

# Illustration of School Funding in Ohio

Legislative Service Commission

3/2007

# Agenda

1. Why Is School Funding Complicated?
2. School Funding Overview
3. Operating Funding for Schools - Model Cost & Distribution Formula
4. Funding Transfers for Certain Students
5. Funding for Joint Vocational Schools

## Agenda - *continued*

6. School District Property and Income Taxes and H.B. 920
7. Interaction of the School Funding Formula and H.B. 920
8. Phase-out of General Business TPP Tax
9. Capital Funding for Schools
10. Federal Funding for Schools

# Why Is School Funding Complicated?

# Why Is School Funding Complicated?

- Simplicity
- Uniform per pupil funding



- Fairness
- Equity
- Equal educational opportunity

# Different Students Have Different Needs

- Different students have different needs
  - “Regular” services
  - Special education services
  - Career-technical education services
  - Gifted education services
  - Extra intervention services for students from low-income families
  - Transportation services

# Different Districts Face Different Challenges

- Geographic size of school districts
  - 61 districts < 10 square miles
  - 25 districts > 200 square miles
- Transportation shares of school district budgets
  - 7 districts: no need for transportation service at all
  - 42 districts < 2%
  - 20 districts > 8%
  - State average = 4%

# Different Districts Face Different Challenges

- Percentages of students needing special education services
  - State average = 12.9%
  - 48 districts > 16.0%
  - 41 districts < 8.0%
- Percentage of students from families participating in Ohio Works First (OWF)
  - State average = 5.0%
  - 28 districts > 10.0%
  - 403 districts < 2.5%

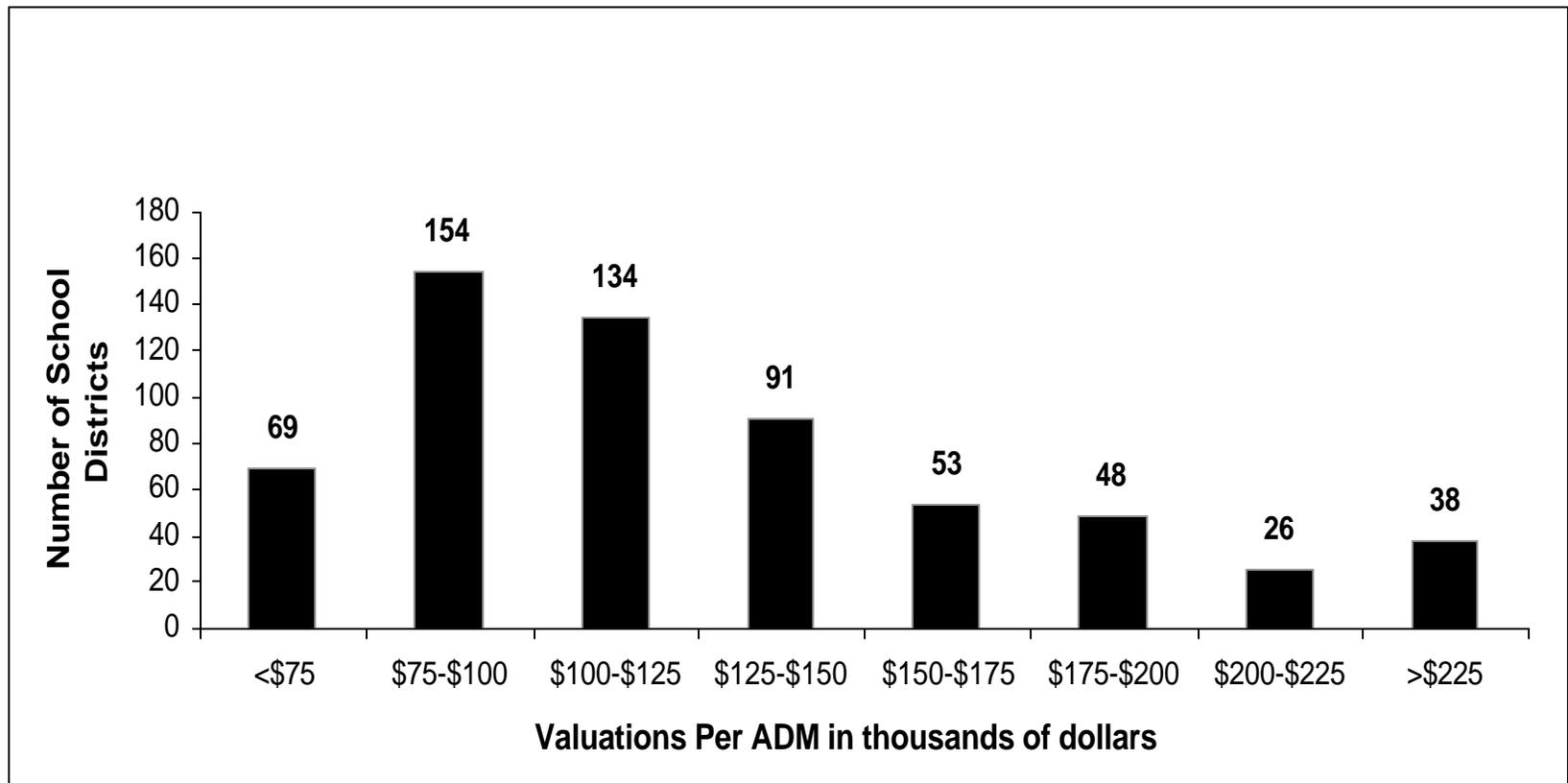
# Different Districts Face Different Challenges

- Student enrollments – 1.8 million statewide
  - 17 largest districts > 10,000 students each
    - 23% (416,000) of students statewide
    - Average enrollment: 24,483
  - 17 smallest districts < 500 students each
    - 0.3% (5,796) of students statewide
    - Average enrollment: 341
  - Statewide average enrollment: 2,954 students
  - Statewide median enrollment: 1,814 students

# Different Districts Face Different Challenges

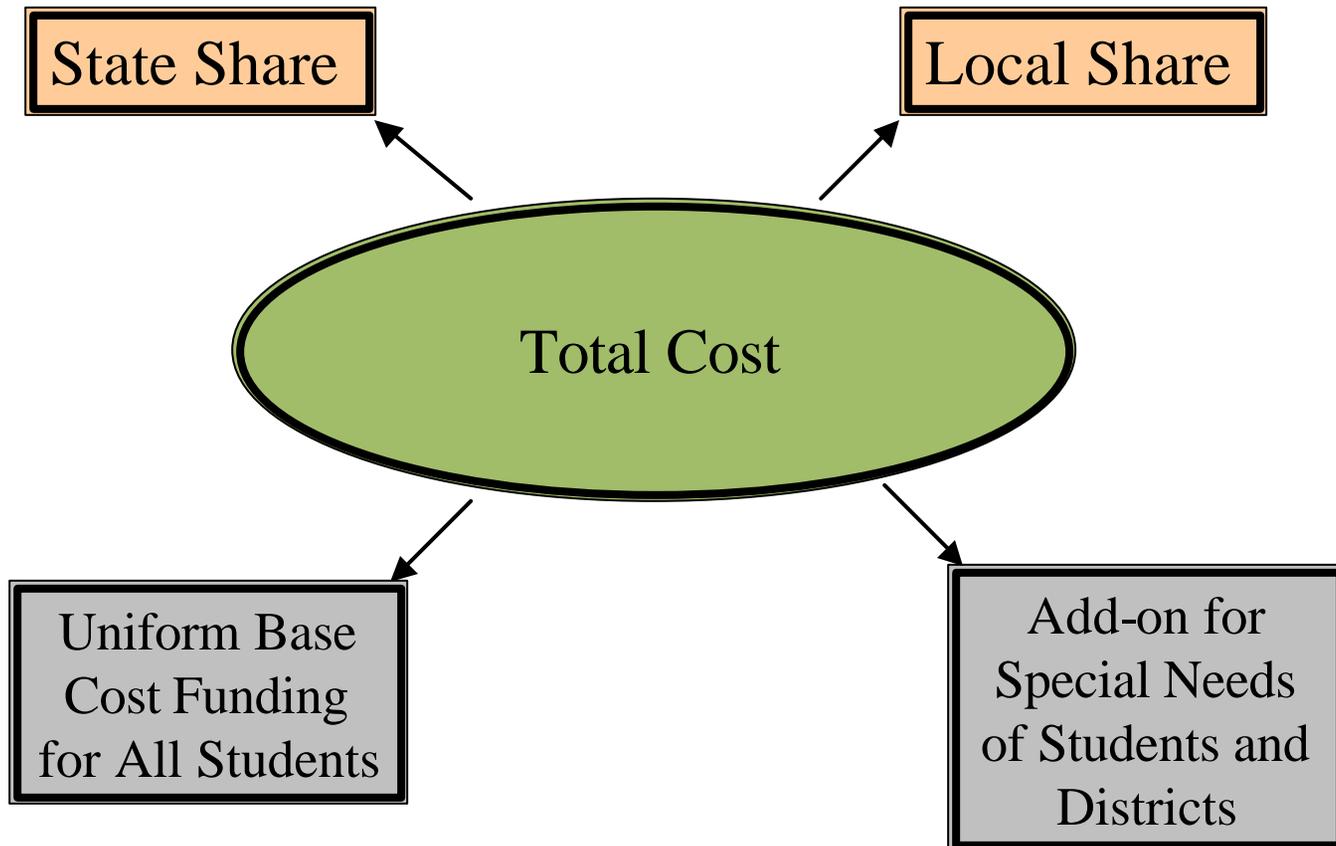
- Property wealth of school districts
  - 1 mill of property tax levy revenue
    - Bottom 13 districts < \$50 per student
    - Top 13 districts > \$287 per student
    - State average: \$128 per student
- Income wealth of school districts
  - Bottom 3 districts < \$20,000
  - Top 3 districts > \$64,000
  - State median: \$30,500
- Rural, suburban, and major urban districts
  - 338 rural districts
  - 117 urban districts
  - 153 suburban districts

# Distribution of Taxable Property Valuations Per Pupil, TY 2005

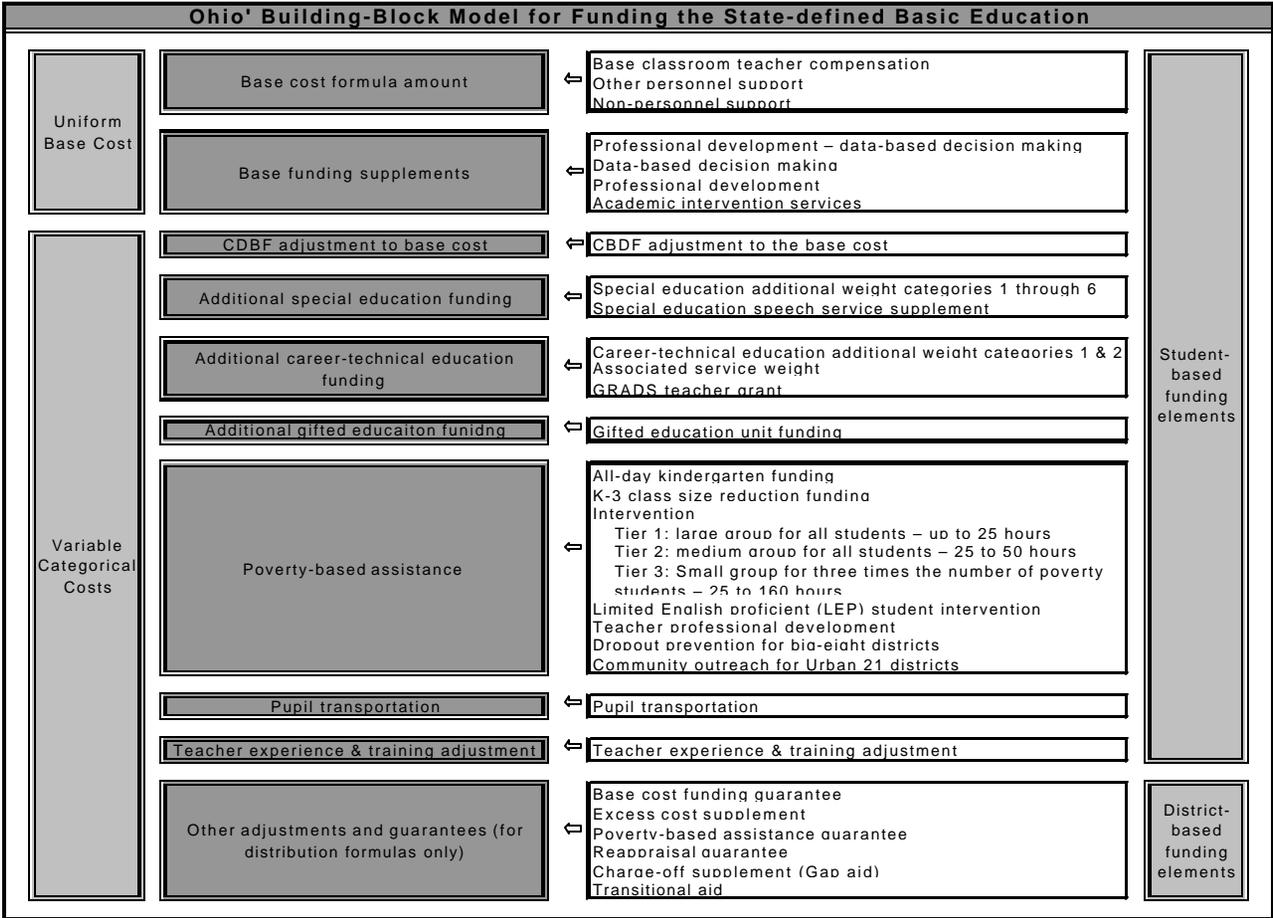


# Is School Funding Complicated?

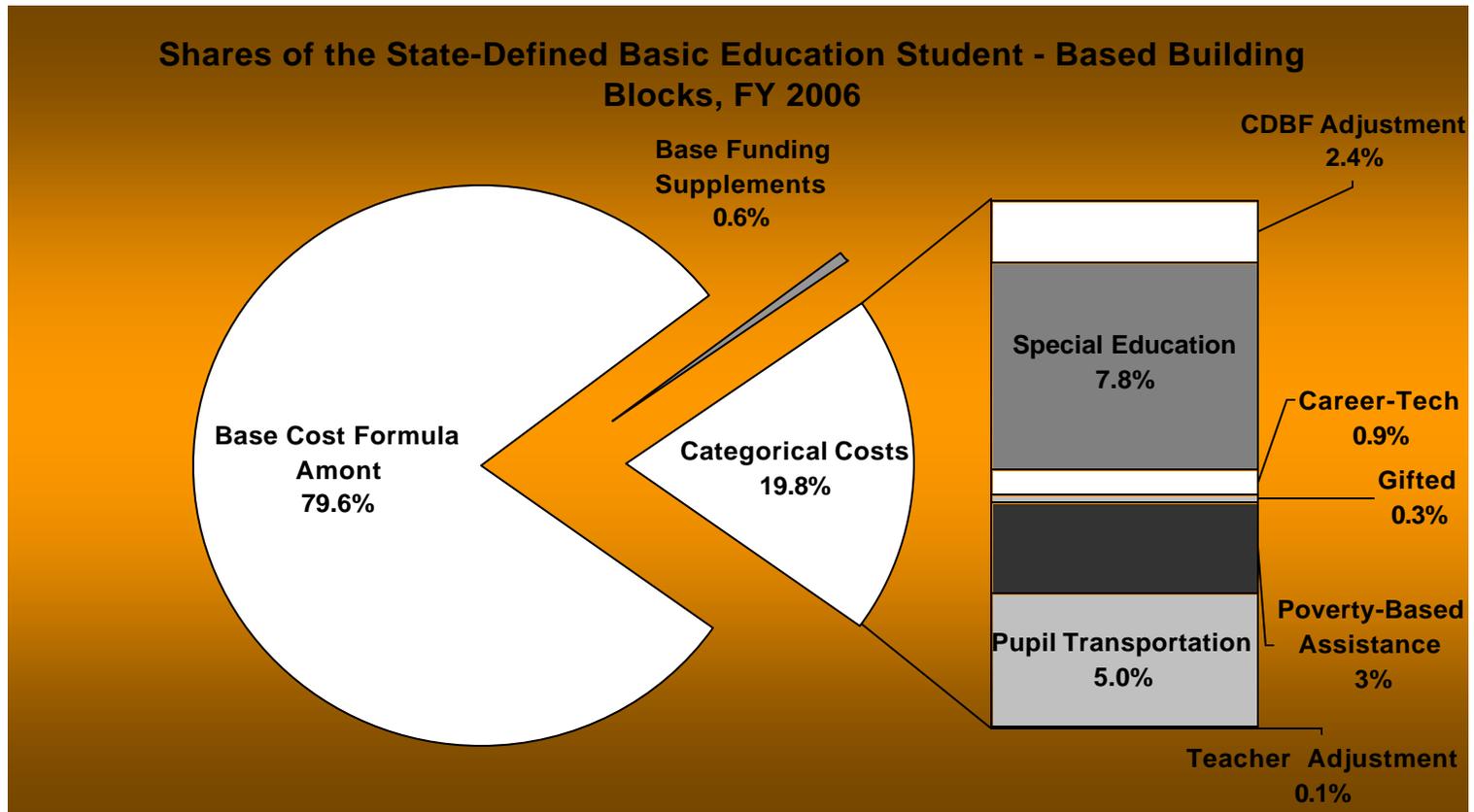
- No!



# Is School Funding Really Simple? - Well...



# Are All Elements of School Funding Building Blocks Equal?



# Is School Funding Understandable?

- YES!

- Understanding base cost funding is the key.
  - On average 80% of total school funding
- The complexity comes from the add-on blocks.
  - On average 20% of total school funding

# May I Get Good Grades in School Funding? – YES!

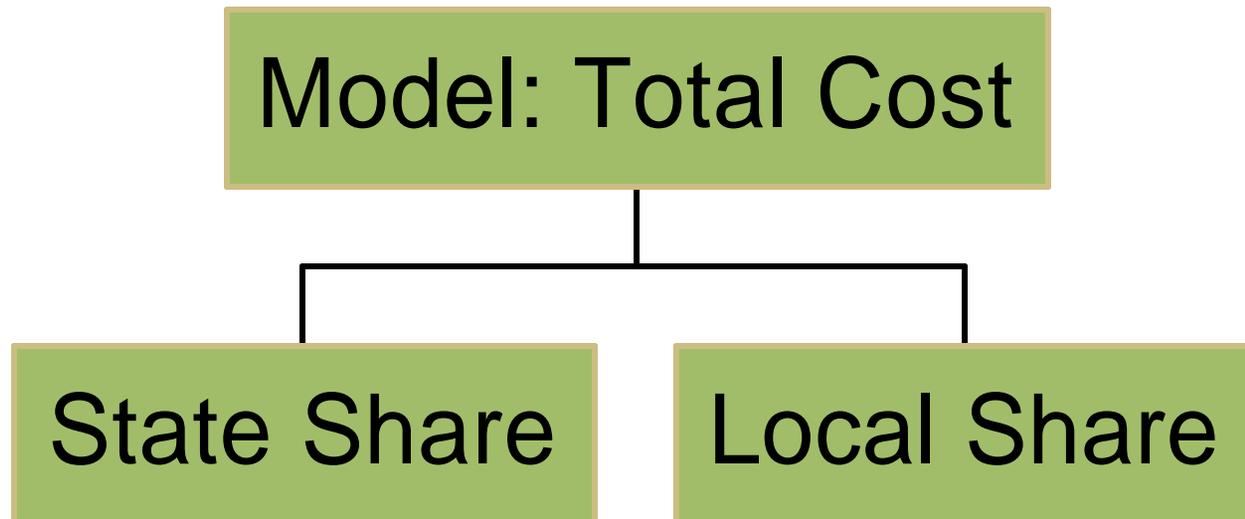
- Grade B - understands base cost funding: 80%
- Grade A<sup>-</sup> - also understands weighted funding: 90%
- Grade A - also understands poverty-based assistance: 94%
- Grade A<sup>+</sup> - also understand pupil transportation funding: 98%

## What about the Remaining 2%?

- Burn the mid-night oil to study various guarantee and adjustment provisions that have been added into the distribution formula
- Alternatively, call your LSC staff for assistance!
  - Melaney Carter – 466-6274
  - Wendy Zhan – 728-4814
  - LSC – 466-8734

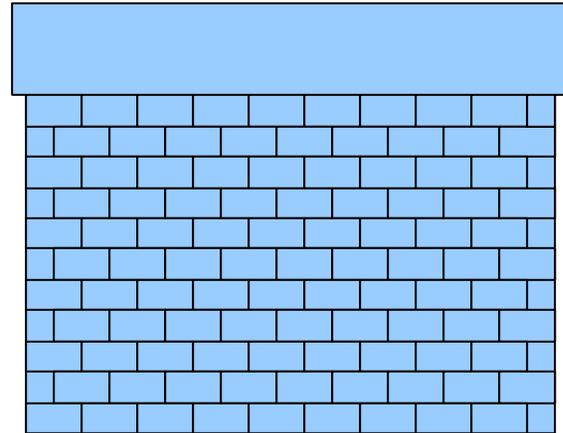
# A Few Thoughts on Understanding School Funding

- School funding model and school funding formula are related, but two different things.
  - Model determines the total cost.
  - Formula determines state and local shares.



# A Few Thoughts on Understanding School Funding

- Ohio's school funding model consists of many building blocks.
  - These building blocks are interconnected, changing one block may affect other blocks and the final outcome.



