

# Economically Disadvantaged Students: A Review of Definitions and Methods Across States



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## Executive Summary

State law directs the Ohio Department of Education to conduct a study relative to the definition of *economically disadvantaged students*, including how the term is defined in Ohio and in other states. The study must also examine how Ohio and other states address economically disadvantaged students in their school funding formulas.

This report is the Department's response to this directive and reflects a landscape review of the various definitions and methods for identifying economically disadvantaged students and the use of those data in state funding formulas.

In the funding and academic accountability realms, low-income students commonly are referred to as economically disadvantaged students. This term is used many times in state law, but it is not formally defined with specific parameters. Indeed, most states do not set a specific income threshold for economic disadvantage, but instead use a functional definition that arises from a range of eligibility criteria or income proxies available in administrative data sets.

Student eligibility for the USDA's Free and Reduced-Price Lunch (FRPL) program traditionally has been the most common criterion used by states for determining a student's economically disadvantaged status (income limits are federally set at 130% for free and 185% for reduced-price meals). Although it has provided a convenient and intuitive proxy, FRPL eligibility as a lone determinant has been criticized as insufficient in coverage and frequently inequitable in terms of collection difficulties. Another USDA program, the Community Eligibility Provision (CEP), has allowed increasing participation by districts and schools in school breakfast and lunch programs over the past eight years but has introduced further complications for using FRPL eligibility as the primary means of identifying economically disadvantaged students. CEP, in combination with complementary state reporting rules, allows participants to report all students as economically disadvantaged without requiring income verification for each student.

States generally define economically disadvantaged students through various combinations of participation in public assistance programs and broader disadvantage statuses. Some states have adopted narrow definitions, particularly for funding purposes, while other states opt for more inclusive, at-risk groups. The Community Eligibility Provision—with its clear benefits for reducing administrative burden and increasing meal uptake—also has presented challenges across the nation, and states have adopted different methods for identifying low-income children in CEP districts and schools. Many states have incorporated Medicaid enrollment in their identification processes; Ohio has not, and this stands as a major opportunity for improvement.

States tend to address economically disadvantaged students in their funding formulas by increasing per pupil funding for those identified students and by applying data on district concentrations of economically disadvantaged students for adjusting per pupil amounts or for determining other formula allocations or categorical aid. The underlying concepts for how other states address economic disadvantage in their funding formulas may provide ideas for future refinements to Ohio's approach.<sup>1</sup>

Ohio has benefited from involvement in an Urban Institute initiative to bring together federal, state and municipal stakeholders to discuss problems and practices concerning the issue of measuring student poverty. Department staff have participated in the group's two convenings since late 2019 and will serve as an ongoing partner as the Urban Institute contemplates recommendations for best practices and improvements in related federal policy and resources. In addition to the landscape scan, this report is informed by Ohio's collaboration with the Urban Institute which organized federal, state and municipal stakeholders along with foundation partners to discuss problems, practices and recommendations concerning the issue of measuring student poverty.

In the course of reviewing the approaches taken by other states, the report identifies opportunities that could be pursued to improve the precision and completeness of identifying economically disadvantaged students in Ohio. This is particularly vital given the reporting dilemmas faced by nearly all districts as a consequence of universal free meal availability granted by USDA through the end of the 2020- 2021 school year.

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<sup>1</sup> This report does not address the type or quantity of financial resources required to sufficiently meet the needs of low-income students.

## Introduction

This report is prepared in response to Section 3317.60(A)(1) of the Ohio Revised Code<sup>2</sup> which states:

*The department of education shall conduct a study that does both of the following:*

- (a) Reviews the criteria used in the current school funding formula to define "economically disadvantaged students" in order to determine the effectiveness of the criteria;*
- (b) Researches how other states define "economically disadvantaged students" and how "economically disadvantaged students" are addressed in other states' school funding formulas.*

This report by the Ohio Department of Education provides a landscape review of the various inputs and methods for identifying economically disadvantaged students and the implementation of those data in state formulas. This report does not address the type or quantity of resources required to sufficiently meet the needs of low-income students.

