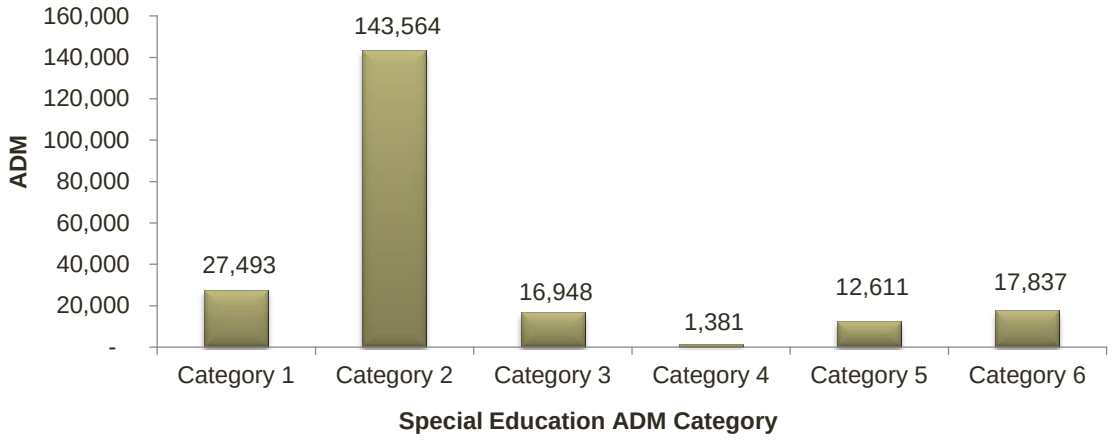
Federal and state law requires children with disabilities ages three to 21 to be provided a free appropriate public education. Accordingly, school districts must develop an individualized education program (IEP) for each child with a disability. Among other items, an IEP contains a statement of the special education and related services and accommodations the child will be provided. The school foundation formula groups special education students into six categories based on their disabilities, and assigns an additional per pupil amount for each category. The categories and amounts are listed below.

Special Education Categories		
Category	**Funding Per Pupil FY 2014**	**Funding Per Pupil FY 2015**
1 Speech only	$1,503	$1,517
2 Specific learning disabled, developmentally disabled, other health – minor	$3,813	$3,849
3 Hearing impaired, severe behavior disabled	$9,160	$9,248
4 Vision impaired, other health – major	$12,225	$12,342
5 Orthopedically disabled, multi-disabled	$16,557	$16,715
6 Autism, traumatic brain injury, both visually and hearing impaired	$24,407	$24,641

Each special education student is counted in the district's ADM as one student for the purposes of calculating the opportunity grant for the district. These students are also counted in each district's special education ADM, which, as noted above, is broken out by each special education category. Across all six categories, special education ADM amounted to 219,833 in FY 2014. Chart S.6 displays the incidence of each of the six

special education categories. As the chart shows, over 65% of special education ADM falls under category two.

Chart S.6: Special Education ADM by Category, FY 2014



In order to determine special education additional aid, the formula calculates the sum of the amounts obtained by multiplying the special education ADM for each category by the per-pupil amount for that category and, to equalize this funding based on school district capacity to raise local revenues, by the state share index. This calculation is summarized below. The total amount calculated for special education additional aid statewide was $712.9 million in FY 2014.

Special Education Additional Aid
Special education additional aid = (Category 1 ADM x Per-pupil amount + Category 2 ADM x Per-pupil amount + Category 3 ADM x Per-pupil amount + Category 4 ADM x Per-pupil amount + Category 5 ADM x Per-pupil amount + Category 6 ADM x Per-pupil amount) x State share index

Economically disadvantaged funds

Another categorical cost is that incurred by districts for disadvantaged students. These students may not have access to the same resources and opportunities outside of school that other students have. In order to provide these students with an education similar to that provided to more advantaged students, schools may need to provide additional resources and opportunities. The state uses students from low-income families (i.e., families eligible for free and reduced price school lunch) as a proxy for disadvantaged students. Studies have shown that students from low-income families perform less well in school than their peers from middle- and high-income families. The school foundation aid formula provides additional funding to school districts based on the number and concentration of economically disadvantaged students in a district. In order to provide more funding to districts with higher concentrations of economically

The following calculations continue the example of the hypothetical District A. The table shows District A's assumed ADM for each of the six special education categories and the calculation of District A's special education additional aid for FY 2014.

Special Education Additional Aid for FY 2014				
Category	A. Special Education ADM	B. Per Pupil Amount	C. State Share Index	D. Calculated Funding = A x B x C
One	15	$1,503	0.5231	$11,793
Two	82	$3,813	0.5231	$163,556
Three	11	$9,160	0.5231	$52,708
Four	0	$12,225	0.5231	$0
Five	5	$16,557	0.5231	$43,305
Six	12	$24,407	0.5231	$153,208
Total	**125**	--	--	**$424,570**

disadvantaged students, the formula calculates an economically disadvantaged index. The index is created by dividing the percentage of students in the district that are economically disadvantaged by the percentage of students in the state that are economically disadvantaged. The result is squared to target funding to districts with higher concentrations of poverty. This index ranges from 0.0 to 4.22. Calculation of the index is summarized below.

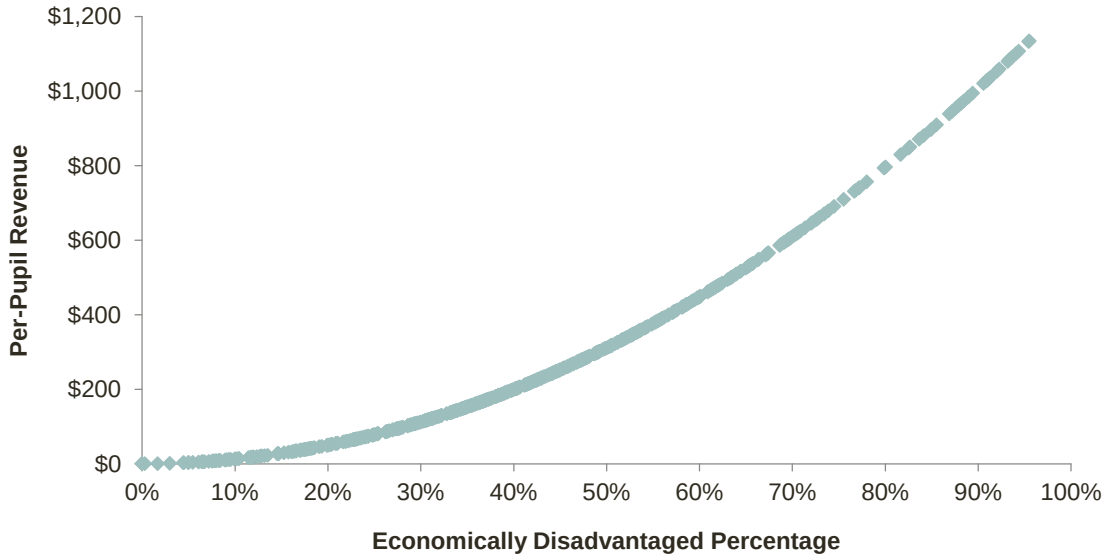
Economically Disadvantaged Index
% Economically disadvantaged = Economically disadvantaged ADM / Total ADM
Economically disadvantaged index = (District % economically disadvantaged / State % economically disadvantaged)^2

The formula provides a per-pupil amount of $269 in FY 2014 and $272 in FY 2015 times the district's economically disadvantaged index for each student in the district's ADM who is identified as economically disadvantaged (except for students attending an e-school, since e-schools are ineligible for this funding component). This calculation is summarized below. The total amount calculated for economically disadvantaged aid statewide was $382.2 million in FY 2014.

Economically Disadvantaged Funds
Economically disadvantaged funds = Economically disadvantaged per-pupil amount x Economically disadvantaged index x Economically disadvantaged ADM
Economically disadvantaged per-pupil amount = $269 in FY 2014 and $272 in FY 2015

Chart S.7 shows the effect of the economically disadvantaged index on the per economically disadvantaged pupil amount in FY 2014. The chart illustrates that the increase in per-pupil funding becomes more rapid as the economically disadvantaged percentage increases. This is due to the inclusion of the square factor in the computation of the index. For example, a district at the state average percentage (46.5%) has an economically disadvantaged index of 1.0, which results in a per-pupil amount of $269 ($269 x 1.0), the base amount specified by the formula for FY 2014. In contrast, the economically disadvantaged index for the district with the highest economically disadvantaged percentage (95.5%) in FY 2014 was about 4.22. Thus, that district's per-pupil amount in FY 2014, in effect, was about $1,135 ($269 x 4.22).

Chart S.7: Per-Pupil Economically Disadvantaged Funds by Economically Disadvantaged Percentage, FY 2014



The following calculations continue the example of the hypothetical District A. The table shows the calculation of District A's economically disadvantaged funds for FY 2014. Since District A's economically disadvantaged percentage is very close to the state average, its economically disadvantaged index is close to 1.0.

Economically Disadvantaged Funds for FY 2014	
Factor	**Amount**
A. Economically disadvantaged ADM	468
B. Resident district e-school economically disadvantaged ADM	2
C. Total ADM	1,000
D. Economically disadvantaged percentage = A / C	0.4680
E. State economically disadvantaged percentage	0.4652
F. Economically disadvantaged index = $(D / E)^2$	1.0121
G. Economically disadvantaged funds = $269 x F x (A - B)	$126,871

Gifted funds

Identification funds

Current law requires school districts to identify gifted students in grades K-12. School districts identify gifted students through the use of certain screening tools and assessments approved by ODE. The school foundation aid formula assists districts with the costs of identification. Funds for gifted identification are provided at a rate of $5.00 in FY 2014 and $5.05 in FY 2015 per formula ADM. This calculation is summarized below. In FY 2014, the total amount calculated for gifted identification funds statewide was $8.5 million.

Gifted Identification Funds
Gifted identification funds = Gifted identification per-pupil amount x Formula ADM
Gifted identification per-pupil amount = $5.00 in FY 2014 and $5.05 in FY 2015

Unit funding

While school districts are required to identify gifted students, they are not required to offer gifted services. Even so, the formula provides unit funding for gifted education services based upon certain prescribed ratios of gifted coordinators and gifted intervention specialists. The formula allocates one gifted coordinator unit for every 3,300 students in a district's gifted unit ADM, which is calculated as the district's formula ADM minus the ADM of resident students from the district attending a community or STEM school. No district may have fewer than 0.5 nor more than eight

such units allocated under the formula. One gifted intervention specialist unit is allocated for every 1,100 gifted unit ADM with a minimum of 0.3 units allocated to each district. There is no cap on the number of gifted intervention specialist units. The total number of units is then multiplied by the specified unit cost to determine the district's unit funding. The formula specifies that the unit cost for each gifted coordinator and gifted intervention specialist unit is $37,000 in FY 2014 and $37,370 in FY 2015. The

The following calculations continue the example of the hypothetical District A. The table shows the calculation of District A's gifted funds for FY 2014.

Gifted Funds for FY 2014	
Factor	**Amount**
A. Formula ADM	976
B. Gifted identification funds = A x $5	$4,880
C. Resident district community and STEM school ADM	30
D. Gifted unit ADM = A - C	946
E. Gifted coordinator units = D / 3,300 (min. of 0.5; max. of 8)	0.5
F. Gifted intervention specialist units = D / 1,100 (min. of 0.3)	0.86
G. Gifted unit funds = $37,000 x (E + F)	$50,320
H. Total gifted funds = B + G	$55,200

calculations for gifted units are summarized below. In FY 2014, the number of gifted coordinator and gifted intervention specialist units calculated by the formula statewide was 526 and 1,422, respectively. The total amount calculated for gifted unit funding statewide in FY 2014 was $72.1 million.

Gifted Unit Funding
Gifted unit ADM = Formula ADM - Community and STEM school ADM
Gifted coordinator units = Gifted unit ADM / 3,300 (minimum of 0.5 units and maximum of 8 units)
Gifted intervention specialist units = Gifted unit ADM / 1,100 (minimum of 0.3 units)
Gifted unit funds = Gifted unit cost x (Gifted coordinator units + Gifted intervention specialist units)
Gifted unit cost = $37,000 in FY 2014 and $37,370 in FY 2015

K-3 literacy funds

Under a policy in current law known as the third grade reading guarantee, each district and community school must annually assess the reading skills of each student in grades K-3 to identify students reading below grade level. The district or school must

provide intervention services to those students to help them improve their reading skills. Once the policy is fully phased-in, school districts and community schools generally will be prohibited from promoting to fourth grade a student that is not reading at grade level by the end of the third grade. The school foundation aid formula provides additional funding to school districts in support of the third grade reading guarantee. This funding is based on a district's K-3 ADM, with the exception of such resident students attending an e-school (e-schools are ineligible for this component of funding), through two tiers, one equalized and the other unequalized. The equalized

The following calculations continue the example of the hypothetical District A. The table shows District's A's assumed K-3 ADM and the calculation of District A's K-3 literacy funds for FY 2014.

