

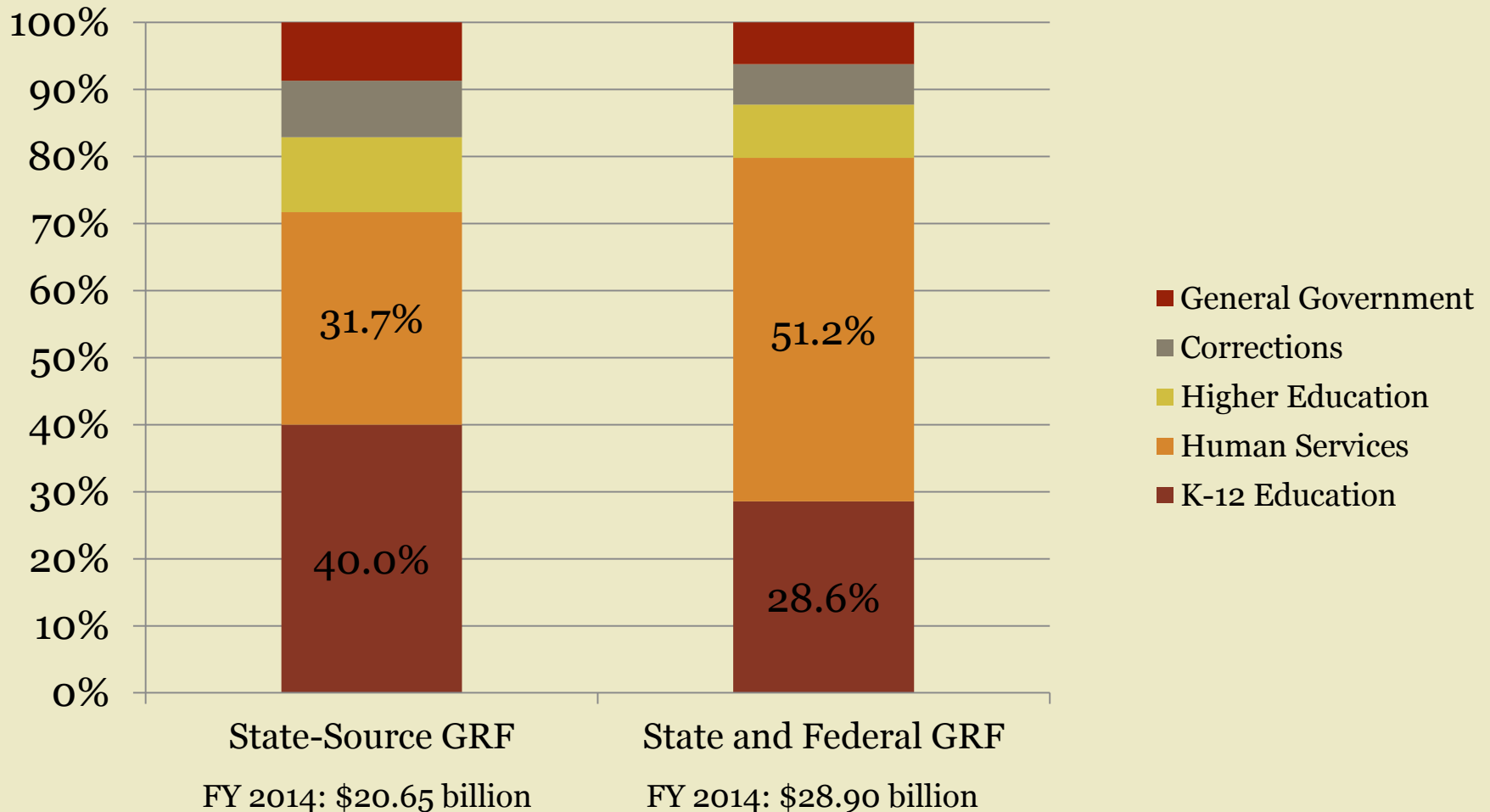
School Funding



**AN OVERVIEW OF HOW OHIO FUNDS ITS
SCHOOLS**

Legislative Service Commission
February 2015

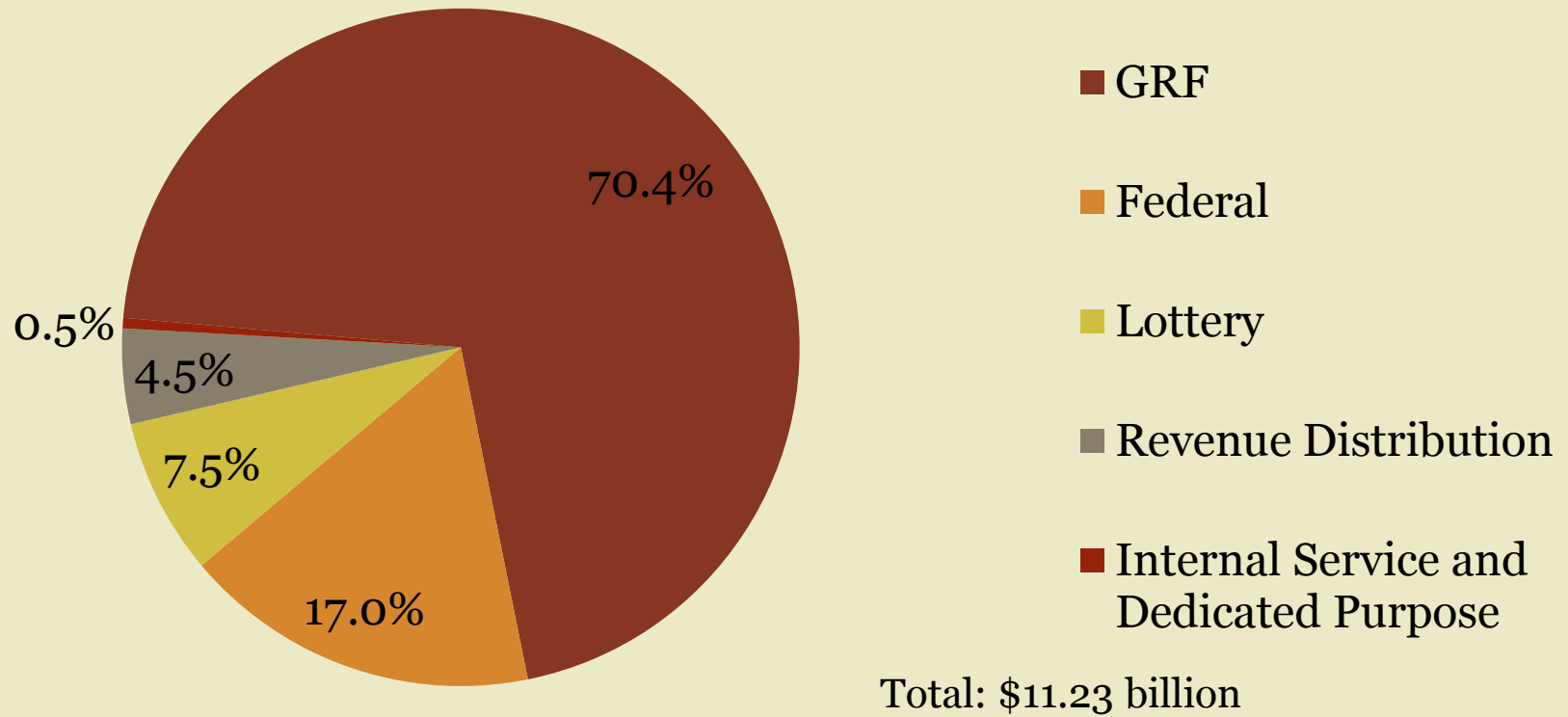
Importance of K-12 Education for State Budget