Findings are to be submitted no later than Dec. 31, 2020 to the president and minority leader of the senate, the speaker and minority leader of the house of representatives, and the members of the standing committees of the house of representatives and the senate that consider legislation regarding primary and secondary education.<sup>3</sup>

The definition of economic disadvantage is integral to Ohio's foundation formula for funding schools which includes an Economically Disadvantaged Funding component [Section 3317.022(A)(5)] intended to address poverty and its effects on students' educational outcomes. Fair and reliable rules for counting economically disadvantaged students will continue to be vital as Ohio contemplates reforms to the state funding formula.

Likewise, identification of economically disadvantaged students is necessary for academic accountability purposes. The federal Every Student Succeeds Act (ESSA) requires that states report on the performance and progress of several subgroups, including economically disadvantaged students. While ESSA is not prescriptive in who may be counted as an economically disadvantaged student, state decisions regarding this definition have implications for school improvement statuses and state intervention activities.

As covered in this report, states across the nation use a variety of definitions for economically disadvantaged students and incorporate these data into their respective funding formulas in different ways. The diversity of definitions and approaches may serve as considerations for Ohio's path forward.

### **Explanation of Community Eligibility Provision**

In many places in this report, reference is made to the USDA Community Eligibility Provision<sup>4</sup> (CEP) of the FRPL program. This provision, and the unintended consequences resulting from it, are major drivers for the need to revisit the definition of "economically disadvantaged students" in Ohio and many other states. This federal program provision has reduced costs and other burdens on districts and schools in the administration of the FRPL program, while improving meal uptake among students. At the same time, it has blurred the usefulness of FRPL data for identifying economically disadvantaged students by resulting in reported numbers that exceed actual levels.

Since becoming a CEP pilot state in 2012, Ohio has used reporting guidelines for the Education Management Information System (EMIS) that are complementary to the federal program, such that all students in a CEP school or district may be reported as economically disadvantaged. In the 2019-2020 school year, 202 community schools and

<sup>2</sup> ORC 3317.60 was enacted in H.B. 166 of the 133<sup>rd</sup> General Assembly.

<sup>3</sup> In December 2020, the General Assembly modified Revised Code section 3317.60, and extended the due date for the report to December 31, 2022. While the Department was provided with two additional years to complete the study, the work was complete and can inform ongoing public policy debates on school funding and accountability.

<sup>4</sup> The Community Eligibility Provision (CEP) is a program of the United States Department of Agriculture (USDA) that allows School Food Authorities to offer no-cost school breakfast and lunch to all students for up to four consecutive years in approved schools or districts. Institutional eligibility for CEP requires that 40% of total enrollment (on April 1 of prior school year) meets one or more of the identified student categories (at any point from July 1-April 1 of prior school year). These categories include the following: 1) students directly certified for free meals based on participation in SNAP or TANF, or living in same household as someone receiving those benefits; 2) homeless or runaway youth; 3) children of migrant workers; 4) federal Head Start program participants; or 5) foster children confirmed using court documentation.

101 traditional district—in whole or for selected schools—partook in the program. As CEP participation has increased, the mismatch between reported and actual economic disadvantage has had impacts on both the funding system and the education accountability system. However, the fact remains that the collection of income verification forms is often unrealistic for CEP participants since households are much less likely to provide this information as it now has no bearing on whether their children receive free meals.