K-3 Literacy Funds for FY 2014	
Factor	**Amount**
A. K-3 ADM	315
B. K-3 E-school ADM	5
C. State share index	0.5231
D. Equalized K-3 literacy funds = (A - B) x 125 x C	$20,270
E. Unequalized K-3 literacy funds = (A - B) x $86	$26,660
F. Total K-3 literacy funds = D + E	$46,930

portion of a school district's K-3 literacy funds, which depends on the district's state share index, uses per-pupil amounts of $125 in FY 2014 and $175 in FY 2015 while the unequalized portion is calculated using per-pupil amounts of $86 in FY 2014 and $115 in FY 2015. The calculation of this funding is summarized below. The total amount calculated for K-3 literacy funds statewide in FY 2014 was $75.5 million.

K-3 Literacy Funds
K-3 literacy funds = (K-3 ADM x Equalized per-pupil amount x State share index) + (K-3 ADM x Unequalized per-pupil amount)
Equalized per-pupil amount = $125 in FY 2014 and $175 in FY 2015 Unequalized per-pupil amount = $86 in FY 2014 and $115 in FY 2015

Career-technical education funds

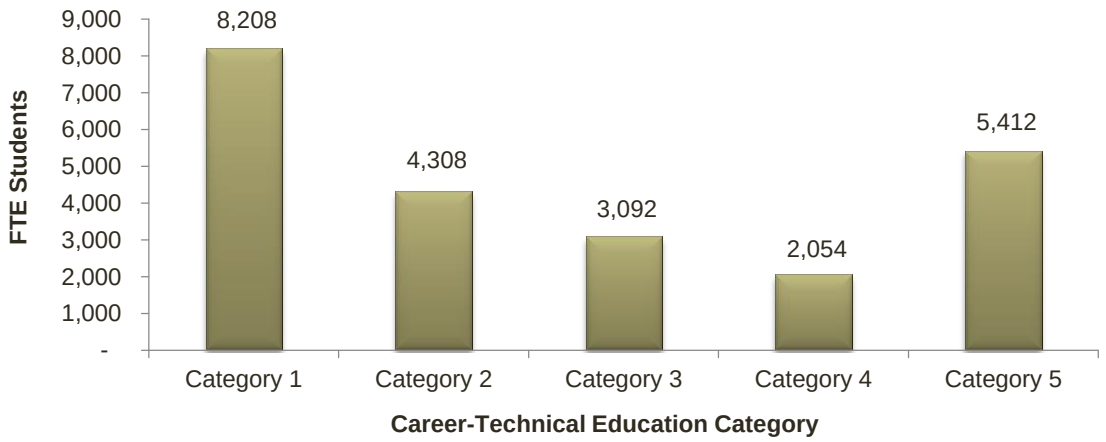
Current law requires school districts to provide students in grades 9-12 with the opportunity of career-technical education that adequately prepares them for an

occupation. School districts can meet this requirement by establishing their own State Board of Education-approved career-technical education programs, being a member of a joint vocational school district (JVSD), or by contracting with a JVSD or another school district for career-technical education services. The formula provides additional funding to school districts to cover the higher costs for career-technical education services. The formula for calculating this funding separates career-technical FTEs into five categories and funds a per FTE amount for each category. The five categories and the amounts are given in the table below. The same career-technical education amounts apply to students enrolled in JVSDs. JVSDs are funded through a separate but comparable formula that is discussed at the end of this section.

Career-Technical Education Categories		
Category	**Funding Per FTE FY 2014**	**Funding Per FTE FY 2015**
1 Workforce development programs in agricultural and environmental systems, construction technologies, engineering and science technologies, finance, health science, information technology, and manufacturing technologies	$4,750	$4,800
2 Workforce development programs in business and administration, hospitality and tourism, human services, law and public safety, arts and communications, and transportation systems	$4,500	$4,550
3 Career-based intervention programs	$1,650	$1,660
4 Workforce development programs in education and training, marketing, workforce development academics, public administration, and career development	$1,400	$1,410
5 Family and consumer science programs	$1,200	$1,210

Across all five categories, career-technical education FTE amounted to 23,074 in FY 2014. Chart S.8 displays statewide FTE by career-technical education category. As the chart shows, categories one and five contain the highest number of FTEs,

Chart S.8: Career-Technical Education FTE by Category, FY 2014



representing a combined 59% of the total.

The formula multiplies the FTE in each category by the dollar amounts above and by the state share index. The amounts for each category are then summed. This calculation is summarized below. The amount calculated for career-technical education funds statewide was $39.6 million in FY 2014.

Career-Technical Education Funds
Career-technical education funds = (Category 1 FTE x Per-pupil amount + Category 2 FTE x Per-pupil amount + Category 3 FTE x Per-pupil amount + Category 4 FTE x Per-pupil amount + Category 5 FTE x Per-pupil amount) x State share index

The formula also provides career-technical education associated services funds based on the sum of a district's career-technical education FTE in categories one through five and a specified per-pupil amount, as summarized in the table below. Like career-technical education additional funds, associated services funding is equalized based on a district's state share index. The amount calculated for career-technical education associated services funds statewide was $2.8 million in FY 2014.

Career-Technical Education Associated Services Funds
Career-technical education associated services funds = (Category 1 FTE + Category 2 FTE + Category 3 FTE + Category 4 FTE + Category 5 FTE) x Associated services per-pupil amount x State share index
Associated services per-pupil amount = $225 in FY 2014 and $227 in FY 2015

Ultimately, funding for associated services is deducted and transferred to the lead district of the career-technical planning district (CTPD) with which the school district is affiliated. The lead district of a CTPD provides primary career-technical education leadership for the districts comprising the CTPD and is responsible for reviewing and approving or disapproving each member school district's career-technical education program. Under H.B. 59 of the 130th General Assembly, a district or school's career-technical education program must be approved by the lead district, or by ODE if initially disapproved by the lead district, before it receives career-technical education funds.

Limited English proficiency funds

Limited English proficient (LEP) students are, in general, those who were not born in the United States or whose native language is a language other than English, whose difficulties in communicating in or understanding the English language make it difficult for the student to achieve academically or fully participate in society. To assist school districts in providing additional educational services to these students, the school foundation aid formula provides additional funding based on the ADM of LEP

The following calculations continue the example of the hypothetical District A. The table shows District A's assumed FTE for each of the five career-technical education categories and the calculation of District A's career-technical education funds for FY 2014.

Career-Technical Education Funds for FY 2014				
Category	**A. Career-Technical FTE**	**B. Per Pupil Amount**	**C. State Share Index**	**D. Calculated Funding = A x B x C**
One	30	$4,750	0.5231	$74,542
Two	15	$4,500	0.5231	$35,309
Three	10	$1,650	0.5231	$8,631
Four	5	$1,400	0.5231	$3,662
Five	20	$1,200	0.5231	$12,554
Subtotal	**80**	**--**	**--**	**$134,698**
Associated Services FTE	80	$225	0.5231	$9,416
Total	--	---	--	**$144,114**

students in a manner similar to the funding provided for special and career-technical education students.

LEP ADM is divided into three categories, based on the amount of time the student has been enrolled in schools in the United States. The following table describes the three categories as well as the additional cost applied under the formula. In FY 2014, LEP ADM totaled 43,398 statewide. About two-thirds of these students (28,733) fell under category two, which represents students in U.S. schools more than 180 school days or previously exempted from either of the spring reading or writing English language arts assessments.

Limited English Proficiency Categories		
Category	**Funding Per Pupil FY 2014**	**Funding Per Pupil FY 2015**
1 LEP students in U.S. schools for no more than 180 school days and not previously exempted from spring English assessments	$1,500	$1,515
2 LEP students in U.S. schools more than 180 school days or previously exempted from spring English assessments	$1,125	$1,136
3 LEP students in a Trial-Mainstream period	$750	$758

The formula multiplies the ADM in each category by the applicable dollar amount. Each result is equalized based on the state share index and then summed to calculate a district's funding. The calculation of LEP funds is summarized below. In FY 2014, the amount calculated for LEP funds statewide was $23.8 million.

Limited English Proficiency Funds
Limited English proficiency funds = (Category 1 ADM x Per-pupil amount + Category 2 ADM x Per-pupil amount + Category 3 ADM x Per-pupil amount) x State share index

The following calculations continue the example of the hypothetical District A. The table shows District A's assumed ADM for each of the three LEP categories and the calculation of District A's LEP funds for FY 2014.

Limited English Proficiency Funds for FY 2014

Category	A. LEP ADM	B. Per Pupil Amount	C. State Share Index	D. Calculated Funds = A x B x C
One	2	$1,500	0.5231	$1,569
Two	7	$1,125	0.5231	$4,119
Three	1	$750	0.5231	$392
Total	**10**	**--**	**--**	**$6,080**

Transportation

Current law requires school districts to provide transportation to the district's students as well as to certain community school students and nonpublic students who reside in the district. State transportation requirements only apply to students in grades K-8 who live more than two miles from the school. Even so, the transportation formula supports the transportation of all "regular" pupils in buses owned by the district or operated through a contract. All other types of regular pupil transportation to and from school are reimbursed through a method determined separately through rules adopted by the State Board. The transportation formula is based on transportation costs as reported by school districts for the prior fiscal year and current year ridership counts. However, the total amount of state aid for transportation is restricted to the appropriation level in both FY 2014 and FY 2015. Additionally, a supplemental transportation payment is provided to districts with a state share index of 50% or more

and bus ridership density at or below the state median. Details of these calculations are given below.

The transportation formula looks at two statewide cost measures from the previous year: the average cost per pupil transported and the average cost per mile driven. These state averages are computed after removing the ten districts with the highest and lowest costs per pupil and costs per mile, respectively. These average costs are then applied to the number of pupils transported and the number of miles driven in the current year for each district. To calculate the base payment for each district, the greater of these two amounts is then multiplied by the greater of 60% or the district's state share index. The total base cost calculated by the formula was $813.0 million in

§ The following calculations continue the example of the hypothetical District A. Assume the hypothetical District A has 500 qualifying riders and 125,000 annual miles driven, the district covers 150 square miles, and the median rider density statewide is 30.2 riders per square mile. The table shows the calculation of District A's transportation aid for FY 2014.

Transportation Aid for FY 2014	
Factor	**Amount**
A. State average cost per pupil in FY 2013	$908.24
B. State average cost per mile in FY 2013	$4.54
C. Qualifying riders in FY 2014	500
D. Annual miles driven in FY 2014	125,000
E. Per pupil subsidy = A x C	$454,120
F. Per mile subsidy = B x D	$567,500
G. Base cost = Greater of E or F	$567,500
H. State share index	0.5231
I. Base payment = G x (Greater of 0.6 or H)	$340,500
J. Payment amount for other types of transportation	$10,000
K. Total transportation allocation = I + J	$350,500
L. Adjustment percentage	80.77%
M. Prorated transportation aid = K x L	$283,099
N. District square miles	150
O. Total ADM in FY 2013	1,000
P. Rider density = O / N	6.7
Q. Supplement density threshold	30.2
R. Supplemental transportation aid = if (P ≤ Q and H ≥ 0.5), then K – M, else $0	$67,401
S. Total transportation aid = M + R	$350,500

FY 2014. Once the applicable state share was applied, the amount calculated for the base payment statewide was $509.6 million in FY 2014. The payment amounts for other types of transportation are added to the base payment to determine each district's total transportation allocation. The amount calculated for payments for these other types was $2.3 million in FY 2014. The calculation of the total transportation allocation for each school district is summarized below. The amount calculated for the total transportation allocation statewide in FY 2014 was $511.8 million.

Total Transportation Allocation
District's per-pupil subsidy = (State average cost per pupil in previous year) x (Number of pupils transported in current year)
District's per-mile subsidy = (State average cost per mile in previous year) x (Number of miles driven in current year)
If the district's per-pupil subsidy is greater than its per-mile subsidy: Base payment = (District's per-pupil subsidy) x (Greater of 60% or district's state share index) If the district's per-mile subsidy is greater than its per-pupil subsidy: Base payment = (District's per-mile subsidy) x (Greater of 60% or district's state share index)
Total transportation allocation = Base payment + Payment for other types of school transportation

Prorated transportation aid

In order to keep the statewide payment to the amount earmarked for such purposes in GRF line item 200502, Pupil Transportation, the percentage the appropriation amount is of the current year's statewide total transportation allocation is applied to each district's allocation. The calculation of the prorated transportation payment for each school district is summarized below. The appropriation is set at approximately $413.4 million in FY 2014 and $434.1 million in FY 2015.

Prorated Transportation Aid
Total statewide allocation = Sum of all district total transportation allocations
Adjustment percentage = Earmarked appropriation / Total statewide allocation
Prorated transportation aid = District's transportation allocation x Adjustment percentage

Supplemental transportation aid

The formula requires a supplemental transportation payment be granted to districts with a state share index of 50% or more and bus ridership density at or below the state median. Qualifying districts are paid the difference between the full calculated amount for transportation and the prorated payment the district would otherwise receive. The calculation of the supplemental transportation payment for each school district is summarized below. In FY 2014, the supplemental transportation payment totaled $6.0 million for 199 districts.