GRF Accounts For More Than Half of ODE Budget



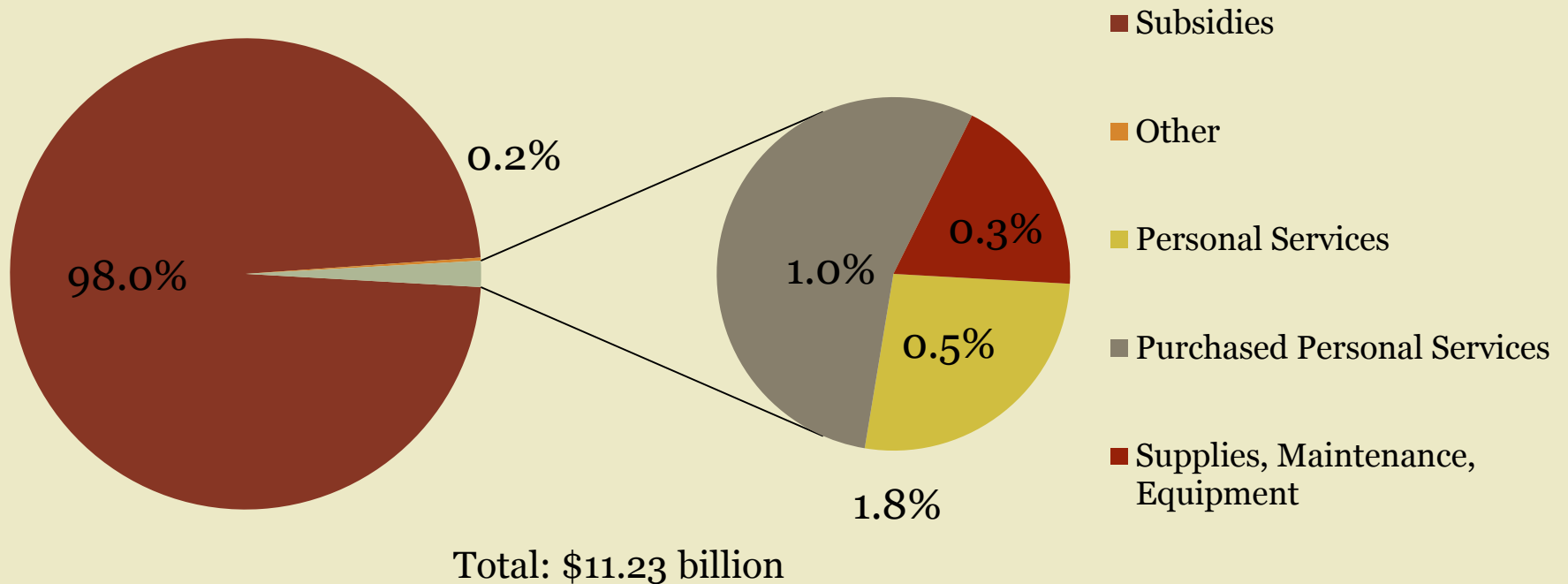
ODE Expenditures by Fund Group FY 2014



Most of ODE Budget Goes to Outside Entities



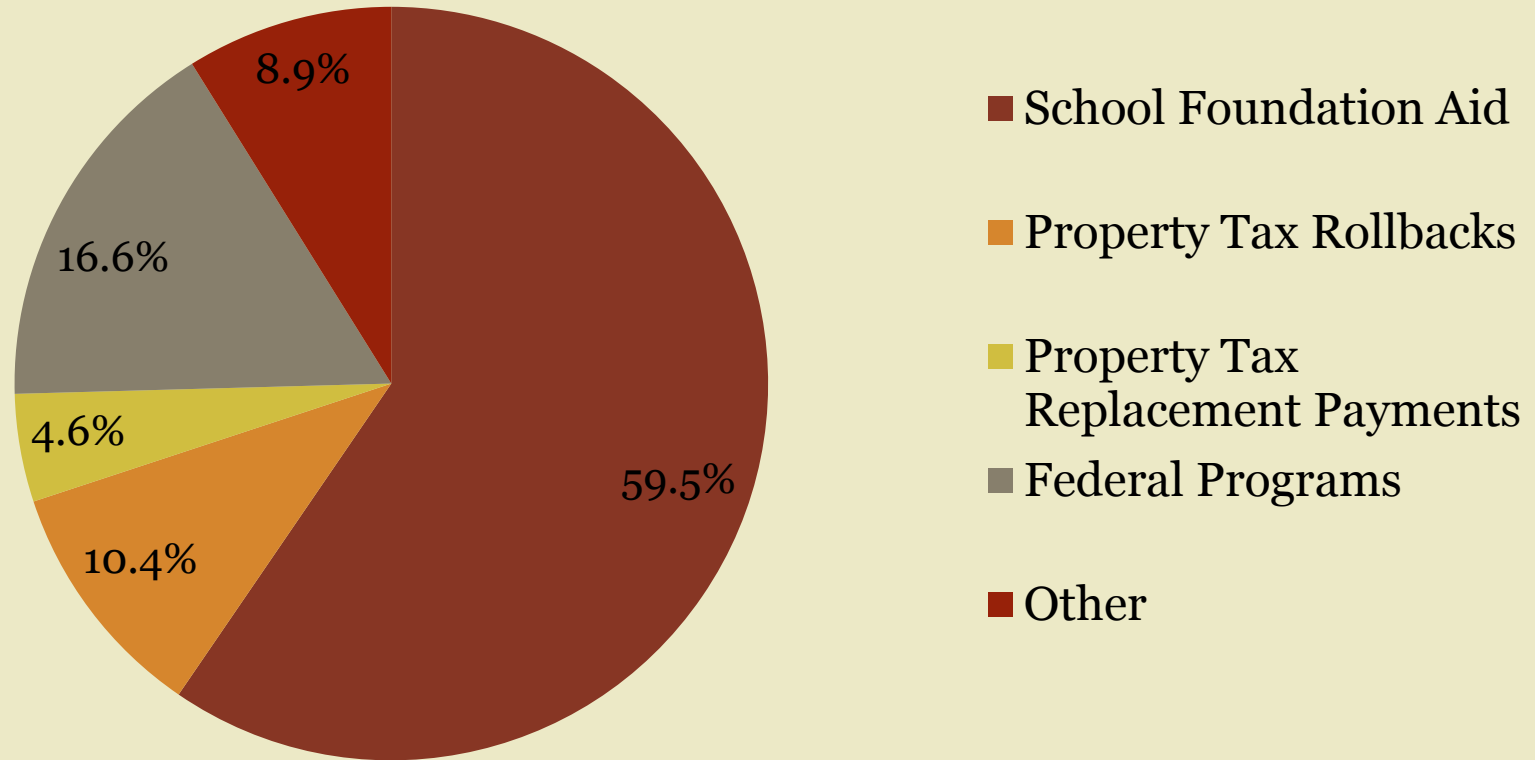
ODE All Fund Expenditures by Account Category FY 2014