## How Ohio and Other States Define Economically Disadvantaged Students

Ohio's current guidelines for district and school reporting of student data relative to economic disadvantage are closely aligned with Free and Reduced-Price Lunch eligibility. The Department publishes the EMIS Manual<sup>4</sup> with detailed instructions on every required data element to be reported, including the **Disadvantage Element**. The manual indicates that students who meet any of the following conditions must be reported as economically disadvantaged (as drawn verbatim from manual):

- **Eligibility for Free or Reduced-Price Lunch.** Students who are known to be eligible to receive the free or reduced-price lunch, a program through the United States Department of Agriculture (USDA) National School Lunch Program. Eligibility for free or reduced-price lunch can be determined through a variety of methods including the electronic direct certification process or completion by a parent or guardian of a free and reduced-price lunch application. A student with an approved application on file for a free or reduced-price lunch is qualified to be reported to the Department as economically disadvantaged.
- **Resident of a Household in which a Member is Eligible for Free or Reduced-Price Lunch.** Students who have not submitted an application for free or reduced-price lunch or who have not been directly certified as eligible but reside in a household in which a member (e.g., sibling) is known to be eligible for free or reduced-price lunch via an approved application or through direct certification.
- **Public Assistance.** Students who are known to be recipients of or whose guardians are known to be recipients of public assistance. A source for determining whether a student's family is receiving public assistance is the Education Monetary Assistance Distribution (EMAD) system.
- **Title I Application.** Students whose parents or guardians have completed a Title I student income form and meet the income guidelines specified.

As Ohio considers revised reporting guidelines to address the existing mismatch between reported and actual levels of economic disadvantage, the following themes emerge from this study:

1. Continuing to count all students in CEP schools and districts as economically disadvantaged is not a viable path forward; most states have or are planning to move away from this approach;
2. States vary in how they functionally define economically disadvantaged students, with differences in which assistance programs are leveraged as categorical qualifiers and in the scope of the definition (i.e., narrowly along income lines vs. more broadly inclusive of risk factors not tied to income);
3. Many states now include Medicaid enrollment, within certain income bounds, as a qualifier for FRPL and economic disadvantage;
4. States vary in their rules for identifying economically disadvantaged students in CEP districts;
5. Some states use different definitions of economically disadvantaged students for funding and accountability, usually favoring a narrower definition for funding purposes.

### Free and Reduced-Price Lunch Participation

Like Ohio, 45 other states recognize any student who is eligible for the Free and Reduced-Price Lunch (FRPL) program as an economically disadvantaged student. Eligibility is often determined through a **direct certification process**, through income verification on a FRPL application, or via the student's status as a foster child, a dependent of a migrant, or a homeless or runaway youth. Six states (Colorado, Kansas, Kentucky, Mississippi, Nebraska, Virginia) define economic disadvantage for funding based on only those students eligible for free lunch (i.e., with household income below 130% of the federal poverty level).

Because participation in FRPL historically has tapered off for higher grade levels due to factors beyond actual need (for example, social stigmatization), states such as North Dakota and Rhode Island determine economic disadvantage rates for funding purposes based on only a set of elementary and/or middle school grade levels and then extrapolate to the full district enrollment.

Direct certification plays a major role in administration of the FRPL program.<sup>5</sup> States are required to conduct direct certification for identifying eligibility for FRPL among districts and schools in the National School Lunch Program, but the processes differ in terms of reference data included (e.g., SNAP, TANF, Medicaid, foster care) and roles of the state and districts. Four states with highly centralized processes (Delaware, Massachusetts, South Carolina and Tennessee), along with the District of Columbia, have chosen to count **only** directly certified students as economically disadvantaged, at least for funding purposes.

### A Challenge Across States: Identifying Economically Disadvantaged Students in the Subset of Districts and Schools Participating in the Community Eligibility Provision

States have taken different approaches to identifying economically disadvantaged students in CEP districts and schools. A survey conducted by the Center on Budget and Policy Priorities and the Food Research and Action Center indicates the following common methods:<sup>ii</sup>

