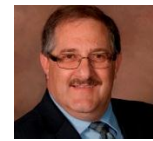


State-Wide School Funding Formula Comparison

February 26, 2013

The equitable distribution of state funding to Ohio’s school children is challenging. The 2009 funding formula is primarily responsible for 2013 funding received by Ohio’s schools. Therefore, to help understand the distributional outcomes of the Governor’s proposed funding system, it is very useful to compare like components of the 2009 and 2014 formulas side-by-side. This article does that for both the state as a whole and for two specific districts to help illustrate how different aspects of the prior and proposed formulas are yielding the results they are. Keep in mind that any guarantee funding in 2014 is tied back to 2013 funding levels, not 2009. There may still be differences in individual districts between 2009 and 2014 that was caused by changes in the intervening years.



Mike Sobul
Consultant
 Public Finance Resources
mike@pfrcco.com

Base Cost

The executive budget incorporates changes to the 2009 basic-aid funding formula by reducing base per pupil finding and also reducing the local share of base per pupil funding. In summary, the executive budget reduces per pupil funding \$732 (12.8%) and reduces the local share of per pupil funding by 3 Mills (13%).

When the Basic-aid/Core components are compared side-by-side it is evident that the net reduction in base aid from 2014 to 2009 is \$38 per pupil. Hence the reduction in the basic aid to \$5,000 per pupil is largely offset by the reduction in the local share of base resources from 23 to 20 mills.

Table A – Side-by-Side Statewide Comparison
 2009 Formula Methodology vs. 2014 Executive Budget Formula, Base Aid

Public Finance Resources www.PFRCFO.com		State Total			F.Y. 2014 Executive Budget Comparison
		ALL			
F.Y. 2009 School Funding Formula		Column A	Column B - A Difference	Column B	F.Y. 2014 Executive Budget Proposal
Basic (&Core) Aid Analysis					
1	Formula ADM (Kg at 0.5 Count)	1,679,368.69	23,647.31	1,703,016.00	Est. Formula ADM (Kg at 1.0 Count)
2	Basic Aid = ADM x \$5,732	\$9,626,141,331	(\$1,111,061,331)	\$8,515,080,000	Total Core Resources = ADM x \$5,000 PP
3	Valuation Charge-off (23 Mills)	\$ (5,783,515,262)	\$1,100,397,701	(\$4,683,117,561)	Local Share of Core Resources (20 mills)
4	Basic Aid Funding	\$3,842,626,069	(\$10,663,630)	\$3,831,962,439	Core Funding
5	Per Pupil Funding	\$2,288	(\$38)	\$2,250	Per Pupil Core Funding



While the statewide impact is virtually balanced, the impact on an individual district varies. Since the \$732 reduction is consistent across districts, the variance is primarily caused by the wealth of a district. This is illustrated in the examples below using Martins Ferry in Belmont County and Tuscarawas Valley in Tuscarawas County. Neither district has above average wealth, but Tuscarawas (\$127,186 per pupil) is considerably wealthier on a per pupil basis than Martins Ferry (\$77,945 per pupil). The drop in the local share (charge-off) to 20 mills in 2014 increases Martins Ferry's state share by \$502,932, or \$360 per pupil. This gain offsets less than half of the \$732 per pupil loss caused by the drop in base funding.

Table B – Side-by-Side Comparison, Martins Ferry CSD
2009 Formula Methodology vs. 2014 Executive Budget Formula, Base Aid

Public Finance Resources		Martins Ferry City SD		F.Y. 2014 Executive Budget Comparison	
www.PFRCFO.com		Belmont			
F.Y. 2009 School Funding Formula	Column A	Column B - A Difference	Column B	F.Y. 2014 Executive Budget Proposal	
1	Formula ADM (Kg at 0.5 Count)	1,396.11	29.89	1,426.00	Est. Formula ADM (Kg at 1.0 Count)
2	Basic Aid = ADM x \$5,732	\$8,002,503	(\$872,503)	\$7,130,000	Total Core Resources = ADM x \$5,000 PP
3	Valuation Charge-off (23 Mills) \$	(2,726,642)	\$502,932	(\$2,223,710)	Local Share of Core Resources (20 mills)
4	Add-on Building Blocks	\$71,069	(\$71,069)	\$0	
5	Basic Formula Aid Funding	\$5,346,930	(\$440,640)	\$4,906,290	Total Core Resources

Tuscarawas Valley lost \$1.1 million from the \$732 per pupil drop. But the \$778,563 increase in state share from the reduced local share amounts to about \$506 per pupil.