# A Few Thoughts on Understanding School Funding

- Ohio's school funding distribution formula contains several adjustments and guarantee provisions.
  - address special circumstances of districts and students
  - add complexity in understanding school funding



# School Funding Overview

# Ohio's Public School System

- 612 traditional public schools
- 49 joint vocational school districts
- 309 public community schools
- 114,000 full-time equivalent teachers
- 1.8 million students
- 125,000 high school graduates annually, 57.6% of them going directly to college

## Teacher Experience, FY 2006

Years of Experience	Teacher FTEs	Teacher FTE %
0-5 years	31,246	27.4%
6-10 years	22,613	19.9%
11-15 years	16,350	14.3%
16-20 years	12,942	11.4%
21-25 years	11,293	9.9%
26-30 years	11,085	9.7%
31+ years	8,431	7.4%
Statewide Total	113,961	100%

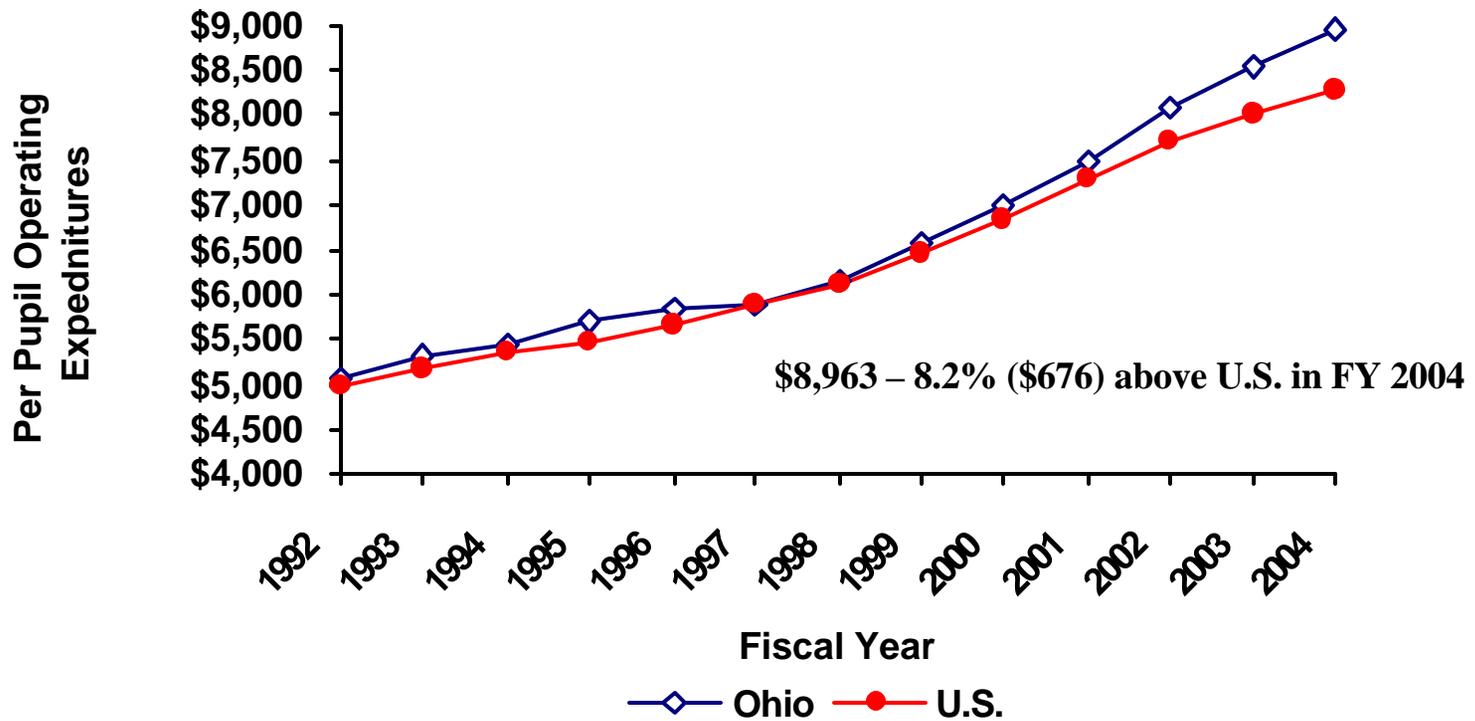
# Student Enrollments, FY 2007

1.8 million public student enrollment

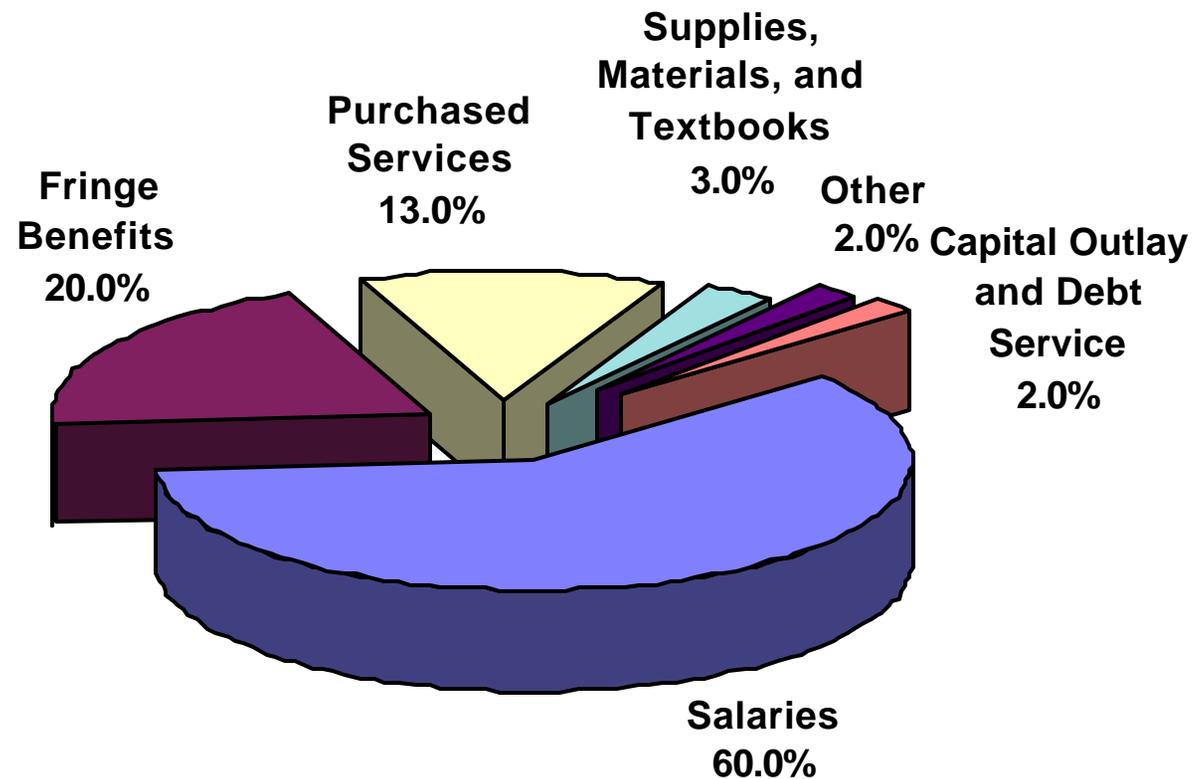
- 93.4% attends traditional public schools
- 4.3% attends community schools
- 2.1% attends joint vocational school districts
- 0.2% attends private schools under the Ed Choice Scholarship Program

# Ohio's Per Pupil Operating Expenditures Exceed National Average

Per Pupil Operating Expenditures for Ohio and U.S.



# 80% of Typical School District Budget Spent on Salary and Fringe Benefits



# School District Total Spending - FY 2006

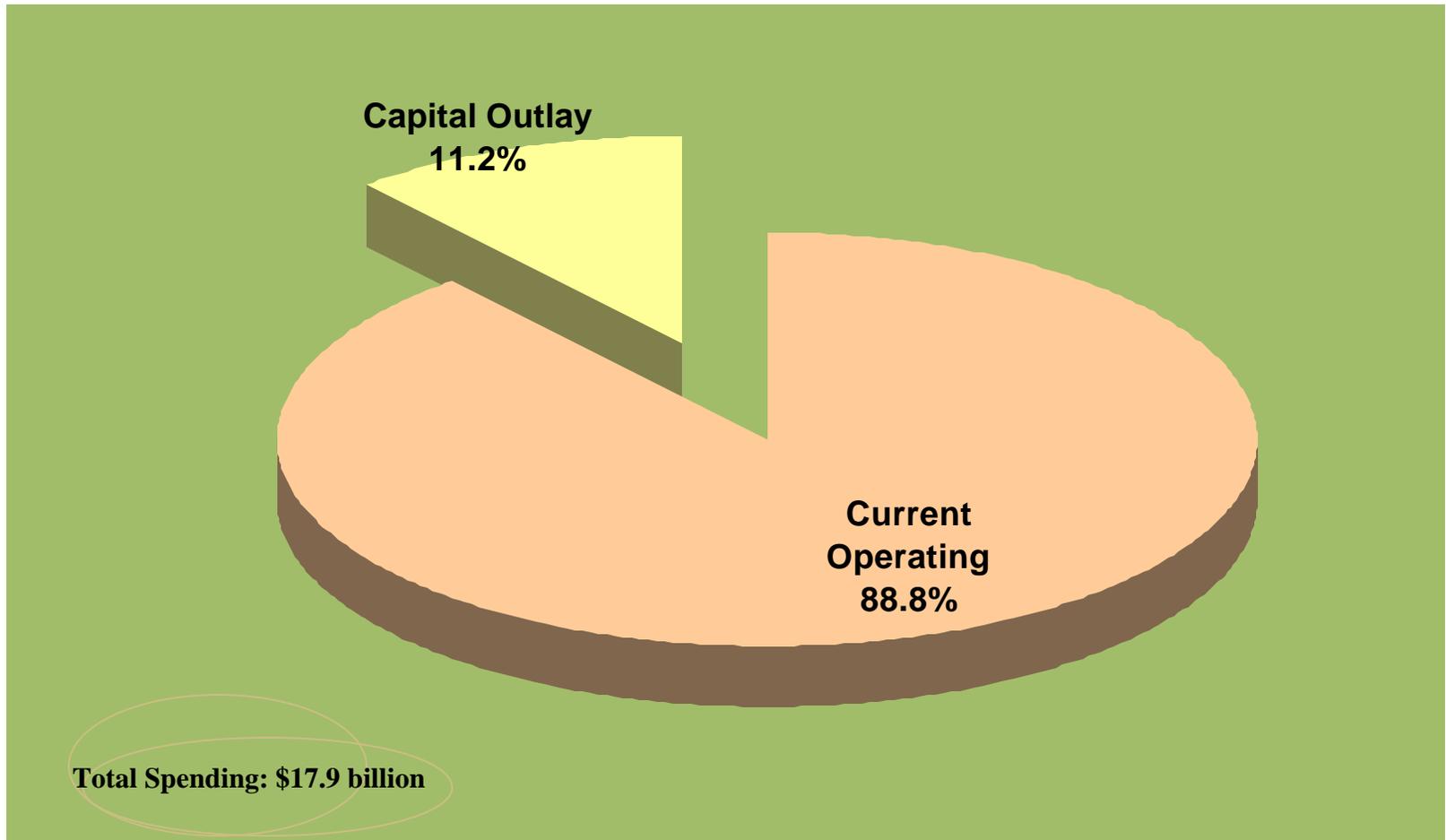
Total Spending - \$17.9 billion

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graph TD; A["Total Spending - $17.9 billion"] --- B["Operating $15.9 billion"]; A --- C["Capital $2.0 billion"]
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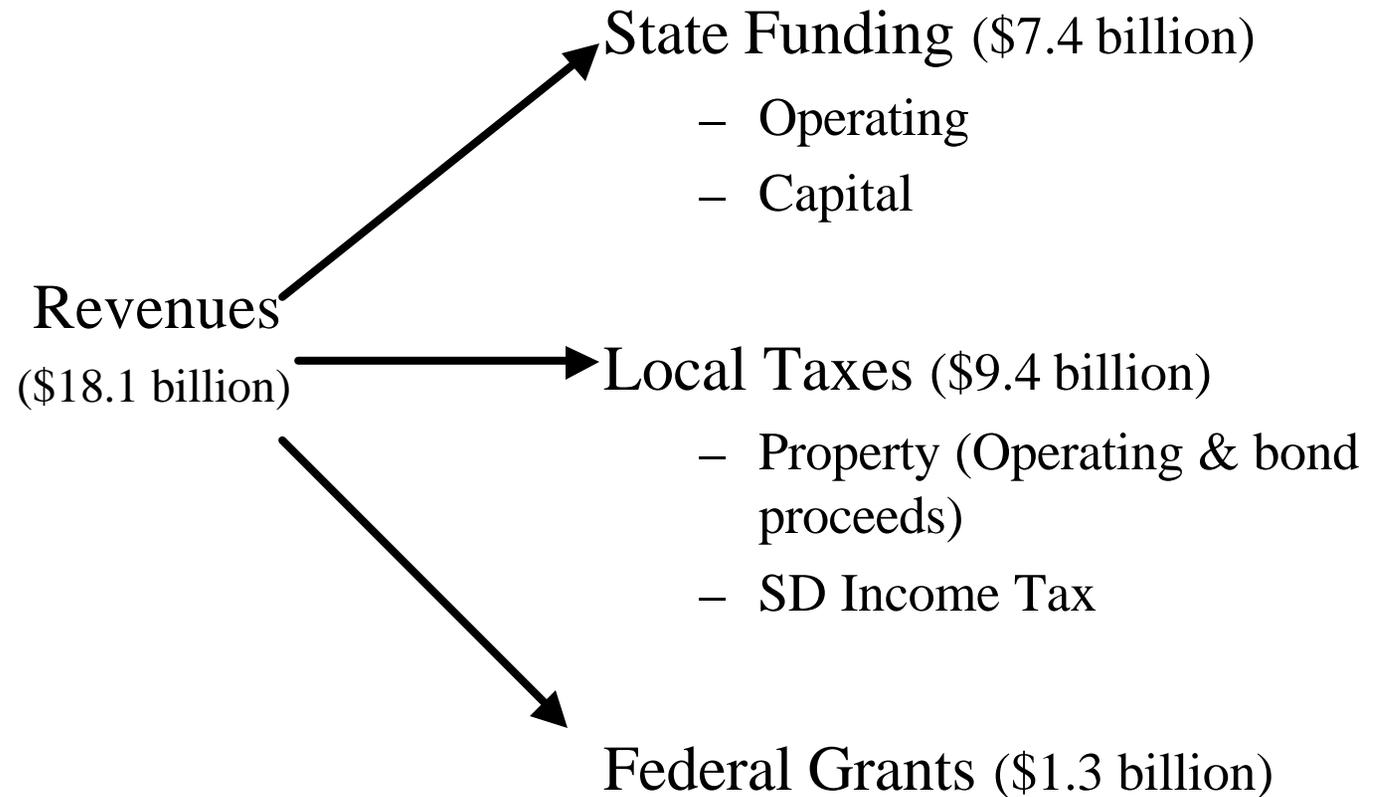
Operating  
\$15.9 billion

Capital  
\$2.0 billion

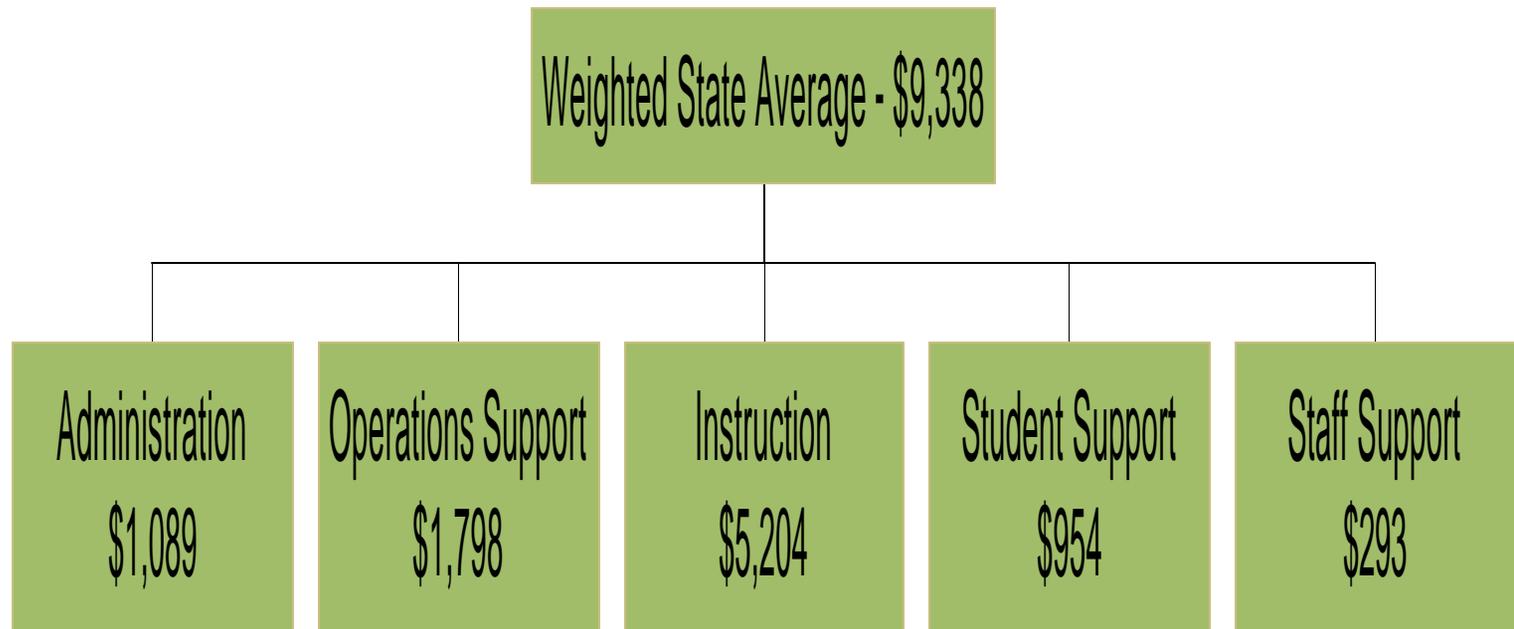
# School District Total Spending - FY 2006



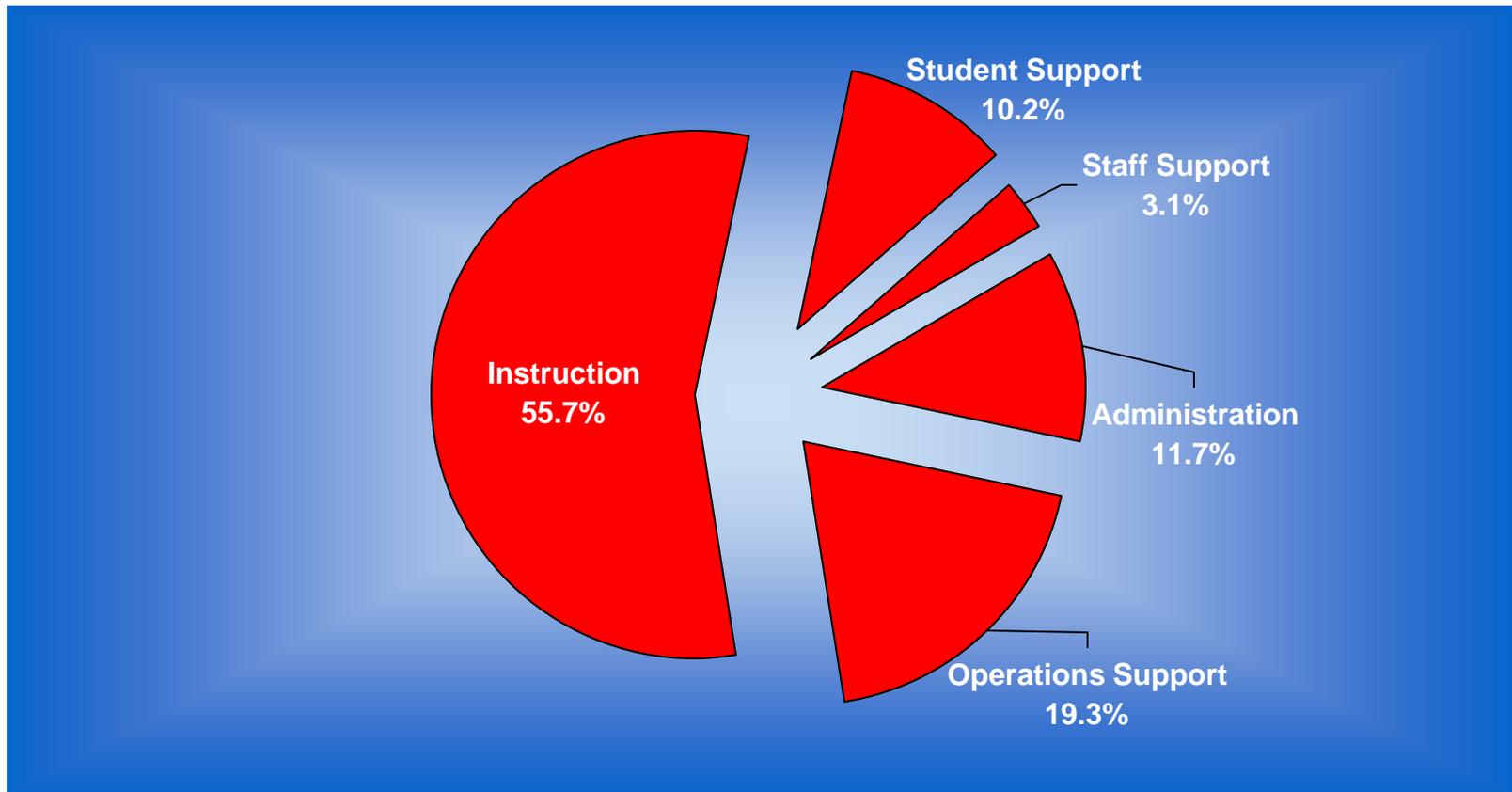
# School District Revenue Sources - FY 2006