School Foundation Aid Makes up Majority of Subsidy Payments



Subsidy Payments, FY 2014

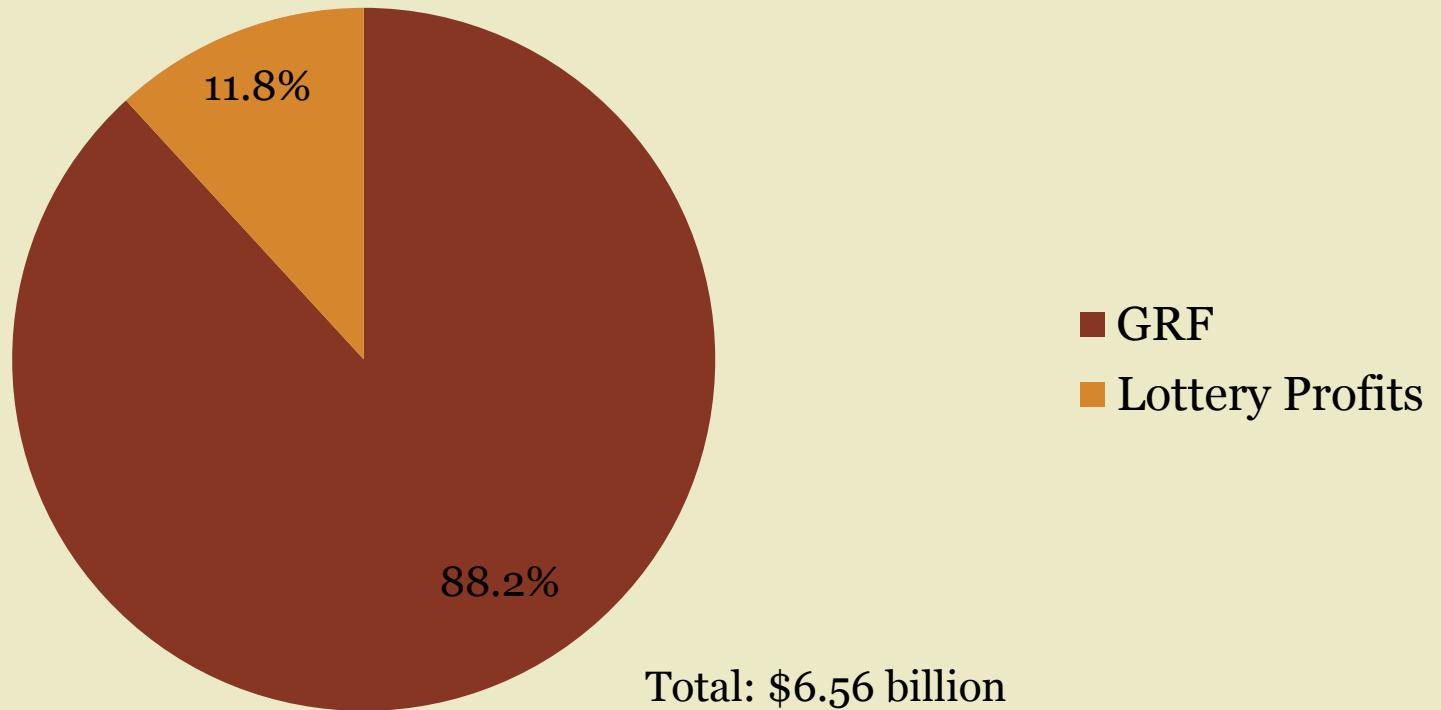


Total: \$11.00 billion

Lottery Profits Comprise a Small Share of K-12 Education Funding



Foundation Aid, FY 2014



Formula Changes in Recent Years



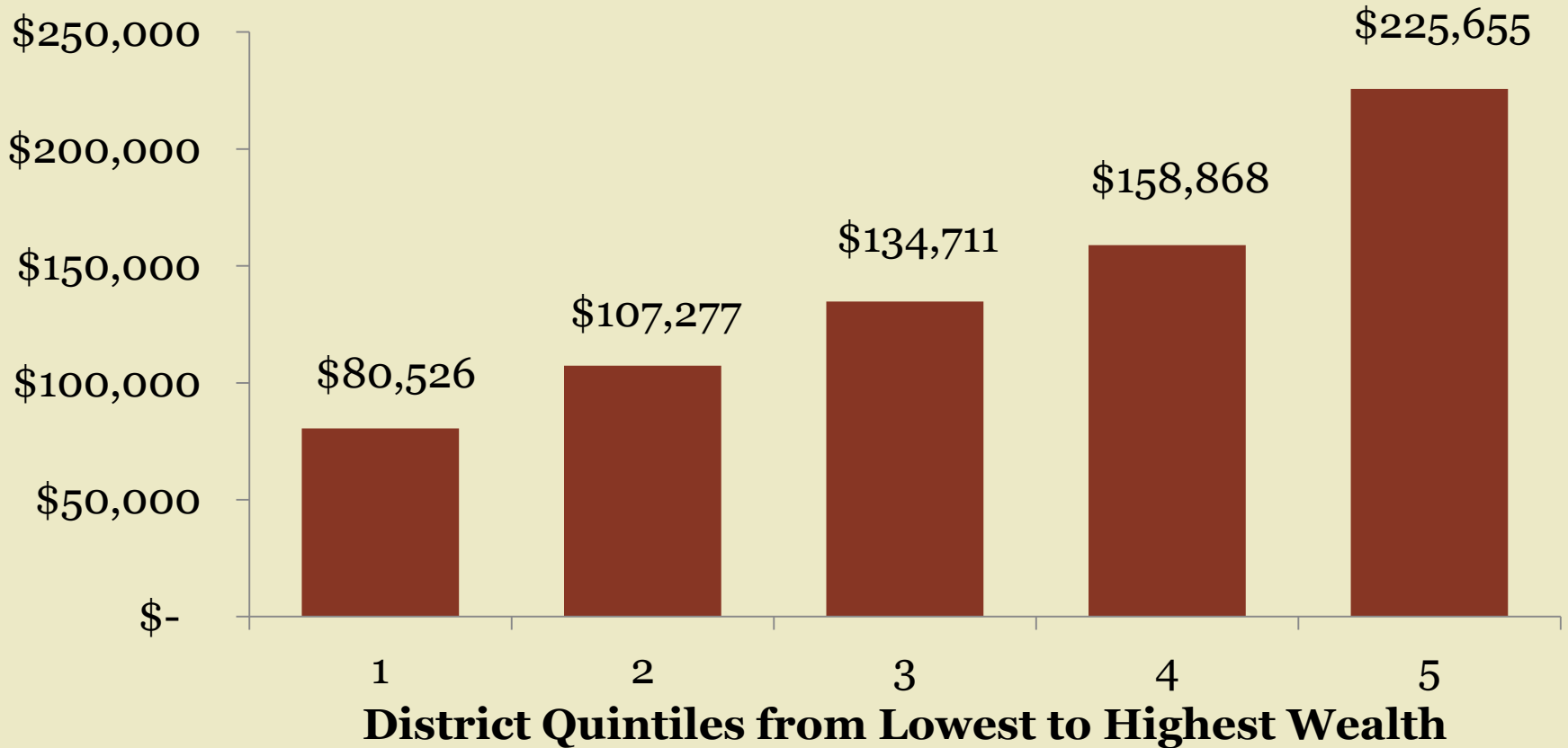
Foundation Aid Formulas

- Building-Blocks Model
 - Prior to FY 2010
- Evidence-Based Model (EBM)
 - FY 2010-FY 2011
- Bridge Formula
 - FY 2012-FY 2013
- Achievement Everywhere
 - FY 2014-FY2015

Capacity Varies Across Districts



Valuation Per Pupil by Wealth Quintile



Impact of Varying Valuations



- Same tax effort results in very different levels of revenue
 - 34 mill (3.4%) tax effort results in
 - ✦ \$2,720 revenue per pupil in district with valuation of \$80,000 per pupil
 - ✦ \$7,650 revenue per pupil in district with valuation of \$225,000 per pupil

Wealth Index



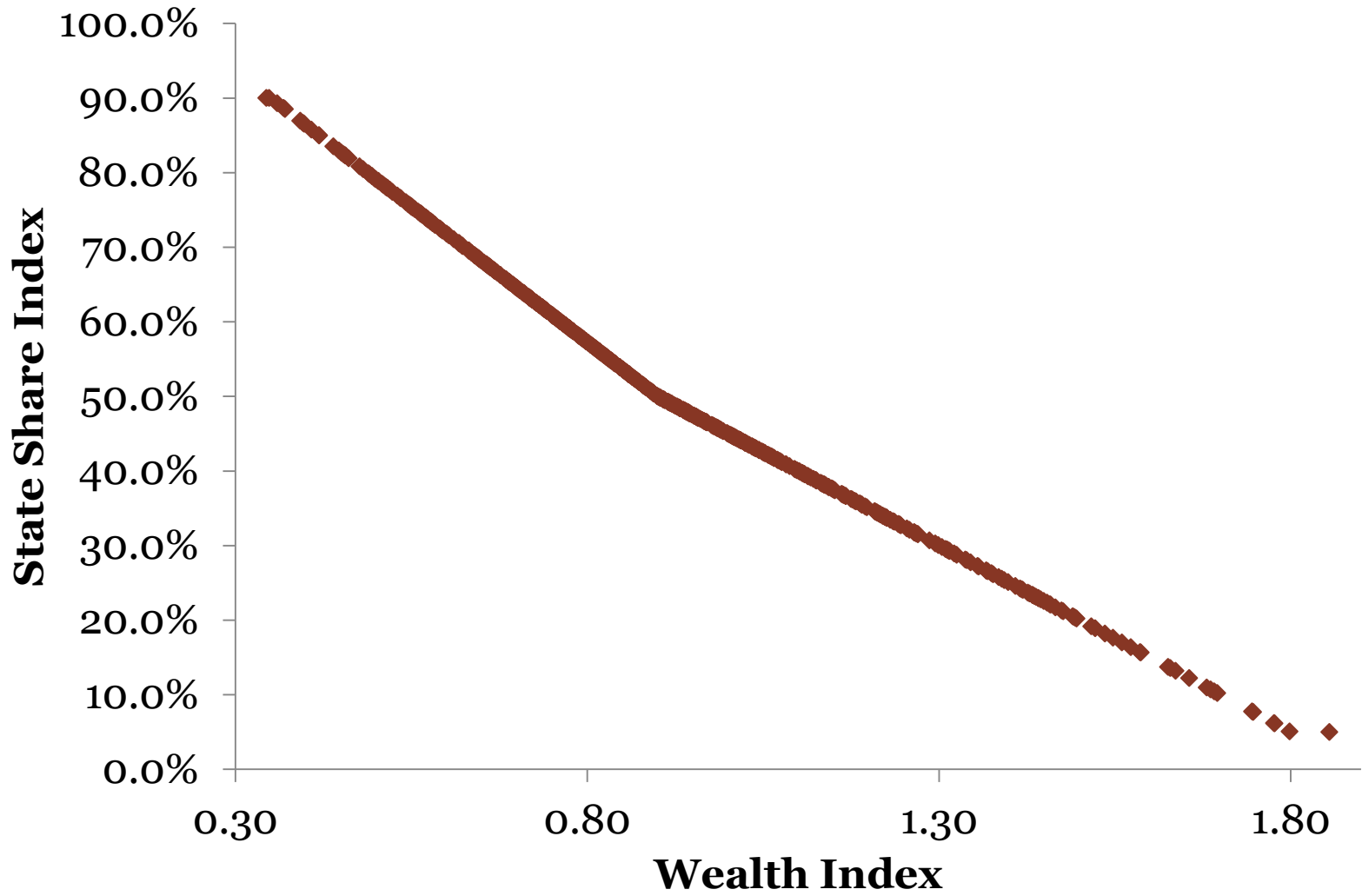
- Valuation index – District valuation per pupil divided by State valuation per pupil
- Income index – District median income divided by Median district median income
- If income index < valuation index, then wealth index = $\frac{2}{3}$ valuation index + $\frac{1}{3}$ income index, else wealth index = valuation index
- Income index lowers index for high valuation/relatively low income districts, but does not increase any district's index

H.B. 64 Capacity Measure Income Adjustment

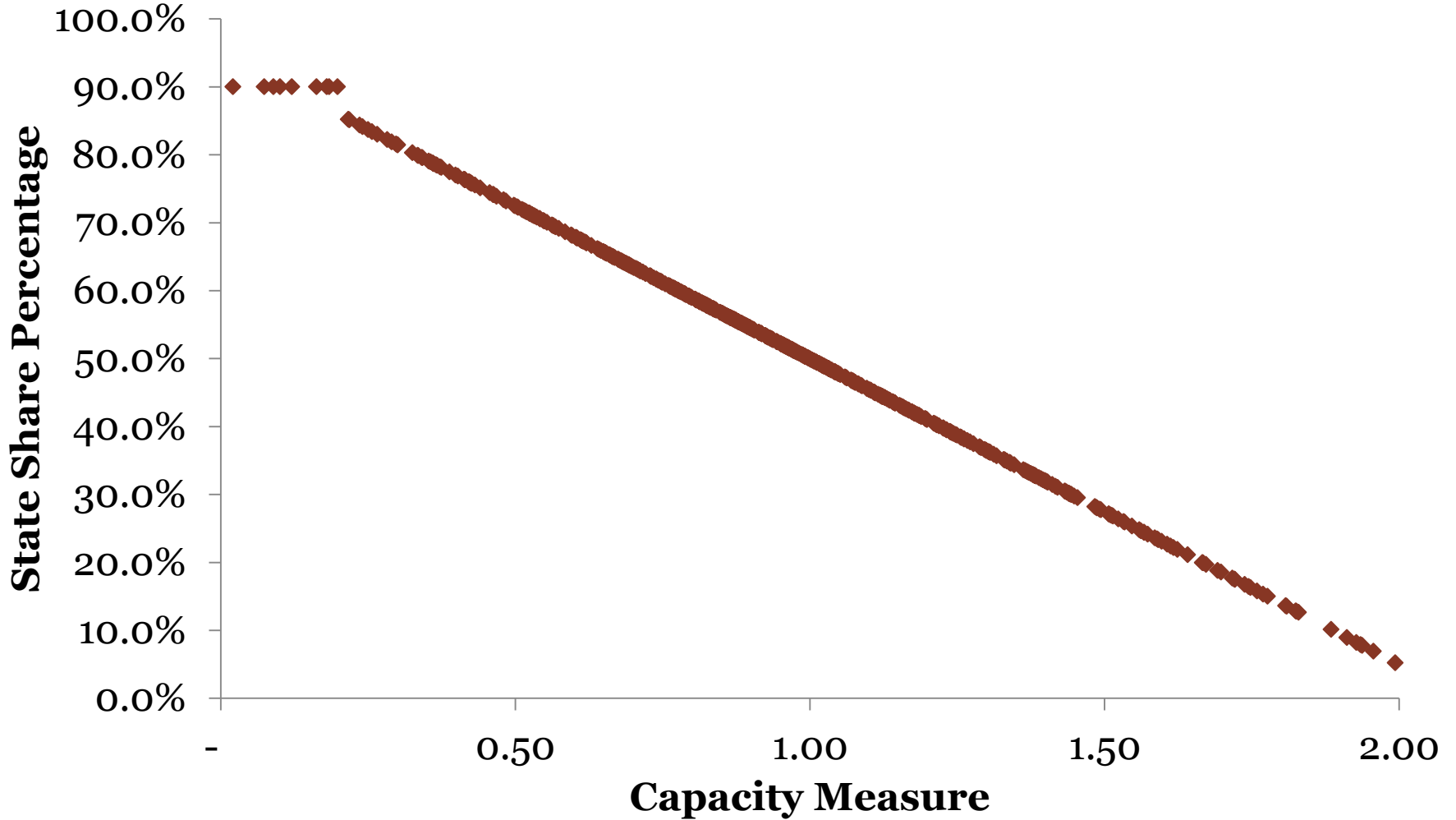


- Instead of addressing low income relative to valuation, addresses low and high incomes relative to state
 - Income index $< \frac{1}{2}$ standard deviation below mean, subtract difference (mean income index – district income index) from valuation index
 - Income index $> \frac{1}{2}$ standard deviation above mean, add difference (district income index – mean income index) to valuation index (phased in at 20% in FY16 and 40% in FY17)
 - Income index within $\frac{1}{2}$ standard deviation of mean, no adjustment to valuation index