- **Means-tested programs:** This method usually entails the **direct certification** process, potentially supplementing with **other means-tested program data** outside of direct certification. Several states apply a multiplier (generally 1.6, Nebraska uses 1.1) to amplify the number of students identified through direct certification.
- **Most recent past identification at student level:** This method allows a district to carry forward for multiple years a student's individually determined status from the period prior to joining CEP. Districts then only would be responsible for identifying economic disadvantage status for new students entering the district. Arkansas, Louisiana, Maryland and Missouri are states known to utilize this method.
- **Alternate income forms:** The collection of these forms varies with regard to being required vs. optional and being annual vs. every four years. Form distribution may be limited to only those households with students not already identified through direct certification.
  - **Title 1 application:** Ohio presents the Title 1 application as an optional method of annual data collection by districts, an approach similar to that of Oregon and Vermont.
  - **Alternative income forms – annual:** Fifteen states require alternative income forms be administered annually, at least by CEP participating districts. (Connecticut, Hawaii, Iowa, Kansas, Kentucky, Maine, Michigan, Minnesota, New Hampshire, New Jersey, New York, Rhode Island, Tennessee, Washington and Wisconsin)
  - **Alternative income forms – every four years:** California and Colorado require that alternative income forms be collected by CEP districts every four school years.

For those states requiring income form collection, the successful return rate is unclear and there is no indication of repercussions for households choosing not to return the form.

The Ohio reporting process provides CEP districts with the opportunity, but not the responsibility, to report whether individual students have been verified as economically disadvantaged. The EMIS Manual indicates that such districts *“may code all students in a CEP building/district as economically disadvantaged, even though the student may not be income eligible. However, if a district has made a good faith effort to identify specific students who are economically disadvantaged despite not being required to do so for the National School Lunch Program, then the*

<sup>5</sup> States use an automated process known as direct certification for associating students with public assistance programs in which they or household members are participating. In Ohio, ODE coordinates with the Ohio Department of Job and Family Services (ODJFS) and the State Software Development Team (SSDT) to provide a direct certification online module where districts and schools can securely submit their enrollment rosters and receive back an indication of a match with the SNAP or TANF participation list. Local education agencies participating in the National School Lunch Program must conduct this direct certification process at least three times each school year but are encouraged to do so more frequently, as Ohio's SNAP/TANF file is updated monthly. Districts and schools then use the data for administration of FRPL programming, as well as identification of economically disadvantaged students for reporting into EMIS.

*district may report as economically disadvantaged only those students who have been specifically identified.” A review of recent data suggests CEP districts usually choose to report this element without student-level verifications.*

### **Public Assistance Program Participation**

National advocacy organizations for progressive funding of low-income schools have argued for considering all available and appropriate data and information from public assistance programs. In its report, *Common Sense and Fairness: Model Policies for State Education Funding* (June 2020), EdBuild recommends that “using the broadest possible range of program data makes the [economic disadvantage] measure more robust and helps it withstand changes in federal and state eligibility rules and definitions for individual programs.”<sup>iii</sup> This sentiment must of course be balanced with state perspectives on the proper income line and other criteria for classifying students as low-income.

There is wide latitude in the public assistance programs states may leverage for identifying economically disadvantaged students, depending on the targeted income level intended by the state. The **Supplemental Nutrition Assistance Program** (SNAP, 50 states) and **Temporary Assistance to Needy Families** (TANF, 45 states) are the most common, given their standard use in FRPL eligibility processes. Enrollment in **Medicaid** (21 states) is increasingly a qualifier, as found in California, Connecticut, Florida, Illinois, Indiana, Iowa, Kentucky, Louisiana, Massachusetts, Michigan, Nebraska, Nevada, New York, Pennsylvania, South Carolina, Texas, Utah, Virginia, Washington, West Virginia and Wisconsin. The **Food Distribution Program on Indian Reservations** (FDPIR) is used in many states but is not applicable in Ohio.<sup>iv</sup>

New York includes many assistance programs—counting students as economically disadvantaged if their households receive **Supplemental Security Income, Refugee Assistance, Earned Income Tax Credit** or **Home Energy Assistance**. Other program examples include **county welfare rolls** (California), **Children’s Health Insurance Program** (Illinois), **Special Milk Program** (Connecticut and Nebraska) and **Free Textbook Program** (Indiana). At least four states (Idaho, Montana, New Mexico, North Carolina) leverage **Title 1 program participation**.<sup>v</sup>

Ohio’s reporting guidelines for economic disadvantage, as currently written, are permissive of any form of public assistance: “*Students who are known to be recipients of or whose guardians are known to be recipients of public assistance.*” However, the state currently does not facilitate data linking of student enrollment to public assistance programs beyond those programs currently included in FRPL direct certification.