Table C – Side-by-Side Comparison, Tuscarawas Valley LSD
2009 Formula Methodology vs. 2014 Executive Budget Formula, Base Aid

Public Finance Resources		Tuscarawas Valley Local SD		F.Y. 2014 Executive Budget Comparison	
www.PFRCFO.com		Tuscarawas			
F.Y. 2009 School Funding Formula	Column A	Column B - A Difference	Column B	F.Y. 2014 Executive Budget Proposal	
1	Formula ADM (Kg at 0.5 Count)	1,540.18	(0.18)	1,540.00	Est. Formula ADM (Kg at 1.0 Count)
2	Basic Aid = ADM x \$5,732	\$8,828,312	(\$1,128,312)	\$7,700,000	Total Core Resources = ADM x \$5,000 PP
3	Valuation Charge-off (23 Mills) \$	(4,694,914)	\$778,563	(\$3,916,351)	Local Share of Core Resources (20 mills)
4	Add-on Building Blocks	\$78,403	(\$78,403)	\$0	
5	Basic Formula Aid Funding	\$4,211,801	(\$428,152)	\$3,783,649	Total Core Resources



In Table D, the impact of the changes on the two districts is summarized. As illustrated, the higher wealth district loses less in state funding.

Table D – State Share Wealth Illustration

	Valuation per Pupil	Per Pupil Funding Reduction	Decrease in Local Share	State Share Change
Tuscarawas Valley	\$127,186	-\$732	\$506	-\$226
Martins Ferry	\$77,945	-\$732	\$360	-\$372

If we take a third hypothetical district that looks just like Tuscarawas Valley, except its valuation per pupil is 50 percent higher (about \$190,000 per pupil), the savings from the lower local resources would be about \$758 per pupil, more than erasing the reduced funding of \$732 per pupil.

The other piece of basic formula aid in 2009, Add-on Building Blocks, was also a per pupil allocation, not impacted by relative wealth.

Targeted Resources

To offset the overall reduction of aid through Core Opportunities, the executive budget provides additional Targeted Resources. The 2009 formula had similar components in the form of Parity Aid and Charge-off Supplement (Gap Aid).

Table E – Comparison of Wealth Equalization Formula Funding

Public Finance Resources www.PFRCFO.com		State Total ALL			F.Y. 2014 Executive Budget Comparison
F.Y. 2009 School Funding Formula		Column A	Column B - A Difference	Column B	F.Y. 2014 Executive Budget Proposal
Add-on Wealth Equalization Funding					
6	Parity Aid 60th Percentile Eligible	\$497,729,681	\$100,661,980	\$598,391,661	Targeted Resources 80th Percentile Eligible
7	Charge-off Supp. (23 Mill Gap Aid)	\$ 101,190,171	(\$101,190,171)	\$0	
8	Wealth Equalization Funding	\$598,919,852	(\$528,191)	\$598,391,661	Targeted Resource Funding



Overall the executive budget provides for \$528,191 less funding for wealth equalization than was provided through the two programs in 2009. At the same time the executive budget proposes to include an additional 120 districts to receive these funds. This is because in 2009 only the poorest 60 percent of districts qualified for Parity Aid and/or Gap Aid; while 80 percent would qualify for Targeted Resources. With less to distribute per district it is possible that poorer districts will receive less funding. This is again illustrated in Martins Ferry and Tuscarawas Valley.

Table F – Comparison of Wealth Equalization Formula Funding, Martins Ferry

Public Finance Resources		Martins Ferry City SD		F.Y. 2014 Executive Budget Comparison	
www.PFRCFO.com		Belmont			
F.Y. 2009 School Funding Formula		Column A	Column B - A Difference	Column B	F.Y. 2014 Executive Budget Proposal
6	Parity Aid	\$1,020,185	\$16,507	\$1,036,692	Targeted Resources ("Tier 2")
7	Charge-off Supp. (23 Mill Gap Aid)	\$312,924	(\$312,924)	\$0	
10	Wealth Equalization Funding	\$1,333,109	(\$296,417)	\$1,036,692	Wealth Equalization Funding

In Martins Ferry, Targeted Resources provide a minimal increase compared to Parity Aid, but the elimination of Gap Aid causes a sharp decline in total resources.

Table G – Comparison of Wealth Equalization Formula Funding, Tuscarawas Valley

Public Finance Resources		Tuscarawas Valley Local SD		F.Y. 2014 Executive Budget Comparison	
www.PFRCFO.com		Tuscarawas			
F.Y. 2009 School Funding Formula		Column A	Column B - A Difference	Column B	F.Y. 2014 Executive Budget Proposal
6	Parity Aid	\$566,606	(\$192,929)	\$373,677	Targeted Resources ("Tier 2")
7	Charge-off Supp. (23 Mill Gap Aid)	\$0	\$0	\$0	
8	Wealth Equalization Funding	\$566,606	(\$192,929)	\$373,677	Wealth Equalization Funding

In Tuscarawas, while there is no Gap Aid, the amount of Targeted Resources is significantly lower than the district received in Parity Aid.