Supplemental Transportation Aid
If (District's state share index ≥ 50%) and (District bus ridership density ≤ State median bus ridership density): Supplemental transportation aid = District's transportation allocation - District's prorated transportation payment
If (District's state share index < 50%) or (District bus ridership density > State median bus ridership density): Supplemental transportation aid = $0

Special education transportation

In addition to funding a portion of regular pupil transportation costs as described above, the state provides funds outside of the main foundation formula to school districts and county boards of developmental disabilities to assist them in providing required transportation services to students with disabilities whom it is impossible or impractical to transport by regular school bus. Such transportation costs are reimbursed through a method determined separately through rules adopted by the State Board. Under these rules, the state calculates a base amount of $6 per rider per instructional day plus one half of the actual cost in excess of $6 per rider per day. However, the base amount is limited to the actual reported cost of transportation or 200% of the statewide average cost of transportation per child, whichever is less. The resulting amount is then multiplied by the greater of 60% or the district's state share index and, if necessary, prorated so that the amount appropriated for the payments is not exceeded. In FY 2014, these payments totaled $60.5 million, of which $54.5 million went to school districts.

Additional funding adjustments

The final allocation for each district may be adjusted further by either guaranteeing districts receive no less than their state foundation aid in FY 2013 or by limiting the increases in funding through application of a funding cap. Generally, the effect of these adjustments is to smooth district funding so that, in FY 2014 for example, each district is allocated between 100% and 106.25% of the funding the district was allocated in FY 2013.

Temporary transitional aid

Temporary transitional aid is provided to districts in FY 2014 and FY 2015 to guarantee 100% of their FY 2013 state aid. Temporary transitional aid in each fiscal year is computed by comparing each district's FY 2013 foundation funding to the district's computed foundation funding before transitional aid is added. The calculation of temporary transitional aid is summarized below. In FY 2014, temporary transitional aid totaling $187.8 million was paid to 200 (32.7%) districts.

The following calculations continue the example of the hypothetical District A. Assume District A's FY 2013 foundation funding is $5 million. The table shows the calculation of District A's temporary transitional aid for FY 2014.

Temporary Transitional Aid for FY 2014	
Factor	**Amount**
A. FY 2013 foundation funding	$5,000,000
B. FY 2014 computed foundation funding before transitional aid	$4,740,177
C. Temporary transitional aid = if B < A, A - B, else $0	$259,823

Temporary Transitional Aid
Foundation funding before transitional aid = Opportunity grant + Targeted assistance + Special education additional aid + Economically disadvantaged funds + Gifted funds + K-3 literacy funds + Career-technical education funds + Limited English proficiency funds + Prorated transportation aid + Supplemental transportation aid

If Foundation funding before transitional aid < FY 2013 foundation funding, then
Temporary transitional aid = FY 2013 foundation funding - Foundation funding before transitional aid
If Foundation funding before transitional aid ≥FY 2013 foundation funding, then
Temporary transitional aid = $0

Gain cap

Total foundation funding is subject to a gain cap of 6.25% in FY 2014 and 10.5% in FY 2015 compared to the previous year's funding. The formula calls for a district's opportunity grant, targeted assistance, economically disadvantaged funds, gifted funds, K-3 literacy funds, LEP funds, and prorated and supplemental transportation aid to be reduced proportionately to comply with the gain cap. Because special education and career-technical education are subject to federal maintenance of effort requirements, special education additional aid and career-technical education funds are exempt from the gain cap unless the calculated amounts for the other components are insufficient to fully comply with the cap limitation. In that case, ODE may proportionately reduce a district's special education and career-technical education funds. In FY 2014, it was not necessary to apply the gain cap to those two components. The calculation of the gain cap is summarized below. In FY 2014, the gain cap reduced funding to 341 (55.7%) districts by a total of $893.4 million.

Gain Cap
FY 2014 gain cap = FY 2013 foundation funding x 1.0625
FY 2015 gain cap = FY 2014 final foundation funding x 1.105

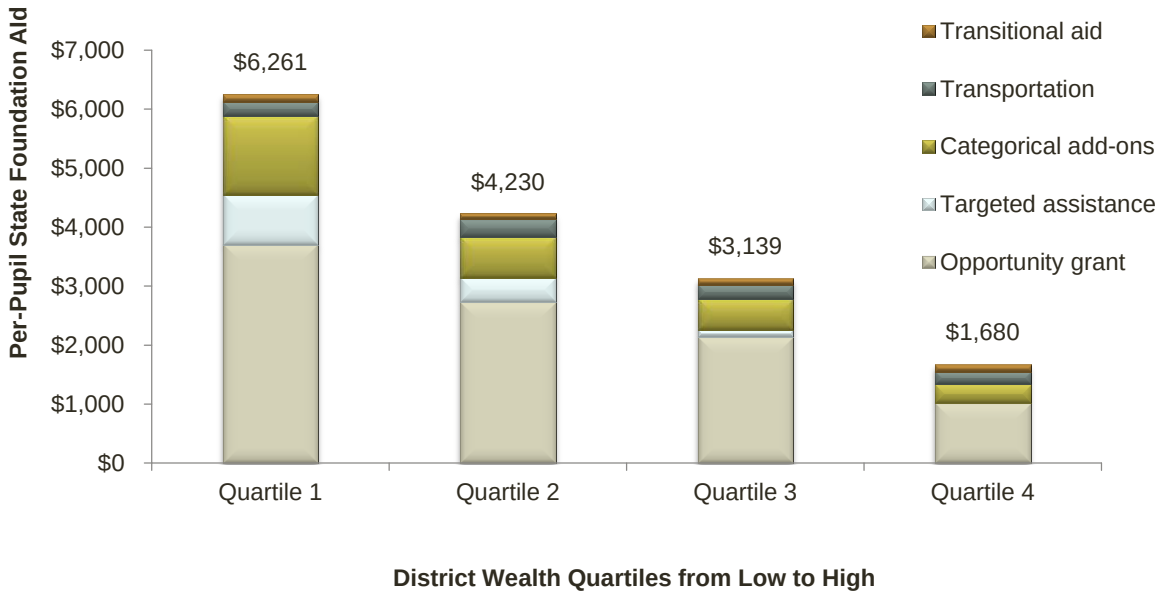
Final foundation funding

A district's final foundation funding in each fiscal year is the lesser of the district's total foundation funding or its gain cap. The calculation of final foundation funding for each school district is summarized below. In FY 2014, a total of $6.60 billion was allocated to the 612 school districts in Ohio.

Final Foundation Funding
Final foundation funding = the lesser of: 1. Total foundation funding; or 2. Gain cap

As noted above, overall, the statewide average final foundation funding per pupil in FY 2014 was $3,902. Chart S.9 displays final foundation funding per pupil by formula component and wealth quartile.

Chart S.9: Per Pupil Final Foundation Funding by Wealth Quartile, FY 2014



State funding transfers

As mentioned previously, the ADM for each district is based on a count of students who reside in the district. The district is legally required to provide an education for these students. After each school district's state aid is calculated as explained above, ODE performs a number of deductions and transfers for various services provided to the students counted in the districts' ADMs. For example, school districts whose students receive services from a regional educational service center (ESC) have an amount deducted and transferred to the ESC to pay for these services. Some students choose to obtain all of their education at schools that are not part of their resident districts. For example, some students attend community schools and some students attend other districts through open enrollment. In general, for these students, the funding they generate in the formula for the district in which they reside is deducted from the state aid allocated to that district and added to the payment for the district or community school where the students are actually educated. In addition, state programs such as the Cleveland Scholarship Program, the Autism Scholarship Program, the Jon Peterson Special Needs Scholarship Program, and the traditional Educational Choice Scholarship Program provide for deductions of state aid from school districts to support the provision of vouchers to district residents to be used in alternative educational programs. Finally, the Post-Secondary Enrollment Options (PSEO) Program, which will undergo changes beginning in the 2015-2016 school year and be renamed College Credit Plus, allows students to attend post-secondary institutions for both high school and college credit. The tuition for most of these students is paid from a deduction from the school district. This section describes how funding for these programs typically works.

The following calculations continue the example of the hypothetical District A. The table shows the calculation of District A's gain cap and final foundation funding for FY 2014. As the table shows, District A is not subject to the cap.

Gain Cap and Final Foundation Funding for FY 2014	
Factor	**Amount**
A. FY 2013 foundation funding	$5,000,000
B. Gain cap = A x 1.0625	$5,312,500
C. Total foundation funding = Foundation funding before transitional aid + temporary transitional aid	$5,000,000
D. Final foundation funding = Lesser of B or C	$5,000,000

Community and STEM schools

Community schools are public schools that are exempt from certain state requirements. These schools are not part of any school district and do not have taxing authority. Community schools were first established in Ohio in FY 1999. They have grown from 15 schools educating 2,245 FTE students (0.1% of public school enrollment) in FY 1999 to 388 schools educating 120,826 FTE students (7.0% of public school enrollment) in FY 2014. Community schools include e-schools, which provide educational services electronically instead of in a traditional classroom setting, and the more traditional brick-and-mortar schools. Funding for these two types of community schools is a bit different. Science, technology, engineering, and mathematics (STEM) schools were first authorized by law in June 2007. These public schools are similar to community schools in many respects but educate students in grades 6-12 using curriculum emphasizing STEM. STEM schools must operate in collaboration with higher education institutions and business organizations. Currently, there are four STEM schools that are governed independently from any school district.[6] In FY 2014, these schools educated a total of 1,194 FTE students.

Students are counted where they live and funding follows the students to where they are educated.

As stated previously, all students are counted in the school district in which they reside for funding purposes, including those who are educated outside of their home district, such as community and STEM school students. Funding for these schools is provided as a per-pupil transfer from each community and STEM school student's district of residence. There is no local share for community and STEM schools since they do not have taxing authority. The formula for the transfers for community and STEM schools follows the formula for traditional districts with some modifications. Community and STEM school ADM is based on a monthly count during the current fiscal year.

Opportunity grant

Community and STEM schools are provided opportunity grant funding, which is based on the per-pupil formula amount. Since these schools do not have authority to levy taxes, there is no state share applied to their funding. A school's per-pupil opportunity grant is, therefore, equal to the formula amounts of $5,745 in FY 2014 and $5,800 in FY 2015, the same amounts used for traditional school districts. The total amount transferred for the opportunity grant statewide was $701.0 million in FY 2014.

[6] STEM schools may also be governed by a traditional or joint vocational school district board of education. In this case, the school is considered one of the schools of the district and the formula for deductions discussed in this section does not apply.

Targeted assistance

Brick-and-mortar community and STEM schools are provided targeted assistance for each student that is equal to the per-pupil base targeted assistance amount for the student's resident district multiplied by 0.25. E-schools do not receive targeted assistance. The total amount transferred for targeted assistance statewide was $14.8 million in FY 2014.

Special education additional aid, career-technical education funds, and LEP funds

Brick-and-mortar community and STEM schools are provided additional aid for students receiving special education or career-technical education services or those who are classified as limited English proficient. E-schools receive special education and career-technical education additional funds, but do not receive LEP funding. For these components, a community or STEM school receives the full per-pupil amount for the school's FTE student count in each applicable category. That is, the calculations are the same as those for traditional districts except no state share index is applied. The total amounts transferred for special education additional aid, career-technical education funds, and LEP funds statewide in FY 2014 were $122.1 million, $4.9 million, and $4.1 million, respectively.

Economically disadvantaged funds

In addition to the above funding, brick-and-mortar community and STEM schools receive economically disadvantaged funds for each student identified as economically disadvantaged equal to $269 in FY 2014 and $272 in FY 2015 multiplied by the economically disadvantaged index of the student's resident district. E-schools do not receive this funding. The total amount transferred for economically disadvantaged funds statewide was $50.7 million in FY 2014.

K-3 literacy funds

For each student in grades K-3, a brick-and-mortar community school receives a per-pupil amount of $211 in FY 2014 and $290 in FY 2015, each of which equals the sum of the equalized and unequalized portions of the K-3 literacy component for traditional school districts. Though the law includes this component in the formula for STEM school deductions and transfers, in practice, those schools do not receive this funding since they educate students only in grades 6-12. E-schools do not receive this funding. The total amount deducted for K-3 literacy funds statewide was $6.7 million in FY 2014.

Transportation funds

Generally, a district must provide transportation for students in grades K-8 who live more than two miles from school, whether they attend district schools, community schools, or chartered nonpublic schools. However, community schools may transport their own students and receive a payment for doing so, either through an agreement

with the students' resident school district or by unilaterally assuming the district's transportation responsibility. In the case of a bilateral agreement, ODE makes payments to the community school according to the terms of the agreement. In the case of a unilateral assumption of transportation responsibility, the payment for each student the school transports will be the amount that would have been calculated for the district under the transportation formula for the transportation mode the district would have used. Nevertheless, the community school is not required to use that same mode of transportation. In either case, ODE transfers the payment amount from the state aid of the student's resident district. In FY 2014, a total amount of $4.2 million was transferred to 30 community schools.