### **At-Risk Categories**

Risk statuses are another way that states categorically qualify students as disadvantaged. Risk statuses relate to situations that present educational challenges to an individual child or a student population. The most commonly used risk statuses also are eligibility categories for the FRPL program; however, states explicitly declare these as economic disadvantage qualifiers to cover districts not participating in FRPL or to allow for a broader interpretation than applicable for FRPL. Over half of all states (26) include **foster care** as a criterion, while 15 states include **homeless** youth and 14 states include **children of migrant workers**.

Ohio’s reporting guidelines for economic disadvantage currently do not include individual risk statuses. However, other states use a wide variety of risk categories, in tandem with economic flags, to create inclusive “at-risk” groups for funding or academic accountability purposes. These statuses include the following:

- Spending time in neglected and delinquent facilities (Illinois, Pennsylvania)
- Formerly incarcerated (Louisiana)
- At least one year older than expected age for high school grade level (D.C.)
- Chronically exposed to stress or trauma (Delaware)
- Drug abuse (North Carolina)
- Truancy (North Carolina)
- Mobility (New Mexico, Wyoming)
- English learner (Indiana)

- Neighborhood income level (Texas)
- Low academic performer (Nevada, Utah)
- Certain disability categories
- Historically disadvantaged race/ethnicity
- Low educational attainment level of parents.<sup>vi</sup>

## Considerations and Opportunities for Ohio

Based on the information summarized above, a number of opportunities emerge for Ohio, as follows:

- **Direct Certification Usage**—With only a handful of Ohio districts that do not participate in the National School Lunch Program, the Department could increase its effort to encourage more frequent use of direct certification (i.e., monthly, bi-monthly)—including use by CEP districts. Increased use of the direct certification application is a relatively low-burden activity, which may result in substantial gains in the identification of economically disadvantaged students.
- **At-Risk Categories**—Ohio’s reporting guidelines for economically disadvantaged students currently do not include individual risk statuses. Through a simple revision to EMIS reporting guidelines, the Department could introduce new standalone criteria based on information already collected into EMIS (i.e., foster care, homelessness, children of migrant workers) and also could consider additional criteria that districts are likely to have documented already, such as refugee status or placement in a facility for neglected or delinquent children.
- **Extending Past Identifications**—As an approach used by at least four states, Ohio could allow its CEP districts and schools to annually carry forward a student’s *individually determined* economic disadvantage status, as determined in the CEP base year. Special circumstances in school year 2020-2021 [USDA extending COVID-19 waivers to allow all schools to provide no-cost meals to all students through June 30, 2021] have made the collection of income verification forms difficult for all districts. The Department currently is considering the “past identification” approach to address this dilemma and help all districts identify economically disadvantaged students this year.
- **More Public Assistance Programs**—Ohio could expand and improve identification of economically disadvantaged students by facilitating data linkages between school enrollment and additional public assistance programs such as Medicaid. This is discussed below.

### Potential Role of Medicaid Data

Ohio has an unrealized opportunity to incorporate Medicaid program participation into processes for how districts identify students who are eligible for FRPL and/or meet economically disadvantaged student criteria. As 19 states already have done, integrating Medicaid data into the direct certification system can have a meaningful impact. In combination with SNAP and TANF data (incomes up to 130% of the federal poverty level), Medicaid enrollment would provide for a broader catchment of student households using public assistance, as the data source allows for setting higher income thresholds such as 185% of the federal poverty level (conceivably, up to 210% for participants in the CHIP program).

