



Health, which are reduced one percent, and appropriations to one line item, which the Director of Budget and Management may reduce.

- Transfers the first \$30 million of FY 1998 ending year balances that would otherwise go to the Income Tax Reduction Fund to the School District Solvency Fund and to Fund 021, School Building Assistance.
- Establishes an adequacy phase-in formula so that the poorest 204 districts in the state (according to their adjusted valuation per pupil) receive at least \$220 per pupil in addition to a basic aid foundation level of \$3,780 in FY 1999. The next poorest 203 districts receive varying amounts of adequacy aid per pupil such that the poorest of this next group of districts (the 205<sup>th</sup> district) receives nearly \$220 per pupil (plus the FY 1999 foundation level of \$3,780) and the 407<sup>th</sup> district receives only a few dollars in adequacy aid plus the \$3,780 foundation level. Districts with adjusted valuations per pupil equal to or greater than the 408<sup>th</sup> district do not receive any adequacy aid under the bill.
- Adjusts funding for Disadvantaged Pupil Impact Aid (DPIA) for districts with ADC/TANF percentages between 20 and 30 percent, so that districts with higher ADC percentages receive more aid per pupil. Districts with ADC/TANF percentages greater than 30 percent, receive a fixed amount per pupil (\$1,488) in DPIA funding.

### ***Local Fiscal Highlights***

LOCAL GOVERNMENT	FY 1998	FY 1999	FUTURE YEARS
<b>School Districts</b>			
Revenues	- 0 -	- \$100 million increase -	- 0 -
Expenditures	- 0 -	- 0 -	- 0 -
<b>Other Local Governments</b>			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	- 0 -	- 0 -	- 0 -

- An additional \$100 million over the FY 1999 appropriation, (the bulk of which was lump summed into one line item) is appropriated to the Department of Education. The additional amount is to be distributed to school districts.

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## ***Detailed Fiscal Analysis***

### **FY 1999 Appropriations to the Department of Education**

The bill makes GRF appropriations totaling \$5,234,145,592 to the Department of Education in FY 1999. The FY 1999 appropriations represent a 6.83% increase over FY 1998 GRF levels for the department. The GRF appropriation for FY 1999 is also \$100 million greater than the FY 1999 GRF appropriation in Am. Sub. H.B. 215, in which the majority of the Department of Education's budget was merged in a single line item.

The bill adds two new line items to the Department's budget. The first is a GRF line item (200-510) called Adequacy Phase-in. The line item receives appropriations of \$210,650,000 in FY 1999, and is to be used to for the adequacy phase-in (described below). The second new line item is a State Special Revenue Fund Group account called School District Solvency Assistance Fund, and is to be used to make advancements to school districts to enable them to remain solvent.

The bill reduces to zero appropriations to line item 200-500, School Finance Equity.

The attached spreadsheet shows fiscal year 1998 and fiscal year 1999 appropriations to the Department, the new FY 1999 amounts proposed in the bill, and percentage and dollar increases over FY 1998 appropriations for each line item.

### **Appropriation Reduction**

The bill reduces any FY 1999 General Revenue Fund appropriations authorized in any act of the 122<sup>nd</sup> General Assembly by three percent with the following exceptions:

1. Appropriations to the following agencies:
  - The Department of Education
  - The Ohio School for the Blind
  - The Ohio School for the Deaf
  - The Office of Information, Learning, and Technology Services, and
  - School Facilities Commission
  
1. Appropriations for the following purposes:
  - Property tax allocation
  - Tangible tax exemption
  - Debt service
  - All state office building rent and office building appropriations made to the Department of Administrative Services
  - Pension systems' made by the Treasurer of State
  