Summary of state aid for community and STEM schools

The total amount of state aid for community and STEM schools is calculated by adding together the different types of aid. State aid for community and STEM schools is not subject to a guarantee or a gain cap. The calculation is summarized below. The total amount transferred for community and STEM schools statewide was $908.5 million in FY 2014.

State Aid for Community and STEM Schools
State aid for brick-and-mortar community and STEM schools = Opportunity grant + Targeted assistance + Special education additional aid + Career-technical education funds + LEP funds + Economically disadvantaged funds + K-3 literacy funds + Transportation funds
State aid for e-schools = Opportunity grant + Special education additional aid + Career-technical education funds

Facilities funding

In addition to the funding received through transfers of state aid from a student's school district of residence, each brick-and-mortar community and STEM school receives an amount equal to $100 per student to assist with facilities costs. Facilities funding is paid directly by the state using lottery profits. In FY 2014 and FY 2015, aggregate funding for this purpose is limited to the appropriated amount of $7.5 million per year, requiring the per student amount to be prorated. In FY 2014, the proration percentage was 91.9%.

Open enrollment

Each school district in Ohio can choose to accept students from other districts under an open enrollment policy. If a student chooses to attend a district other than the one in which the student resides under open enrollment, the formula amount of $5,745 in FY 2014 and $5,800 in FY 2015 and any career-technical education per-pupil amount applicable to the student are deducted from the resident district's state aid and transferred to the educating district. These amounts are calculated in the same way as they are calculated for community schools (see above). If the student receives special

education, the costs of this education above the formula amount are billed from the educating district to the resident district.

Approximately 70.6% of school districts (including joint vocational school districts) allow statewide open enrollment, 10.7% of school districts allow adjacent district open enrollment only, and the remaining 18.7% of school districts do not accept open enrollment students. In FY 2014, approximately 65,325 (3.9%) FTE students attended schools other than their resident district schools through the open enrollment option and $373.8 million in school foundation aid was transferred on behalf of those students.

Educational Choice Scholarship Pilot Program

The Educational Choice Scholarship Pilot Program ("EdChoice") provides up to 60,000 scholarships each year to students, other than those residing in the Cleveland Municipal School District, who attend or who would otherwise be entitled to attend a school that meets one of a number of conditions indicative of poor academic performance. Students use the scholarships to attend participating nonpublic schools. The amount awarded under the program is the lesser of the actual tuition charges of the school or the maximum scholarship award. The maximum scholarship award is $4,250 for students in grades K-8 and $5,000 for students in grades 9-12. Scholarship students are counted in the resident district's ADM in order to calculate state aid. In FY 2014, a total of $69.1 million was deducted statewide for about 17,000 scholarship students in 39 school districts.

H.B. 59 of the 130th General Assembly expanded EdChoice eligibility to students whose family income is at or below 200% of the federal poverty guidelines (FPG), regardless of the academic rating of the school they would otherwise attend. Unlike the traditional program, students qualifying for EdChoice under the income-based program are not counted in their resident district's ADM for funding purposes and, accordingly, deductions are not taken from school districts to fund the scholarships. Instead, the scholarships are paid directly by the state. In FY 2014, $3.8 million was provided by the state to fund these scholarships.

Cleveland Scholarship Program

The Cleveland Scholarship Program allows students who are residents of the Cleveland Municipal School District to obtain scholarships to attend participating nonpublic schools. The scholarships are the lesser of the tuition charged by the alternative provider or the maximum scholarship award. The maximum scholarship award is $4,250 for students in grades K-8 and $5,700 for students in grades 9-12. Scholarship students are not counted in Cleveland's ADM for funding purposes. A portion of Cleveland's state aid has been earmarked in the state operating budget to be used to help fund this program. The rest of the funding for the program comes from the

state GRF without any deduction from Cleveland. In FY 2014, $11.9 million was deducted from Cleveland's state aid to fund this program for total program spending of about $29.3 million. This amount was used to provide over 6,300 students with scholarships under the program.

Autism Scholarship Program

The Autism Scholarship Program provides scholarships to autistic students whose parents choose to enroll the student in an approved special education program other than the one offered by the student's school district. The scholarships are the lesser of the total fees charged by the alternative provider or $20,000. Scholarship students are counted in their resident district's ADMs for purposes of the state funding formula. The amount of the scholarship is then deducted from the resident district's state aid and paid to the alternate provider. In FY 2014, $50.2 million was transferred for the scholarships for about 2,600 students in 401 districts.

Jon Peterson Special Needs Scholarship Program

The Jon Peterson Special Needs Scholarship Program, which began operations in FY 2013, is similar to the Autism Scholarship Program except that it is available to all disabled students with IEPs established by their resident school districts. Funding for the program is provided in the same way as that of the Autism Scholarship Program, through a transfer of state aid from the resident district to the alternate provider. Likewise, scholarship students are also counted in their district's ADM for the purposes of the state foundation aid formula. Under current law, the amount of the scholarship cannot exceed $20,000 and is the lesser of the tuition charged by the alternate provider or the special education funding calculated for the student, which is the formula amount plus the applicable special education amount used to calculate funding for the student under the formula for traditional school districts. In FY 2014, $22.0 million was transferred for the scholarships for about 2,100 students in 320 districts.

Post-Secondary Enrollment Options Program

The Post-Secondary Enrollment Options Program (PSEO) allows both public and nonpublic high school students to attend classes at post-secondary education institutions and earn both high school and college credits without cost to the students. Public high school students are counted in their resident districts' ADMs for funding purposes. If the student participating in PSEO attends a public school outside of the resident district, the funding for the student follows the student to where they are educated, as described above. The tuition amounts for the college classes the student attends are deducted from the educating districts' state aid to pay for the program. In FY 2014, $26.3 million was deducted statewide from school districts (including joint vocational school districts) and community schools for the program. For nonpublic high

school students, the costs of taking college classes under PSEO are paid by an earmark of GRF line item 200511, Auxiliary Services. In FY 2014, $1.9 million was set aside for this purpose. H.B. 59 of the 130th General Assembly expanded the program to include home-instructed students, the payments for which are funded starting in FY 2015 through an earmark of $250,000 from GRF line item 200550, Foundation Funding.

Beginning in the 2015-2016 school year, PSEO will be replaced by the College Credit Plus Program pursuant to program modifications contained in H.B. 487 of the 130th General Assembly.

Educational service centers (ESCs)

Educational service centers (ESCs) are regional entities that offer a broad spectrum of services, including curriculum development, professional development, purchasing, publishing, human resources, special education services, and counseling services, to school districts and community schools in their regions. By law, every city, local, and exempted village school district with a student count of 16,000 or less must enter into an agreement for services with an ESC. Practically, this requirement applies to all but the seven largest districts in Ohio. The districts with a greater student count may also enter into such agreements. Districts that have established agreements with ESCs are considered "client districts."

In recent years, legislation has been enacted that modified the relationship of ESCs and school districts and, consequently, eliminated and modified some ESC funding mechanisms. Notwithstanding the changes, a per-pupil amount for the general expenses of the ESC continues to be required of client districts. Generally, this per-pupil amount is $6.50. ODE deducts this payment from the state funding provided to the districts and transfers it to the appropriate ESC. In FY 2014, the statewide cost of the per-pupil amount was $11.3 million.

In addition to the per-pupil amount, if an ESC is providing preschool special education services through an agreement with a school district, that district may authorize ODE to transfer funds computed under the new pupil-based preschool special education formula to the ESC. In FY 2014, the statewide amount computed under the preschool special education formula and transferred to ESCs for the services was $8.3 million. In other circumstances, the ESC and district may agree to a different amount than what is provided through the preschool special education formula and have that amount deducted and transferred pursuant to a contract for additional services.

ESCs receive nearly 75% of their overall funding through additional services contracts with school districts, the cost of which is also deducted from the school districts' state aid allocations and transferred to the ESCs. In FY 2014, the cost of these

contracts totaled $197.3 million. In sum, therefore, a total of $216.8 million was deducted from school district state aid and transferred to ESCs in FY 2014.

ESCs also receive funding directly from the state. This funding includes a per-pupil amount, gifted funding, and special education transportation funding. In FY 2014, direct state funding for ESCs totaled $48.2 million.

Joint vocational school district funding

Currently, there are 49 joint vocational school districts (JVSDs) in Ohio. They have a total of 507 associate school districts that may send students to their schools. As with a regular school district, each JVSD has its own taxing authority. Levies need to be approved by taxpayers in all associate districts and the same JVSD millage rate applies to all associate districts within a JVSD. As with school districts, the ability of a JVSD to raise local revenues is dependent on its property value. JVSDs receive state operating funding through a separate formula similar to that used to fund traditional school districts. Under the current formula, JVSDs receive an opportunity grant, career-technical education funds, additional special education aid, economically disadvantaged funds, and LEP funds. There are two main differences between the formulas for traditional school districts and JVSDs: the calculation of the opportunity grant and the calculation of the percentage used to distribute the state's share of funding for career-technical education funds, special education additional aid, and LEP funds. Each component of the JVSD formula is described in more detail below.

Opportunity grant

JVSDs combine territory of more than one traditional school district and typically educate students for the last two years of their high school careers. Since JVSDs are larger and they educate fewer students than traditional districts, their values per pupil are much higher and their average property tax rates and tax effort requirements are much lower than those of traditional districts. The formula uses a base cost approach to calculate each JVSD's opportunity grant. Under this approach, a base cost is established by multiplying the same per-pupil formula amount used for traditional school districts by the JVSD's formula ADM. The local share of this cost is calculated by multiplying a uniform charge-off rate of 0.5 mill by the JVSD's three-year average taxable property value. The opportunity grant (the state share) is simply the base cost minus the local share. If this calculation results in a negative number, the JVSD's opportunity grant is $0. The calculation of the opportunity grant for JVSDs is summarized below. Statewide, the opportunity grant for JVSDs totaled approximately $139.4 million in FY 2014.

JVSDs receive state operating funding through a separate formula similar to that used for traditional school districts.

JVSD Opportunity Grant
Base cost = Formula amount x Formula ADM
Local share = Three-year average value x Charge-off rate
Opportunity grant = Base cost - Local share If this calculation is negative, the opportunity grant is $0
Formula amount = $5,745 in FY 2014 and $5,800 in FY 2015
Charge-off rate = 0.0005

State share percentage

In order to determine the state's share of the cost for career-technical education funds, special education additional aid, and LEP funds for JVSDs, the formula calculates a state share percentage for each JVSD by dividing the district's opportunity grant by its base cost. The resulting figure is multiplied by the calculated cost for each of the above components. Unlike the state share index used for traditional school districts, the state share percentage will vary between FY 2014 and FY 2015. JVSD state share percentages in FY 2014 ranged from 0% to 91.6% with a statewide average of 64.6% and a median of 69.7%. The calculation of the state share percentage is summarized below.

JVSD State Share Percentage
State share percentage = Opportunity grant / Base cost

Categorical components

Like traditional school districts, the current JVSD funding formula includes categorical add-ons that address the needs of "nontypical" students, such as those receiving special education or career-technical education services, those who are economically disadvantaged, or those who are limited English proficient. The amount for these add-ons is determined for JVSDs similarly to the way it is determined for traditional school districts. For example, the same per-pupil amounts are used for each component. However, each JVSD's state share percentage (rather than the state share index) is used to equalize its state funding for career-technical education funds, special education additional aid, and LEP funds. Economically disadvantaged funds are not subject to the state share percentage. The calculations of these add-ons are summarized below.

Career-technical education funds

Across all five career-technical education categories, career-technical education FTEs at JVSDs statewide amounted to about 29,460 in FY 2014. Career-technical education funds for JVSDs totaled $60.5 million in FY 2014.

JVSD Career-Technical Education Funds
Career-technical education funds = (Category 1 FTE x Per-pupil amount + Category 2 FTE x Per-pupil amount + Category 3 FTE x Per-pupil amount + Category 4 FTE x Per-pupil amount + Category 5 FTE x Per-pupil amount) x State share percentage

Like traditional school districts, the formula also provides career-technical education associated services funds based on the sum of a district's career-technical education FTE in categories one through five and a specified per-pupil amount, as summarized in the table below. Career-technical education associated services funding is equalized based on a district's state share percentage. The amount calculated for career-technical education associated services funds for JVSD students was $4.3 million in FY 2014.

JVSD Career-Technical Education Associated Services Funds
Career-technical education associated services funds = (Category 1 FTE + Category 2 FTE + Category 3 FTE + Category 4 FTE + Category 5 FTE) x Associated services per-pupil amount x State share percentage
Associated services per-pupil amount = $225 in FY 2014 and $227 in FY 2015

Special education additional aid

Across all six special education categories, special education ADM at JVSDs statewide amounted to about 8,800 in FY 2014. Special education additional aid for JVSDs totaled $31.8 million in FY 2014.