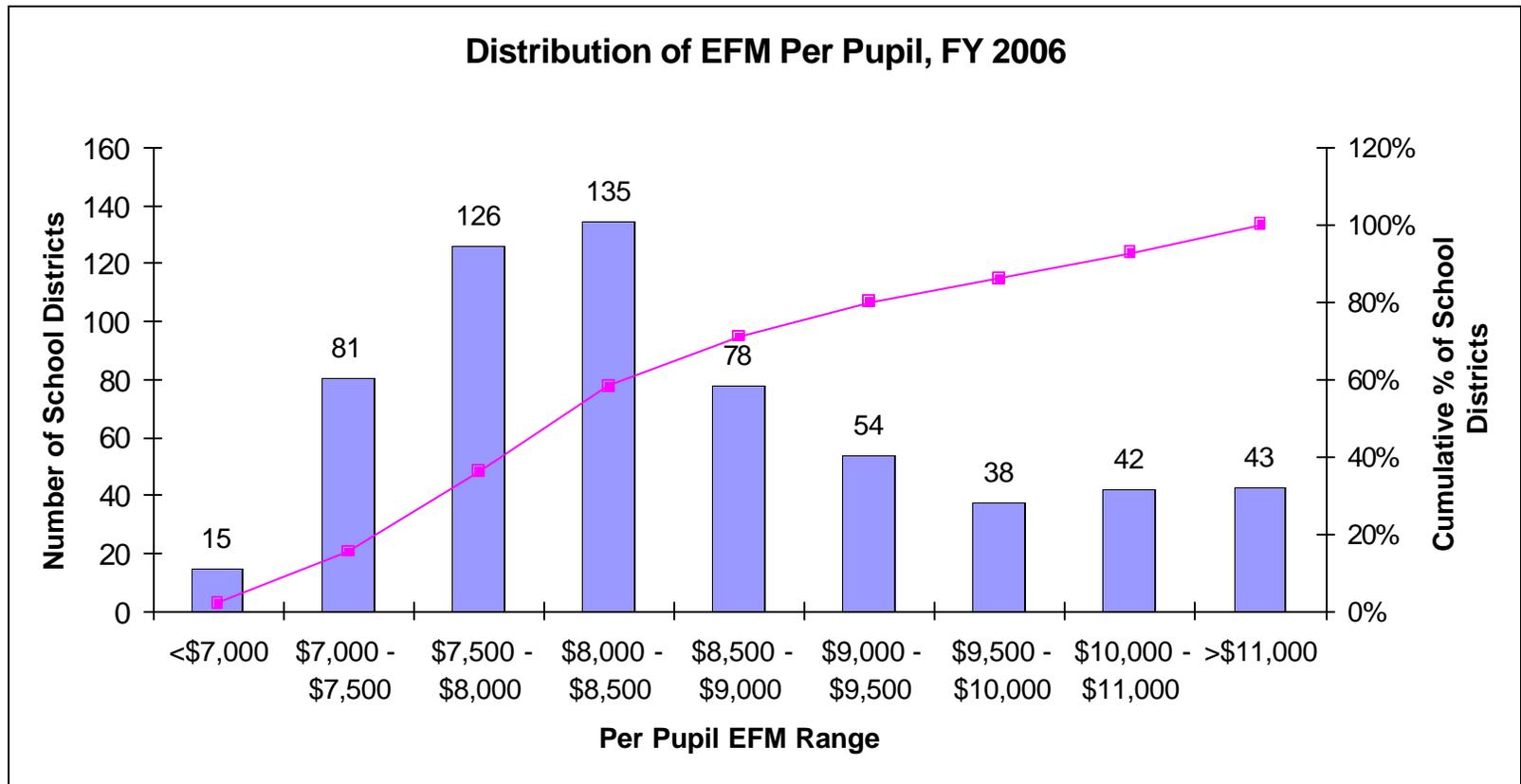
# Expenditure Flow Model (EFM), FY 2006



# Expenditure Flow Model (EFM), FY 2006

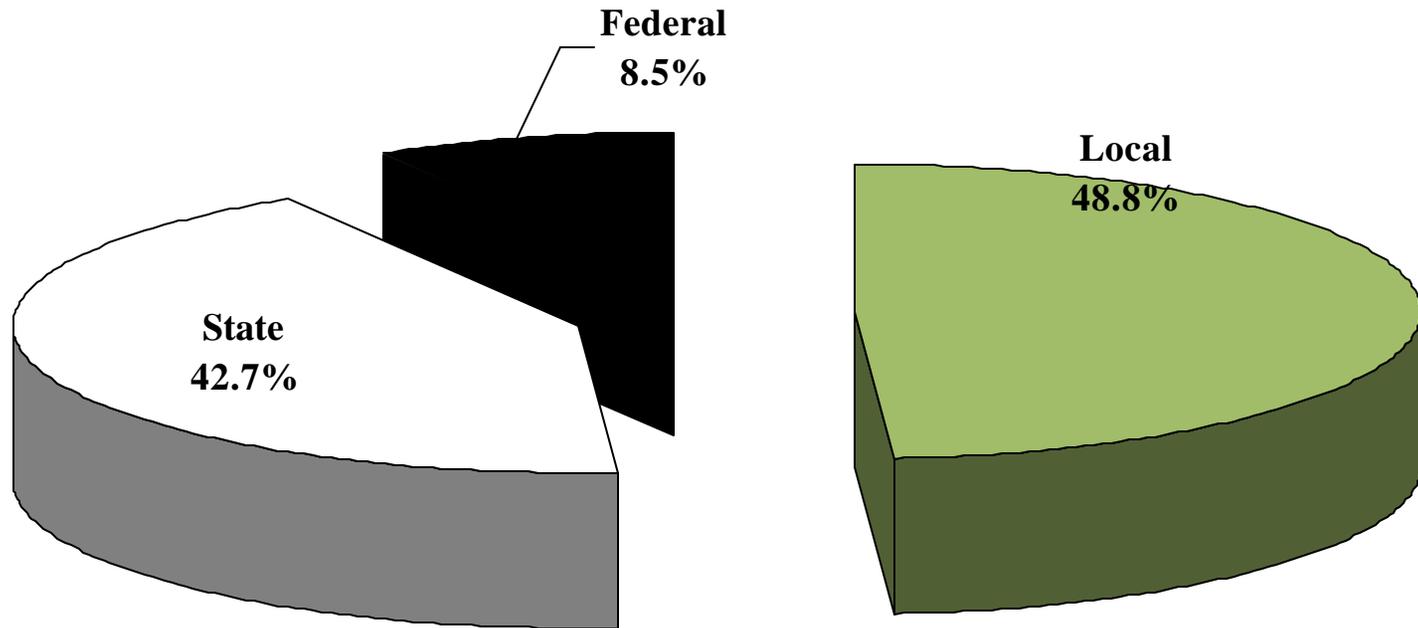


# Distribution of Per Pupil EFM, FY 2006

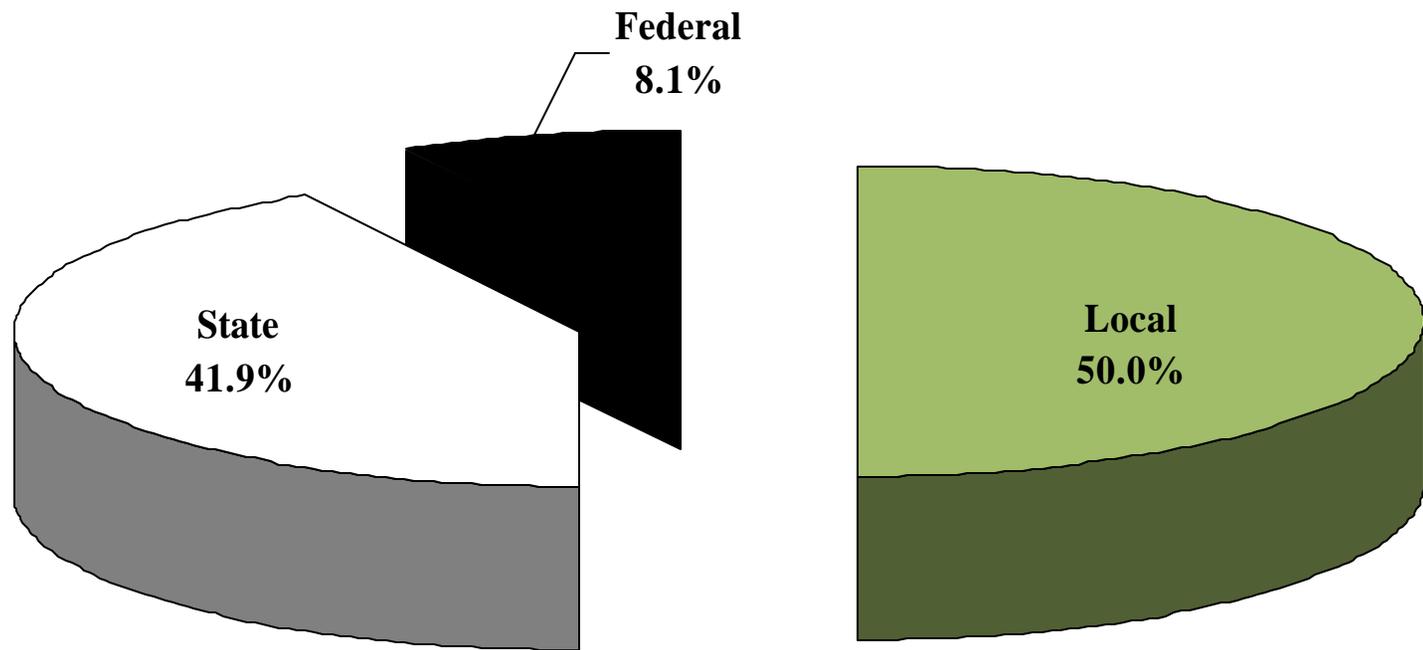


**5<sup>th</sup> Percentile – \$7,193; 95<sup>th</sup> Percentile – \$11,464; Median – \$8,258 ; Weighted Average - \$9,338**

# School Operating Revenue (Includes Community Schools) by Source, FY 2006

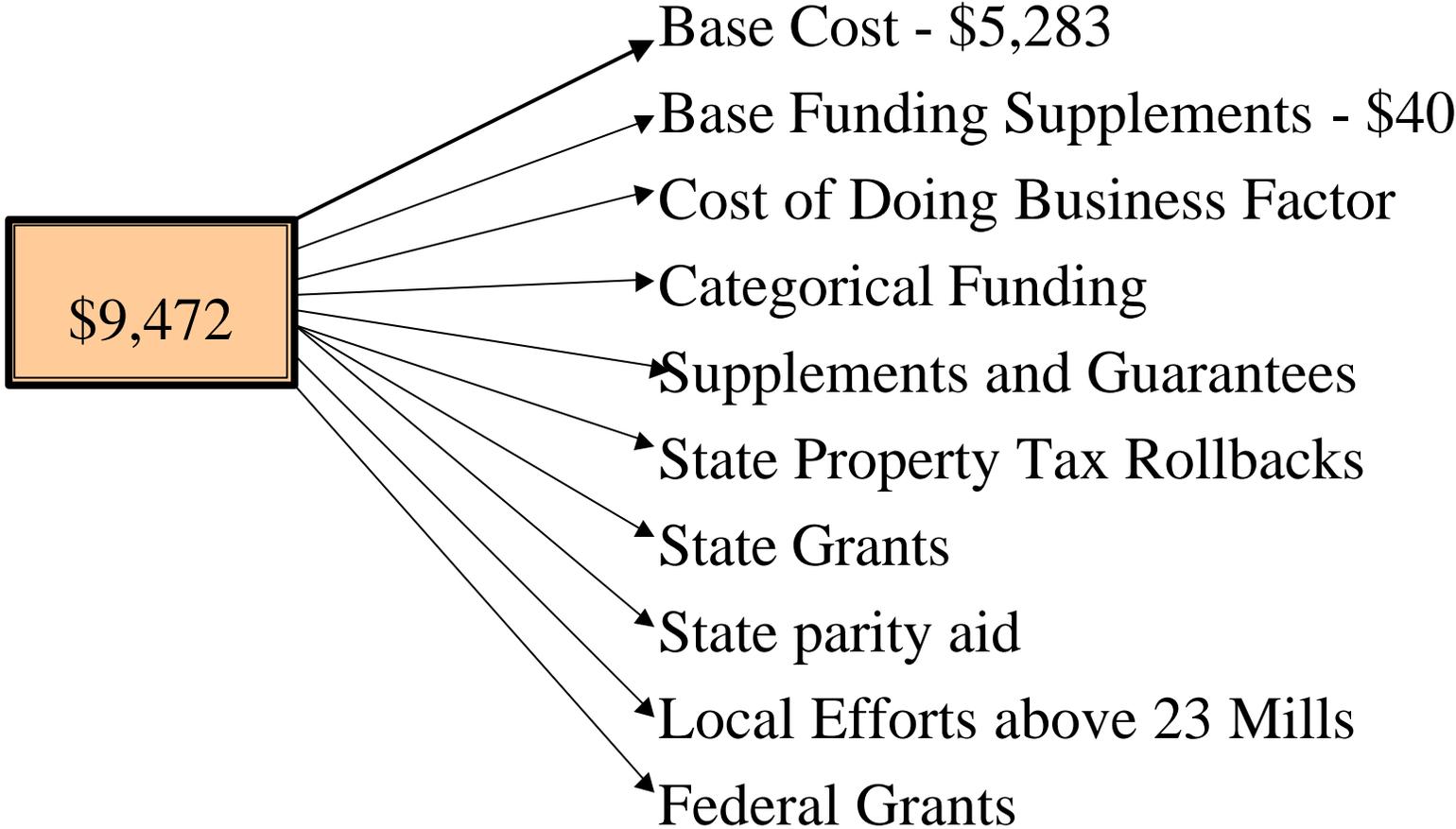


# School Operating Revenue (Excludes Community Schools) by Source, FY 2006



Excludes funding for community schools, including \$483.9 million in state funds

# School District Per Pupil Operating Revenue Composition, FY 2006



# School Funding Components

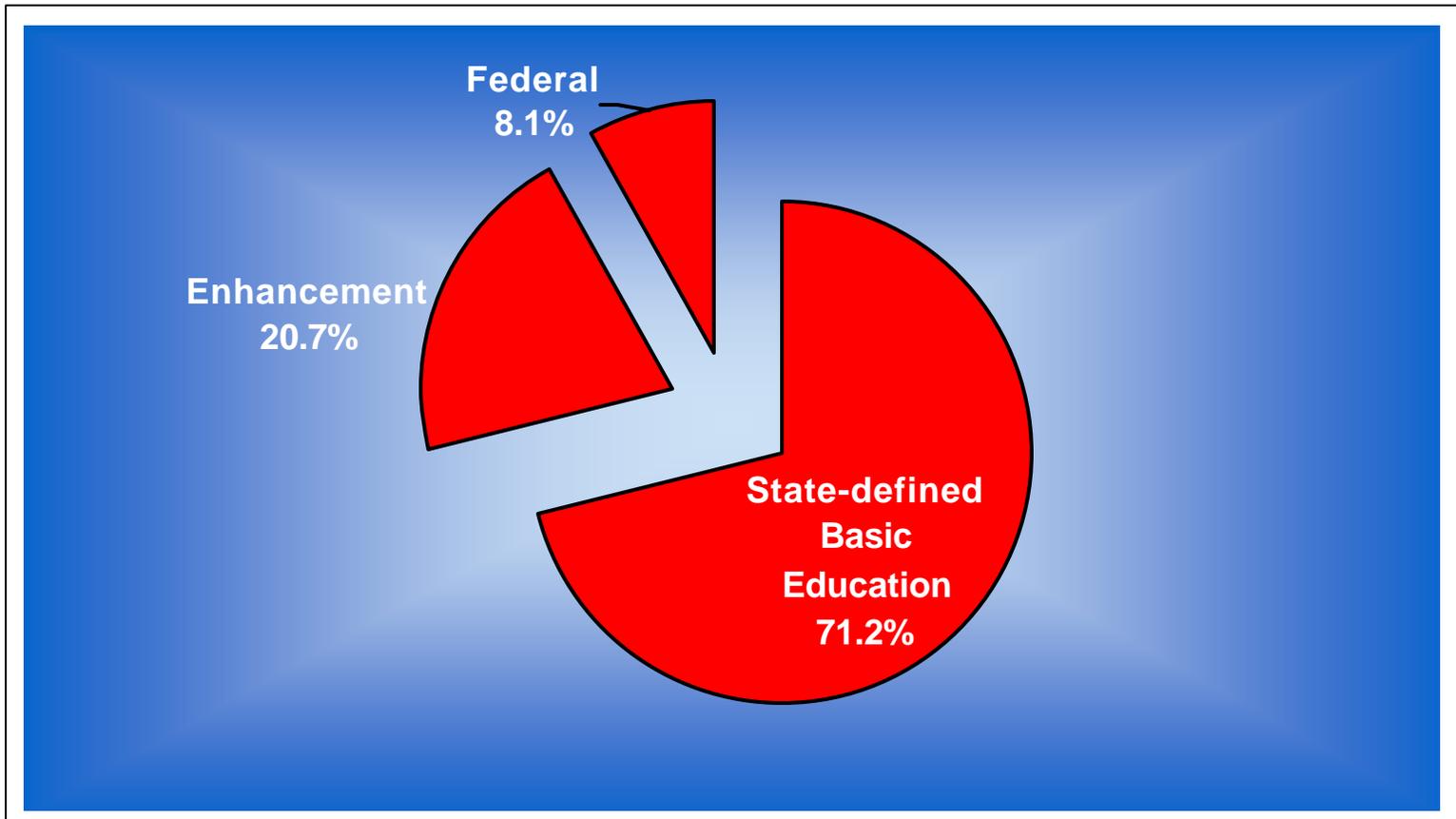
- Operating

- State-defined Basic Education
  - Funding sources: state & local
- Enhancement above the state-defined basic education level
  - Funding sources: local & state
- Federal