State Share Index



H.B. 64 State Share Percentage FY16



Opportunity Grant



- Opportunity grant = formula amount x formula ADM x state share index (percentage)

Current & H.B. 64 Formula Amounts	
FY15	\$5,800
FY16	\$5,900
FY17	\$6,000

Opportunity Grant



- Largest funding component (65%)

Current & H.B. 64 Estimated Allocation (\$ millions)	
FY15	\$4,808.8
FY16	\$5,173.0
FY17	\$5,195.4

Targeted Assistance

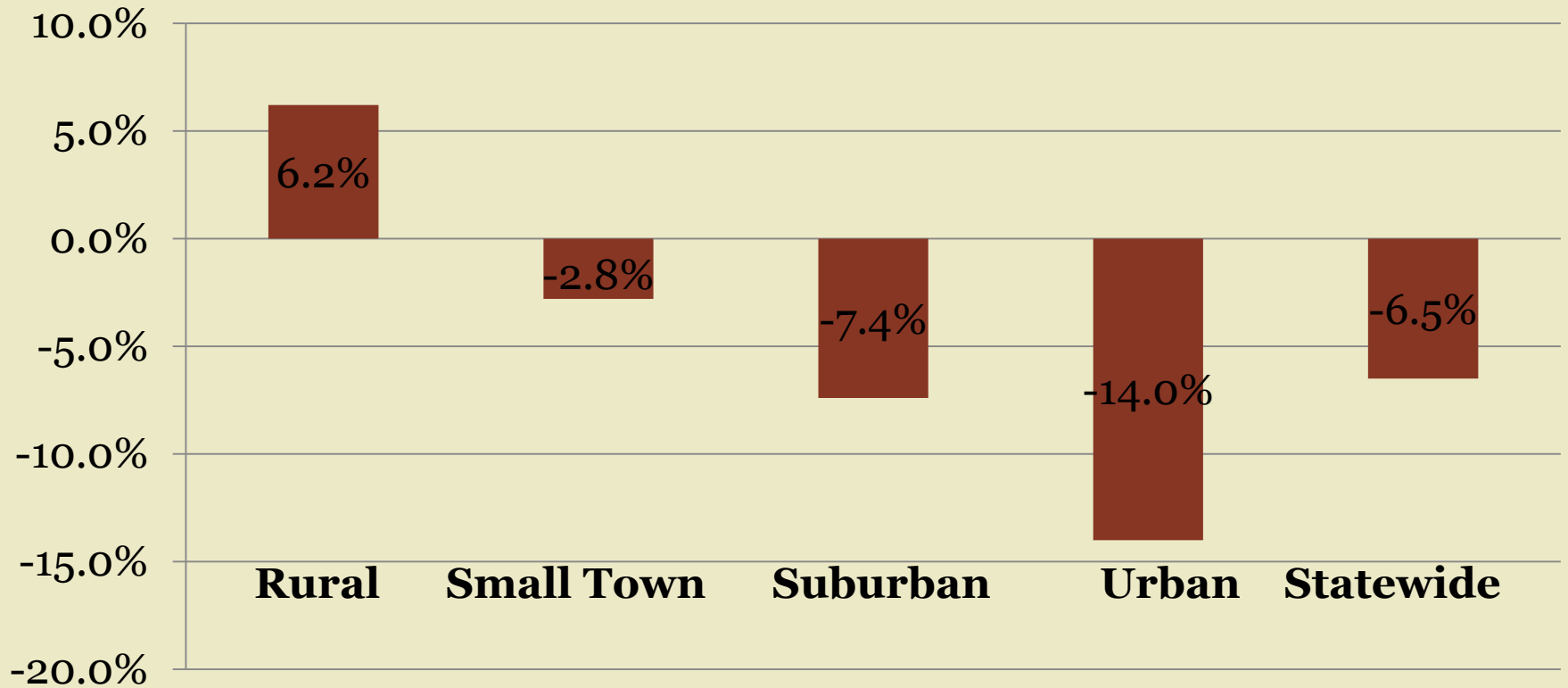


- Additional aid to 490 (80%) lowest wealth (capacity) districts
- Wealth per pupil = 50% valuation per pupil + 50% FAGI per pupil
- Wealth index (capacity measure) = District wealth per pupil / State wealth per pupil
- Threshold wealth per pupil = 490th district's
- Assistance = (Threshold wealth per pupil – District wealth per pupil) x wealth index x .006 x ADM

Recent Valuation Changes



% Change in Real Property Value TY 2008 to TY 2012

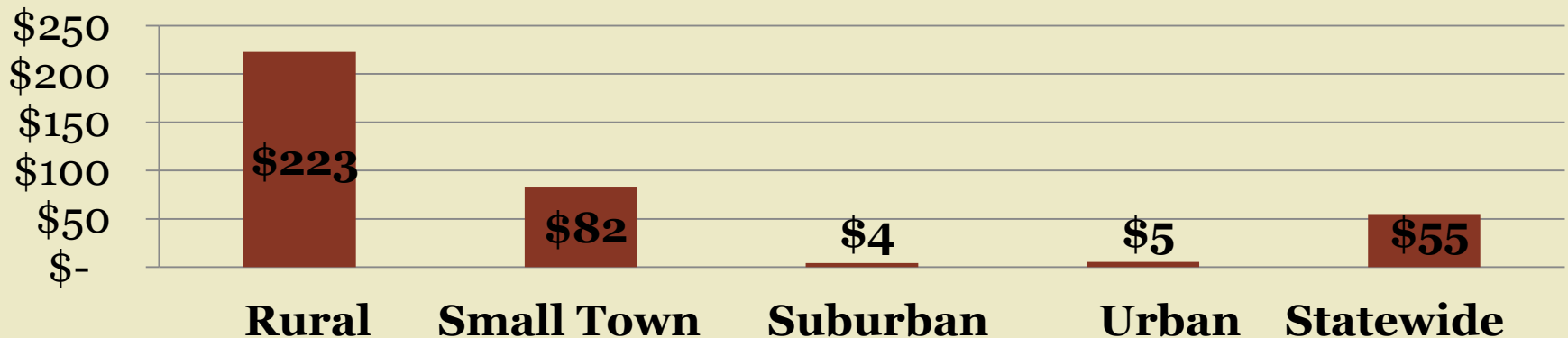


Supplemental Targeted Assistance



- Districts with real property value that is 10% or more agricultural property receive an additional 40% of base targeted assistance payment
- Districts with less than 10% receive from 0% to 40% of base targeted assistance payment

Supplemental Targeted Assistance Per Pupil, FY15



Targeted Assistance



- Second largest component (10%)

Current & H.B. 64 Allocations (\$ millions)

	Base	Supplement	Total
FY15	\$654.9	\$92.2	\$747.0
FY16	\$705.7	\$97.2	\$802.9
FY17	\$750.9	\$102.1	\$853.0

Districts Are Different Sizes



- **Total ADM**
 - Average – 2,800
 - Maximum – 68,800 (7 above 20,000)
 - Minimum – 60 (14 below 400)
- **Geographic Size**
 - Average – 68 square miles
 - Maximum – 546 (9 above 300)
 - Minimum – 1 (8 provide no transportation)

Transportation



- Compute statewide cost per rider and cost per mile from previous fiscal year.
- Base is greater of district's current year riders x statewide cost per rider or district's current year miles x statewide cost per mile.
- Lower density, rural districts tend to benefit from calculation based on miles.
- Greater of 60% or state share index is applied to base.
- In FY15, the base is prorated to stay within the appropriation and a supplement is given so that low wealth/low density districts get full base.

H.B. 64 Transportation



- Reduce minimum state share from 60% to 50%
- Remove proration and supplement
- 4th largest component (6%)

Current & H.B. 64 Estimated Allocations (\$ millions)	
FY15	\$457.2
FY16	\$470.2
FY17	\$478.4

Students Have Different Needs



- Special Education
- Economically Disadvantaged
- Career-Technical Education
- Gifted Education
- Limited English Proficient
- K-3 Literacy

Districts Face Different Challenges



- **Disabled as % of Total**
 - Average – 14.8%
 - Maximum – 26.7% (40 at or above 20%)
 - Minimum – 0% (57 at or below 10%)
- **Economically Disadvantaged**
 - Average – 43.0%
 - Maximum – >95% (23 above 95%)
 - Minimum – 0% (6 below 5%)
- **Limited English Proficient**
 - Average – 3.1%
 - Maximum – 41.8% (36 at or above 5%)
 - Minimum – 0% (372 at 0%)

Additional Categorical Funding



- Generally, districts are allocated an additional per pupil amount for students in each category and the state share index (percentage) is applied.
- Formula for economically disadvantaged students takes concentration of these students into account, but not state share index.
- A certain amount of K3 literacy funding is provided to every district without state share index applied.
- Gifted funding allocated based on inputs.

Special Education



- Special education additional funding = category amount x category ADM x state share index (percentage); summed over six categories.