JVSD Special Education Additional Aid
Special education additional aid = (Category 1 ADM x Per-pupil amount + Category 2 ADM x Per-pupil amount + Category 3 ADM x Per-pupil amount + Category 4 ADM x Per-pupil amount + Category 5 ADM x Per-pupil amount + Category 6 ADM x Per-pupil amount) x State share percentage

Economically disadvantaged funds

In FY 2014, JVSDs educated about 14,600 students identified as economically disadvantaged. The economically disadvantaged percentage for JVSDs ranged from 0% for two districts to 69.5%. The resulting economically disadvantaged index values were as high as about 2.23. Thus, the per economically disadvantaged pupil amount, in effect, ranged from $0 to $600 in FY 2014 ($269 x 2.23). The total amount calculated for JVSD economically disadvantaged funds statewide was $3.7 million in FY 2014.

JVSD Economically Disadvantaged Funds
Economically disadvantaged funds = Economically disadvantaged aid per-pupil amount x Economically disadvantaged index x Economically disadvantaged ADM
Economically disadvantaged aid per-pupil amount = $269 in FY 2014 and $272 in FY 2015

Limited English proficiency funds

Across all three LEP categories, JVSDs educated about 78 LEP students statewide in FY 2014. LEP funds for JVSDs totaled $49,118 in FY 2014.

JVSD Limited English Proficiency Funds
Limited English proficiency funds = (Category 1 ADM x Per-pupil amount + Category 2 ADM x Per-pupil amount + Category 3 ADM x Per-pupil amount) x State share percentage

JVSD additional funding adjustments

Temporary transitional aid

Like traditional school districts, temporary transitional aid is provided to JVSDs in FY 2014 and FY 2015 to guarantee 100% of their FY 2013 state aid. The calculation for temporary transitional aid is summarized below. In FY 2014, temporary transitional aid totaling $32.0 million was paid to 34 JVSDs.

JVSD Temporary Transitional Aid
Transitional aid guarantee base = FY 2013 state aid
Foundation funding = Opportunity grant + Special education additional aid + Economically disadvantaged funds + Limited English proficiency funds + Career-technical education funds

If Foundation funding < Transitional aid guarantee base, then
Temporary transitional aid = Transitional aid guarantee base - Foundation funding
If Foundation funding ≥Transitional aid guarantee base, then
Temporary transitional aid = $0

Gain cap

Total foundation funding is equal to the sum of foundation funding and temporary transitional aid. However, like traditional school districts, JVSD total foundation funding is subject to a gain cap of 6.25% in FY 2014 and 10.5% in FY 2015 compared to the previous year's funding. The same exemption from the gain cap for traditional school district special education and career-technical education funds applies to JVSDs as well. In FY 2014, it was not necessary to apply the gain cap to those two components. The calculation of the gain cap is summarized below. In FY 2014, the gain cap reduced funding to nine JVSDs by a total of $4.6 million.

JVSD Gain Cap
FY 2014 gain cap = Transitional aid guarantee base x 1.0625
FY 2015 gain cap = FY 2014 final state aid x 1.105

JVSD final foundation funding

A JVSD's final foundation funding in each fiscal year is the lesser of the district's total foundation funding or its gain cap. The calculation of final foundation funding for each school district is summarized below. In FY 2014, final foundation funding for JVSDs totaled $267.2 million.

JVSD Final Foundation Funding
Final foundation funding = the lesser of: 1. Total foundation funding; or 2. Gain cap

Preschool Special Education

Outside of the main funding formula, the state provides funding to school districts and some state institutions for the special education and related services they provide to preschool-aged (ages three through five) children with disabilities. Districts are mandated under federal law to provide a free appropriate public education to these students. Under the formula for distributing these funds, enacted in H.B. 59 of the 130th General Assembly, funding is equal to $4,000 per preschool special education student plus additional special education aid based on the applicable special education amount for each student and the resident district's state share index. Special education aid is then multiplied by 0.5. The special education categories and amounts are the same as those used for primary and secondary students. The state share index for a state institution is the index for the student's resident district. This calculation is summarized in the following table. Ultimately, ESCs and county boards of developmental disabilities also receive a portion of this funding through transfers from the amounts allocated to the school districts with which those entities have service agreements. School districts may also opt to pay an ESC directly for preschool special education services. In FY 2014, preschool special education payments totaled $100.0 million.

Preschool Special Education Funding
Preschool special education funding = $4,000 x preschool special education ADM + (Category 1 ADM x $1,902 + Category 2 ADM x $4,827 + Category 3 ADM x $11,596 + Category 4 ADM x $15,475 + Category 5 ADM x $20,959 + Category 6 ADM x $30,896) x State share index x 0.5

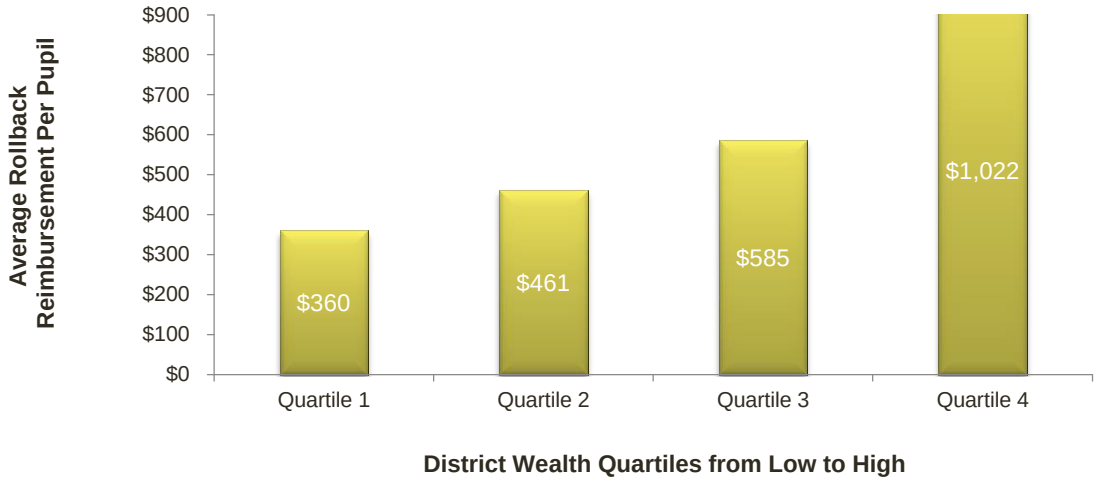
Tax Loss Reimbursements

Rollbacks and Homestead Exemption

As part of its tax policy, the state reduces property taxes on residential and agricultural real property by 10.0% and the property taxes on owner-occupied homes by an additional 2.5% for all levies initially approved in August 2013 or before. These two reductions in real property taxes provided by the state are often called property tax rollbacks. The state also provides a reduction in property taxes for certain senior citizens and disabled persons. This policy is called the homestead exemption. The state reimburses school districts and JVSDs (and other local governments) for these reductions in real property taxes. In FY 2014, school districts received a total of $1,089.5 million and JVSDs received a total of $41.5 million statewide in property tax rollback and homestead exemption reimbursements. These reimbursements are directly related to the amount of property tax revenue paid in each district, so unlike state education aid, property tax rollback reimbursements tend to be higher in higher wealth districts. Chart S.10 shows the average rollback reimbursement per pupil in the four wealth quartiles for FY 2014. Although state spending on property tax rollbacks has increased steadily since they were instituted in the 1970s, this spending should stabilize in future years as the rollbacks no longer apply to new levies.

One effect of the TPP tax phase-out is to increase state aid to school districts.

Chart S.10: Average Rollback Reimbursement Per Pupil by Wealth Quartile, FY 2014



Tangible Personal Property (TPP)

The state also provides partial reimbursements for tax losses incurred by school districts due to the elimination of the tax on general business tangible personal property

and the deregulation of electric and natural gas utilities. These reimbursements are targeted to districts for which these tax revenues represented a significant portion of the districts' total resources. For FY 2014, the direct reimbursement for districts was $470.6 million and for JVSDs was $11.0 million. Under current law, these payments will stay largely constant in future years.

LOCAL OPERATING REVENUE

The primary local funding source for schools is locally voted property taxes, which account for approximately 94.4% of local operating revenue, excluding the portion of property taxes paid by the state (property tax rollbacks and homestead exemption). Another 4.5% comes from school district income taxes and about 1.1% comes from the casino gross revenue tax. In TY 2012, school districts levied a total of $8.67 billion in property tax operating revenue. An additional $1.20 billion was levied for permanent improvements and debt service. In TY 2012, joint vocational school districts levied a total of $320.0 million in property tax operating revenue and an additional $23.1 million for permanent improvements and debt service. As stated in the section on state operating revenue, $1.14 billion of locally levied property tax was paid by the state through property tax rollbacks and reimbursements for the homestead exemption. School district income taxes totaled $380.9 million in FY 2014. Gross casino revenue distributions totaled $83.0 million for school districts, $3.6 million for JVSDs and $6.1 million for nontraditional schools such as community schools in FY 2014. Local operating revenue is discussed in more detail in this section.

Property Taxes

Assessed or Taxable Property Value

Property taxes are calculated on the assessed or taxable property value, which is a percentage of fair market value. This percentage is called the assessment rate. Property value in Ohio is divided into three major categories with different assessment rates:

- Class I real property (residential and agricultural);
- Class II real property (commercial, industrial, and mineral); and
- Public utility tangible personal property.

Real property is generally assessed at 35% of true value, which is determined by the county auditor. This means that if the auditor appraises a home's true value as $100,000, for example, that home's taxable property value would be $35,000 ($100,000 x 0.35). Public utility tangible personal property (TPP) is assessed at rates ranging from 23% to 100% of true value, which is self-reported by businesses based on certain approved methods. Table L.1 shows the statewide total taxable property value composition based on the three property categories for TY 2012. It can be seen from the table that class I real property makes up the bulk of total taxable property value, followed by class II real property, and then public utility tangible personal property.

Over 74% of state taxable property value is residential and agricultural real property.

Table L.1: Taxable Property Value, TY 2012		
Property Category	**Amount**	**Percentage**
Class I real property	$175.00 billion	74.0%
Class II real property	$50.47 billion	21.4%
Public utility TPP	$10.94 billion	4.6%
Total Taxable Property Value	**$236.41 billion**	**100.0%**

School District Taxable Property Value Composition

Table L.1 gives the taxable property value composition in TY 2012 for the state. However, the composition for each individual district varies widely across the state. Table L.2 shows the maximum, minimum, and median ranges for each category.

Table L.2: The Taxable Property Value Composition, TY 2012			
Category	**Minimum**	**Maximum**	**Median**
Class I Real	15.6%	97.0%	80.1%
Class II Real	1.1%	74.5%	14.2%
Public Utility TPP	0.4%	65.1%	4.0%

A change in the taxable value of a particular category of property through changes in the economy or changes in tax policy generally has an uneven impact on districts due to the variation in property composition across districts.

School District Value Per Pupil

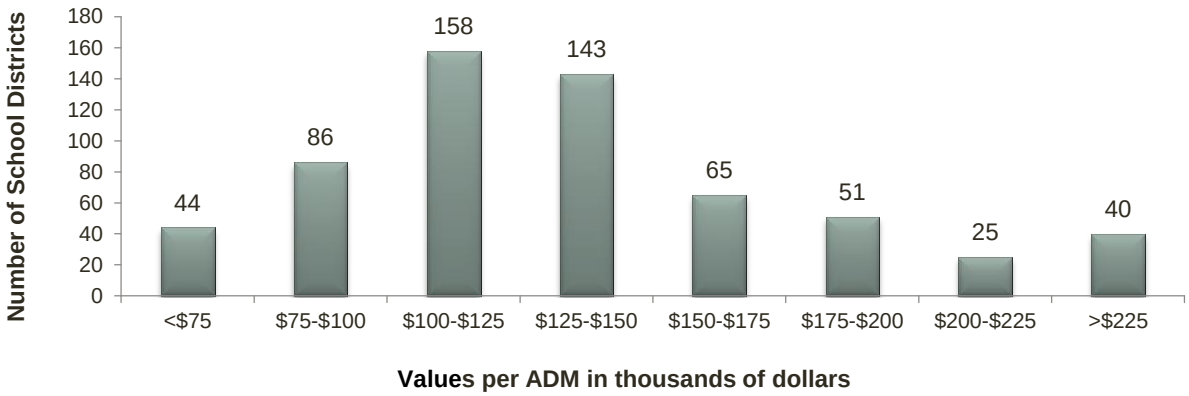
Value per pupil is the most important indicator of each district's ability to raise local revenues. Due to the uneven distribution of taxable property, value per pupil varies widely across school districts. Chart I.2 from the introduction is reproduced below. It shows the distribution of values per total ADM in TY 2012. It can be seen that values per-pupil range from less than $75,000 in 44 districts to more than $225,000 in 40 other districts. The statewide weighted average is $137,000 per pupil while the statewide median district's value per pupil is $128,000. The weighted average represents a per-pupil based ranking, which takes into account the size of school districts. The median represents a district ranking, which is represented by the middle district (the 306th district out of 612). Values per total ADM for the majority (387 or 63.2%) of school districts range from $75,000 to $150,000 in TY 2012.