- Capital

- Funding sources: state & local

# School District Operating Revenue by Component, FY 2006



# State Education Funding Components

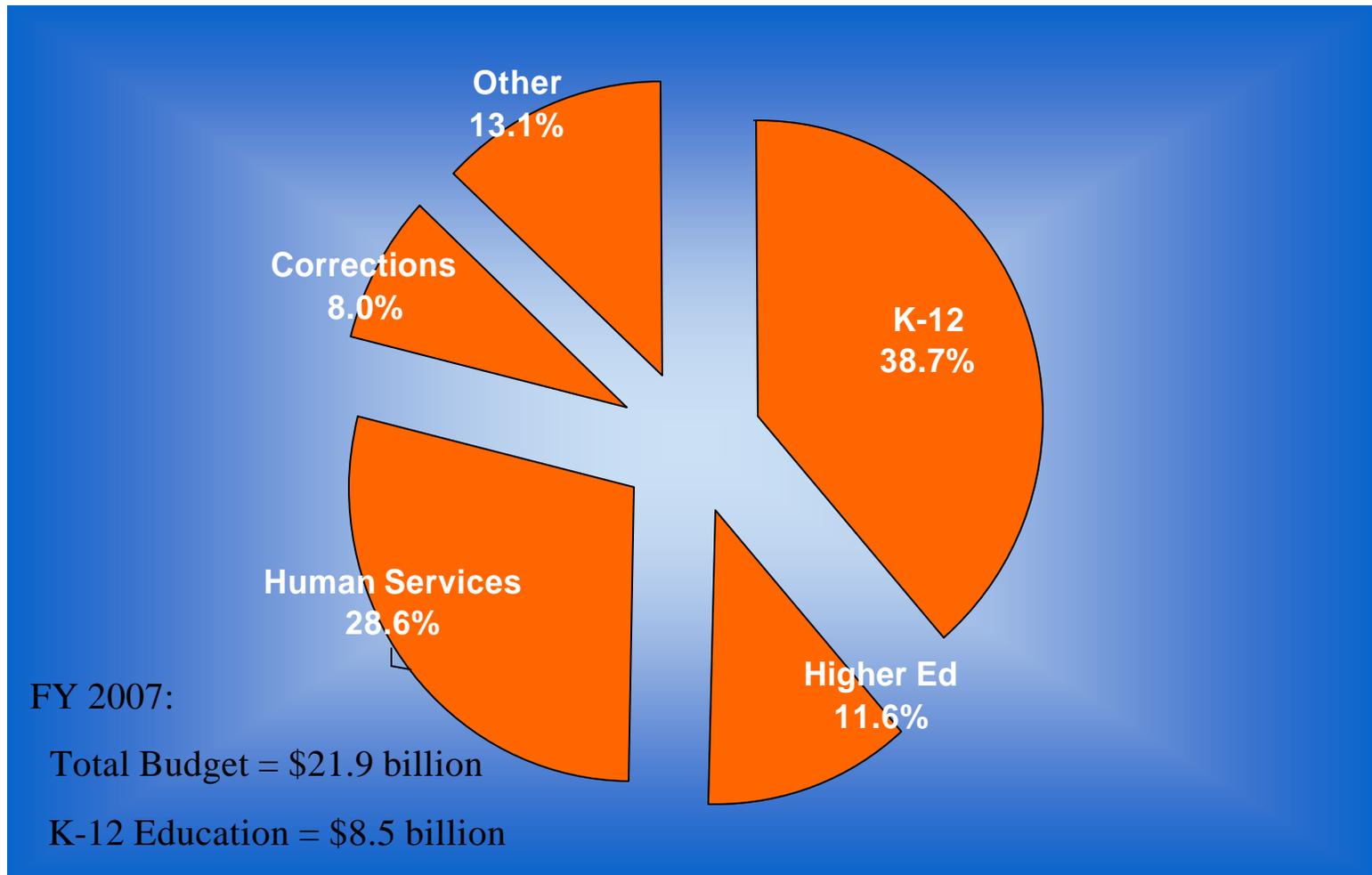
- Operating

- Department of Education
- eTech Ohio

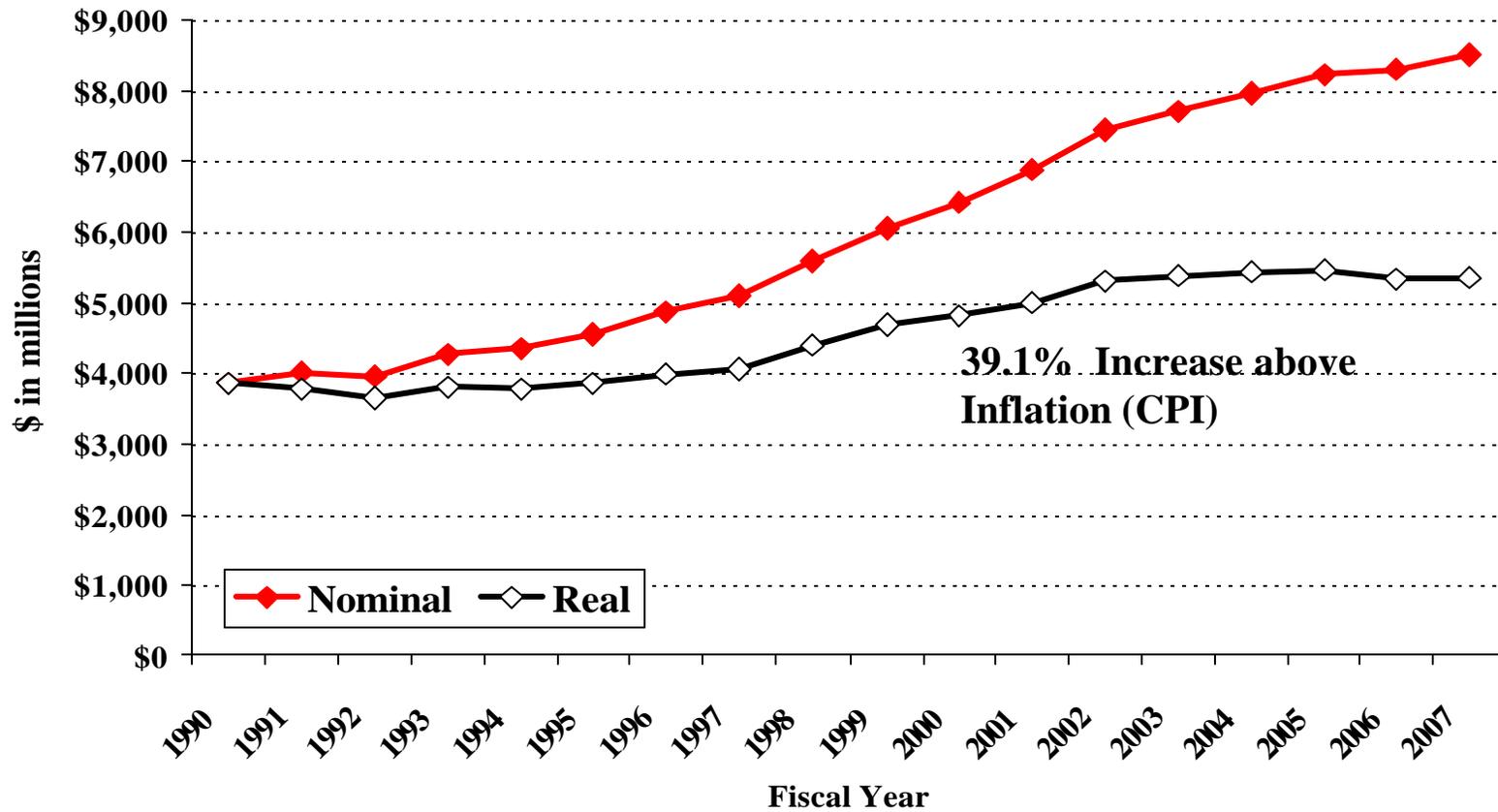
- Capital

- School Facilities Commission

# K-12 Education Funding Accounts for the Largest Share of the State Budget



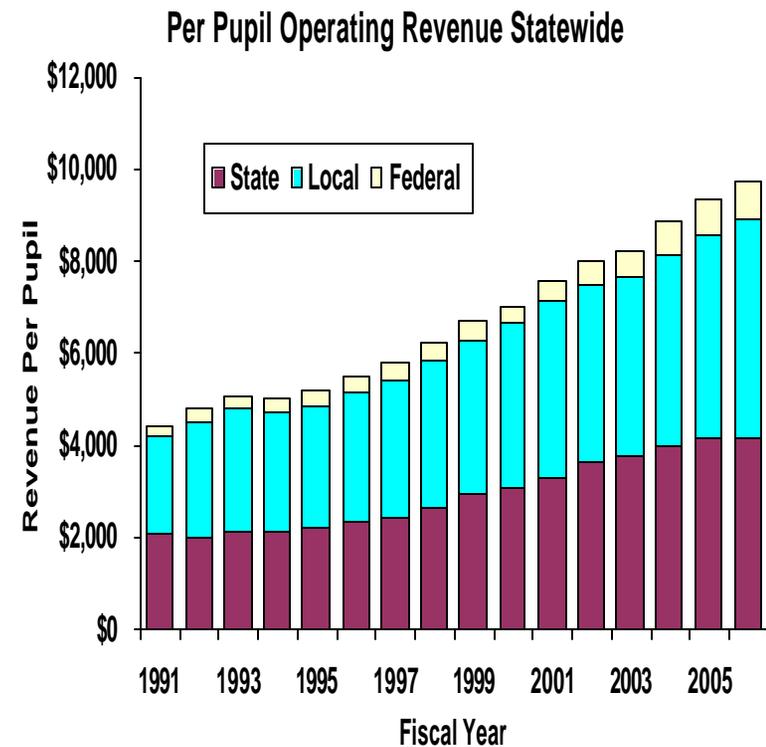
# State GRF & Lottery Funding for K-12 Education



# Per Pupil Operating Revenue for Schools\*

## More than Doubles since FY 1991

- Total: increase of 121% from \$4,402 to \$9,735
  - Local: increase of 106% from \$2,205 to \$4,753
  - State: increase of 103% from \$2,044 to \$4,158
  - Federal: increase of 439% from \$153 to \$824

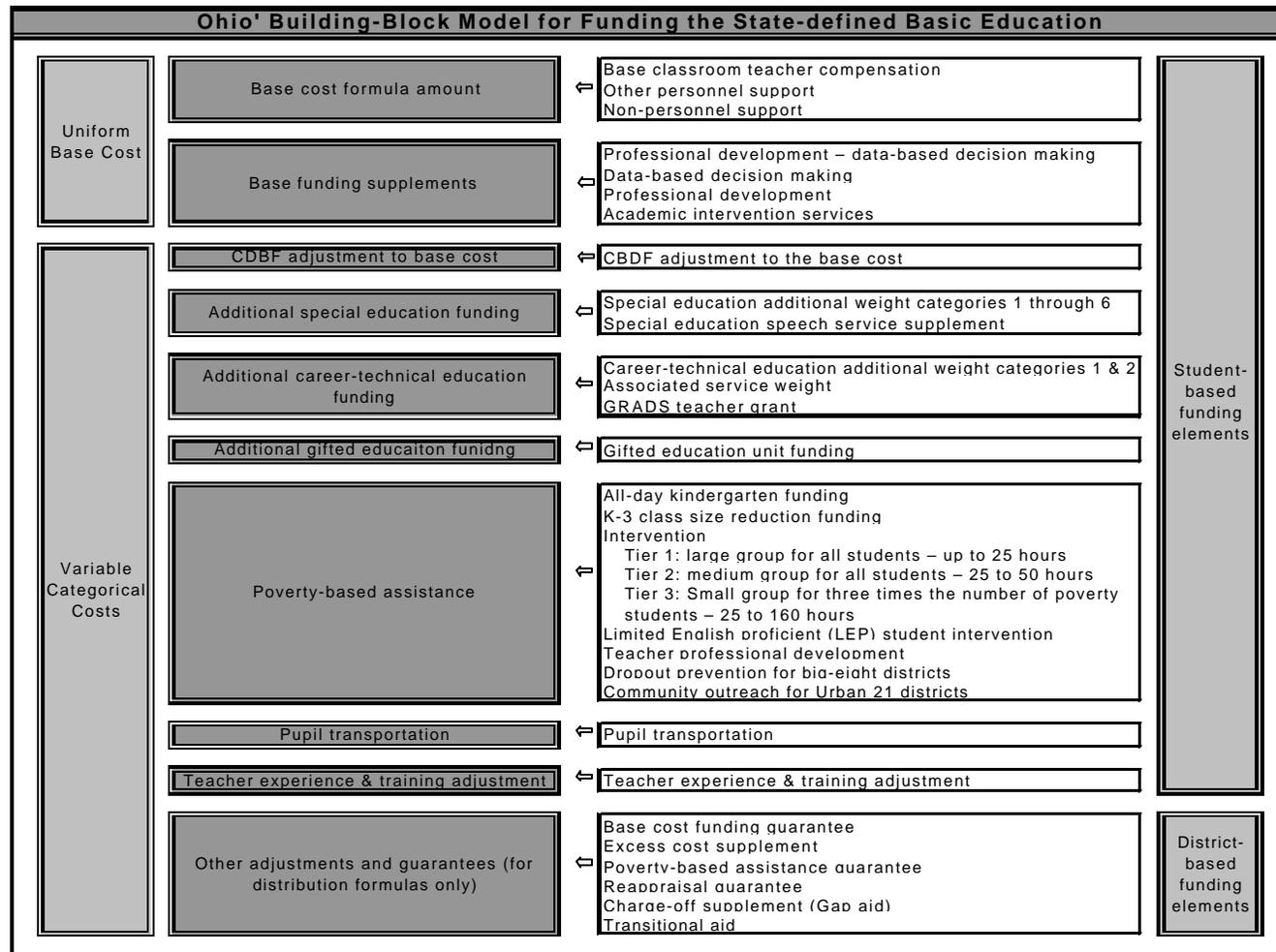


\*Includes community schools

# Operating Funding for Schools

## Model Cost & Distribution Formula

# Building Blocks of the State-defined Basic Education Model



# Funding for State-defined Basic Education Model Cost

- State - SF-3 funding
  - GRF and lottery
- Local – SF-3 formula determined local share (charge-off)
  - Property and school district income taxes

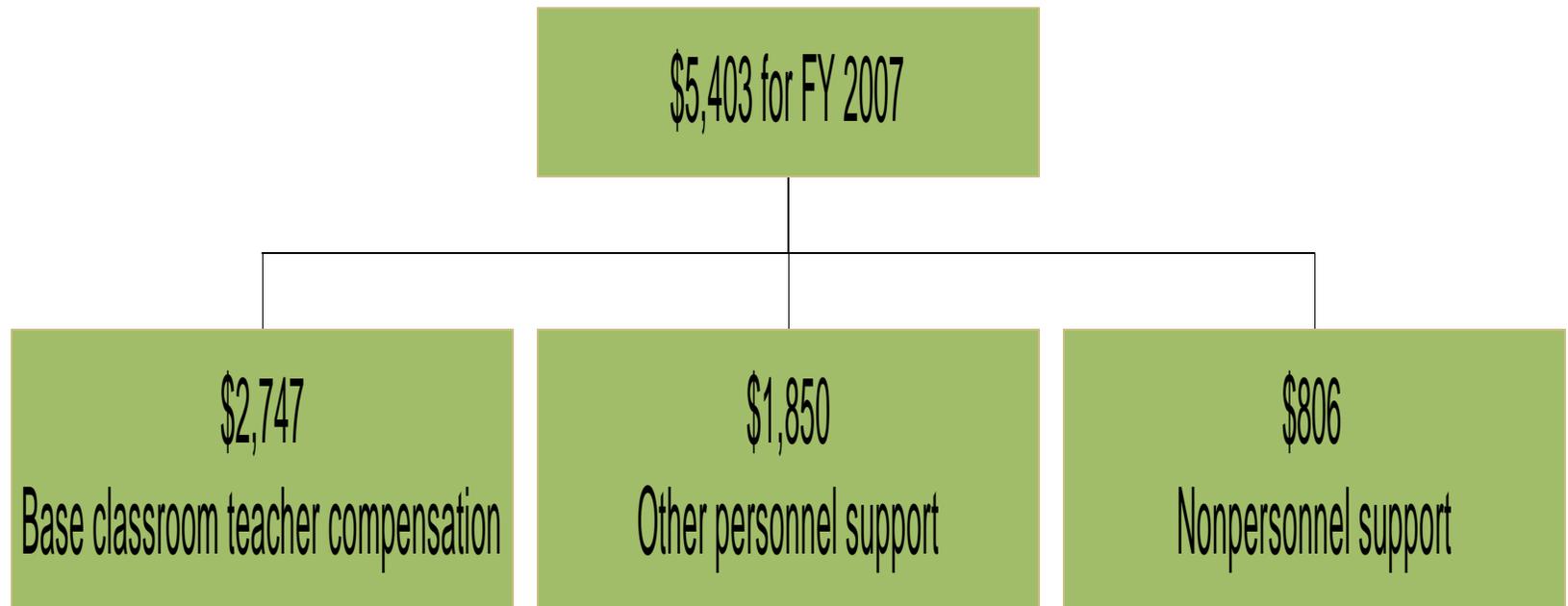
# What Is SF-3?

- SF-3 is the name of the form used by the Department of Education (ODE) to detail state and local share calculations of the state-defined basic education model cost, as well as state parity aid calculation.
- SF-3 funding represents a little over 77% of ODE's GRF and lottery appropriations.

# Base Cost Building Blocks

1. Base Cost Formula Amount
2. Cost of Doing Business Factor
3. Base Cost Funding Supplements

# Base Cost Formula Amount, FY 2007



# Base Cost Formula Amount Increases for Future Years

- Base classroom teacher compensation
  - Based on two policy decisions
    - Teacher compensation level
    - Student-teacher ratio
- Other personnel support
  - The same rate as for the base classroom teacher compensation level
- Non-personnel support
  - Gross domestic product deflator

# Cost of Doing Business Factor (CDBF)

- Countywide factor – all districts within the same county have the same CDBF
- Based on the average weekly wage for the county and all contiguous counties
- Used to increase the base cost formula amount for every district

# Cost of Doing Business Factor (CDBF)

- Gallia County has a factor of 1.0.
  - The two districts in Gallia County receive no CDBF increase
  - \$5,403 ( $\$5,403 \times 1.0$ ) in FY 2007
- Hamilton County has a factor of 1.025.
  - All districts in Hamilton County receive a 2.5% CDBF increase to their base cost formula amount
  - \$5,538 ( $\$5,403 \times 1.025$ ) in FY 2007
- Base cost formula amounts for all other districts range from slightly higher than \$5,403 to slightly lower than \$5,538.

# Base Funding Supplements, FY 2007

- \$25.50 – Academic intervention services
  - 25 hours of large (20 student) group intervention at \$20.40 per hour
- \$10.73 – Professional development (PD)
  - 4.5% of the formula amount; 17:1 student-teacher ratio
  - Funded at 75% in FY 2007
- \$ 5.40 – Data-based decision making
  - 0.1% of the formula amount for each student
- \$ 6.36 – PD for data-based decision making
  - 8.0% of the formula amount for 20% of teachers and all principals
  - 17:1 student-teacher ratio; 340: 1 student-principal ratio
- **\$47.99** – Total base funding supplements

# Total Base Cost

Total base cost formula amount

+

Total base funding supplements

=

Total Base Cost

*Total base cost formula amount = Base cost formula amount x CDBF x ADM*

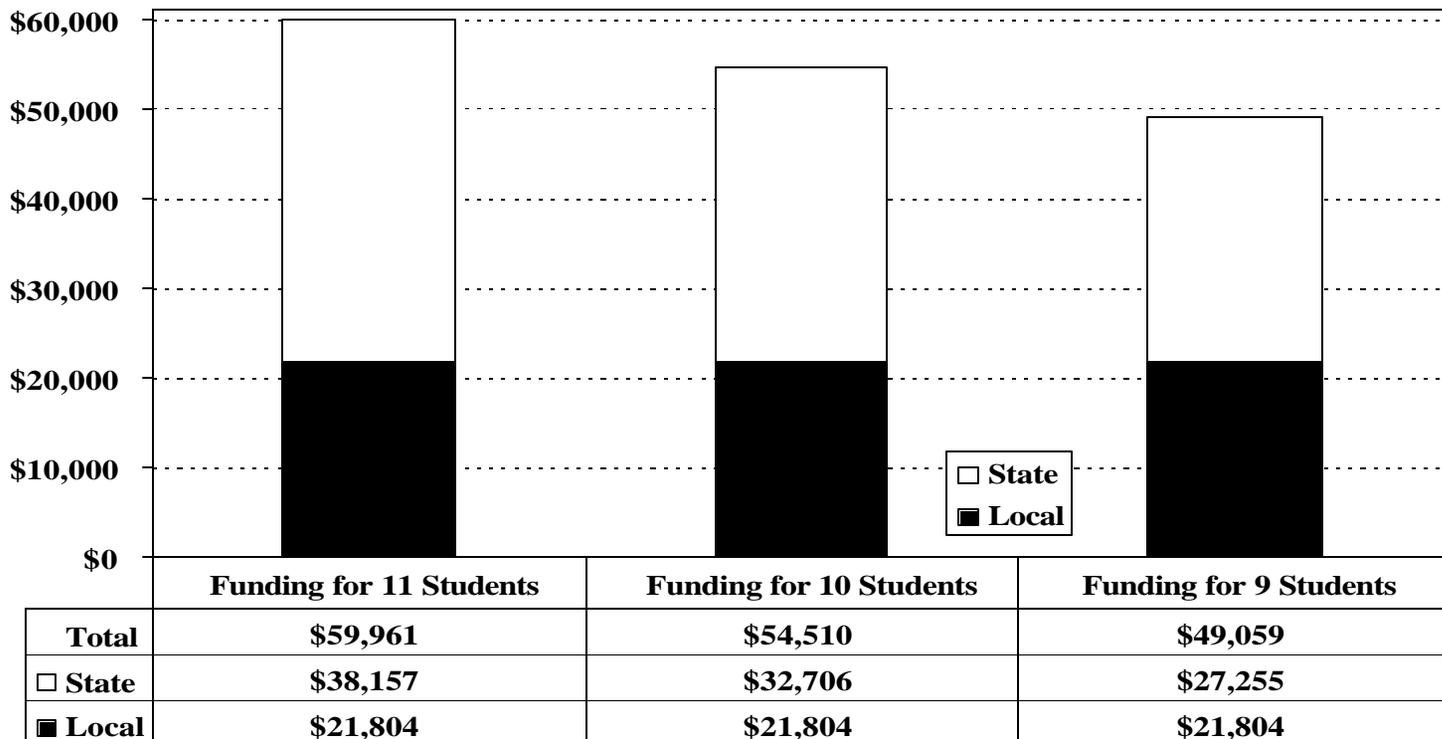
*Total base funding supplements = Per pupil base funding supplements x ADM*

*CDBF = Cost of Doing Business Factor*

# How Does the Base Cost Funding Formula Work?

L1	ADM		10
L2	Per Pupil Base Cost	\$	5,403
L3	Per Pupil Base Funding Supplements	\$	47.99
L4	CODBF		1.00
$L5 = L1 * (L2 * L4 + L3)$	Total Base Cost	\$	54,510
L6	Total Recognized Valuation	\$	947,998
$L7 = L6 * 0.023$	Charge-off @ 23 Mills	\$	21,804
$L8 = L5 - L7$	State Base Cost Funding	\$	32,706
$L9 = L7 / L5$	Local Share Percentage		40%
$L10 = L8 / L5$	State Share Percentage		60%
$L11 = L8 / L1$	Average Per Pupil Local Share	\$	2,180
$L12 = L9 / L1$	Average Per Pupil State Share	\$	3,271