In these instances, while the overall amount of statewide aid in Target Resources is flat with Parity Aid and Gap Aid, the expansion of the number of districts receiving Targeted Resource aid is generally shifting resources from the lower wealth districts to 120 higher wealth districts that had generally been receiving neither.



Other Resources

We now turn to the other portions of the new formula. These include Economically Disadvantaged aid, English Language Learners (ELL) aid, Students with Disabilities, Gifted, and Early Childhood Access aid.

Table H – Comparison of Other Funding

Public Finance Resources www.PFR CFO.com		State Total ALL		F.Y. 2014 Executive Budget Comparison	
F.Y. 2009 School Funding Formula		Column A	Column B - A Difference	Column B	F.Y. 2014 Executive Budget Proposal
6	Poverty Based Assistance (PBA)	\$470,178,046	\$18,137,029	\$488,315,075	Economically Disadvantaged
			\$17,748,646	\$17,748,646	English Language Learners
11	Excess Cost Supp + Staff Supp.	\$ 77,967,905	(\$77,967,905)	\$0	
12	Special Ed Weighted	\$498,285,633	\$212,043,341	\$710,328,974	Students with Disabilities
13	Gifted aid	\$33,416,528	\$51,733,720	\$85,150,248	Gifted
14		\$0	\$96,481,610	\$96,481,610	Early Childhood Access

Overall, Economically Disadvantaged aid is about \$18 million (nearly four percent) higher than the previously equivalent Poverty Based Assistance (PBA). However, as was the case with Target Resources, more districts are receiving Economically Disadvantaged aid than were receiving PBA. In addition, there were targeted programs within PBA, such as all-day kindergarten funding, class size reduction, etc. that are not present in Economically Disadvantaged aid.

The other components of the formula add additional resources to each district’s core aid. The 2009 excess cost supplement and Special Education weighted funding added a combined \$576 million, while comparable 2014 funding provides \$710 million.

Martins Ferry, which was receiving a substantial amount of all-day kindergarten aid, is seeing a sharp decline in Economically Disadvantaged aid relative to PBA. Conversely, Tuscarawas Valley is seeing a sharp increase.



Table I – Comparison of Other Funding, Martins Ferry

Public Finance Resources		Martins Ferry City SD		F.Y. 2014 Executive Budget Comparison	
www.PFRCFO.com		Belmont			
F.Y. 2009 School Funding Formula	Column A	Column B - A Difference	Column B	F.Y. 2014 Executive Budget Proposal	
Poverty Based Assistance (PBA)	\$831,512	(\$435,150)	\$396,362	Economically Disadvantaged	
		\$3,402	\$3,402	English Language Learners	
Excess Cost Supp + Staff Supp.	\$ 91,541	(\$91,541)	\$0	Students with Disabilities	
Special Ed Weighted	\$702,250	\$394,828	\$1,097,078	Gifted	
Gifted aid	\$34,079	\$37,211	\$71,290	Early Childhood Access	
	\$0	\$115,353	\$115,353		

Table J – Comparison of Other Funding, Tuscarawas Valley

Public Finance Resources		Tuscarawas Valley Local SD		F.Y. 2014 Executive Budget Comparison	
www.PFRCFO.com		Tuscarawas			
F.Y. 2009 School Funding Formula	Column A	Column B - A Difference	Column B	F.Y. 2014 Executive Budget Proposal	
Poverty Based Assistance (PBA)	\$3,333	\$274,258	\$277,591	Economically Disadvantaged	
		\$2,741	\$2,741	English Language Learners	
Excess Cost Supp + Staff Supp.	\$ -	\$0	\$0	Students with Disabilities	
Special Ed Weighted	\$313,251	\$91,126	\$404,377	Gifted	
Gifted aid	\$33,265	\$43,755	\$77,020	Early Childhood Access	
	\$0	\$0	\$0		

Overall, in Martins Ferry, all of the additional funding is not able to overcome the losses from Core Aid, the elimination of Gap Aid, and the changes in Economically Disadvantaged aid. In Tuscarawas Valley’s case, the increases in other aid and Economically Disadvantaged aid are more than the losses in the other two areas, allowing for an overall increase in funding relative to 2009.