For the same tax effort, a high wealth school district raises more local revenue.

The variation in per-pupil value impacts each individual district's ability to raise local revenue. The same one-mill property tax levy generates $75 per pupil for a district

with a value per pupil of $75,000 and $225 per pupil for a district with a value per pupil of $225,000.

Chart I.2: Distribution of Values Per Pupil, TY 2012



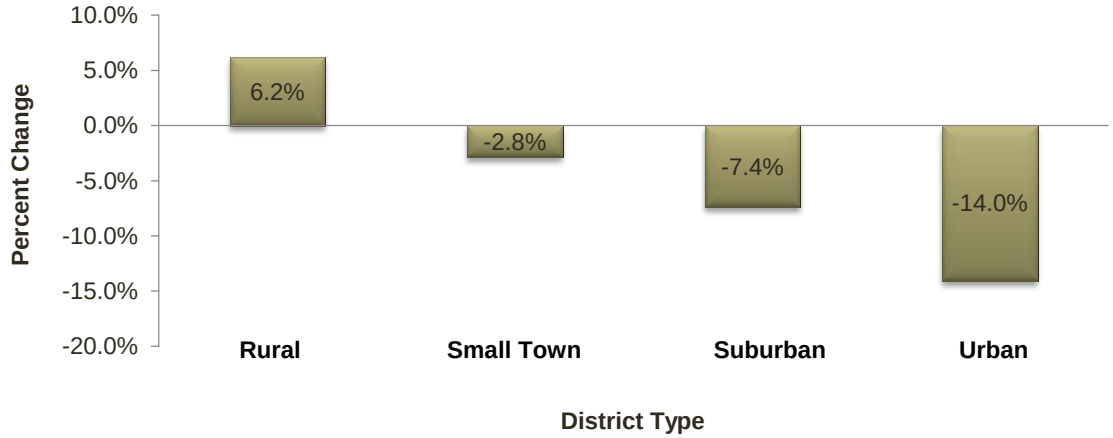
Changes in Taxable Property Values

After several years of annual increases, real property value statewide peaked in TY 2008 and decreased 6.5% from TY 2008 to TY 2012. As shown in Chart L.1, since TY 2008, real property value for all district types except rural districts decreased. Real property value in urban districts decreased the most (14%), followed by suburban districts (7.4%), and small town districts (2.8%). Real property value for rural districts increased 6.2% from TY 2008 to TY 2012.

The increase in real property value for rural districts is due to the growth of agricultural property value. Agricultural property value increased by $2.84 billion (27.6%) from TY 2008 to TY 2012. Of this total increase, $1.92 billion occurred in rural districts. For the state as a whole, the increase in agricultural property value was offset by a decrease of $15.55 billion (8.8%) in residential property. Although residential property value fell in rural districts as it did in the rest of the state, the decrease ($400.0 million) was not enough to offset the increase in agricultural value, as it was for other district types. In TY 2012, agricultural value comprised 26.8% of total real property value in rural districts, in contrast to accounting for only 5.8% of total statewide real property value.

In addition to the comparative importance of agricultural value in rural districts, the decrease in residential property value was more severe in urban versus rural areas, In fact, rural districts saw a decrease in residential value between TY 2008 and TY 2012 of only 2.2% compared to 5.6% for small town districts, 7.8% for suburban districts, and 17.0% for urban districts.

Chart L.1 Percentage Change in Real Property Value, TY 2008 to TY 2012



Local Property Tax Levy Rates and H.B. 920 Tax Reduction Factors

Generally, school districts have the option to use five different types of levies: inside mills, current expense levies, emergency levies, permanent improvement levies, and bond levies. Inside mills can be used for any purposes designated by local school boards of education. The vast majority of school districts use inside mills for current or operating expenses. Current expense and emergency levies are used for operating expenses. The revenue from permanent improvement levies and bond levies is used for permanent improvements and debt service. Current expense and permanent improvement levies are fixed-rate levies – voters vote for a certain millage rate that is applied to the taxable property value to calculate the tax each year (subject to tax reduction factors, which are discussed below). Emergency and bond levies are fixed-sum levies – voters vote for a certain amount of tax revenue to be collected each year regardless of taxable property value.

Inside Mills and Voted (Outside) Mills

The Ohio Constitution prohibits governmental units from levying property taxes that in the aggregate exceed 1% of the true value of the property in their district unless the voters approve them. This is known as the ten-mill limitation and these unvoted ten mills are called inside mills. The ten inside mills are shared by three levels of government: counties, school districts, and cities or townships. Inside mills for school districts range from less than three mills in a few districts to more than six mills in a few other districts. On average school districts have approximately 4.4 inside mills. All levies other than inside mills need to be approved by the voters and are referred to as voted or outside mills. While voted current expense mills are subject to H.B. 920 tax reduction factors, inside mills are not (see below).

H.B. 920 Tax Reduction Factors

H.B. 920 is a tax policy that was enacted in 1976. It limits changes in revenue from property taxes on existing real property (real property that has previously been taxed). The effect of this policy, in general, is to require taxing jurisdictions, including school districts and JVSDs, to periodically ask the voters for approval of new levies if they want to collect revenue beyond the H.B. 920 limitations. Without the H.B. 920 limitations, a 10% increase or decrease in a district's real property value would result in a 10% increase or decrease in real property tax revenue for the district even without new levies. With the H.B. 920 limitations, however, a 10% increase or decrease in real property generally leads to a much smaller change in real property tax revenue for the district unless voters approve new levies. In the long run, real property values generally experience inflationary increases, although, as discussed above, real property values have been subject to decreases.

H.B. 920 tax reduction factors were put into the Ohio Constitution in 1980 through a constitutional amendment that also created the two separate classes of real property. Separate tax reduction factors are applied to each class of real property. However, not all property value and not all tax levies are subject to H.B. 920 tax reduction factors. New construction (real property that did not exist in the prior year) and tangible property are not affected by the tax reduction factors; taxes on these two types of property will grow at the same rate as property values grow. Since emergency levies and bond levies are fixed-sum levies, (they are designed to raise the same amount of tax revenue every year) there is no reason to apply tax reduction factors to them. As indicated earlier, inside mills are not affected by the tax reduction factors either. So, H.B. 920 tax reduction factors apply only to current expense and permanent improvement levies on existing real property. After tax reduction factors are applied, the millage rate actually charged on each class of real property falls below the voted millage rate. This lower millage rate is commonly called the effective millage rate. It can be calculated by dividing the actual taxes charged by the taxable property value for each class of real property. In times of falling real property values, effective mills may increase, but they will never go above the voted millage rate.

Inside mills are not subject to voter approval or to H.B. 920 tax reduction factors.

H.B. 920 20-Mill Floor

Although H.B. 920 limits the tax revenue growth on existing real property, it does not allow a school district's combined real property millage (from current expense levies and inside mills for operating expenses) to fall below 20 effective mills. This provision of H.B. 920 is referred to as the 20-mill floor. Under H.B. 920, if a school district's combined real property millage falls to 20 effective mills, tax reduction factors no longer apply. Real property taxes based on these 20 mills will grow at the same rate

as real property values grow. School district income tax levies are not included in the 20-mill floor determination and neither are emergency levies, although these levies are generally used for operating expenses. The 20-mill floor determination includes only inside mills used for operating expenses and current expense levies.

A total of 120 districts (19.6%) were at the H.B. 920 20-mill floor in at least one class of real property in TY 2012. These 120 floor districts tend to be smaller than average and represent only 9.2% of statewide total ADM. The number of floor districts has decreased over the last several years as real property values have fallen. In TY 2008 there were 329 floor districts. Of the 120 floor districts in TY 2012, 26 districts were at the floor in both class I and class II real property, 78 districts were in class I only, and the other 16 districts were in class II only.

Table L.3 shows the number and percentage of school districts at the H.B. 920 floor by district type. These types were developed by ODE based on districts' demographic characteristics. It can be seen from the table that the H.B. 920 floor district percentages for rural districts (types 1 and 2) tend to be higher than the others, at 29.8% and 41.1%, respectively. In fact, 81 (67.5%) of the floor districts in TY 2012 are rural districts.

Table L.3: The Number and Percentage of H.B. 920 Floor Districts by District Type, TY 2012

District Type	Description	Total Districts	Floor Districts	% Districts on Floor
Type 0	Outliers - island districts	3	1	33.3%
Type 1	Rural - High Student Poverty & Small Student Population	124	37	29.8%
Type 2	Rural - Average Student Poverty & Very Small Student Population	107	44	41.1%
Type 3	Small Town - Low Student Poverty & Small Student Population	111	26	23.4%
Type 4	Small Town - High Student Poverty & Average Student Population Size	89	8	9.0%
Type 5	Suburban - Low Student Poverty & Average Student Population Size	77	2	2.6%
Type 6	Suburban - Very Low Student Poverty & Large Student Population	46	2	4.3%
Type 7	Urban - High Student Poverty & Average Student Population	49	0	0.0%
Type 8	Urban - Very High Student Poverty & Very Large Student Population	6	0	0.0%
	Total	**612**	**120**	**19.6%**

Since tax reduction factors do not apply to a district at the 20-mill floor, once a district reaches the floor it begins to receive greater increases in revenue when real property values increase due to reappraisals and updates without having to ask voters to approve additional levies. Most districts, however, do not choose to limit local operating revenue to 20 mills; districts on the floor tend to supplement their current

expense millage and inside millage with emergency levies and school district income tax levies, which are not included in the floor calculation. In fact, of the 120 floor districts in TY 2012, 84 districts (70.0%) had either emergency levies or school district income taxes. However, Table L.4 shows that only a minority of districts that levy these two types of taxes are floor districts: 17.5% of districts with emergency levies and 30.8% of districts with school district income taxes. Floor districts, however, still tend to have lower operating tax rates even when taking all taxes into account. The average effective operating tax rate (including both property taxes and school district income taxes) for the 120 floor districts was 27.62 mills in TY 2012, compared to an average of 38.96 mills for nonfloor districts and an average of 37.96 mills for all districts.

Table L.4: H.B. 920 Floor District Supplemental Levies, TY 2012

	Total Districts	Floor Districts	% Districts on Floor
Emergency Levies	246	43	17.5%
School District Income Tax (FY 2014)	195	60	30.8%

Summary of Local Tax Levies and H.B. 920

Table L.5 summarizes the above discussion on which levies and which properties are subject to H.B. 920 reduction factors as well as which levies are included in the 20-mill floor determination.

Table L.5: Summary of Local Tax Levies and H.B. 920 Tax Reduction Factors

Type of Levy	Purpose of Levy	Subject to H.B. 920 Tax Reduction Factors?	Included in H.B. 920 20-Mill Floor Determination?
Inside Mills	Designated by school boards – generally operating	No	Yes – if designated as operating
Current Expenses	Operating	Yes	Yes
Emergency	Operating	No	No
Income Tax	Operating	No	No
Permanent Improvement	Permanent improvements or items with at least 5 years of useful life	Yes	No
Bond	Debt service	No	No
Type of Property		**Subject to H.B. 920 Tax Reduction Factors?**	
Existing Real Property	--	Yes	--
New Construction – Real Property	--	No	--
Tangible Personal Property	--	No	--

School District Income Tax

The school district income tax is paid by residents of the school district regardless of where they work. Nonresidents working in the district and corporations are not taxed. A total of $380.9 million in school district income taxes was collected by 195 school districts (31.9%) in FY 2014. As shown in Table L.4, 30.8% of these are H.B. 920 20-mill floor districts. These 195 districts tend to be smaller than average and represent approximately 17.4% of statewide total ADM. These districts have an average ADM of approximately 1,540 students and an average property value per pupil of approximately $127,400 compared to an average ADM of approximately 3,400 students and an average property value per pupil of approximately $208,600 for the other 417 districts.