# How Does the Base Cost Funding Formula Really Work?

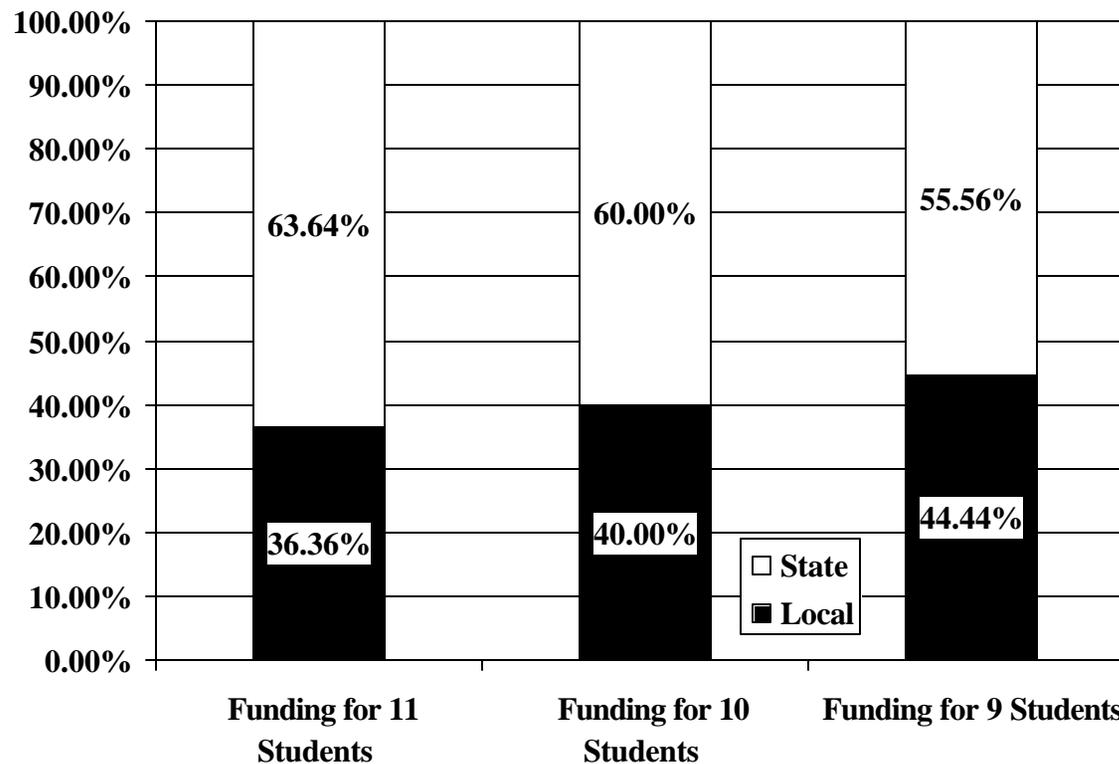


Change in Local share of base cost funding (11,10, or 9 students) = \$0

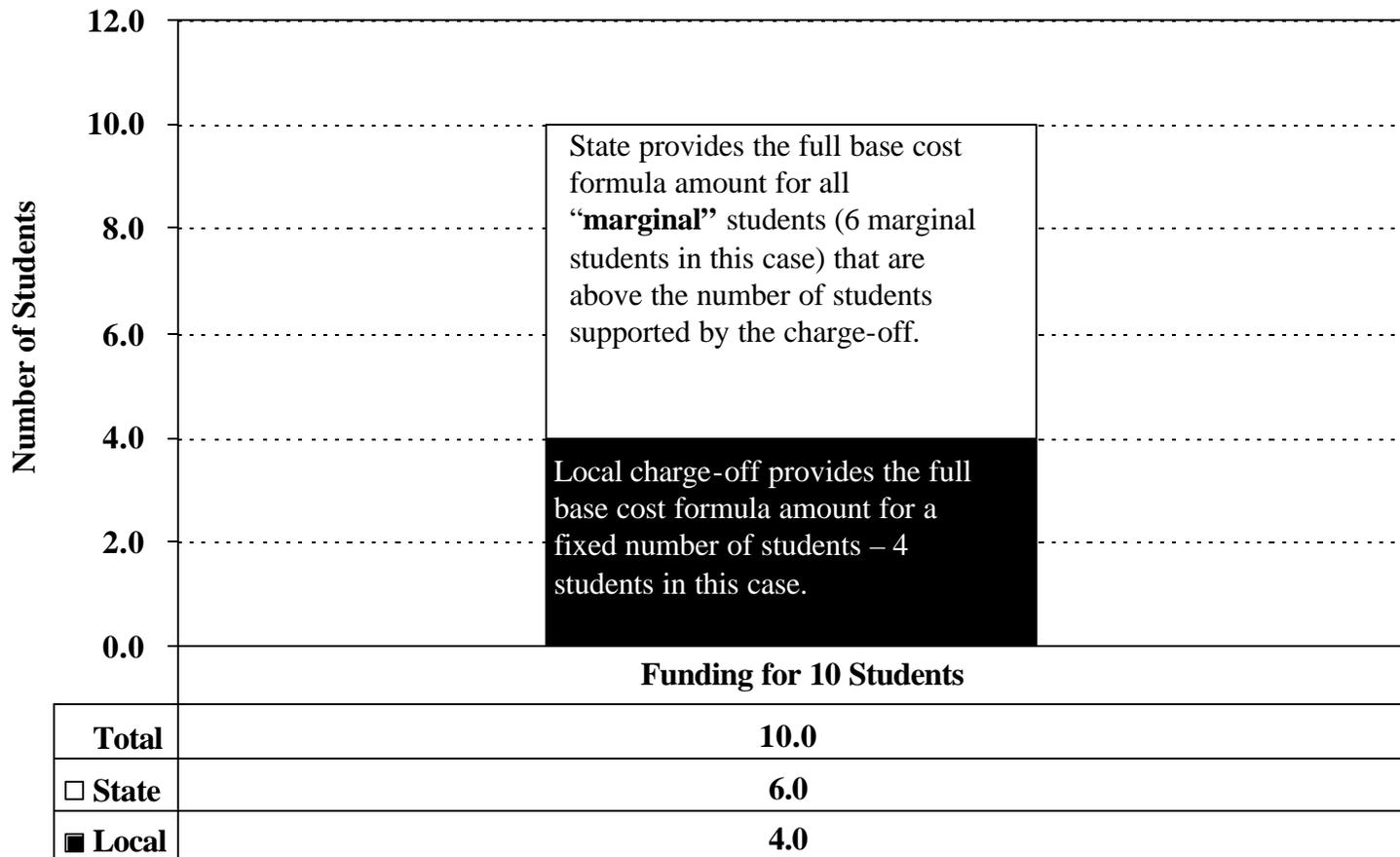
Increase in Total and State base cost funding (11 v. 10 students) = \$5,451

Decrease in Total and State base cost funding (9 v. 10 students) = -\$5,451

# How Does the Base Cost Funding Formula Really Work?



# How Does the Base Cost Funding Formula Really Work?



# A Few Thoughts on the Base Cost Funding Formula

- Local share only depends on the charge-off rate and a district's total recognized taxable property value.
- A district's local share is independent of the number of students enrolled in the district.

# A Few Thoughts on the Base Cost Funding Formula

- A district's local share does not change when one student is added into or subtracted from the district's ADM. However, the total base cost and the state share do change (by the same amount).
- The increase or decrease for the total base cost and the state share generally equals the full base cost formula amount per pupil with the CDBF adjustment plus the base funding supplement amount per pupil.

# A Few Thoughts on the Base Cost Funding Formula

- The base cost funding formula does not operate based on the state share percentage. Instead, it produces a state share percentage for a given number of students.
- A district's state share percentage changes when students are added into or subtracted from the formula.

# A Few Thoughts on the Base Cost Funding Formula

- The formula effect of adding or subtracting a marginal student on a district's state base cost funding amount.

## **Does Not equal**

- The fiscal effect of increasing or losing a student on the district's expenditures.

# Summary of State Share of Base Cost Funding, FY 2006

- 340 (55.5%) school districts with state shares of 50% or higher
  - 775,495 students (45.3%) in these 340 school districts
- 53.3% - Median state share
- 45.5% - Weighted average state share
- 20 school districts (3.4%) with 0% of state share
  - 40,259 (2.4%) students in those 20 school districts

# Summary of State Share of Base Cost Funding, FY 2006

<b>State Share Percentage Range</b>	<b>Number of School Districts</b>
Above 80%	8
70 – 80%	49
60 – 70%	133
50 – 60%	149
40 – 50%	101
30 – 40%	69
10 – 30%	66
1 – 10%	17
0%	20
<b><i>Total</i></b>	<b><i>612</i></b>

# Categorical Building Blocks

1. Special Education Weighted Cost
2. Career-Technical Education Weighted Cost
3. Gifted Unit Funding
4. Poverty-Based Assistance
5. Pupil Transportation

# Special Education Student Weight Categories

- Category 1: 0.2892
  - speech only students
- Category 2: 0.3691
  - Specific learning disabled, developmentally handicapped, other health – minor
- Category 3: 1.7695
  - Hearing impaired, vision impaired, severe behavior handicapped
- Category 4: 2.3646
  - Orthopedically handicapped, other health – major
- Category 5: 3.1129
  - Multihandicapped
- Category 6: 4.7342
  - Autism, traumatic brain injury, both visually and hearing disabled

# Total Special Education Student Weight

Total Special Education Student Weight =
+ Number of category 1 student x Category 1 weight
+ Number of category 2 student x Category 2 weight
+ Number of category 3 student x Category 3 weight
+ Number of category 4 student x Category 4 weight
+ Number of category 5 student x Category 5 weight
+ Number of category 6 student x Category 6 weight

# Special Education Weighted Cost Funding

Total Special Education Student Weight

X

Base Cost Formula Amount

X

State Share of Base Cost Funding

X

Phased-in Percentage (90% in FY 2007)

# Special Education Speech Service Supplement

District's Formula ADM / 2,000

X

\$30,000

X

State Share of Base Cost Funding

# Special Education ADM Growth, FY 2002-FY 2006

- Special education ADM grew much faster than total ADM from FY 2002 to FY 2006.
  - 11.5% (23,703 students) for special education ADM
  - 0.8% (13,766 students) for total ADM

# Special Education ADM, FY 2002 - FY 2006

## FY06 Special Education ADM

- Category 1: 34,242
- Category 2: 158,506
- Category 3: 21,688
- Category 4: 2,927
- Category 5 : 11,760
- Category 6: 8,494
- Total: 229,270
- Total ADM: 1,807,879
- Special education ADM as a % of total ADM in FY06: 12.9%

## • Change from FY02

- Category 1: -0.3% (-119)
- Category 2: 11.3% (16,082)
- Category 3: 16.3% (3,036)
- Category 4: 15.1% (385)
- Category 5: 6.9% (761)
- Category 6: 154.6% (5,158)
- Total: 11.5% (23,703)
- Total ADM: 0.8% (13,766)
- Special education ADM as a % of total ADM in FY02: 11.5%

# Career-Technical Education Weight Categories

- Category 1: 0.57
  - students enrolled in workforce development programs
- Category 2: 0.28
  - students enrolled in non-work force development programs
- Associated service weight: 0.05 for all career-technical education students
- Career-technical education weight is based on the time a student attends career-technical education programs – career-technical education FTEs

# Total Career-Technical Education Student Weight

Total Career-Technical Education Student Weight =

+ Category 1 FTEs x Category 1 weight

+ Category 2 FTEs x Category 2 weight

+ (Category 1 FTEs + Category 2 FTEs) x Associated  
service weight

# Career-Technical Education Weighted Cost Funding

$$\begin{aligned} & \text{Total Career-technical Education Student Weight} \\ & \quad \times \\ & \quad \text{Base Cost Formula Amount} \\ & \quad \times \\ & \quad \text{State Share of Base Cost Funding} \end{aligned}$$

Note: Funding for the associated service weight is transferred to lead school districts that actually provide the services.

# Career-Technical Education GRADS Teacher Grants

Number of GRADS Teacher FTEs  
approved by ODE

X

\$47,555 in FY 2007

X

State Share of Base Cost Funding

# A Few Thoughts on Weighted Cost Funding

- State and local shares of weighted cost funding are the same as for base cost funding.
- Unlike base cost funding, state weighted funding increases or decreases only by the district's state share when a weighted student is added into or subtracted from the weighted ADM.

# Additional Funding for Gifted Students

- Unit funding – funding personnel (gifted education classroom teachers or coordinators)
- State funds 1,110 gifted units in FY 2007 and about 20% of these units are located in educational service centers.

# Gifted Education Unit Funding

The number of units approved by the ODE

X

(Teacher salary allowance plus 15% for fringe  
and benefits

+ Classroom allowance (\$2,678)

+ Supplemental unit allowance(\$5,251))

# A Few Thoughts on Gifted Education Unit Funding

- Teacher salary allowance used in gifted unit funding is based on the state minimum (\$17,000) teacher salary schedule before FY 2002, not on the district's actual teacher salary schedule.
- The minimum salary increases along with a teacher's education and experience.
- \$37,400 – Average unit value for FY 2006

# Poverty-Based Assistance (PBA)

- Poverty indicator – the number of students whose families participate in Ohio Works First (OWF)
- Poverty index =  $\text{A district's poverty student percentage} / \text{Statewide poverty student percentage}$
- Poverty student count used in the poverty index calculations – five-year average of students whose families participate in OWF

## Poverty-Based Assistance (PBA)

- *Funding eligibility* for each component of PBA largely depends on a district's poverty index.
- *Funding amount* for each component of PBA is largely tied to each district's student enrollment, not the number of poverty students.

# Alternative Poverty Indicator

- The unduplicated count of students whose families receive or participate in Medicaid, food stamps, disability assistance, OWF, or the children's health insurance program (CHIP).
- The number of students eligible for PBA funding increases by approximately 300%.

# Alternative Poverty Indicator

- Major urban districts' shares of PBA eligible students decrease while rural and smaller urban districts' shares increase.
- Big-8 districts' combined share of PBA eligible students:
  - 53.6% of the total under the OWF only indicator
  - 37.7% of the total under the alternative indicator

# PBA Funding Components

- All-day and every day kindergarten
  - Eligibility: A poverty index of 1.0 or higher or received this funding in the previous year
  - 50% of the base cost formula amount for kindergarten students
- LEP (limited English proficiency) student assistance
  - Eligibility: 2% or higher LEP students & 1.0 or higher poverty index
  - 25.0% of the base cost formula amount if the index is 1.75 or higher
  - 12.5% to 25.0% of the base cost formula amount if the index is between 1.0 and 1.75
  - Phases in at 70% in FY 2007

# PBA Funding Components

- K-3 class size reduction
  - 15:1 if the index is 1.5 or higher
  - 15:1 to 20:1 if the index is between 1.5 and 1.0
- Teacher professional development
  - Assumed teacher-student ratio of 17:1
  - 4.5% of the base cost formula amount per assumed teacher if the index is 1.75 or higher
  - Up to 4.5% of the base cost formula amount per assumed teacher if the index is between 1.0 and 1.75
  - Phases in at 70% in FY 2007

# PBA Funding Components

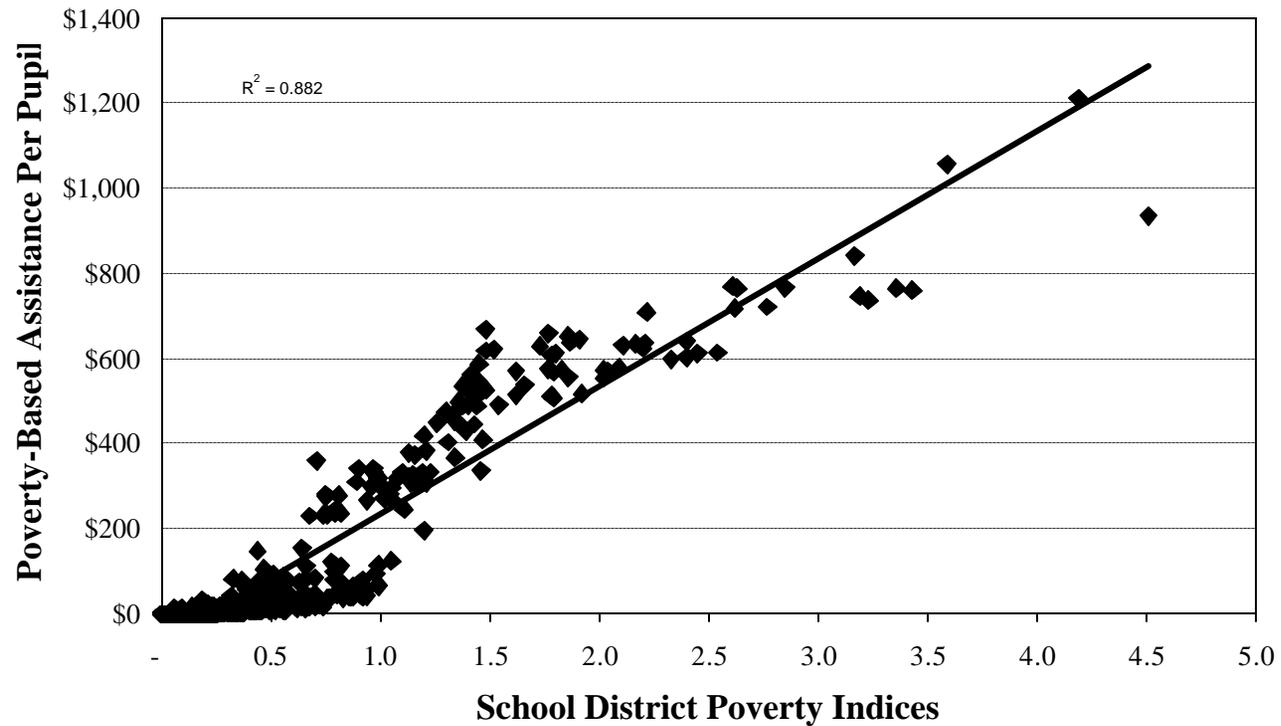
- Dropout prevention
  - Big-8 districts (Akron, Canton, Cincinnati, Cleveland, Columbus, Dayton, Toledo, and Youngstown)
  - Per pupil funding level equal to 0.5% of the base cost formula amount times the poverty index
  - Phases in at 70% in FY 2007
- Community outreach
  - Urban 21 districts (Big-8 plus Cleveland Heights-University Heights, East Cleveland, Elyria, Euclid, Hamilton, Lima, Lorain, Mansfield, Middletown, Parma, South-Western, Springfield, and Warren)
  - Per pupil funding level equal to 0.5% of the base cost formula amount times the poverty index
  - Phases in at 70% in FY 2007

# PBA Funding Components

- Intervention
  - Level 1 large group intervention for all students
    - 20:1 student-teacher ratio
    - 25 hours if the index is 0.75 or higher
    - Up to 25 hours on a sliding scale if the index is between 0.25 and 0.75
  - Level 2 medium group intervention for all students
    - 15:1 student-teacher ratio
    - 50 hours if the index is 1.5 or higher
    - 25 to 50 hours on a sliding scale if the index is between 0.75 and 1.5
  - Level 3 small group intervention for *three* times # of poverty students
    - 10: 1 student-teacher ratio
    - 160 hours if the index is 2.5 or higher
    - 25 to 160 hours on a sliding scale if the index is between 1.5 and 2.5
- Total intervention funding = Levels 1 + 2 + 3

# PBA Funding Summary, FY 2006

## Poverty-Based Assistance Per Pupil by Poverty Index



**Total: \$369.7 million**

# PBA Funding Statistics, FY 2006

Poverty-Based Assistance Per Pupil for Ten Districts with Highest Poverty Concentrations, FY 2006				
District	County	FY 2006 ADM	FY 2006 Poverty Index	FY 2006 Poverty-Based Assistance Per Pupil
Youngstown City	Mahoning	11,133	4.51	\$934
East Cleveland City	Cuyahoga	4,460	4.19	\$1,210
Cleveland Municipal	Cuyahoga	66,878	3.59	\$1,056
Steubenville City	Jefferson	1,952	3.43	\$759
Dayton City	Montgomery	21,809	3.36	\$763
Toledo City	Lucas	35,303	3.23	\$736
Cincinnati City	Hamilton	40,742	3.19	\$746
New Boston Local	Scioto	293	3.17	\$839
Columbus City	Franklin	61,586	2.85	\$766
Akron City	Summit	29,397	2.77	\$720

**62.7% - the combined PBA funding share for these ten districts**

# Pupil Transportation

- Districts are required to transport K-8 students who live at least two miles away from school.
- State provides funding for K-12 students who live at least one mile away from school.

# Pupil Transportation

- Two types of factors affecting a district's pupil transportation spending.
  - Factors that are outside of the control of the district, such as the geographic size of the district and road condition.
  - Factors that are within the control of the district, such as bell time and transportation policy on service level above the state requirement.

# Pupil Transportation

- Spending level varies greatly across school districts.
- On average pupil transportation represents about 4% of school district operating spending statewide.
- On average fuel represents a little under 10% of total pupil transportation spending.

# Pupil Transportation

- A regression model has been used to determine state funding for pupil transportation since FY 1999.
- The cost predicted by the regression model is the basis for state funding.
- The modeled cost typically represents about 92% - 95% of the actual spending.

# Pupil Transportation

- Since FY 2003, the state share of pupil transportation modeled cost is 60% or the state share of base cost funding, whichever is greater.
- State also provides a rough road supplement to districts with higher percentages of rough roads.
- Formula has been suspended for FY 2006 and FY 2007 and districts receiving pupil transportation funding in FY 2005 receive 2% increase per year.