1. The following line items:
  - 005-321 Operating Expenses – Judiciary
  - 110-506 Utility Bill Credits

- 235-503 Ohio Instructional Grants
- 235-504 War Orphans' Scholarships
- 235-514 Central State Supplement
- 235-530 Academic Scholarships
- 235-531 Student Choice Grants
- 235-549 Part-time Student Instructional Grants
- 400-411 TANF Federal; Block Grant
- 400-413 Day Car Match/Maintenance of Effort
- 400-511 Disability Assistance
- 400-528 Adoption Services
- 911-401 Emergency Purposes/Contingencies

1. Appropriations to the Board of Regents are reduced by ½ of one percent, except for items included above.
2. Appropriations to the Department of Mental Retardation and Developmental Disabilities, the Department of Youth Services and the Department of Rehabilitation and Correction are reduced by two percent, except for items included above.
3. Appropriations to the Department of Taxation and the Department of Mental Health are reduced by one percent, except for items included above.
4. The Director of Budget and Management may reduce the appropriation for line item 400-525, Health Care/Medicaid, by an amount not to exceed one percent.

The bill states that the sum of all of the reductions is not to be less than \$100 million.

The bill state that the agency director of all agencies subject to a reduction may allocate the reductions among the agency's line items, subject tot he approval of the Director of the Office of Budget and Management. The bill also specifies that when appropriations are reduced in a line item with set-aside/s, the set-aside/s may be reduced by a percentage up to the percentage the line item itself is reduced.

The attached spreadsheet shows General Revenue Fund appropriations in fiscal years 1997, 1998, and 1999, the proposed fiscal year 1999 appropriation, the amount of savings realized, the percentage to FY 1999 appropriations after the adjustment, and the percentage change from FY 1998 to FY 1999, after the adjustment.

### **Transfer of FY 1998 Ending Year Balances**

The bill authorizes the transfer of FY 1998 ending GRF balances that otherwise would have been transferred to the Income Tax Reduction Fund as follows:

- A) the first \$30 million to the School District Solvency Assistance Fund;
- B) any remaining surplus revenue in excess of the \$30 million to Fund 021, School Building Assistance.

The School District Solvency Fund was created in Am. Sub. H.B. 412 of the 122<sup>nd</sup> General Assembly. The fund is to be used to make advancements to school districts to enable them to remain solvent and to pay unforeseeable expenses of a temporary or emergency nature that they are unable to pay from existing resources.

Thus far in fiscal year 1998, (as of November 30, 1997) actual non-federal revenues have exceeded estimated revenues by \$75 million. On the spending side, General Revenue Fund spending as of November 30, 1997 was \$424.8 million under estimated disbursements, although the bulk of the underspending to date is probably due to timing inaccuracies. Much of the \$424.8 million will probably be spent later than had been projected.

The Legislative Budget Office projects that by the end of fiscal year 1998, the ending GRF balance that otherwise would have been transferred to the Income Tax Reduction will total approximately \$200 million. Thus, under the bill, \$30 million would be transferred to the School District Solvency Assistance Fund and approximately \$170 would be transferred to Fund 021, School Building Assistance.

### **Foundation Level**

Under the bill, the foundation level for fiscal year 1999 is established at \$3,780.

### **Adequacy Phase-In Payment**

Each district with an adjusted valuation per pupil less than the district with the 408th lowest adjusted valuation per pupil will receive an adequacy aid phase-in payment under the bill. For FY 1999, the adjusted valuation of the district with the 408th lowest adjusted valuation per pupil in the state is \$95,954. Thus, all districts with adjusted valuation less than \$95,954 will receive an adequacy aid phase-in payment. Each district's adequacy aid per pupil payment is multiplied by the district's cost of doing business factor times the district's basic ADM.

### **Calculation of Adequacy-Aid Phase-In Payment**

The calculation of the adequacy aid phase-in payment depends on the district's ranking in terms of its adjusted valuation per pupil. The calculation is as follows:

A) If a district's adjusted valuation /pupil is less than or equal to the school district with the 204th lowest valuation, the district receives \$220 per pupil in adequacy aid. Thus, if a district has 1,000 pupils and its cost of doing business factor is 1.05, its adequacy phase-in payment would be  $\$220 \times 1,000 \times 1.05 = \$231,000$ .