Chart L.2: Distribution of Income Tax Per Pupil, FY 2014

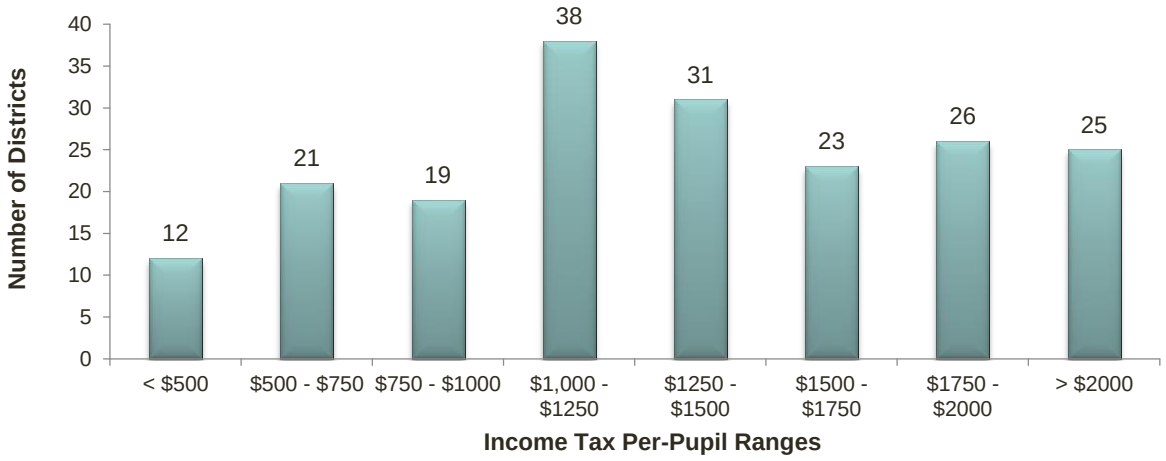
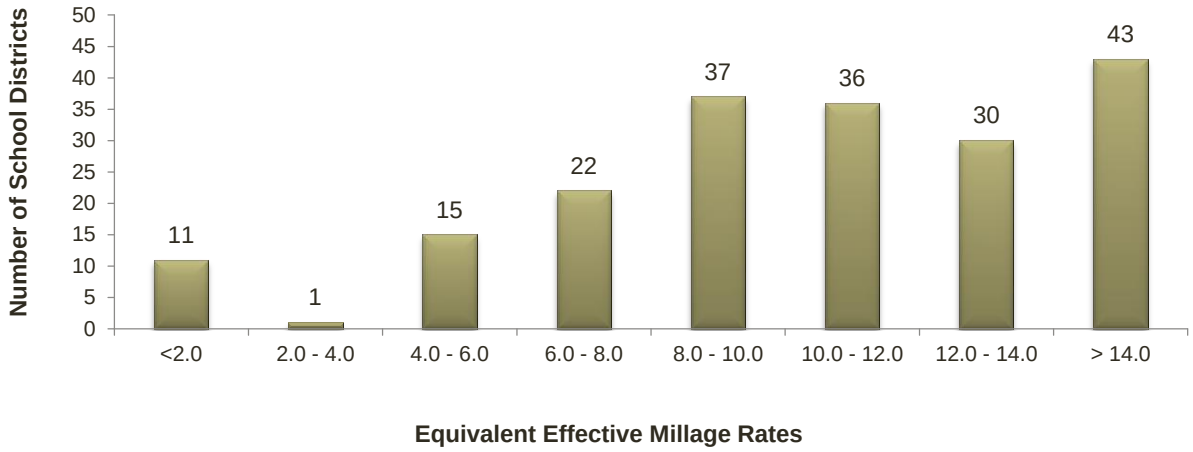


Chart L.2 shows the distribution of income tax revenues per pupil for the 195 districts with such revenues in FY 2014. Per-pupil school district income tax collections range from less than $100 to almost $3,800 with an average of $1,350 per pupil for these 195 districts. Per-pupil amounts of less than $100 often indicate the beginning or ending of a tax levy. By dividing income tax revenue into total property value, the equivalent effective millage rate is calculated. Chart L.3 shows the distribution of income tax equivalent effective millage rates for the 195 districts with income tax revenues in FY 2014. Effective millage rates range from less than one mill to over 25 mills with an average of 10.7 mills for these 195 districts. In general, school districts with income tax levies tend to have relatively low business property wealth. Farming communities predominate on the list of school districts with income tax levies.

Chart L.3: Distribution of School District Income Tax Equivalent Effective Tax Rates, FY 2014



Summary of School District Effective Operating Tax Rates

By combining revenues received from all operating tax levies, including the school district income tax, it is possible to calculate overall effective operating tax rates. In TY 2012, these range from about 18 mills in the bottom nine districts to more than 57 mills in the top ten districts. The Shaker Heights City SD (Cuyahoga County), the Ottawa Hills Local SD (Lucas County), and the Cleveland Heights-University Heights City SD (Cuyahoga County) have the highest overall effective operating tax rates of 92.0, 73.2, and 73.2 mills, respectively. The statewide average is 33.3 mills and the statewide median is 32.9 mills. Chart L.4 shows the distribution of overall effective operating tax rates. It can been seen from the chart that the equivalent overall effective rates for 330 school districts (53.9%) range from 27.5 to 40.0 mills.

Chart L.4: Distribution of Overall Effective Operating Tax Rates, TY 2012

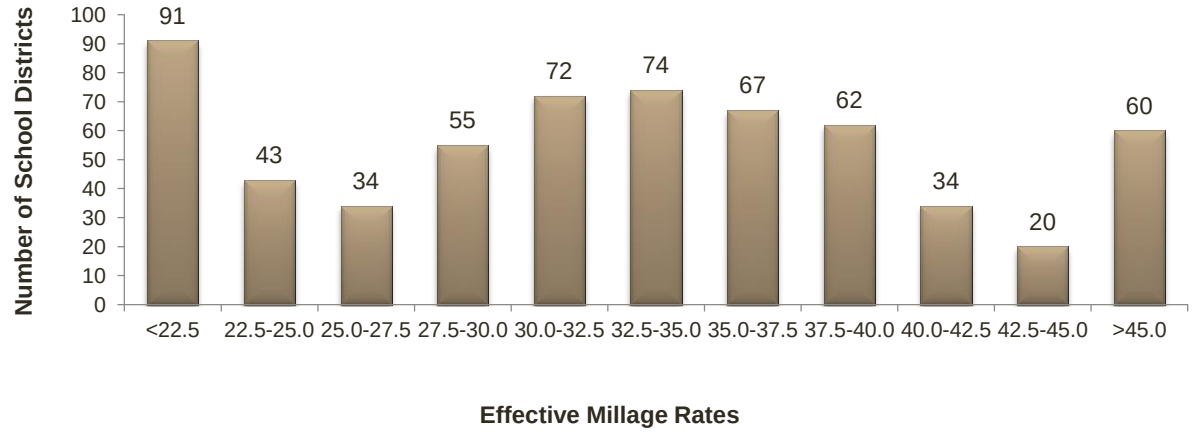


Chart L.5 shows the average equivalent overall effective operating tax rates for groups of districts categorized by value per pupil in TY 2012. Average rates are generally lower for those districts with the lowest values per pupil although they tend to decrease for the highest wealth districts. Having too many low wealth districts with high tax rates is generally a sign of a poorly designed school finance system. In such a situation, low wealth districts are forced to levy high millage rates to provide a basic education. In general, this does not appear to be the pattern in Ohio.

Chart L.5: Average Overall Effective Operating Tax Rates by Value Per Pupil, TY 2012

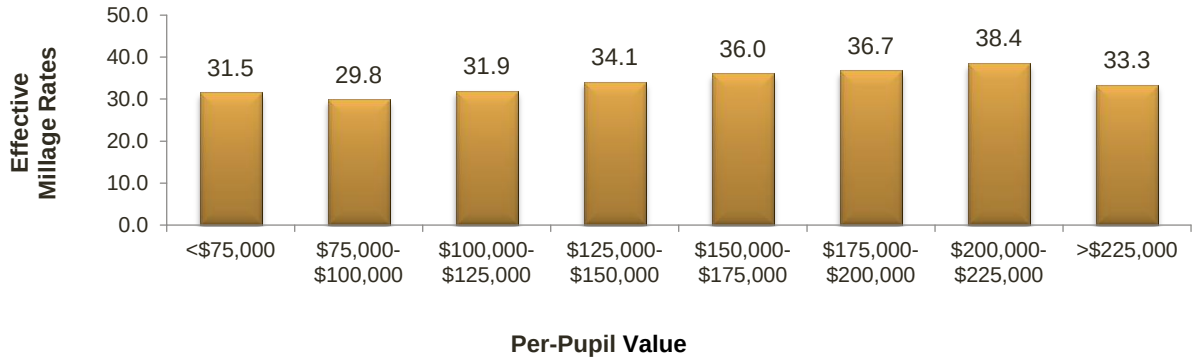
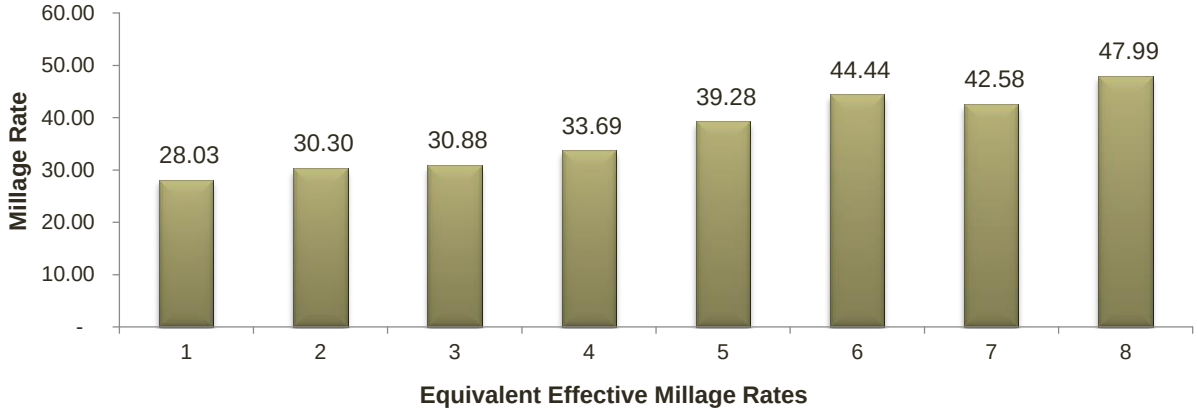


Chart L.6 takes a different look at tax effort by showing the equivalent millage rate on locally-paid (subtracting out state-paid property tax rollbacks) property and school district income taxes for both operating and nonoperating purposes by the district types described in Table L.3. This chart shows that urban (types 7 and 8) and suburban (types 5 and 6) districts tend to have higher rates than rural (types 1 and 2) and small town (types 3 and 4) districts. This coincides with rural districts being more likely to be on the H.B. 920 floor.

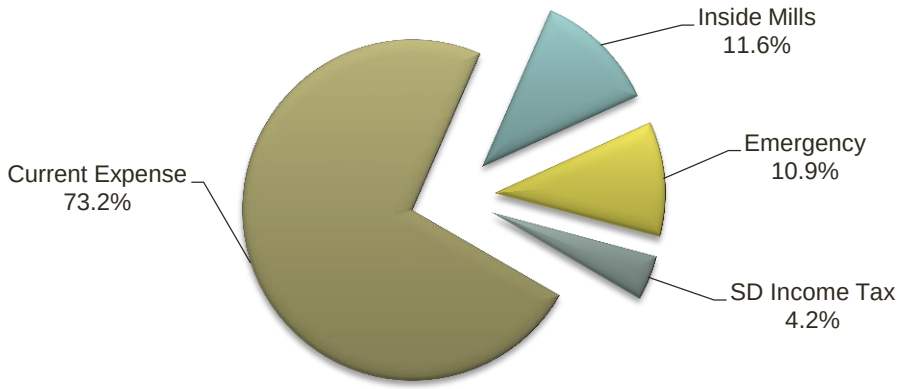
Chart L.6: Equivalent Millage Operating and Nonoperating Locally-Paid Rates by District Type, FY 2014



Summary of School District Operating Tax Revenue

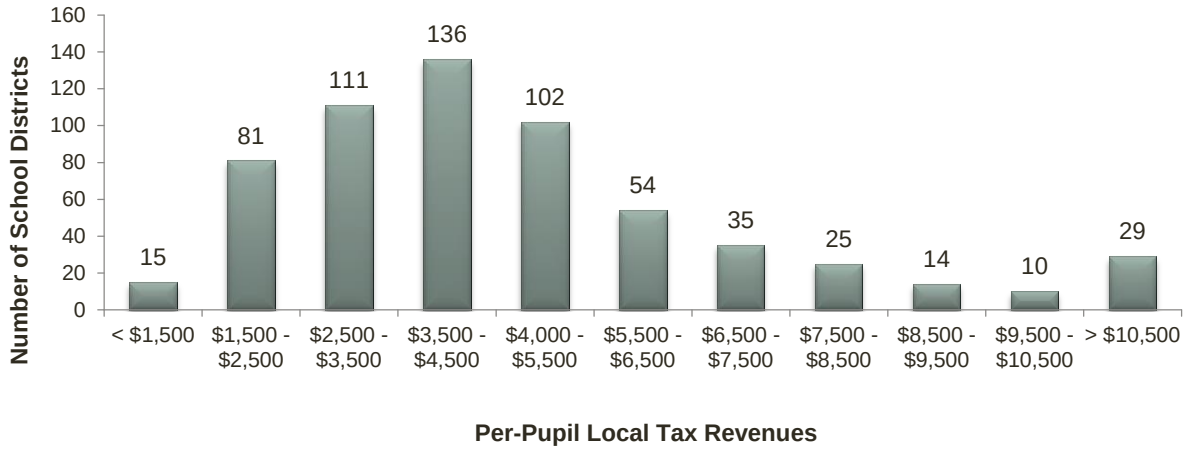
School districts collected a total of $9.05 billion in operating taxes in TY 2012, including the portion paid by the state through property tax rollbacks and the homestead exemption. Chart L.7 shows school district operating tax revenues by levy type. Current expense levies, representing approximately 73.2% of total operating tax revenues, were the largest component. Inside millage generated 11.6%, emergency levies 10.9%, and school district income tax levies 4.2%.