# State and Local Share Adjustments

1. Excess Cost Supplement
2. Gap Aid

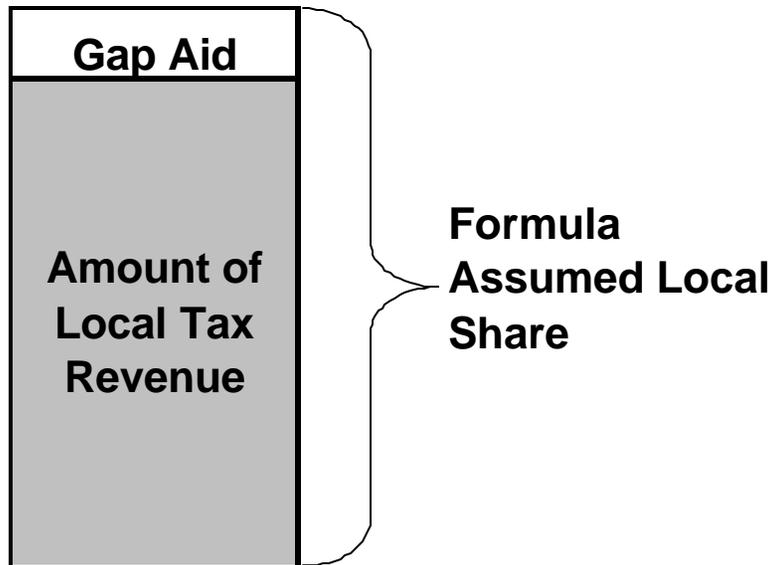
# Summary of Local Share of the State-defined Basic Education

- 23 mills for base cost funding
- Additional mills for local shares of special education weighted funding, career-technical education weighted funding, and pupil transportation funding
  - Range from less than 1.0 mill in some districts to more than 5.0 mills in some other districts
  - Weighted average 3.12 mills
  - Median: 3.33 mills

# Excess Cost Supplement

- Created in FY 2002, it limits a district's combined local share of the special education weighted cost, the career-technical education weighted cost, and the pupil transportation model cost to 3.3 mills of local property tax levies.
- It was created to address different levels of needs for these services across school districts.
- \$51.9 million was provided in FY 2006 to 320 school districts.

# Charge-off Supplement (Gap Aid)



- Formula assumed local share = 23 mills for base cost plus up to additional 3.3 mills for special education, career-technical education, and pupil transportation
- Ensures every district has the full amount of state & local revenues determined by the state-defined basic education model

# Charge-off Supplement (Gap Aid)

- \$69.6 million was provided in FY 2006 to 148 districts.
- While gap aid and excess cost supplement intend to address revenue gap and varying needs for services, respectively, they are somewhat inter-dependent.
- For districts eligible for both (107 districts in FY 2006), their gap aid would have been higher if the excess cost supplement did not exist.

# Additional State and Local Share Adjustments

- Base cost funding guarantee – not less than per pupil or total aggregate state base cost funding in FY 2005, whichever is less
- PBA funding guarantee – not less than total DPIA funding for FY 2005 less any DPIA transfers for e-schools
- Reappraisal guarantee – not less than total funding (except gap aid) received in the year prior to reappraisal/update
- Transitional aid – not less than total funding received in the previous year

# A Few Thoughts on Guarantees and Transitional Aid

- Guarantees and transitional aid provide districts with funding that is above the level determined by the formula alone.
- They are not part of the model that determines the total cost of the state-defined basic education.
- They are not necessarily the indicators of a formula “problem.”

# A Few Thoughts on Guarantees and Transitional Aid

- They are added in the distribution formula that determines state and local shares of the state-defined basic education model cost.
- They shift part of the formula determined local share to the state.
- They are added to address the impact of transitional factors facing individual school districts that might not have yet been fully addressed by the model.

# A Few Thoughts on Guarantees and Transitional Aid

- School districts on the guarantee in two consecutive years receive no growth in state funding, but in both years they receive more than the amount determined by the formula alone.
- Guarantee and transitional aid represent 5%-6% of state funding for the state-defined basic education, but add a significant layer of complexity to understanding the school funding formula.

# Enhancement Funding Building Blocks

1. State parity aid
2. Additional local property and income tax levies

# Parity Aid- State Funding for Enhancement Services

- Established in FY 2002
- Provides state funding to help narrow the disparity in local enhancement education spending (above the state-defined basic education level)
- Equalizes an additional 7.5 mills (above 23-mills to 26.3-mills of local share of the state-defined basic education) to the 80<sup>th</sup> percentile district's wealth level
- Wealth measure in parity aid is the combination of property wealth (2/3) and income wealth (1/3)

# Parity Aid Formula

(Threshold wealth level – District's wealth level)

X

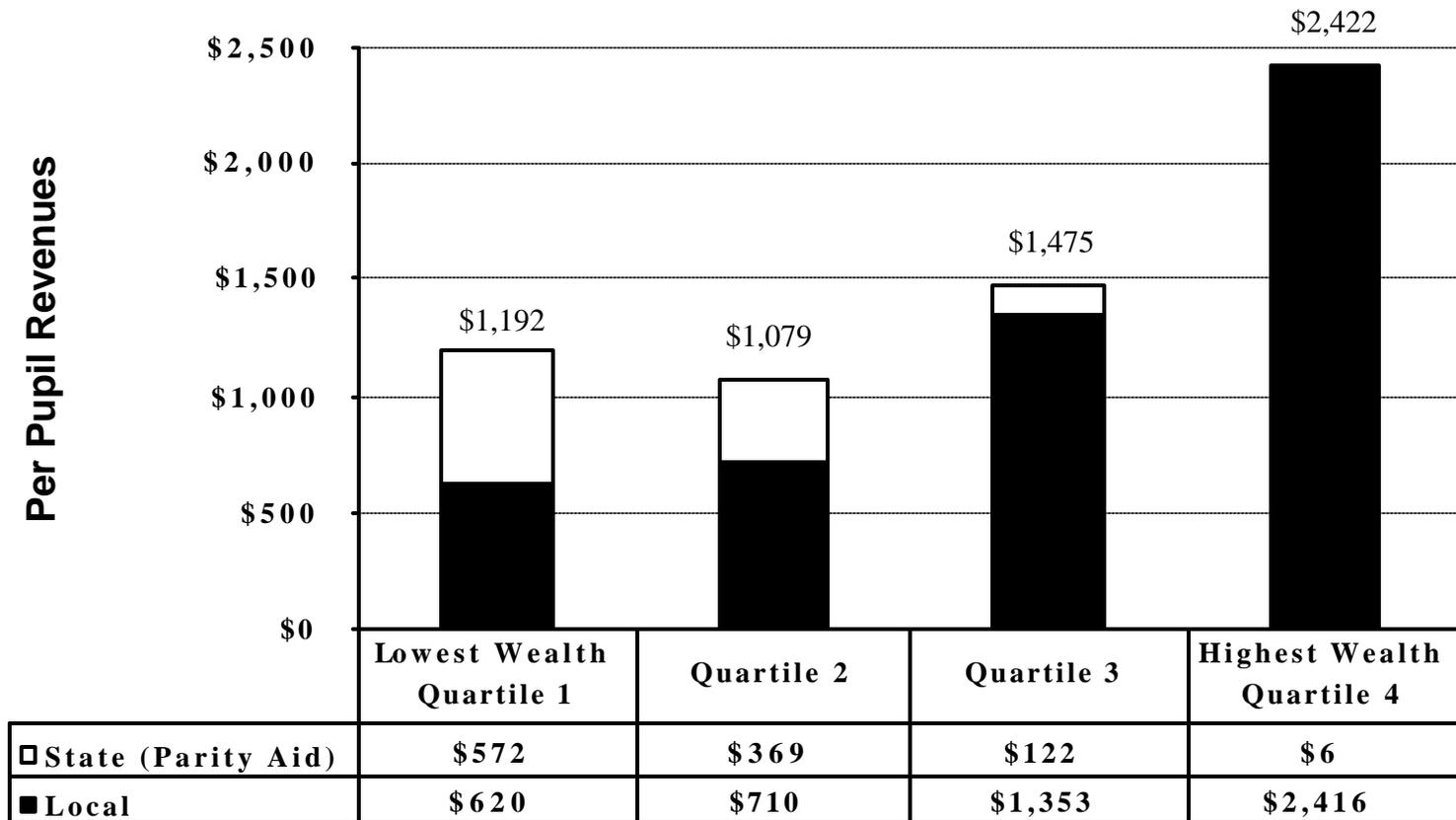
0.0075 (7.5 mills)

X

District's formula ADM

- Threshold wealth level = \$166,839 in FY 2007

# Parity Aid Narrows Disparity in Education Enhancement Revenue



# Local Operating (Property & School District Income) Tax Revenue, FY 2006

	Dollar Amount	Equivalent Mills
State-defined Basic Education	\$5,662 million	24.15 mills
Enhancement	\$2,180 million	9.29 mills
Total	\$7,842 million	33.44 mills

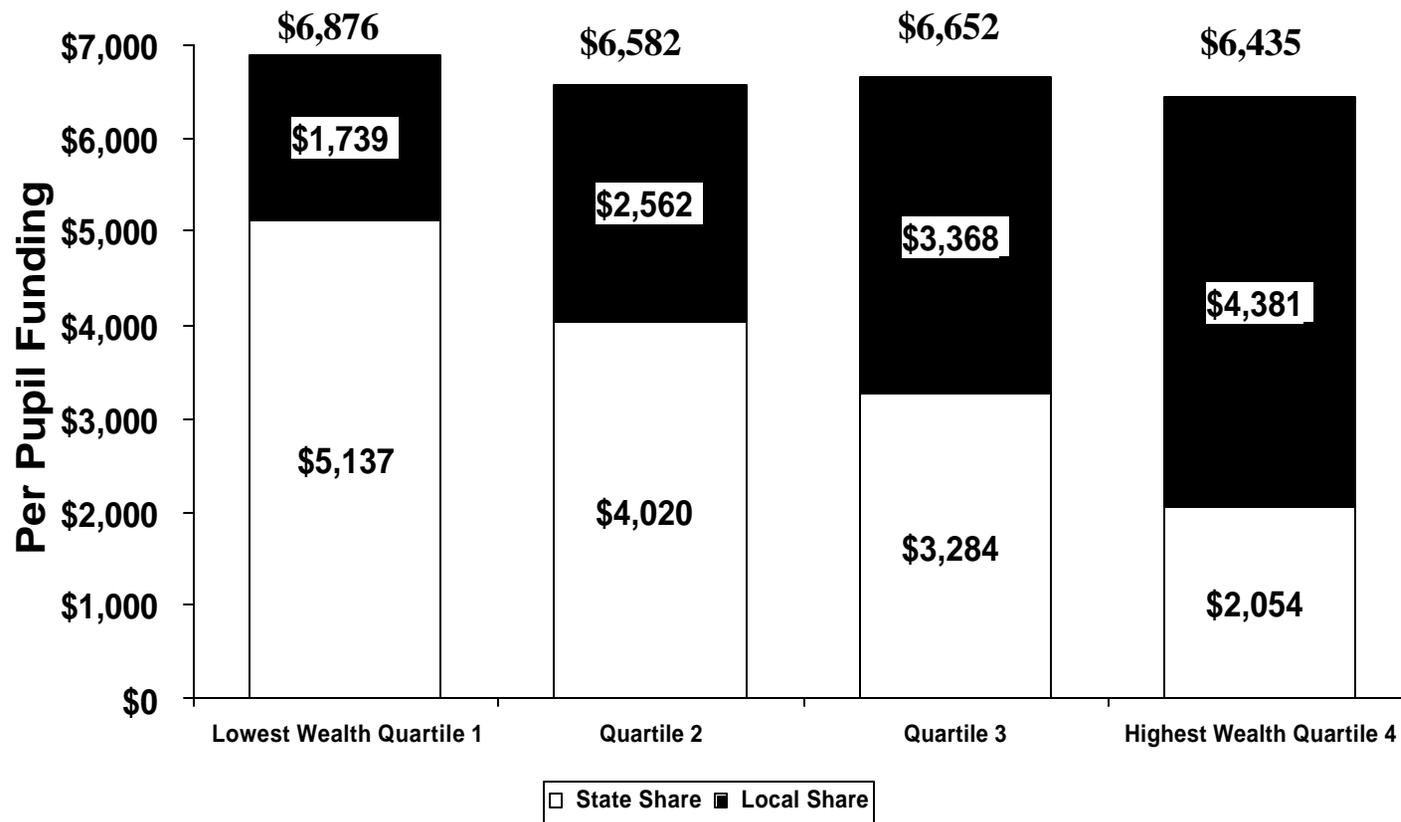
# Summary of SF-3 Funding, FY 2006

- \$4,264.2 million
  - Base cost funding (including CDBF adjustment, base funding supplements, and guarantee)
- \$411.2 million
  - Additional special education weighted funding
- \$51.8 million
  - Additional career-technical education weighted funding
- \$369.7 million
  - Poverty-based assistance (PBA)
- \$352.6 million
  - Pupil transportation
- \$33.4 million
  - Gifted education

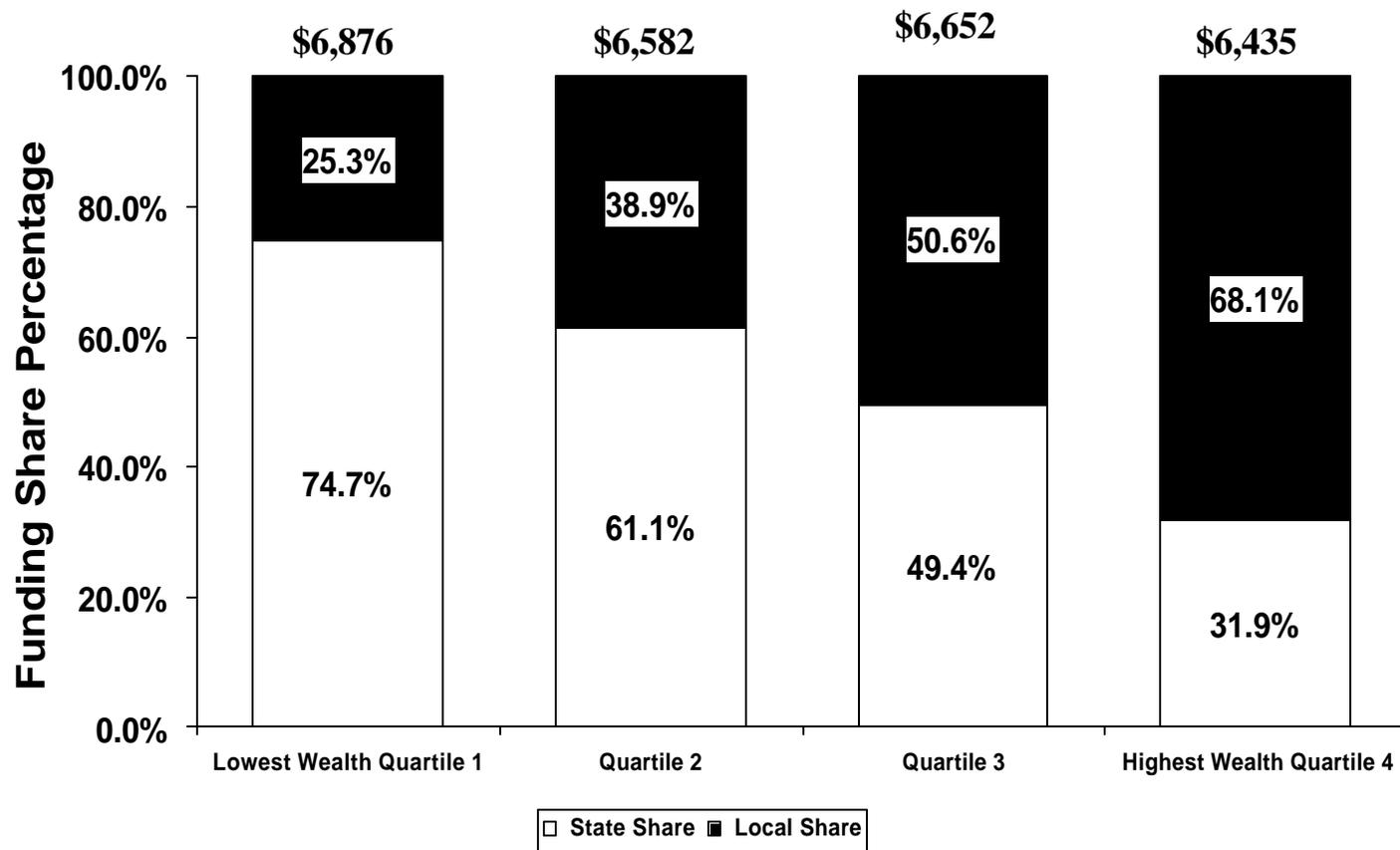
# Summary of SF-3 Funding, FY 2006

- \$51.9 million
  - Excess cost supplement
- \$14.1 million
  - Teacher training & experience
- \$69.6 million
  - Gap aid
- \$118.7 million
  - Transitional aid & reappraisal guarantee
- \$459.2 million
  - parity aid (included in SF-3, but for education above the state-define basic level)

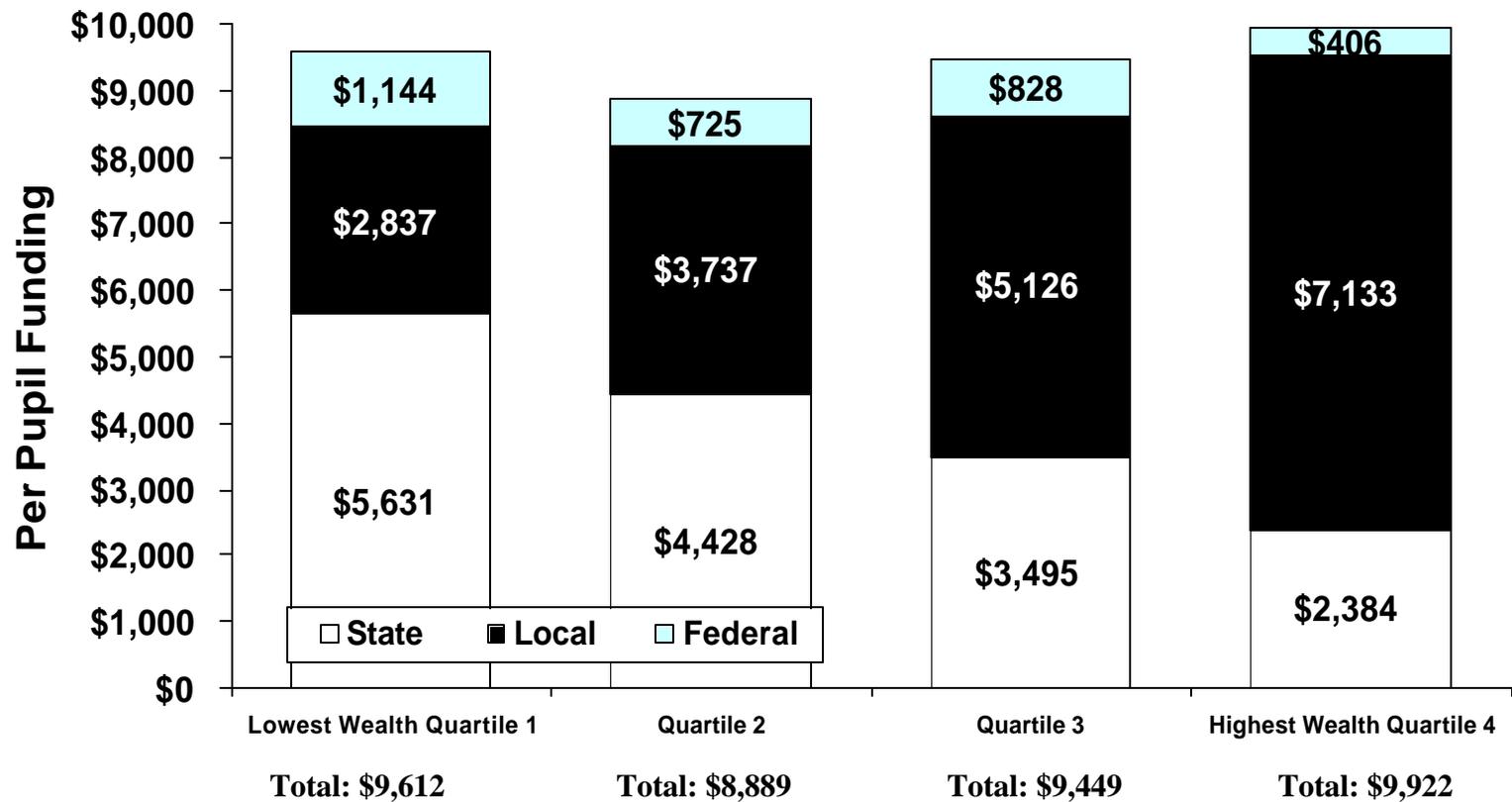
# Per Pupil State & Local Funding of the State-defined Basic Education, FY 2006



