

Basic Concepts in Governor Kasich's School Funding Proposal

February 4, 2013

The state's budget process has begun in earnest. During the ensuing months Public Finance Resources will be putting out a series of articles to explain concepts in the Governor's budget. Allocation and cost estimates will be done separately from this series as information becomes available to accurately portray the proposals.

There are two concepts from the Governor's school funding proposal that I want to discuss in this first article:

- "Core Opportunity Aid" Base Aid
- Tier 2 Aid

The base aid portion was described as ensuring that every school district receives a base amount of revenue per pupil. This per pupil revenue source assumes a base tax rate of 20 mills applied to a per pupil valuation of \$250,000. This type of construct is known as an "equal yield formula." Ohio actually had such a base funding formula in existence back in the late 1970s. It was replaced in 1981 by the foundation program that existed in some form through 2009.

To calculate a district's base revenue from an equal yield formula, one would take the rate being equalized, here 20 mills (or two percent), and multiply that rate times the difference between that district's total valuation per pupil and \$250,000 per pupil. I have prepared two examples that encompass districts with both higher and lower per pupil wealth:



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"Equal Yield Formula" (Higher Wealth District)		
\$200,000 Per Pupil Property Valuation:		
	<u>State Share</u>	<u>Local Share</u>
State-wide Equalization Valuation Per Pupil	\$250,000	
Example District's Valuation Per Pupil	(\$200,000)	\$200,000
Per Pupil Valuation to be Equalized	\$50,000	\$200,000
Tax Millage Rate (2.0%)	20.0	20.0
Revenue Per Pupil	\$1,000	\$4,000
Funded Enrollment	1,547	1,547
District Base Revenue	\$1,547,000	\$6,188,000

"Equal Yield Formula" (Lower Wealth District)		
\$85,000 Per Pupil Property Valuation:		
	<u>State Share</u>	<u>Local Share</u>
State-wide Equalization Valuation Per Pupil	\$250,000	
Example District's Valuation Per Pupil	(\$85,000)	\$85,000
Per Pupil Valuation to be Equalized	\$165,000	\$85,000
Tax Millage Rate (2.0%)	20.0	20.0
Revenue Per Pupil	\$3,300	\$1,700
Funded Enrollment	1,547	1,547
District Base Revenue	\$5,105,100	\$2,629,900



As outlined by the Governor and his staff, over and above the base formula there will be a series of add-ons. One of the add-ons would funnel money to districts based on equalizing yields of levies between 20 and 35 mills (up to 15 mills above the 20 mills in the base formula). While there have not been enough details released yet to fully describe this provision, it is essentially similar to the “Power Equalization” add-on that existed in previous foundation programs.

The concept of power equalization is to provide additional monies to less wealthy districts above what would be yielded if such districts passed levies locally. As described by the Governor’s staff, the power equalization would use a combination of equally weighted valuation and income wealth to rank districts on their overall wealth. Districts would then be given additional resources based on their relative wealth on up to 15 mills. For example, the Governor’s proposal referenced that districts at the 80th percentile of adjusted valuation per pupil would receive five additional mills in state funding. Poorer districts would receive even more state funding, up to a state funding equivalency of 15 mills. It is not clear from the description of the proposal at what value per pupil the equalization would be based. It is also not clear how the equalization amounts will phase down as districts become relatively wealthier.

PFR will keep you apprised as more details become available. If you have any questions about these concepts, please feel free to contact us at:

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