B) If a district's adjusted valuation per pupil is greater than the district with the 204th lowest adjusted valuation per pupil in the state, but less than the district with the 408th lowest valuation in the state, the district receives a phase-in payment that is less than the \$220/pupil that districts above receive. The amount each district receives per pupil gradually decreases so that the district with the 407th lowest valuation only receives a small amount in adequacy aid.

The formula to calculate the per pupil amount districts with adjusted valuations per pupil greater than the 214<sup>th</sup> lowest district and less than the district with the 408<sup>th</sup> lowest valuation is as follows:

$$\$220 - \{ \$220 \times [(\text{the district's adjusted valuation per pupil} - \text{the 204}^{\text{th}} \text{ lowest adjusted valuation per pupil in the state}) / (\text{the 404}^{\text{th}} \text{ lowest adjusted valuation per pupil in the state} - \text{the 204}^{\text{th}} \text{ adjusted valuation per pupil in the state})] \} \text{ or}$$

$$\$220 - \{ 220 \times [(\text{the district's adjusted valuation per pupil} - \$65,138) / (\$95,954 - 65,138)] \}$$

The following table shows the phase-in payments per pupil hypothetical districts with varying adjusted valuations per pupil would receive.

District's Adjusted Valuation Per Pupil	Adequacy Phase-In Payment Per Pupil
\$45,000	\$220
\$55,000	\$220
\$65,000	\$220
\$70,000	\$185.3
\$75,000	\$149.6
\$80,000	\$113.9
\$85,000	\$ 78.2
\$90,000	\$42.5
\$95,000	\$ 6.8

### Recalculation of Adequacy Aid Per Pupil for Certain Districts

If the amount that a district receives for adequacy aid per pupil plus the FY 1999 foundation level (\$3,780) is less than the amount per pupil in equity aid received in FY 1998 plus the FY 1998 foundation level (\$3,663), then a district's adequacy aid per pupil would be recalculated as follows:

$$[\$3,663 + (\text{the district's FY 1998 equity aid payment/ADM}) - \$3,780]$$

For example, if a district received \$550/ADM in equity aid in FY 1998, its adequacy amount (\$220) per pupil plus the foundation level for FY 1999 would be less than the amount per pupil it received in FY 1998 in equity aid plus the foundation level. The foundation level plus the district's equity amount per pupil in FY 1998 would have been  $\$3,663 + 550 = \$4,213$ . The district's adequacy aid per pupil plus the FY 1999 foundation level is  $\$3,780 + 220 = \$4,000$ . Since this amount is less than the FY 1998 amount, the district's recalculated adequacy aid per pupil equals:

$$[\$3,663 + (550) - \$3,780] = \$333$$

This amount is then multiplied by the district's cost of doing business factor.

### Changes in Disadvantaged Pupil Impact Aid (DPIA) Formula

The current DPIA formula consists of four formulas, as follows:

- a) a flat amount for each child whose family receives TANF assistance if the percentage of such students in the district is at least five percent but less than 10 percent;
- b) a higher amount for each child depending on the district's TANF percentage, if the percentage of students whose families' receive TANF assistance is at least 10 percent but less than 20 percent;
- c) a still higher amount for each child depending on the district's TANF percentage, of the percentage of students whose families' receive TANF assistance is at least 20 percent but less than 30 percent;
- d) a flat amount for each child whose family receives TANF assistance if the percentage of such students in the district is greater than 30 percent.

The actual formulas in permanent law are as follows:

<b>ADC/TANF Percentage</b>	<b>Payment per ADC/TANF Pupil</b>
At Least 5%, but less than 10%	\$198
At least 10%, but less than 20%	(\$101.50 X per cent figure) minus \$817.00
At least 20%, but less than 30%	(\$7.50 x per cent figure) plus \$1,063.00
At least 30%	\$1,288

The results of these formulas were increased by 4 percent in FY 1998, and by an additional 5 percent in FY 1999.