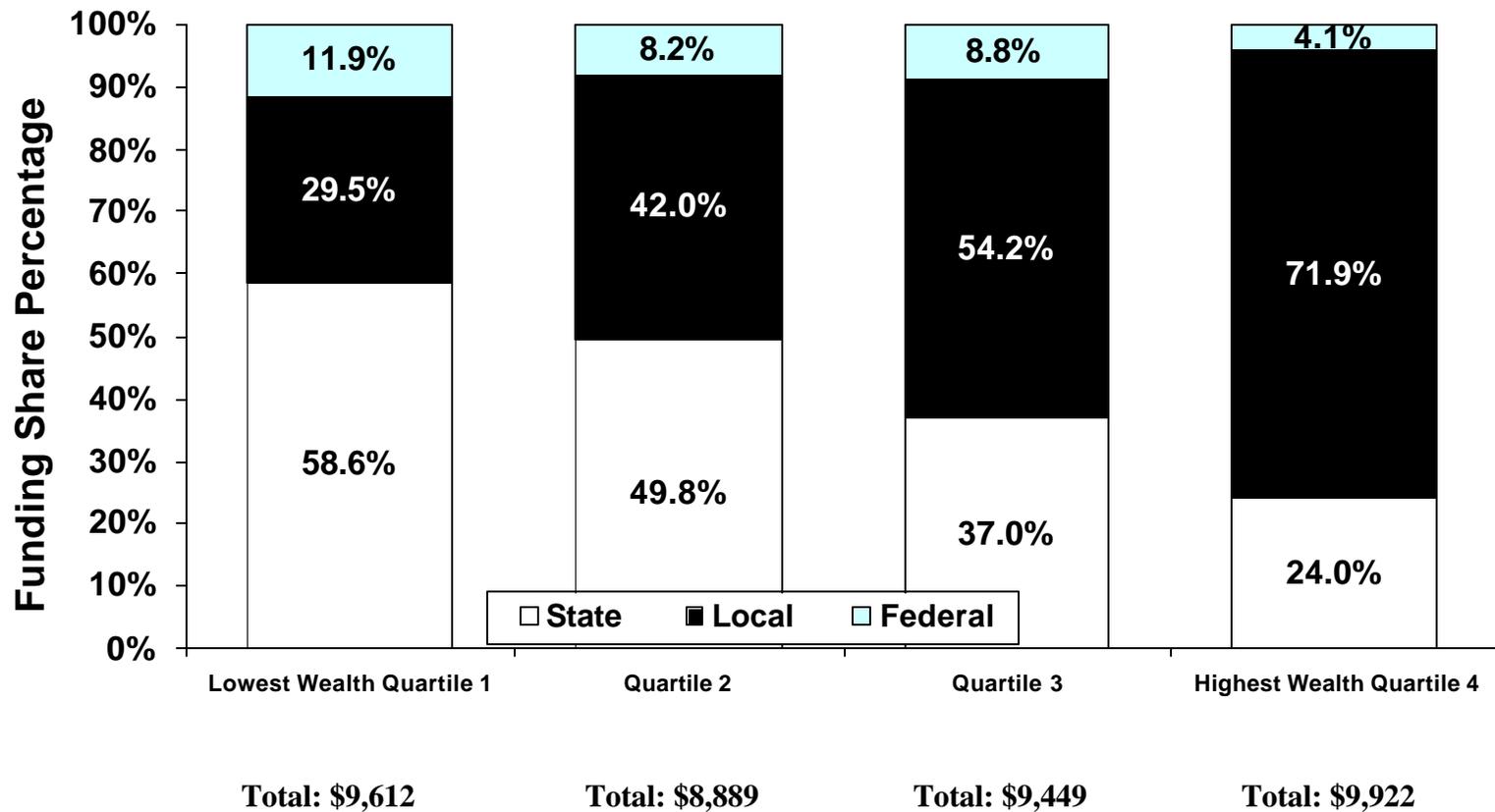
# Per Pupil State & Local Shares of the State-defined Basic Education, FY 2006



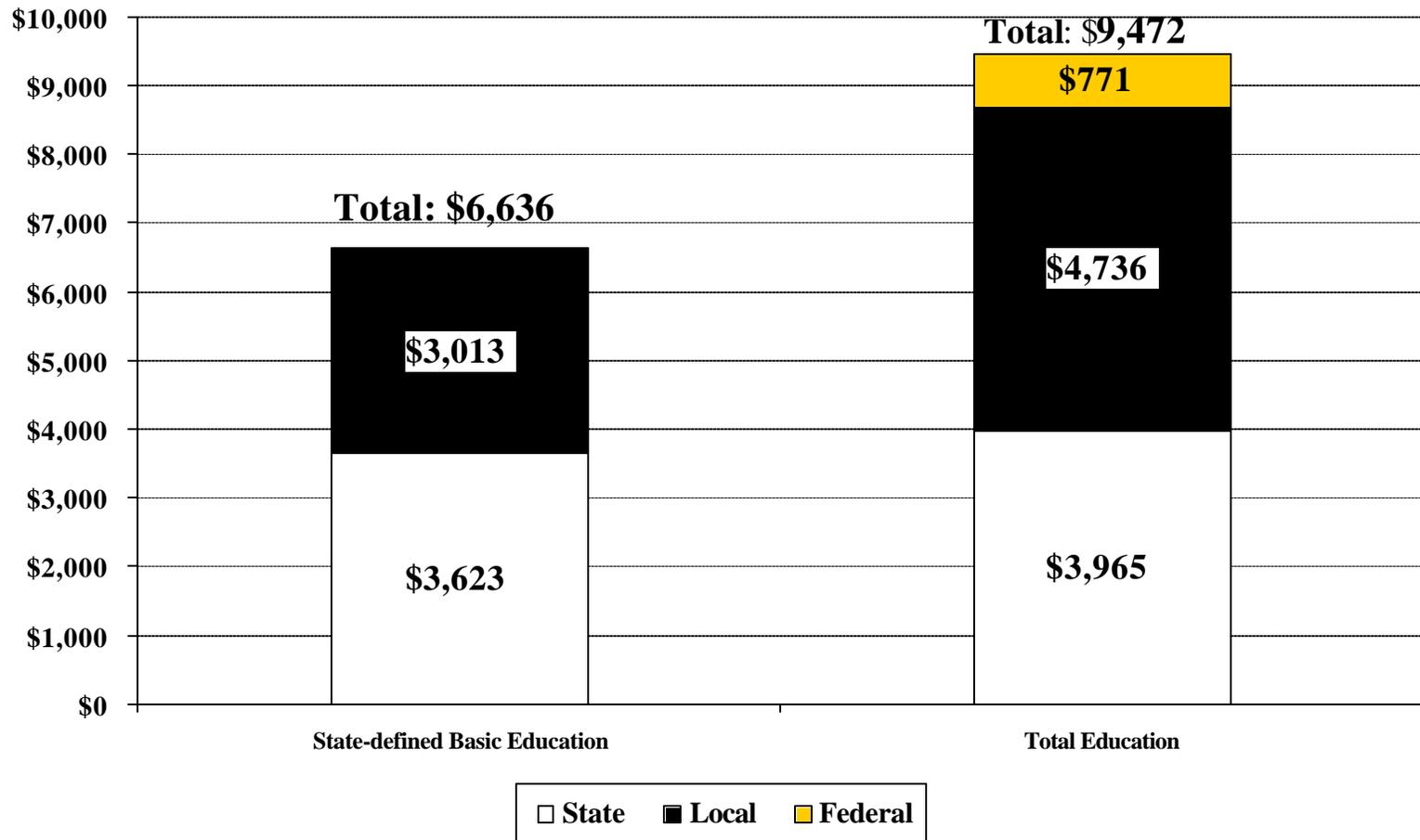
# Per Pupil Total Operating Revenues by Wealth-based Quartile, FY 2006



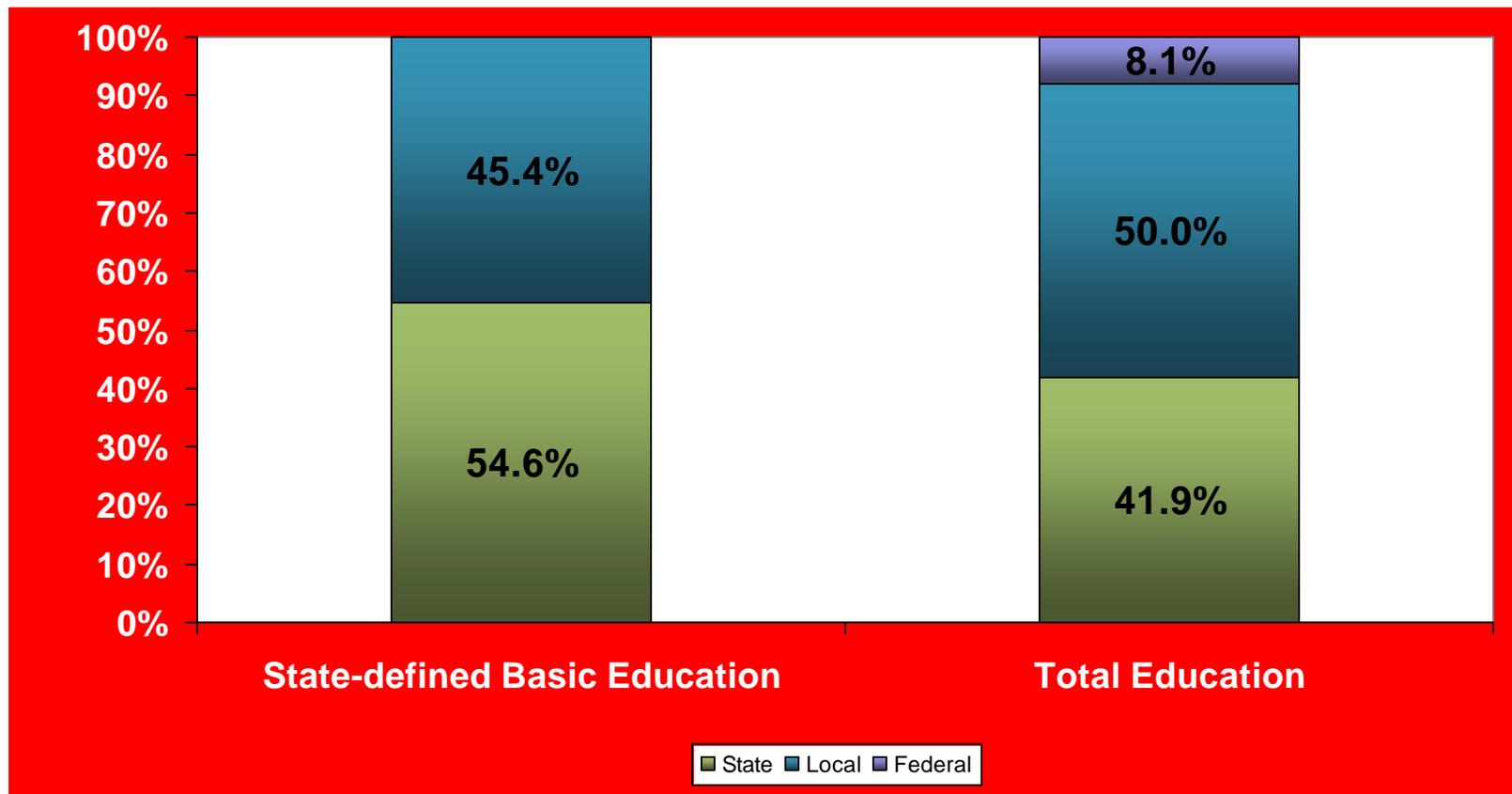
# Per Pupil Total Operating Revenues by Wealth-based Quartile, FY 2006



# State and Local Shares of Education, FY 2006



# State and Local Shares of Education, FY 2006



# Funding Transfers for Certain Students

# Funding Transfers

- For students enrolled or receiving services in schools/entities other than their resident schools
  - Community schools
  - Educational service centers
  - Post-secondary enrollment options programs
  - Open enrollment
  - Vouchers

# Community Schools

- Established in FY 1999
- Public schools that are not part of a school district and that are exempt from some state requirements
- Have no tax authority

# Community School Growth

## FY 1999

- 15 schools
- 2,245 students – 0.1% of total public school enrollment
- \$11.0 million in transferred funding

## FY 2007

- 309 schools
- 76,492 students – 4.3% of total public school enrollment
- \$521.6 million in transferred funding

# Funding for Community Schools

- Students are included in their resident district's ADM for purposes of state aid calculations.
- Funding for community school students are deducted from their resident district's state aid and transferred to community schools where these students are enrolled.
- Community school students generally receive base cost funding, special and career-technical education weighted funding, PBA, and parity aid.
- Community schools are also eligible for various state and federal grants.

# Funding for Community Schools, FY 2007

- \$521.6 million in Total SF-3 Funding Transfer\*
  - ✓ \$405.9 million – Base Cost Funding
  - ✓ \$38.2 million – PBA
  - ✓ \$54.7 million – Special Education Weighted Funding
  - ✓ \$2.1 million – Career-technical Education Weighted Funding
  - ✓ \$20.7 million – Parity Aid

\*2007 January payment file

# ESC Funding Transfers

- Educational service centers (ESCs) are required to provide oversight functions to all local (member) districts within their region.
- ESCs also provide similar services to city and exempt village (client) districts that have entered into an agreement with an ESC.
- ESCs provide other services to member and client districts on a fee-for-service basis.

# ESC Funding Transfers

- \$6.50 per pupil was deducted from each member and client district – \$37.2 million in total for FY 2006.
- The contractual amounts are also deducted from member and client districts - \$125.3 million in total for FY 2006.

# Post-Secondary Enrollment Options (PSEO)

- Allows high school students to earn college and high school credit without cost to the student.
- Both public and private high school students are eligible for participation.
- Funding for public school students is deducted from their resident district's state aid.
- Funding for nonpublic school students is through an earmark of GRF appropriation item 200-511, Auxiliary Services.

# PSEO Funding, FY 1996 & FY 2006

	FY 1996		FY 2006		% Change	
	No. of Students	Funding	No. of Students	Funding	Students	Funding
<b>Public</b>	4,714	\$5.5 million	10,892	\$18.6 million	130.9%	238.2%
<b>Nonpublic</b>	191	\$121,000	1,116	\$1.5 million	484.3%	1,170.2%
<b>Total</b>	4,908	\$5.6 million	12,008	\$20.1 million	144.7%	258.9%

# Inter-district Open Enrollment Policy

Policy Type	No. of Districts	% of Districts
No	178	27.1%
Adjacent Districts Only	135	20.4%
Statewide	348	52.5%
Total	661	100.0%

# School Vouchers

1. Pilot Project Scholarship Program – Cleveland City School District
2. Special Education Scholarship Pilot Program
3. Educational Choice Scholarship Pilot Program

# Cleveland's Pilot Project Scholarship Program

- Created in FY 1997
- 5,813 students received scholarships in FY 2006
- \$16.1 million – program spending for FY 2006
- Scholarship students generally are not counted in Cleveland's ADM
- Funded by a set-aside of Cleveland's PBA assistance allocation and GRF
  - \$11.9 million Cleveland's PBA set-aside in FY 2007
  - \$8.8 million GRF in FY 2007
  - Unused PBA set-aside returns to Cleveland at the year-end

# Special Education Scholarship Pilot Program

- For autistic students only
- Started in FY 2004
- Scholarship amount - \$20,000 or the total fees charged by the provider, which ever is less
- Scholarship students are counted in their resident district's ADM for funding purposes
- FY 2006 program statistics:
  - 458 full-time equivalent scholarships from 168 districts
  - Average scholarship amount of \$15,260
  - \$5.5 million statewide was deducted from the 168 districts

# Educational Choice Scholarship Pilot Program

- Started in FY 2007
- Up to 14,000 scholarships per year
- Available to students who attend or who otherwise would be entitled to attend a school that has been in academic emergency or academic watch in two out of the last three years
- Maximum scholarship amounts: \$4,250 for K-8 students and \$5,000 for grades 9-12 students

# Educational Choice Scholarship Pilot Program

- EdChoice scholarship students are included in their resident district's ADM for base cost funding purposes.
- State aid deduction amounts:
  - \$2,700 per kindergarten student
  - \$5,200 per student in grades 1-12
- Preliminary FY 2007 program statistics
  - 2,855 scholarship ADM
  - \$13.2 million statewide deductions
  - Average scholarship amount of \$4,621 per ADM

# Funding for Joint Vocational School Districts

# Joint Vocational School Districts

- 49 joint vocational school districts
- 38,000 students
- 495 associate districts
- Average taxable value – \$4.0 million per pupil
- Have taxing authority same as regular school districts

# State Operating Funding for Joint Vocational School Districts

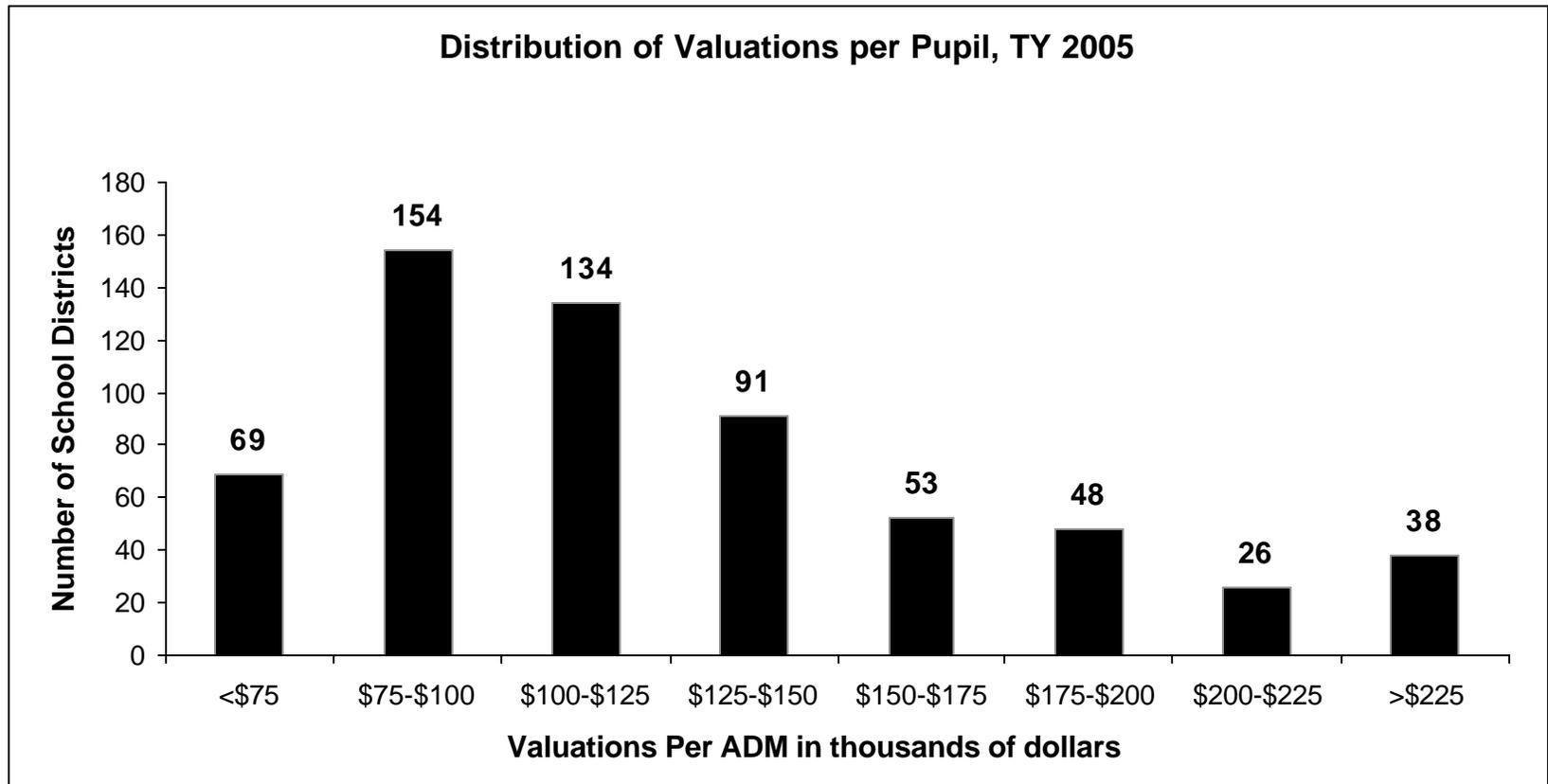
- Same base cost formula amount, but no base funding supplements
- Same weights for special and career-technical education students
- Same transitional aid
- Parallel, but separate SF-3 funding formula to determine state and local shares
- The charge-off rate is 0.5 mills
- \$231.8 million in state SF-3 funding for FY 2006

# JVSD Operating Property Tax Revenue, TY 2005

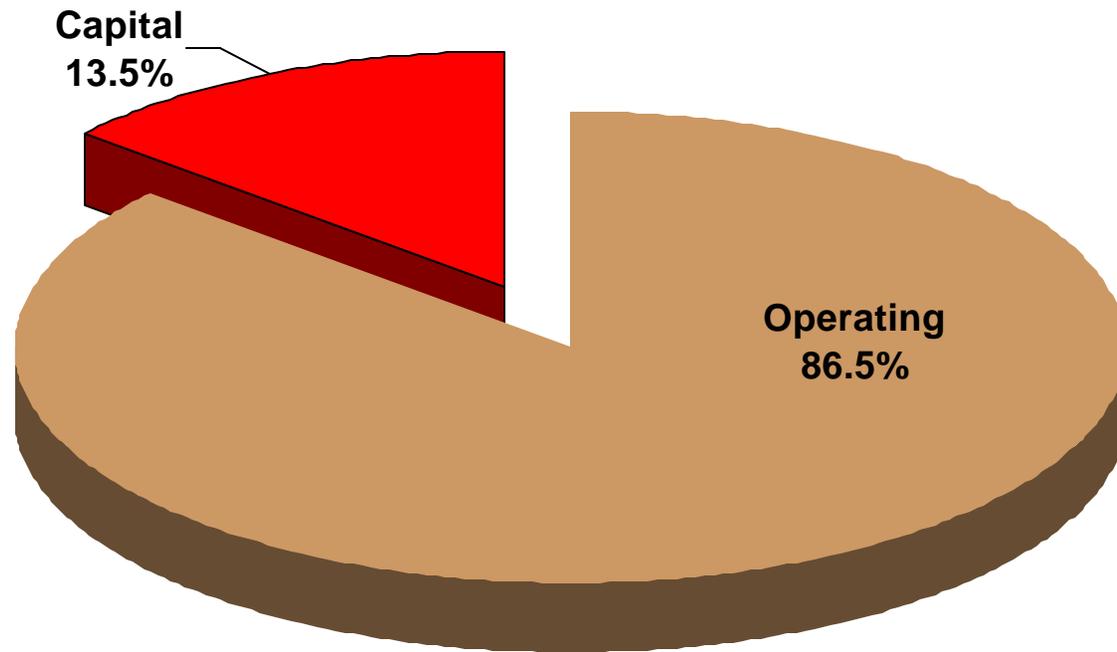
- \$317.6 million
- \$8,240 per pupil
- Average effective rate – 2.1 mills