Current & H.B. 64 Category Amounts			
	FY15	FY16	FY17
Cat. 1	\$1,517	\$1,547	\$1,578
Cat. 2	\$3,849	\$3,926	\$4,005
Cat. 3	\$9,248	\$9,433	\$9,622
Cat. 4	\$12,342	\$12,589	\$12,841
Cat. 5	\$16,715	\$17,049	\$17,390
Cat. 6	\$24,641	\$25,134	\$25,637

Special Education



- Third largest funding component (10%)

Current & H.B. 64 Estimated Allocations (\$ millions)	
FY15	\$714.2
FY16	\$773.6
FY17	\$781.4

Career Technical Education



- Career-technical education additional funding = category amount x category ADM x state share index (percentage); summed over five categories.
- Also includes an amount per pupil regardless of category that is transferred to lead district of CTPD.

Current & H.B. 64 Category Amounts			
	FY15	FY16	FY17
Cat. 1	\$4,800	\$4,992	\$5,192
Cat. 2	\$4,550	\$4,732	\$4,921
Cat. 3	\$1,660	\$1,726	\$1,795
Cat. 4	\$1,410	\$1,466	\$1,525
Cat. 5	\$1,210	\$1,258	\$1,308
Lead district	\$227	\$236	\$245

Career Technical Education



- Less than 1% of total funding allocation

Current & H.B. 64 Estimated Allocations (\$ millions)	
FY15	\$42.8
FY16	\$47.4
FY17	\$49.2

Limited English Proficient



- LEP additional funding = category amount x category ADM x state share index (percentage); summed over three categories.
- H.B. 64 does not change category amounts.

Current & H.B. 64 Category Amounts	
Cat. 1	\$1,515
Cat. 2	\$1,136
Cat. 3	\$ 758

Limited English Proficient



- Less than 0.5% of total funding allocation

Current & H.B. 64 Estimated Allocations (\$ millions)	
FY15	\$24.0
FY16	\$26.1
FY17	\$25.8

K-3 Literacy



- K-3 literacy additional funding = K-3 ADM x (Base per pupil amount + Additional per pupil amount x State share index (percentage)).

Current & H.B. 64 Amounts			
	FY15	FY16	FY17
Base (Not equalized)	\$115	\$121	\$127
Additional (Equalized)	\$175	\$184	\$193

K-3 Literacy



- About 1.5% of total funding allocation

Current & H.B. 64 Estimated Allocations (\$ millions)

FY15	\$102.9
FY16	\$111.1
FY17	\$116.0

Economically Disadvantaged



- Funding is targeted to districts with high concentrations of economically disadvantaged students through an index.
- Index is the district's percentage of students who are economically disadvantaged divided by the statewide percentage, with the result squared.
- Economically disadvantaged funding = Economically disadvantaged ADM x per pupil amount x index
- H.B. 64 does not change per pupil amount (\$272).

Economically Disadvantaged



- About 5% of total funding allocation
- Since this funding calculation does not use the state share index (percentage) & ADM used in the simulation is constant, estimated allocation is the same for all three years.
- \$383.0 million

Gifted



- Fund \$5.05 per pupil for identification
- Fund a gifted coordinator for every 3,300 students, with minimum of .5 and maximum of 8
- Fund gifted specialist for every 1,100 students, with minimum of .3
- Funded amount for both coordinators and specialists is \$37,370
- H.B. 64 does not change amounts
- About 1% of funding allocation
- Estimated funding is \$80.6 million each year

Temporary Transitional Aid



- In FY15, current law guarantees each district is allocated at least FY13 state aid
- H.B. 64 guarantees state aid does not fall in either FY16 or FY17 by more than 1% of total state and local resources in the prior fiscal year

Fiscal Year	Number of Districts	Estimated Allocations (\$ millions)
FY15	198	\$195.2
FY16	226	\$153.4
FY17	184	\$138.5

Cap



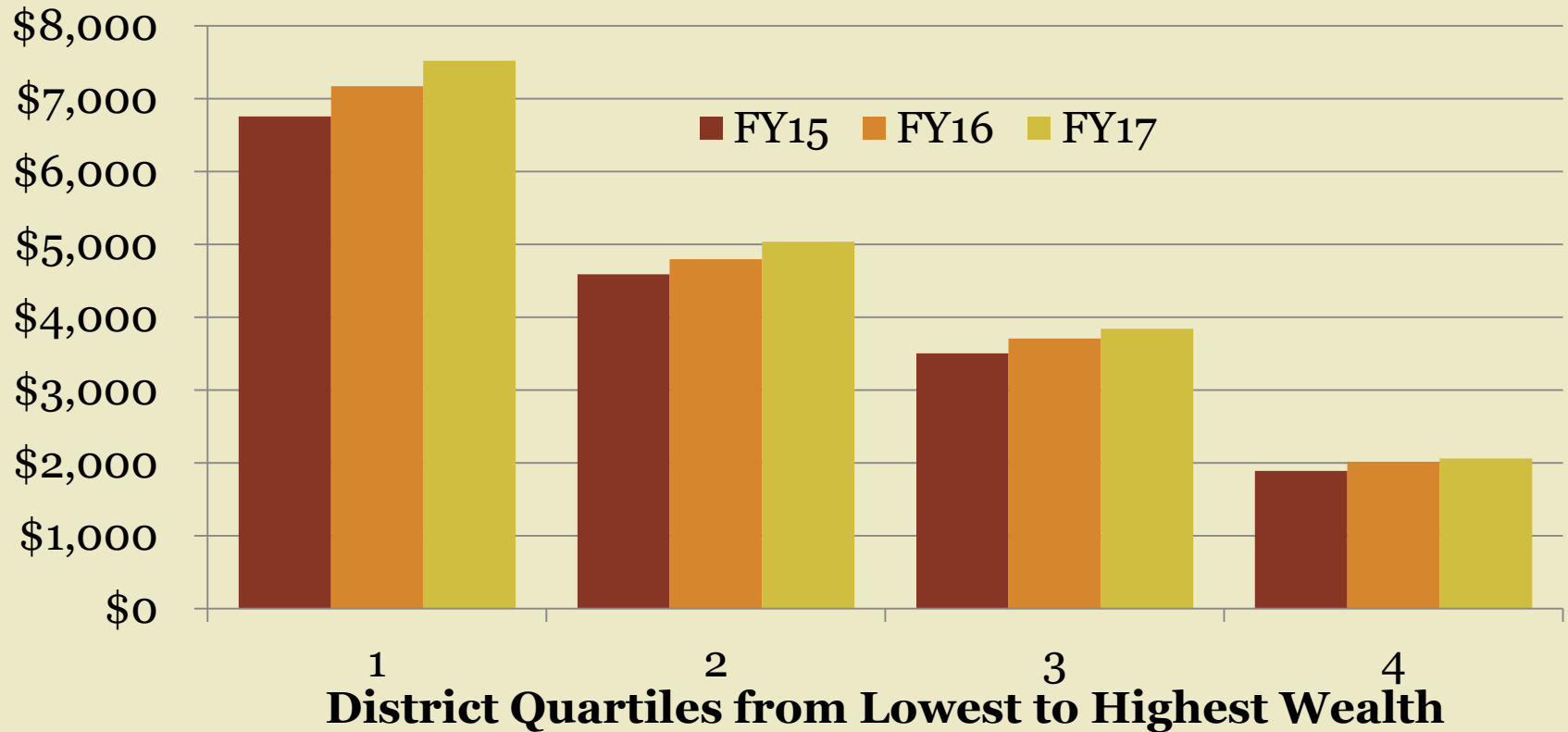
- In FY15, current law limits increases in state aid to 10.5% of prior fiscal year
- In FY16 and FY17, H.B. 64 limits increases in state aid to 10.0% of prior fiscal year

Fiscal Year	Number of Districts	Estimated Amount Under Cap (\$ millions)
FY15	232	\$581.6
FY16	214	\$609.0
FY17	131	\$366.8