Because the new proposed state aid in Martins Ferry is sharply lower than under previous formulas, that district is slated to receive guarantee funds of \$575,000 to bring its state allocation up to the FY 2013 level. Tuscarawas Valley, which needs no guarantee, is estimated to receive a slight increase in aid in FY 2014, with growth of about one percent. By comparison, in FY 2009, Martins Ferry was a formula district and Tuscarawas Valley was a guarantee district.



Summary

As Table K reveals, Statewide the amount of guarantee funding is expected to grow from \$392.5 million in FY 2009 to \$463.7 million in FY 2014. Effort to adapt the 2014 formula to achievable funding outcomes will benefit from research and analysis in the ensuing days.

Table K – Side-by-Side Statewide Comparison
2009 Formula Methodology vs. 2014 Executive Budget Formula

Public Finance Resources www.PFRFCFO.com		State Total ALL		F.Y. 2014 Executive Budget Comparison	
F.Y. 2009 School Funding Formula		Column A	Column B - A Difference	Column B	F.Y. 2014 Executive Budget Proposal
1	Formula ADM (Kg at 0.5 Count)	1,679,368.69	23,647.31	1,703,016.00	Est. Formula ADM (Kg at 1.0 Count)
2	Basic Aid = ADM x \$5,732	\$9,626,141,331	(\$1,111,061,331)	\$8,515,080,000	Total Core Resources = ADM x \$5,000 PP
3	Valuation Charge-off (23 Mills)	\$ (5,783,515,262)	\$1,100,397,701	(\$4,683,117,561)	Local Share of Core Resources (20 mills)
4	Add-on Building Blocks	\$85,488,658	(\$85,488,658)	\$0	
5	Basic Formula Aid Funding	\$3,928,114,727	(\$96,152,288)	\$3,831,962,439	Total Core Resources
6	Poverty Based Assistance (PBA)	\$470,178,046	\$18,137,029	\$488,315,075	Economically Disadvantaged
7	Parity Aid	\$497,729,681	\$100,661,980	\$598,391,661	Targeted Resources ("Tier 2")
8	Charge-off Supp. (23 Mill Gap Aid)	\$101,190,171	(\$101,190,171)	\$0	
9	Base Cost Funding State Share	\$4,997,212,625	(\$78,543,450)	\$4,918,669,175	Base Cost Funding State Share
10	Base Cost Funding -- Per Pupil	\$2,976	(\$87)	\$2,888	Base Cost Funding -- Per Pupil
11	Excess Cost Supp + Staff Supp.	\$ 77,967,905	\$17,748,646	\$17,748,646	English Language Learners
12	Special Ed Weighted	\$498,285,633	(\$77,967,905)	\$0	
13	Gifted aid	\$33,416,528	\$212,043,341	\$710,328,974	Students with Disabilities
14		\$0	\$51,733,720	\$85,150,248	Gifted
15	Total Other Funding	\$ 609,670,066	\$96,481,610	\$96,481,610	Early Childhood Access
16	Total Base Funding Plus Other	\$5,606,882,691	\$300,039,412	\$909,709,478	Total Other Funding
17	Total Base + Other -- Per Pupil	\$3,339	\$221,495,962	\$5,828,378,653	Total Base Funding Plus Other
18	Guarantee Funding	\$ 392,502,279	\$84	\$3,422	Total Base + Other -- Per Pupil
19	Total Funding with Guarantee	\$5,999,384,970	\$71,192,594	\$463,694,873	Guarantee Funding
20	Per Pupil Funding with Guarantee	\$3,572	\$292,688,556	\$6,292,073,526	Total Funding with Guarantee
	Per Pupil Funding with Guarantee	\$3,572	\$122	\$3,695	Per Pupil Funding with Guarantee
Outside of Formula:	Career Tech Ed	\$50,758,761		TBD	
	Reg. & Spec. Ed. Transportation	\$ 419,350,734		TBD	
	Preschool Unit Funding	\$ 38,227,983		TBD	
	2007 Formula ADM	1,695,847.14			
	2012 Formula ADM	1,724,090.44			

Analysis Performed by:



Public Finance Resources, Inc.

www.PFRFCFO.com

Disclosure Items:

Executive Budget Funding is not capped, instead the full 2014 formula amount is presented.

Executive Budget Estimates Provided by Ohio Office of Budget Management

2009 School Funding (SF-3) provided by Final #3 Version

Grouping of line items for comparison is an attempt to match "like" revenue types.

PFR is providing this tool to clients as a training opportunity to learn more about school funding and is not intended for financial projections or estimating.



Mike Sobul
mike@pfrcfo.com

Ernie Strawser
ernie@pfrcfo.com

Matt Bunting
matt@pfrcfo.com

Stacy Overly
stacy@pfrcfo.com

Debra Hoelzle
debra@pfrcfo.com

614-732-5948

www.PFRCFO.com