

Client State Funding Update

CONTRIBUTORS:



Mike Sobul

Consultant

Public Finance Resources

mike@PFRFCFO.com



Ernie Strawser

Consultant

Public Finance Resources

ernie@PFRFCFO.com

December #1 SFPR

Ohio's new per pupil funding formula introduced a concept of relativity that is quite different than recent funding history. How your district stacks up relative to the aggregation of all Ohio school districts is essential to the new funding formula's state share calculation. To put this in perspective, your district's per pupil valuation relative to the state's overall per pupil valuation is quite significant.

What if your district's EMIS data is very current as of October 2013? What if 10% of the districts in the state are still working to bring their data up to date? How might this impact your district's relative wealth and your state share index?

It is quite possible that this scenario exists currently with the SFPR that is reflected in the December #1 payment. Funded enrollment statewide reflects 29,400 fewer students than the November #2 SFPR, a reduction of 1.7 percent. One would have to at least contemplate that not all districts have their student counts complete. The reason there is some question about the completeness of the enrollment data is that in a quick scan of just a few districts indicates all have significant losses in ADM, ranging from -2.74% to -17.67%.

If the statewide student count is low, as it seems to be, then the statewide per pupil valuation is being calculated too high. If the statewide valuation per pupil is too high, then any given district with accurate enrollment counts will look "poorer" relative to the state and that district's state share percentage would be inflated. How might this impact your financial forecast?

CONTACT INFO:

Debra Hoelzle
 Public Finance Resources
 PO Box 1822
 Columbus, OH 43212
 (614) 732-5948
debra@PFR CFO.com

December #1 SFPR, cont'd

<i>Percentage Change</i>		
Valuation Index (VI) Calculation and Modeling:	2014	2014
Adjusted Total ADM	2,481.05	2,481.05
Valuation Per Pupil	\$171,309	\$171,309
<i>Change in District Valuation Per Pupil</i>		
State Average PP Valuation	\$139,311	\$141,720
<i>Change in State Average PP Valuation</i>		
Valuation Index Lower than 1.0 is Less than State Avg	1.2297	1.2088
District's Per Pupil Valuation Change Relative to State		
Income Index (II) Calculation and Modeling:	2014	2014
District's Median Income	60,193	60,193
State Median Income	32,160	32,160
District's Income Index	1.8717	1.8717
Wealth Index, State Share and Core Funding		
	2014	2014
Wealth Index	1.2297	1.2088
Core Aid State Share Index	33.52%	34.56%
Core Aid Per Pupil	\$5,745	\$5,745
Formula ADM	2,464	2,464
Core Aid Total Funding	\$4,744,461	\$4,892,405

Consider the example above. The left hand column represents core funding using the November # 2 statewide ADM count. The column on the right uses the December #1 statewide count. Everything else in the simulation is the same. The lower statewide ADM count raises the statewide valuation per pupil from \$139,311 to \$141,720. This causes the district to become relatively “poorer,” raising the state share index from 33.52% to 34.56%, which increases core aid total funding by nearly \$150,000.

How should districts respond to this potential problem?

If a district is comfortable that its own data is accurate, the district should consider using its current data but continuing to use pre-December #1 statewide data until it is clear that the statewide data has stabilized. Making decisions or planning off of the current statewide data could potentially lead to problematic forecasts. Fortunately, a district has all the tools it needs in the five-year forecasting model to run alternate scenarios to see what the impact might be on state funding.

Please contact us at Public Finance Resources if you have questions.