Lower Wealth Districts Receive More State Aid Per Pupil



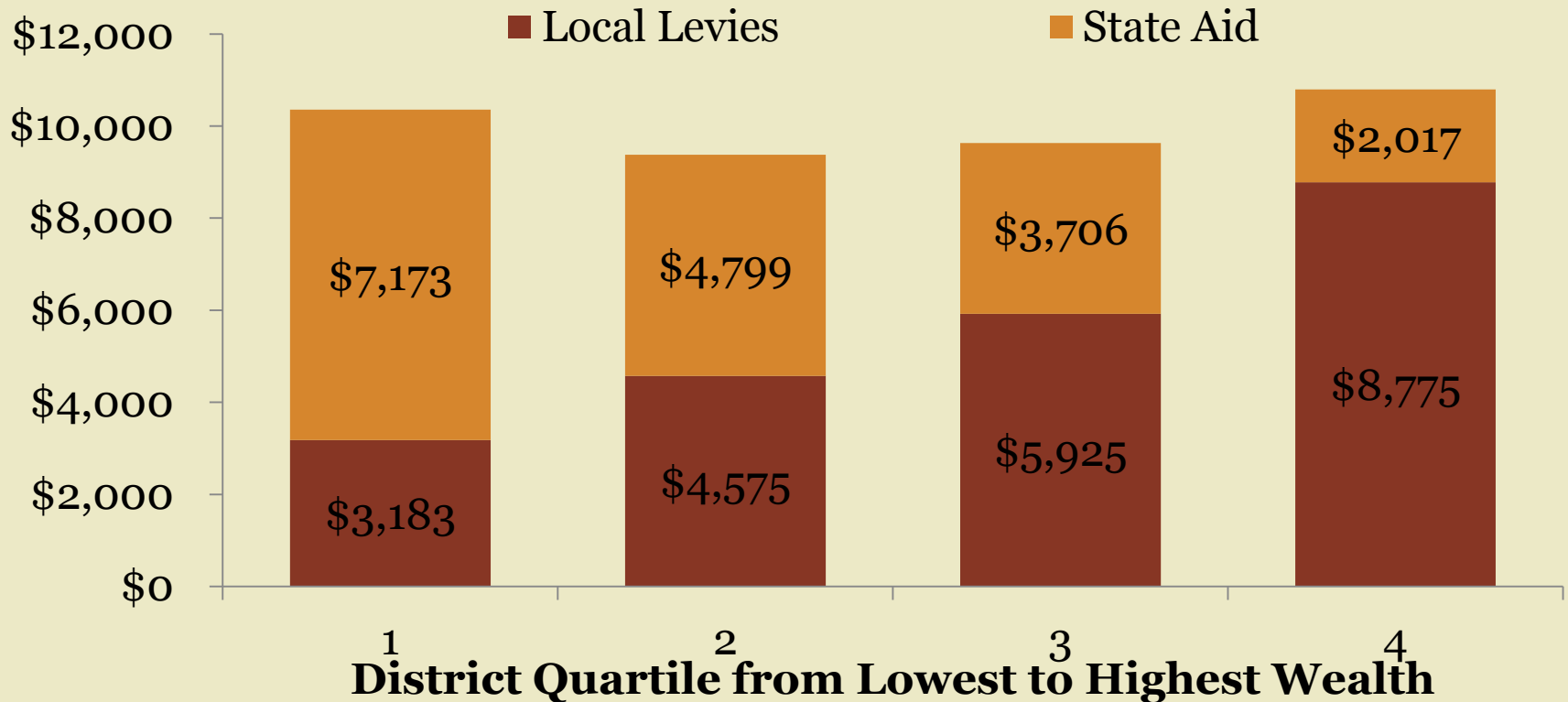
Average State Aid Per Pupil



State Aid Helps to Counteract Effects of Varying District Wealth



Estimated Local Operating Levies and State Aid Per Pupil FY 2016



Joint Vocational School Districts



- Opportunity grant = (formula ADM x formula amount) – 0.5 mills of district valuation
- Receives special education, career-technical education, LEP, and economically disadvantaged additional funding
- Subject to guarantee and cap

Funding Choice Programs

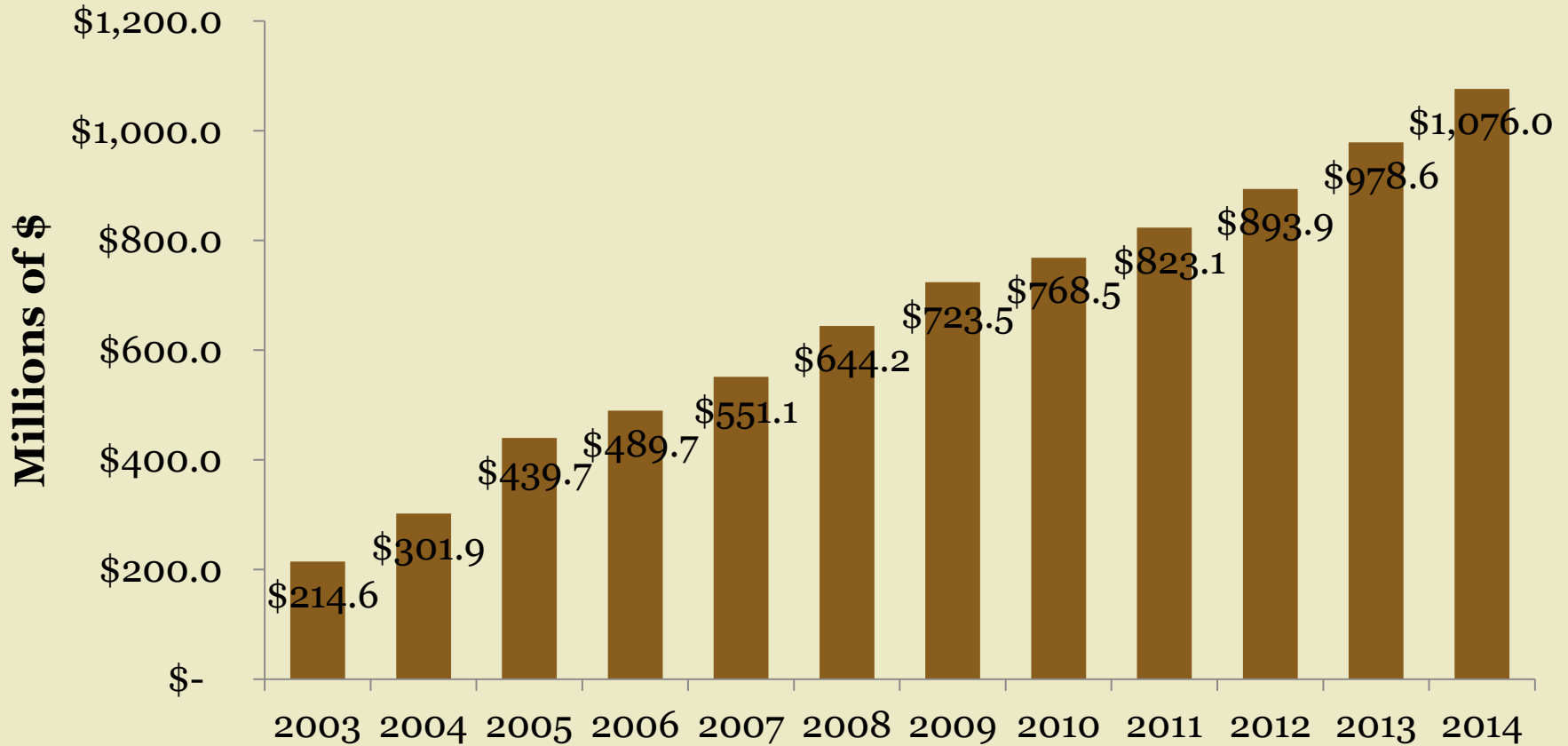


- Generally, allocate funding to districts based on students who live in the district.
- If the student is educated elsewhere, transfer funding allocated for that student to educating district or school.