Chart L.7: School District Operating Revenues by Levy Type, TY 2012



In TY 2012, local operating tax revenues per-pupil ranged from a little over $1,000 in the bottom two school districts to more than $20,000 in the top four districts. The statewide weighted average is $5,250 and the statewide median is $4,190. It should be noted that state education aid is largely equalized based on each district's wealth as measured by property value per pupil and not directly based on each district's local tax revenue per pupil. School districts have no control over their wealth levels, but they do have some control over their revenues. Two districts with the same value per pupil will have different local revenues per pupil if they have different tax rates.

Chart L.8: Distribution of Per-Pupil Local Operating Tax Revenues, TY 2012



Joint Vocational School Districts

As stated in the state operating revenue section, there are 49 joint vocational school districts (JVSD). Like a regular school district, each JVSD has its own taxing authority. In TY 2012, the 49 JVSDs collected a total of $343.9 million in local revenue. Levies need to be approved by taxpayers in all associate districts and the same JVSD millage rate applies to all associate districts within a JVSD. Since a JVSD may include several regular school districts, its tax base is generally much larger. In TY 2012, average value per pupil for all JVSDs is approximately $4.1 million.

JVSDs do not have inside mills and they do not levy emergency levies or income tax levies. For operating revenues, therefore, JVSDs are restricted to voted current expense levies. As with regular school districts, JVSDs current expense and permanent improvement levies are subject to H.B. 920 tax reduction factors. The floor on effective current expense millage for JVSDs is 2.0 mills, although several JVSDs are below this millage rate because they have not had levies approved by voters for more than this amount.

Gross Casino Revenue Tax

In 2009, Ohio voters approved a constitutional amendment that authorizes the opening of four casinos in the state and requires a 33% tax on gross casino revenue. The County Student Fund receives 34% of the revenue from this tax. These funds are distributed to schools based on the number of students at each school. In FY 2014, a total of 92.7 million was distributed to schools, consisting of $83.0 million to traditional school districts, $3.6 million to JVSDs, and $6.1 million to nontraditional schools such as community schools.

FEDERAL OPERATING REVENUE

Federal dollars accounted for 6.0% of all public school revenue in FY 2014. The federal revenue counted for purposes of this analysis includes the main formula-based funding that flows to schools through the state budget. It does not include competitive grants that either flow through the state budget or that flow directly to grant recipients. In FY 2014, this federal revenue totaled $1.09 billion. It is mainly directed toward economically disadvantaged and special education students. Spending of federal revenue is generally restricted to purposes allowed by each grant.

The federal government's main program for economically disadvantaged students is authorized by Title I of the Elementary and Secondary Education Act (ESEA) and is generally referred to simply as "Title I." In FY 2014, $566.8 million in Title I funds were distributed to local education agencies (LEAs) in Ohio. Table F.1 shows the distribution of federal Title I funding by district typology. As can be seen from the table, federal funding through Title I is concentrated in districts with high percentages of student poverty. Average Title I funding per pupil in FY 2014 ranges from a high of $804 for urban districts with very high poverty to a low of $85 for suburban districts with very low poverty.

Table F.1. Title I and IDEA Funding Per Pupil by District Type, FY 2014

Comparison Group—Description		Number of Districts	Student Poverty %	Title I Per Pupil	% Special Education	IDEA Per Pupil
Rural	High poverty, small population	124	47.4%	$308	13.3%	$194
Rural	Average poverty, very small population	107	37.9%	$220	12.0%	$162
Small Town	Low poverty, small population	111	31.1%	$162	11.2%	$177
Small Town	High poverty, average population	89	50.8%	$307	13.3%	$209
Suburban	Low poverty, average population	77	28.4%	$155	11.6%	$192
Suburban	Very low poverty, large population	46	13.9%	$85	10.4%	$178
Urban	High poverty, average population	49	63.1%	$474	14.8%	$234
Urban	Very high poverty, very large population	6	84.5%	$808	15.1%	$236
		AVERAGE	**42.4%**	**$294**	**12.8%**	**$199**

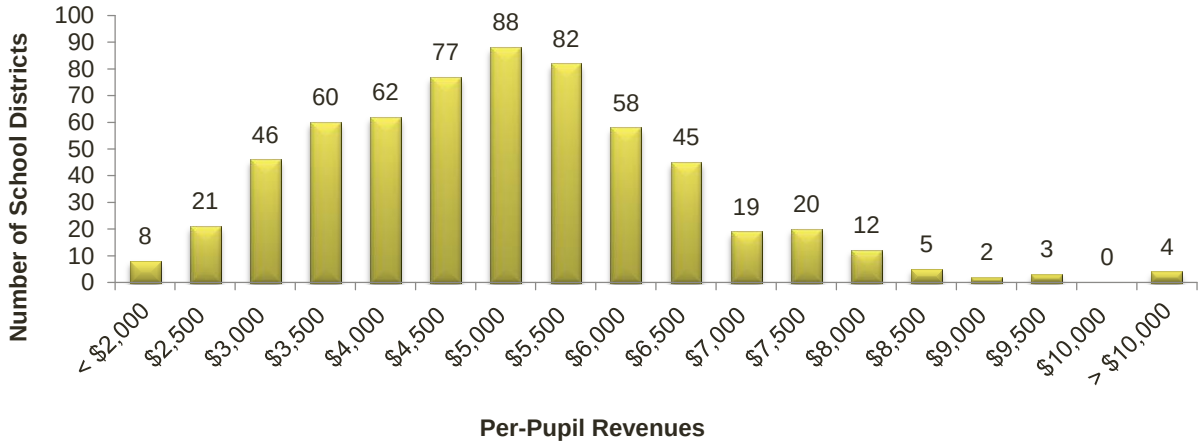
The second largest source of federal operating revenues for school districts is authorized by the Individuals with Disabilities Education Act (IDEA). This funding is directed toward students with disabilities to assist districts in complying with federal requirements to serve these students. In FY 2014, $389.5 million in IDEA funds were distributed to LEAs in Ohio. Table F.1 shows the distribution of federal IDEA funding by district typology. Although special education students are more evenly distributed among districts than economically disadvantaged students, they are more heavily concentrated in urban districts. Average IDEA funding per pupil in FY 2014 ranges from a high of $236 for very large urban districts, which have an average of 15.1% of enrollment receiving special education, to a low of $178 for large suburban districts, which have an average of 10.4% of enrollment receiving special education.

SUMMARY

As stated in the introduction, this analysis of operating funding for public schools in Ohio is meant to assist legislators in understanding the current school funding system. This analysis has discussed the respective roles played by state, local, and federal revenues in funding school operations in Ohio.

In summary, the largest part of state revenues flow to schools through the state foundation formula. The state foundation aid formula helps to equalize school district tax revenues by providing a greater share of state aid to districts with lower capacities to raise local revenue through the state share index and targeted assistance. However, this funding is adjusted in FY 2014 and FY 2015, through temporary transitional aid and the gain cap, to smooth any large fluctuations in state foundation aid for individual school districts during the transition to the current formula. Chart X.1 shows the distribution of per-pupil revenues from net state foundation aid and two other major sources of state revenue, property tax rollbacks and reimbursements, in FY 2014. As can be seen from the chart, these per-pupil revenues ranged from less than $2,000 in eight districts to more than $10,000 in four districts. Most districts (427, 69.8%) received per-pupil revenues from $3,500 to $6,000.

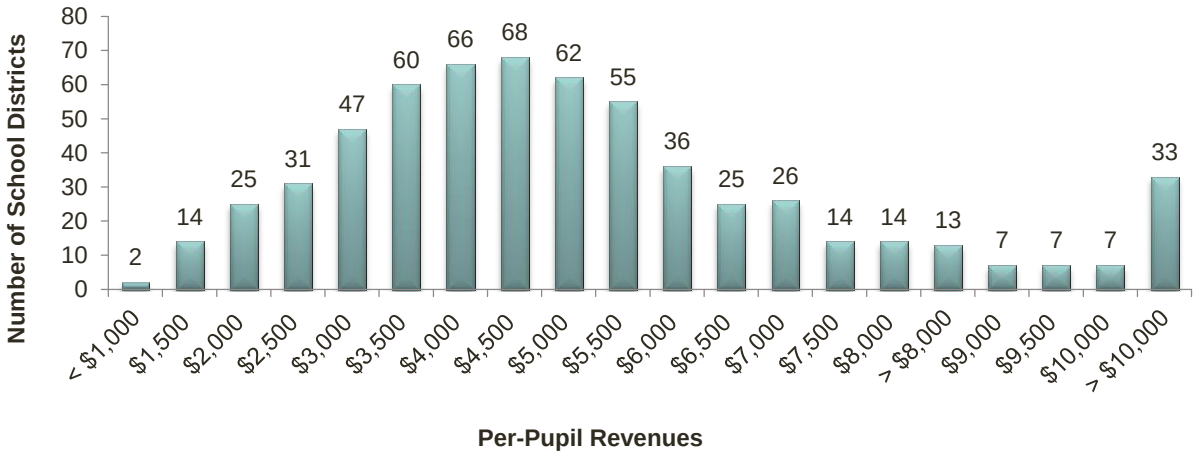
Chart X.1: Distribution of Per-Pupil Revenues from Major State Sources, FY 2014



Local tax revenues are primarily determined by a district's taxable property value and effective property tax rates. These effective tax rates are determined through periodic tax levies that are either approved or rejected by the voters residing in the district. The rates for certain types of levies are reduced by H.B. 920 when a district's taxable real property value increases due to inflation. A small percentage of local tax revenues are determined by the incomes of district residents and the school district income tax rate approved by voters in certain districts. Chart X.2 shows the distribution

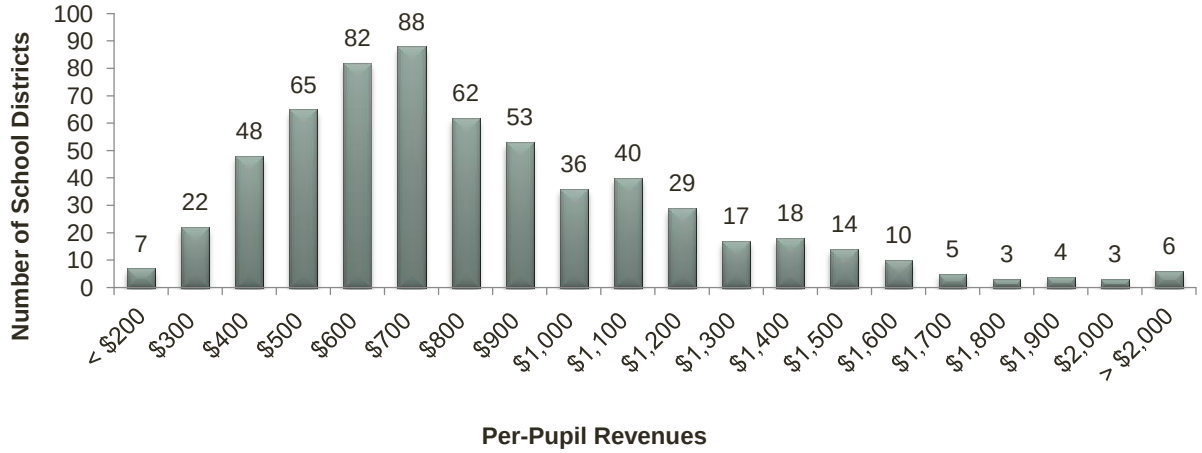
of per-pupil local tax revenues in FY 2014. As can be seen from the chart, per-pupil local tax revenues in FY 2014 ranged from less than $1,000 in two districts to more than $10,000 in 33 districts. Most districts (394, 64.4%) received per-pupil local tax revenues from $3,000 to $6,000.

Chart X.2: Distribution of Per-Pupil Local Tax Revenues, FY 2014



Federal revenues mainly are targeted to special education and economically disadvantaged students. Chart X.3 shows the distribution of per-pupil federal revenues in FY 2014. As can be seen from the chart, per-pupil federal revenues in FY 2014 ranged from less than $200 in seven districts to more than $2,000 in six districts. Most districts (398, 65.0%) received per-pupil federal revenues from $400 to $900.

Chart X.3: Distribution of Per-Pupil Federal Revenues, FY 2014



Finally, Chart X.4 presents per-pupil revenues in FY 2014 from all three of the above sources by district wealth quartile. In FY 2014, average per-pupil revenues were $9,976 in quartile 1, $9,702 in quartile 2, $10,110 in quartile 3, and $12,076 in quartile 4. As can be seen from the chart, state and federal revenues help to counteract the relatively high local revenues collected by high wealth districts, resulting in a more even revenue distribution than if funding came solely from local sources.

Chart X.4: Revenues Per Pupil, FY 2014