Including Medicaid in direct certification has several important benefits:

- Students who are directly certified do not need to return a school meal application form to qualify for free or reduced-price lunch—a requirement which has presented a barrier to participation, for a variety of reasons, among otherwise eligible students;
- A more inclusive direct-certification process can reduce the administrative burden on schools and districts by drastically decreasing the number of households for whom they must distribute, collect and process FRPL applications or other income verification forms;
- Even among very low-income student households, there may be Medicaid enrollees who do not participate in SNAP or TANF;
- The inclusion of Medicaid in direct certification holds promise for more entities qualifying for CEP, which allows schoolwide or districtwide access to free meals.

Direct certification through Medicaid is authorized by USDA, but only through a pilot program. As of November 2020, USDA has not planned for another round of onboarding new states into the program. Given the advantages of integrating Medicaid into direct certification, Ohio should continue working with USDA to determine the earliest possible time the state might join the program.

Despite this obstacle, Ohio may be in a position to facilitate the availability of this information for districts. An alternative process to FRPL direct certification would be for the state to conduct the match centrally through use of an existing interagency data-sharing arrangement whereby Medicaid Participant IDs are associated with SSIDs in a secure environment with minimal risk of exposure of personally identifiable information. A “preliminary identification flag” by SSID—incorporating Medicaid and other qualifying criteria for economic disadvantage—could periodically be provided to districts through an existing secure transfer system. Districts subsequently could indicate these students as economically disadvantaged in their EMIS reporting.

There are legal, cost and other logistical considerations to be weighed, but the necessary mechanisms for this process are in place. Based on an analysis of school year 2020, 75% of students identified as economically disadvantaged in non-CEP school districts were also enrolled in a Medicaid program, suggesting that Medicaid could be an important reference in helping CEP participating districts identify their economically disadvantaged students.

## How States Address Economically Disadvantaged Students in Funding Formulas

States use economically disadvantaged student data to allocate additional per pupil funding or, as a district concentration factor, to adjust a funding element, set supplemental funding levels, or determine categorical eligibility for a funding type.<sup>6</sup> This report is limited to the mechanisms for addressing economic disadvantage within state funding formulas and does not delve into other aspects of formulas (e.g., overall or item-specific caps, local share requirements, charter school transfers, etc.) that determine the final amount of funding provided to a district.

Seven states do not specifically factor economically disadvantaged students, or a closely related concept, into their respective funding formula. These states are Alabama, Alaska, Arizona, Florida, Georgia, Idaho and South Dakota.<sup>vii</sup> While not specifying state aid based on counts or concentrations of low-income students, most of these states do offer additional flexible allocations that could be used to support at-risk students.

### ***Additional Per Pupil Funding for Economically Disadvantaged Students***

Fifteen states and D.C. use a set multiplier or dollar addition on the base per pupil amount for economically disadvantaged students, which **does not vary by district-level concentration** or similar district factors. The following reflects those states and their multipliers:

Hawaii (1.2), Indiana (1.4), Iowa (1.0058), Kentucky (1.15), Louisiana (1.22), Maine (1.15), Mississippi (1.05), Nevada (1.07), New Hampshire (1.5), North Dakota (1.025), Oklahoma (1.25), Oregon (1.25), Rhode Island (1.4), South Carolina (1.2), Tennessee (\$863), Vermont (1.25) and D.C. (1.225).

Vermont and Iowa apply their multipliers to the student count rather than to a per pupil amount.

Ohio is one of several states that increase the base per pupil amount for economically disadvantaged students through a multiplier or dollar value that **varies by a district-level factor**. The district-level factor often is a straightforward concentration of economically disadvantaged students or an index anchored to the overall state rate. The district-level factor may be treated as a continuous variable, as a set of tiers or as a qualifying threshold. The following examples illustrate this approach:

<sup>6</sup> Funding formula information in this section may represent any year from FY 2017 to FY 2020 depending on the state.