School Choice Program Spending Growing Each Year



School Choice Program Spending

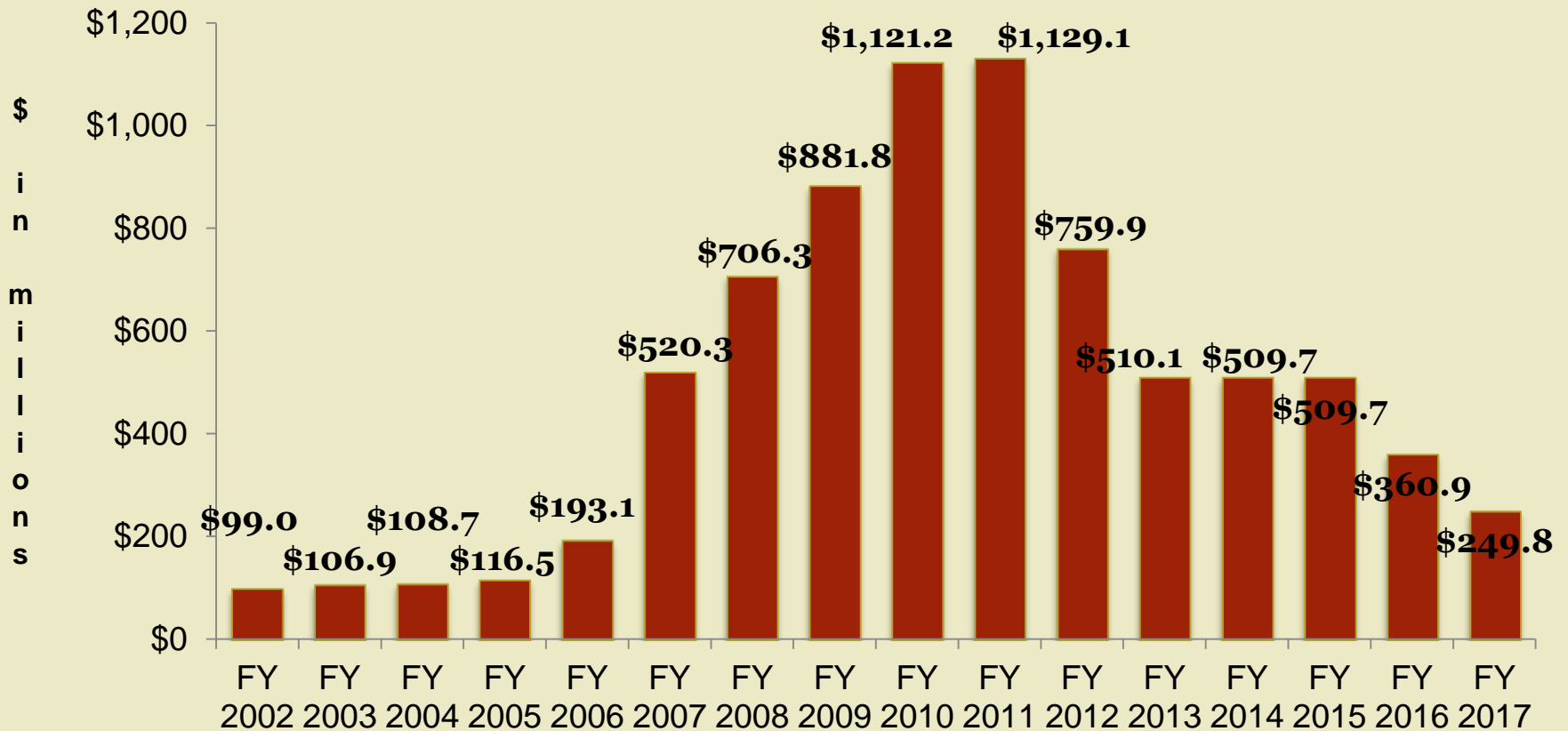


Tangible Personal Property Tax Reimbursements

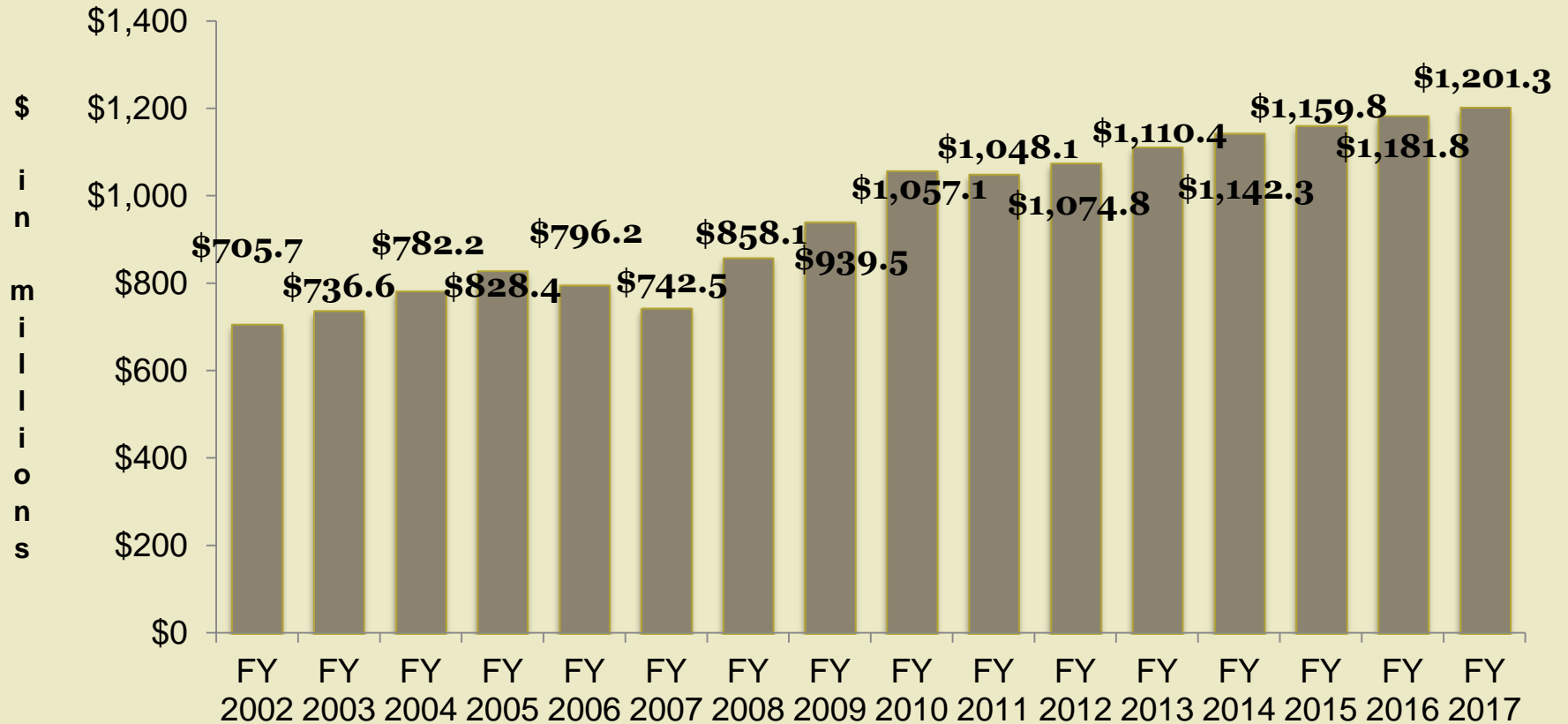


- Fixed rate operating levy reimbursements are phased out by from 1% to 2% of a district's total state and local resources
- The phase-out percentage is determined by the district's capacity measure used in the calculation of the state share percentage
- Fixed-sum operating levy reimbursements are phased out over six years (TY16 – TY21) for all districts
- Fixed rate nonoperating levy reimbursements are phased out by FY17

Tangible Personal Property Tax Reimbursements



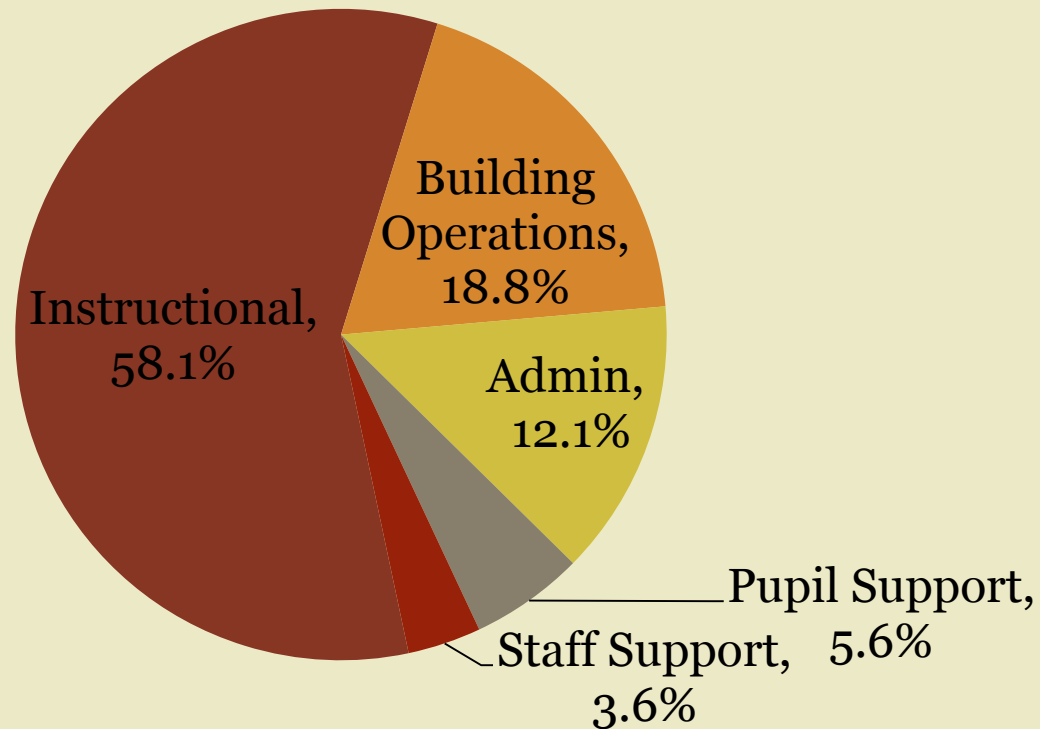
Property Tax Rollbacks



Instruction Comprises Over Half of Operating Expenditures



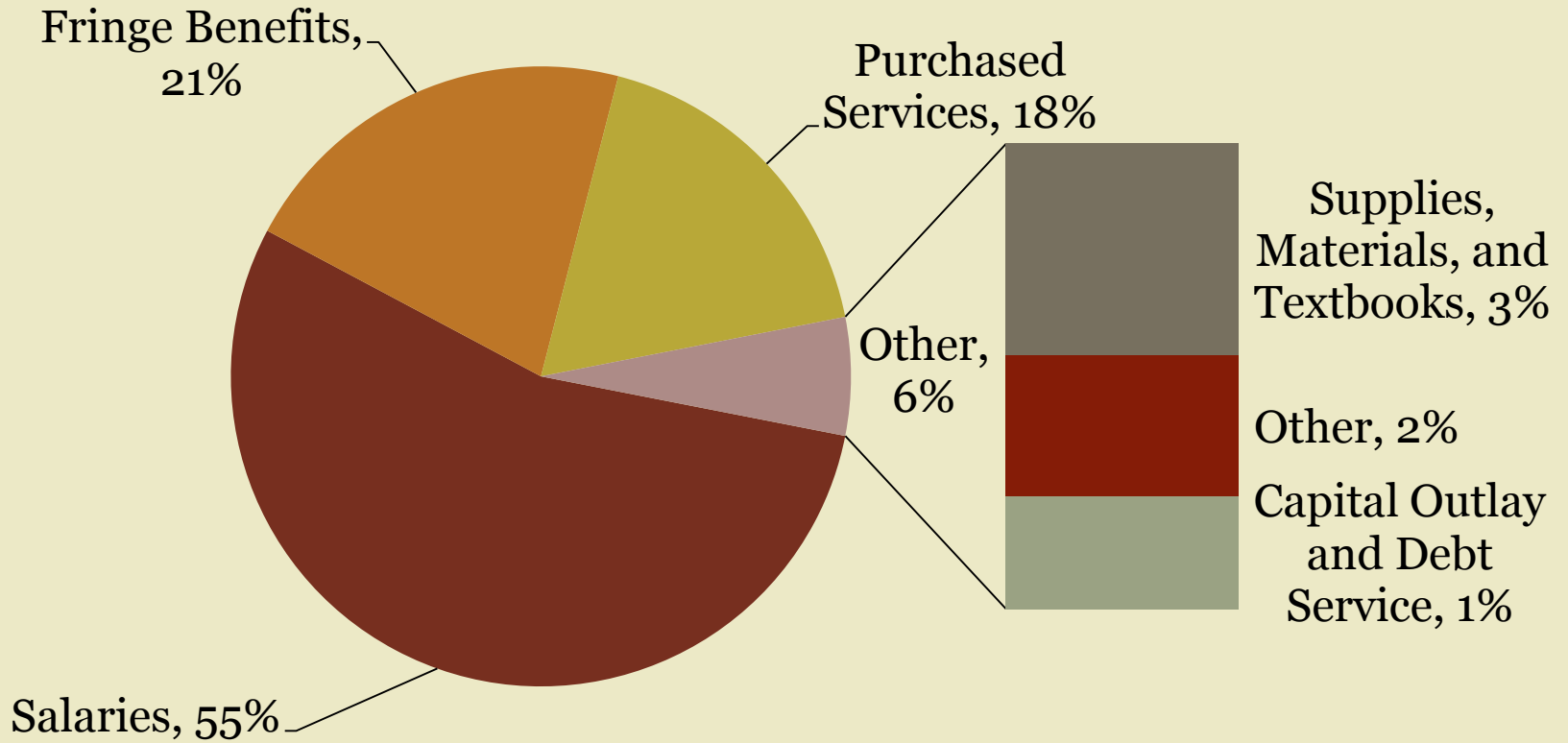
School District Operating Expenditures, FY 2014