**Increasing Aid for District's with TANF Percentages Greater than Thirty Percent**

The formula for districts with ADC/TANF percentages between 20 and 30 percent is the formula for a straight line, with districts with higher ADC/TANF percentages receiving increased aid per ADC pupil. The bill extends the formula for the line for districts between 20 and 30 percent ADC/TANF to districts between 20 and 40 percent ADC. Thus, instead of receiving a flat amount for each ADC/TANF students, districts with these percentages of ADC/TANF students, receive an increased amount of aid per ADC/TANF pupil, the greater their percentage. The following table and attached graph show the amount of aid districts with ADC/TANF percentages greater than 30 percent receive under the current DPIA formula, and the amount districts would receive under the proposed change in the formula.

<b>ADC/TANF Percentage</b>	<b>Amount District Receives per ADC Pupil under Current Formula - FY 1999</b>	<b>Amount District Receives per ADC Pupil under Extended Formula - FY 1999</b>	<b>\$ Difference</b>
28	\$ 1,390	\$ 1,390	\$ -
29	\$ 1,398	\$ 1,398	\$ -
30	\$ 1,393	\$ 1,406.5	\$ 13.4
31	\$ 1,393	\$ 1,414.7	\$ 21.6
32	\$ 1,393	\$ 1,422.9	\$ 29.8
33	\$ 1,393	\$ 1,431.1	\$ 38.0
34	\$ 1,393	\$ 1,439.3	\$ 46.2
35	\$ 1,393	\$ 1,447.4	\$ 54.3
36	\$ 1,393	\$ 1,455.6	\$ 62.5
37	\$ 1,393	\$ 1,463.8	\$ 70.7
38	\$ 1,393	\$ 1,472.0	\$ 78.9
39	\$ 1,393	\$ 1,480.2	\$ 87.1
40	\$ 1,393	\$ 1,488.0	\$ 94.9
41	\$ 1,393	\$ 1,488.0	\$ 94.9
42	\$ 1,393	\$ 1,488.0	\$ 94.9
43	\$ 1,393	\$ 1,488.0	\$ 94.9
44	\$ 1,393	\$ 1,488.0	\$ 94.9

**Supplemental Amounts for Special Education, Vocational Education, and Gifted Units**

Beginning with the previous budget bill (Am. Sub. H.B. 117 of the 121st General Assembly), in addition to the amounts paid to districts for each approved special education, vocational education, and gifted unit (as calculated by applying an amount from the minimum salary schedule based on the education and experience of the teacher of the unit, times 15% for fringe benefits, plus a unit amount), two supplemental amounts were made, as follows:

- a) a dollar amount, equalized to reflect the percent of the foundation level paid with local funds; and
- b) an average unit amount, 50 percent of which went to each unit.

The bill increases these two supplemental amounts to the amounts shown in the following tables for FY 1999:

<b>Supplemental Unit Amounts FY 1998 – FY 1999 Dollar Amount (Equalized)</b>			
<b>Type of Unit</b>	<b>FY 1998</b>	<b>FY 1999</b>	<b>% increase</b>

Vocational	\$5,345	\$7,298	36.5%
Special - classroom	\$5,702	\$7,734	35.6%
Special - supervisory	\$2,293	\$2,934	28.0%
Gifted	\$2,523	\$3,250	28.8%

<b>Supplemental Unit Amounts FY 1998 – FY 1999</b>			
<b>Average Unit Amount</b>			
<b>Type of Unit</b>	<b>FY 1998</b>	<b>FY 1999</b>	<b>% increase</b>
Vocational	\$4,937	\$6,627	34.2%
Special - classroom	\$5,360	\$7,199	34.3%
Special - supervisory	\$2,129	\$2,666	25.2%
Gifted	\$2,343	\$2,951	25.9%

Total classroom unit reimbursement averages about \$40,000. Thus the proposed increases are in the range of 4 to 5 percent of total unit reimbursement.

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