- **Ohio:** An additional per pupil amount of \$272, equalized by a district's Economically Disadvantaged Index, which is the ratio of the district's economically disadvantaged student percentage to the analogous statewide rate, squared;<sup>7</sup>
- **Arkansas:** An additional per pupil amount of \$526 to \$1,576 based on three tiers of district economic disadvantage (<70%, 70-89%, 90%+);
- **California:** 1.2 multiplier on the base per pupil amount, with an additional 0.5 multiplier on the base if the district's at-risk rate is at least 55%;
- **Colorado:** 1.12 multiplier on the base per pupil amount, which increases by 0.004 for each percentage point the district's economically disadvantaged student rate exceeds the statewide rate, with a maximum multiplier of 1.3;
- **Connecticut:** 1.3 multiplier on the base per pupil amount, which increases by 0.05 if the district's economically disadvantaged student rate is at least 75%;
- **Kansas:** 1.484 multiplier on the count of at-risk students, increased by 0.105 for districts with at-risk densities of 50% and by a lesser incremental rate for districts with at-risk densities of 35-49%; Kansas law allows at-risk student densities to be calculated at the school level or district level;<sup>viii</sup>
- **Maryland:** 1.97 multiplier on the base student amount, equalized by a district's Wealth Ratio, which is the ratio of local wealth per pupil to the analogous statewide rate;
- **Massachusetts:** An additional dollar amount per pupil based on the decile of the district's economically disadvantaged student rate;
- **Michigan:** 1.115 multiplier on the base student amount, with multiplier decreased by 30% if local revenue exceeds formula amount;
- **Missouri:** 1.25 multiplier on the base student amount if the district as-risk student concentration exceeds a threshold rate of 36%;
- **New Jersey:** 1.41 to 1.46 multiplier on the base student amount based on three tiers of district economic disadvantage (<20%, 20-39%, 40%+);
- **Pennsylvania:** 1.3 to 1.6 multiplier on the base student amount, based on each individual child's income level, with increases up to 1.9% if the district's student poverty level exceeds 30%;
- **Texas:** 1.225 to 1.275 multiplier on the base student amount, based on the Census-based poverty level of the neighborhood in which each student lives;
- **Virginia:** 1.01 to 1.13 multiplier on the base student amount, based on the district's economically disadvantaged student rate.

### ***Funding Components and Aid Items Driven by District-Level Poverty***

At least 20 states, including Ohio, target additional funds to lower-income districts through means not tied to the per pupil amount for economically disadvantaged students. These allocations are based on a district's concentration of economically disadvantaged students or on related data from the U.S. Census Bureau (e.g., poverty rate, median income) or state departments of taxation data (e.g., property values, adjusted gross income). District-level data may be treated as a standalone measure, as an index of a statewide measure, or as an input in a multi-step formula.

As stated by EdBuild: *“Socioeconomic segregation is a barrier to achievement in its own right, separate and apart from a student's own economic station; the same economically disadvantaged student is less likely to succeed academically in a high-poverty district than in an economically diverse one. These concerns are worthy of consideration as states construct their funding policies.”*

Along with the Economically Disadvantaged Funding, Ohio has two components of its foundation formulation, **Targeted Assistance** and **Capacity Aid**, and an additional aid item, **Student Wellness and Success Funding**. These are further means of directing dollars to low-income districts, although none rely on the economically disadvantaged student counts at this time.<sup>ix</sup>

<sup>7</sup> In FY19, Ohio's economically disadvantaged index resulted in per pupil amounts that ranged from less than \$1 for a district with less than 1% of students identified as economically disadvantaged to \$1,120 for a district with nearly all students identified as economically disadvantaged.