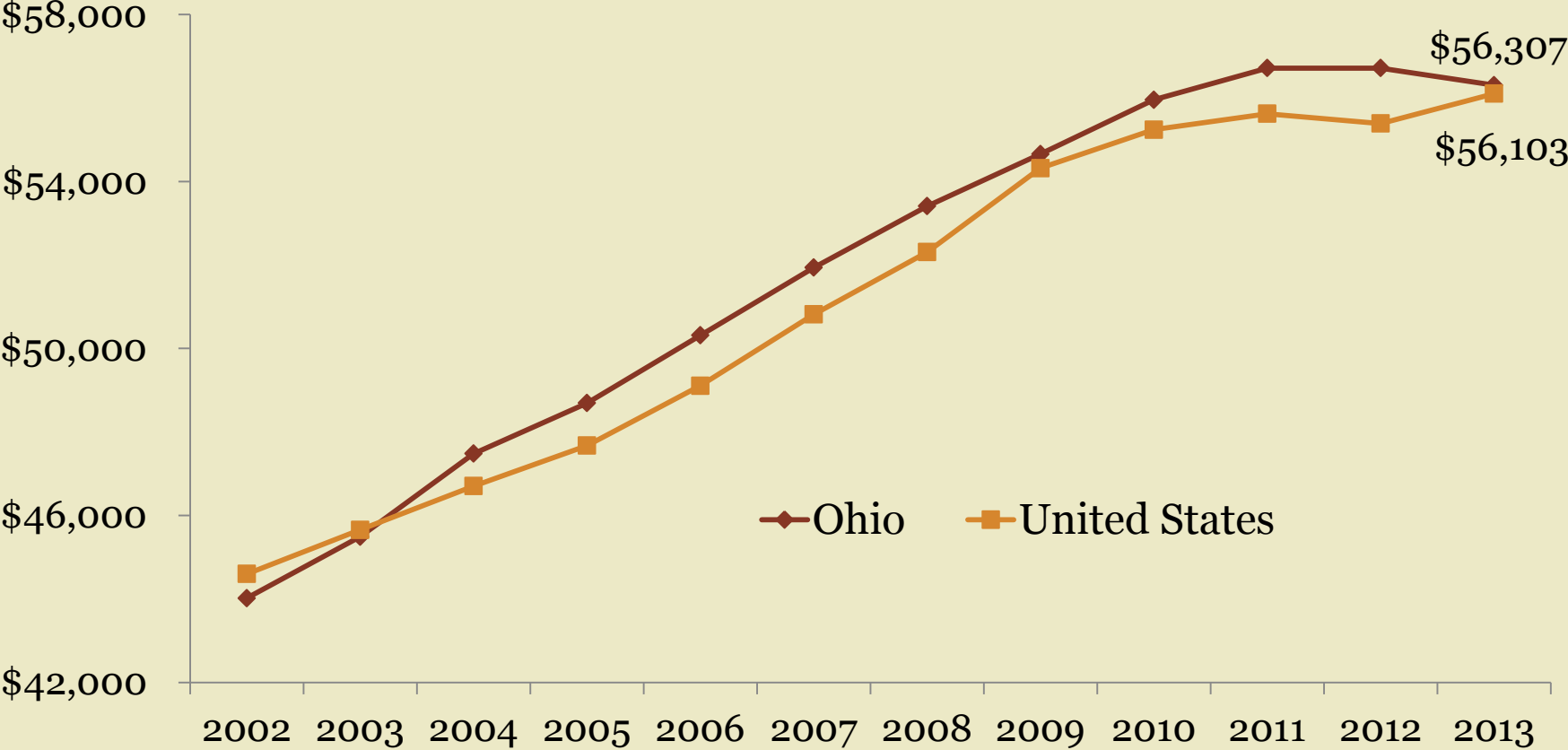
Education is Labor Intensive



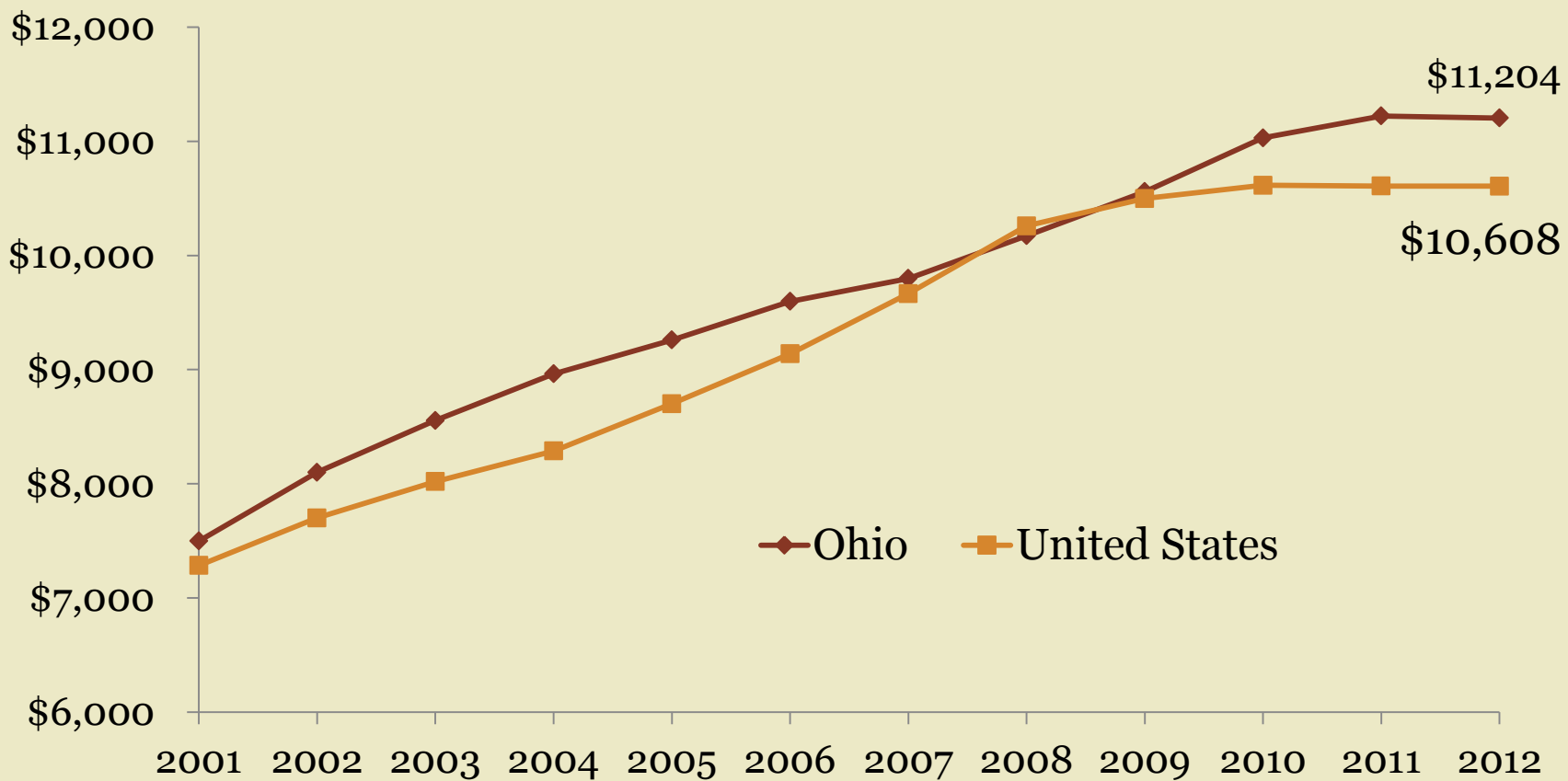
School District General Fund Expenditures by Category FY 2013



Ohio's Average Teacher Salary Little Higher than National Average



Ohio's Per Pupil Operating Expenditures Continue to Exceed National Average



Per Pupil Spending Varies Across Different Types of Districts

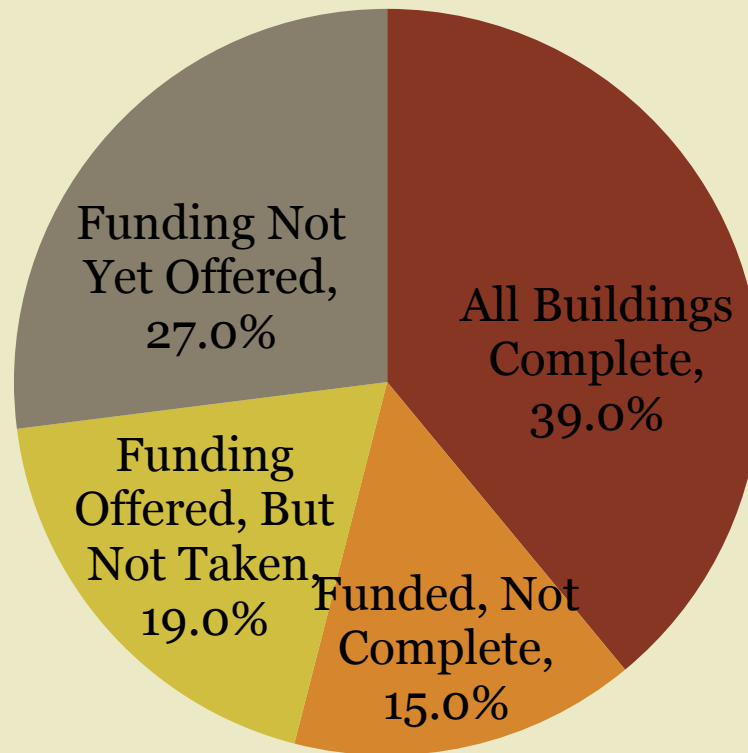


District Types – Description		Spending Per Pupil
Rural	High poverty, small population	\$9,247
Rural	Average poverty, very small population	\$9,259
Small Town	Low poverty, small population	\$8,864
Small Town	High poverty, average population	\$9,322
Suburban	Low poverty, average population	\$10,145
Suburban	Very low poverty, large population	\$11,210
Urban	High poverty, average population	\$11,130
Urban	Very high poverty, very large population	\$13,792
State Average		\$10,446

SFC Funding Offered to 73% of Districts & JVSDs



District and JVSD Status for Completing Master Facility Plans, July 2014



Additional Resources



- **LSC website**
 - School Funding Complete Resource
 - Redbook and Greenbook for ODE and SFC
 - Ohio Facts
 - Historical Revenues and Expenditures Tables
- **ODE website**
 - District Payment Reports
 - iLRC