- **Targeted Assistance:** This wealth-sensitive component of the foundation formula targets additional funding to districts that do not raise sufficient local revenue by distributing per pupil amounts in an inverse relationship to the wealth of a district. First, a local wealth measure is calculated based on the combined three-year average valuation per pupil and three-year federal adjusted gross income per pupil (each weighted at 50%). A district is eligible to receive Targeted Assistance if its per pupil wealth is below a set threshold—the 80<sup>th</sup> percentile of all districts’ wealth measures. The per pupil amount for a particular district is based on 6 mills multiplied by the difference between the threshold measure and the district measure, then adjusted by the district’s wealth index (i.e., the statewide per pupil wealth measure divided by the local wealth measure).
- **Capacity Aid:** A related but separate component of Ohio’s formula is Capacity Aid, which is intended to increase the equity of the funding system by providing additional support to school districts with weaker tax bases. The state targets this funding to districts that fall below the statewide median of taxes generated from a 1 mill levy placed on their three-year average property valuation. For districts below median, a capacity ratio is calculated by dividing the median measure by the district measure and subtracting 1 from the result. The district’s per pupil amount is then determined by multiplying capacity ratio by the universal per pupil capacity aid, which is the statewide median taxes generated divided by the total formula ADM of all district’s whose measure falls below the median. This element of the formula benefits small and low wealth school districts.
- **Student Wellness and Success Funding:** This additional aid item is restricted state funding for FY20 and FY21 designed to help schools address non-academic barriers to learning, inclusive of both physical and mental well-being. The per pupil amount is allocated by the quintile in which a district falls among the distribution of all districts by child poverty rate, as measured by the U.S. Census Bureau’s five-year estimates. Funding requires development of an implementation plan in coordination with community partner(s) and is restricted to 11 service categories:
  1. Mental health services; 2. Services for homeless youth; 3. Services for child welfare involved youth; 4. Community liaisons; 5. Physical health care services; 6. Mentoring programs; 7. Family engagement and support services; 8. City Connects programming; 9. Professional development regarding the provision of trauma-informed care; 10. Professional development regarding cultural competence; or 11. Student services provided any time school is not in session.

### Concepts from other states

The following are other mechanisms or features used by states as part of funding approaches in support of the needs of low-income students. As individual policies, these may vary in their appropriateness and effectiveness depending on other aspects of a state’s funding model.

- Supplemental allocations may be distributed in the **same manner as Title 1 dollars**. (Montana)
- Additional funding based on economically disadvantaged concentrations may be provided exclusively by the state and **not subject to state-local cost sharing**. (Montana)
- Additional funding may be determined by a district’s recent **change in the percentage of students who are economically disadvantaged**. (Indiana)
- Categorical aid may be **limited to allowable uses** or specific program aims intended to serve the education or well-being of economically disadvantaged students, with class-size reduction as a common purpose. (Minnesota, North Carolina, Virginia)
- The disadvantage concentration may employ a calculation that applies a **greater weight to students who receive free lunch than those who receive reduced-price lunch**. (Minnesota)
- The disadvantage concentration used in funding calculations may be adjusted by factors such as **cost of living**. (New York)
- A district’s eligibility for, or amount of, supplemental funding may be based on disadvantage concentration **in combination with low-performance**. (Nevada, Washington)
- Avoiding dramatic annual swings by using **multi-year averages**. (New Mexico)
- Supplemental funding for low-income students may be distributed through **competitive grants**. (Delaware)

As described above, Ohio's funding formula currently incorporates a couple of these principles to varying extents—notably the fact that a) economically disadvantaged funding is not subject to state-local cost sharing, b) selected aid funding is restricted to specific activities and c) the formula uses multiyear averages for certain inputs related to district needs.

Ohio's experience and approach to funding economically disadvantaged students does not deviate in a substantial way from how other states have approached providing additional resources to schools and districts serving low-income or at-risk students. It is important again to note that this report does not attempt to analyze the sufficiency of the level of resources allocated toward economically disadvantaged students in Ohio or other states. Economically disadvantaged funding, as well as Targeted Assistance, Capacity Aid, and Student Wellness and Success Funding all work to promote equity in school funding and target critical resources to low-income students. As the Ohio General Assembly continues to review proposed changes to the method by which the state calculates and provides funding for schools and districts, this report should serve as a resource and an opportunity for continued improvement.

## Sources

- <sup>i</sup> Ohio Department of Education. (2020). EMIS Manual. Retrieved August 1, 2020, from <http://education.ohio.gov/Topics/Data/EMIS/EMIS-Documentation/Current-EMIS-Manual>
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