School District Property and Income  
Taxes and H.B. 920

# Distribution of Valuations Per Pupil, TY 2005



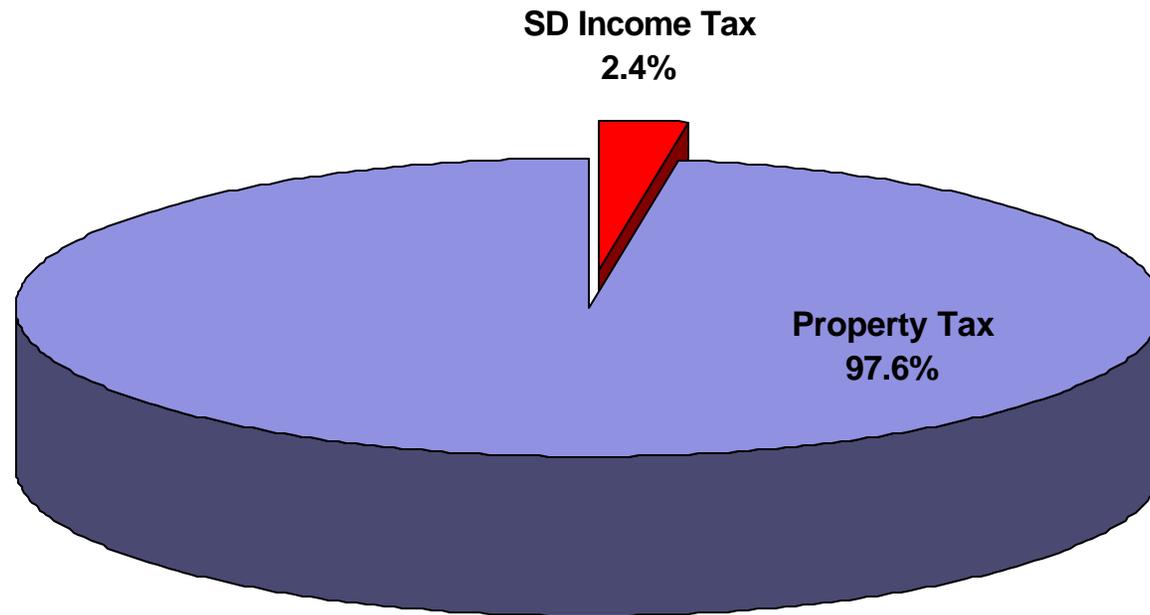
# School District Local Tax Revenue, FY 2007



**Operating: \$8.3 billion**

**Capital: \$ 1.3 billion**

# School District Local Operating Tax Revenue, FY 2007



Total: \$8.3 billion

# Property Classifications

- Real Property – land & building
  - Class I – residential & agricultural
  - Class II – commercial & industrial
- Tangible Personal Property – machinery, equipment, inventories, furniture, & fixture
  - General business (phased-out after TY 2011)
  - Public utility

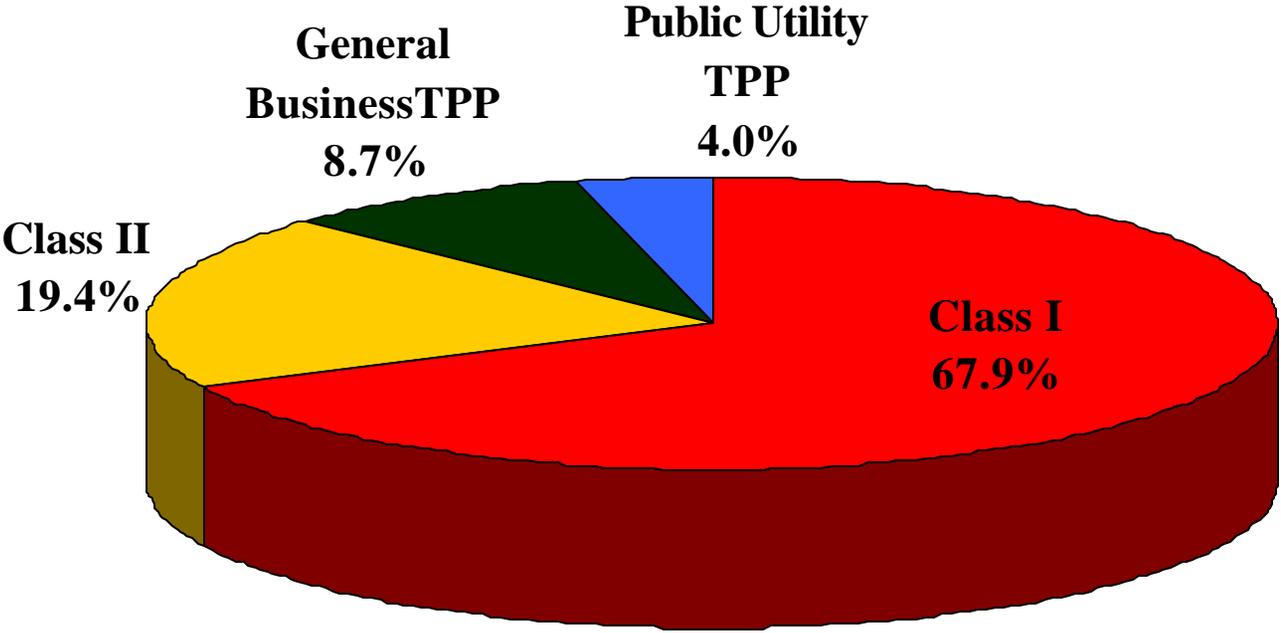
# Taxable Property Valuation

- Real property is reappraised every six years
  - Values are updated every three years between reappraisals
- Taxable value of real property is set at 35% of fair market value
- Taxable value of tangible personal property (TPP) generally ranges from 25% to 88% of true value, which is self-reported by the business based on certain methods

# Taxable Property Value, TY 2005

- Class I - \$170.1 billion
- Class II - \$48.6 billion
- General business TPP - \$21.8 billion
- Public utility TPP - \$10.0 billion
- Total taxable value - \$250.4 billion

# The Statewide Taxable Property Value Composition, TY 2005



# Taxable Property Value Composition, TY 2005

Category	Minimum	Maximum	Median
Class I	17.3%	98.4%	73.6%
Class II	0.0%	53.1%	13.0%
General Business TPP	0.8%	58.3%	3.9%
Public Utility TPP	0.0%	48.0%	6.7%

# School District Property Tax Operating Revenue, TY 2005

Category	Dollar Amount	% of Total
Class I	\$4.8 billion	59.3%
Class II	\$1.7 billion	21.2%
General Business TPP	\$1.1 billion	13.7%
Public Utility TPP	\$0.5 billion	5.8%
Total	\$8.1 billion	100.0%

# H.B. 920 Reduction Factors

- Enacted in 1976
- Limits inflationary revenue growth from existing real property
- Calculated separately for Class I and Class II
- Not all levies are subject to H.B. 920 reduction factors

# H.B. 920 Reduction Factors

- Inside mills
  - not subject to tax reduction factors
- Current expenses & Permanent improvement
  - subject to tax reduction factors
- Emergency & Bond
  - not subject to tax reduction factors
- Tangible personal property & New construction
  - not subject to tax reduction factors

# H.B. 920 Floor

- H.B. 920 prevents a district's operating tax rate from falling below 20 mills.
- Only current expense levies (inside & outside) are included in the calculation of the H.B. 920 floor.
- In TY 2005, about 346 districts are at the 20 mill floor for at least one class of real property (147 for both classes; 182 for class I only; 17 for class II only).

# Floor Districts

- For floor districts, property tax revenues grow at the same rate as property values increase
- The majority (70.2%) of the floor districts have emergency levies or school district income taxes
- Average tax effort (class I property tax plus school district income tax):
  - 27.15 mills for floor districts
  - 30.80 mills for non-floor districts
  - 29.45 for the state as a whole

# Property Tax Rates

- Unvoted Rate – inside mills; on average 4-6 inside mills for school districts
- Voted Rate – the rate at which the original levy was approved

# Property Tax Rates

- Class I Effective Rate – the calculated rate after applying H.B. 920 tax reduction factors to Class I real property
- Class II Effective Rate – the calculated rate after applying H.B. 920 tax reduction factors to Class II real property
- Total Rate – the sum of inside mills and voted rate; it is always applied to tangible personal property.

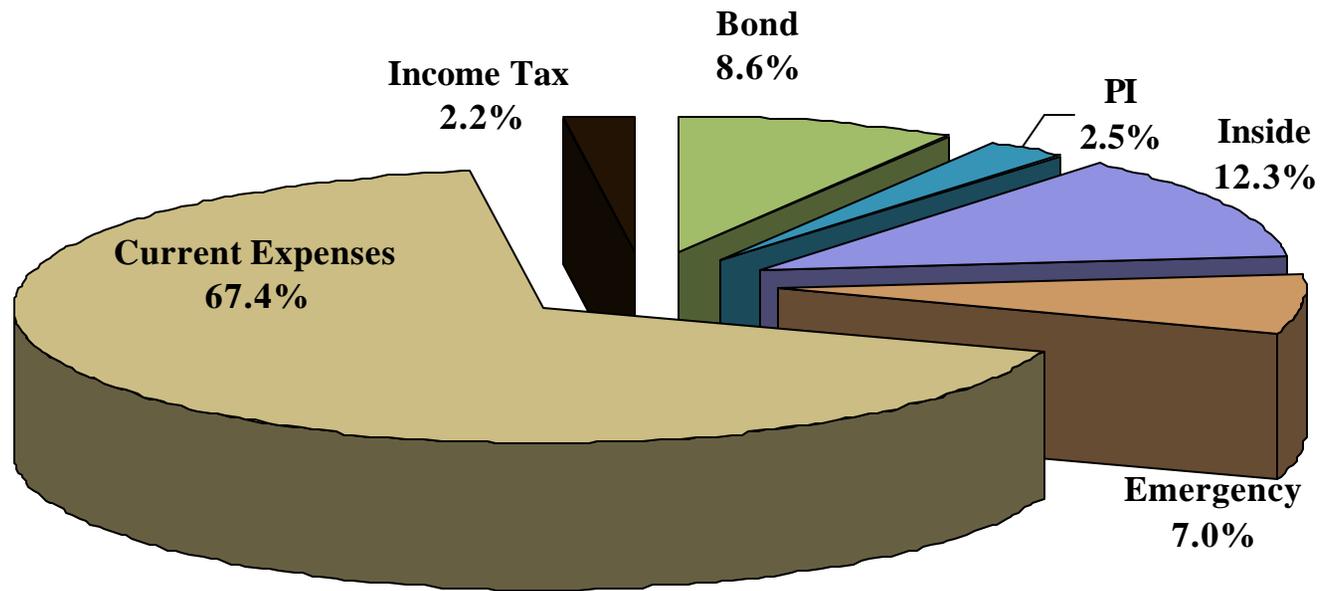
# Operating Property Tax Rates, TY 2005

	Class I	Class II	Total
Minimum	20.00	20.00	20.00
Maximum	63.57	86.88	156.73
Average	24.58	35.40	49.93
Median	24.58	27.48	42.40

# Property Tax Levy Purposes

- Inside mills (4 – 6 mills for school districts)
  - generally designated by school districts for general operations
- Current expenses
  - for the general operations of school districts
- Emergency
  - for the general operations of school districts
- Permanent improvement
  - generally for maintenance of physical plants or for things that have at least five years of useful life
- Bond
  - for site acquisition and building renovation/construction

# School District Operating and Capital Tax Revenue by Levy Type, TY 2005



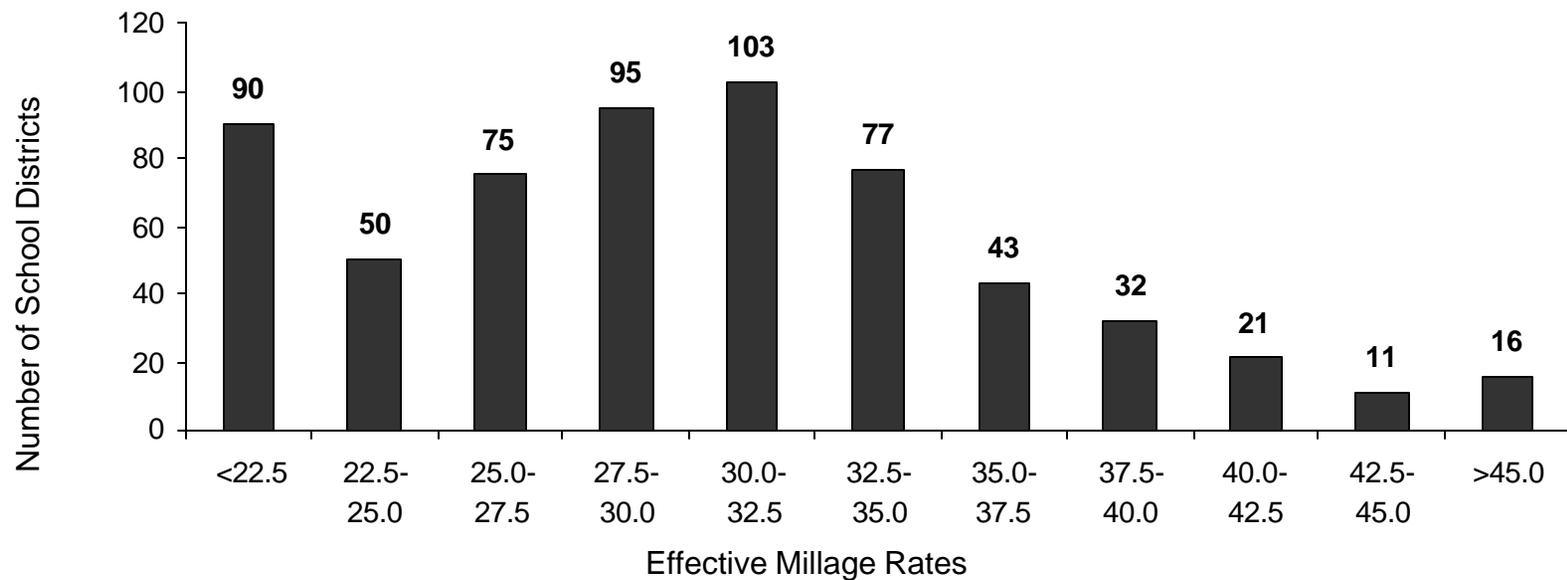
PI- Permanent Improvement

# School District Income Tax

- 161 school districts levied a school district income tax in FY 2006.
- Collected a total of \$201.1 million in school district income taxes
- Range from less than \$100 per pupil in some districts to over \$1,000 per pupil in some other districts
- Tend to be small, rural districts with relatively low business property wealth
- Many districts with school district income taxes are at the H.B. 920 20-mill floor.

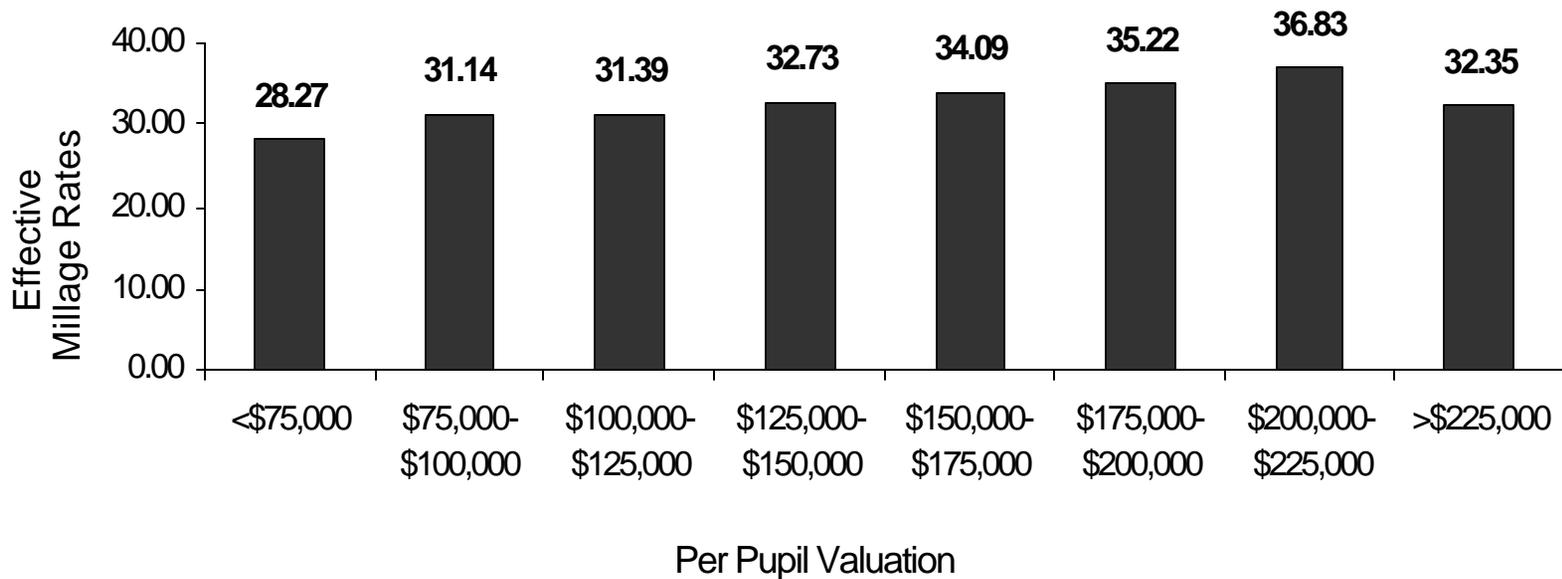
# Summary of Overall Effective Operating Tax Rates, TY 2005

Distribution of Overall Effective Operating Tax Rates, TY 2005

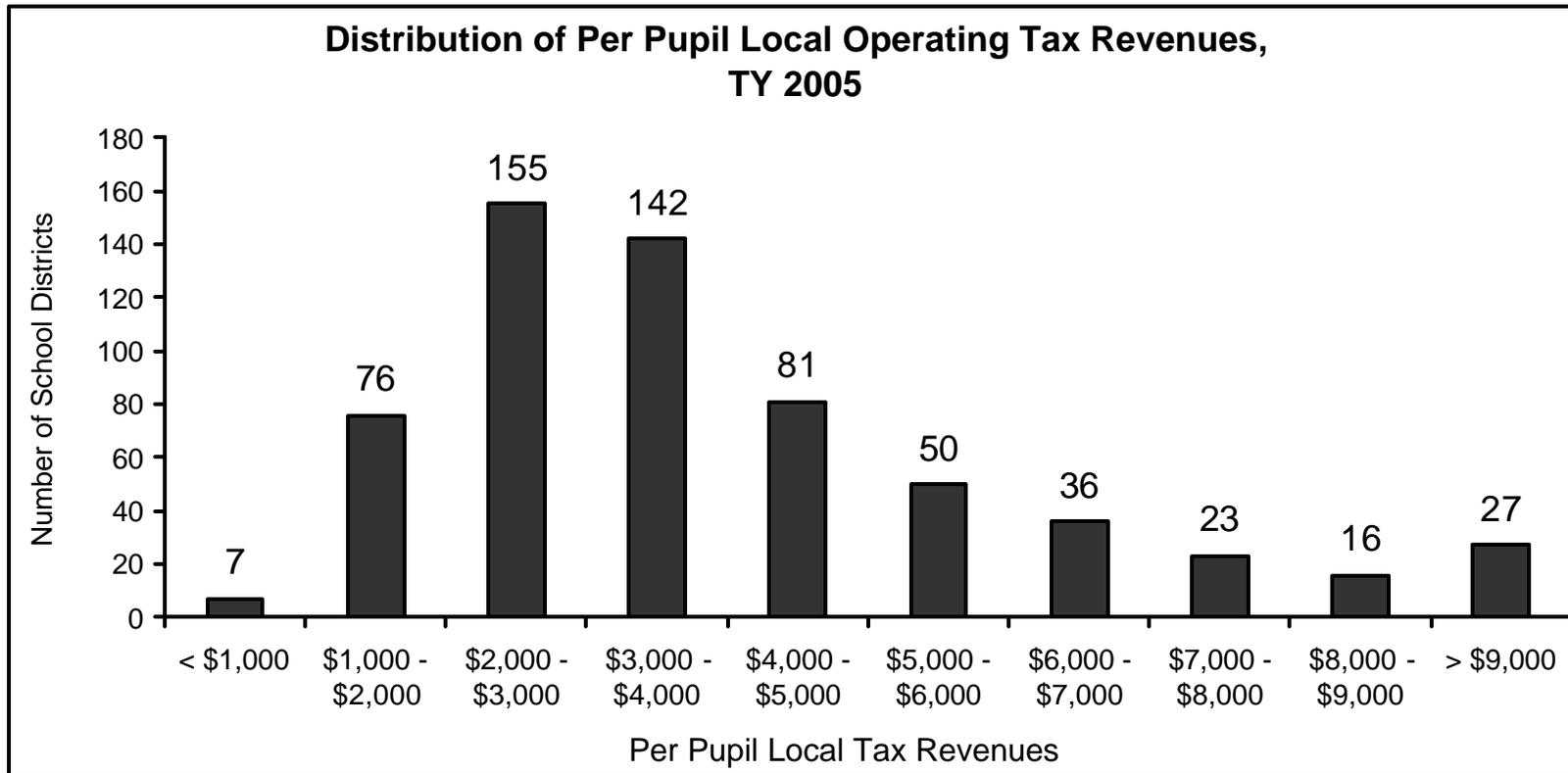


# Summary of Overall Effective Operating Tax Rates, TY 2005

Average Overall Effective Operating Tax Rates by Valuation Per Pupil, TY 2005

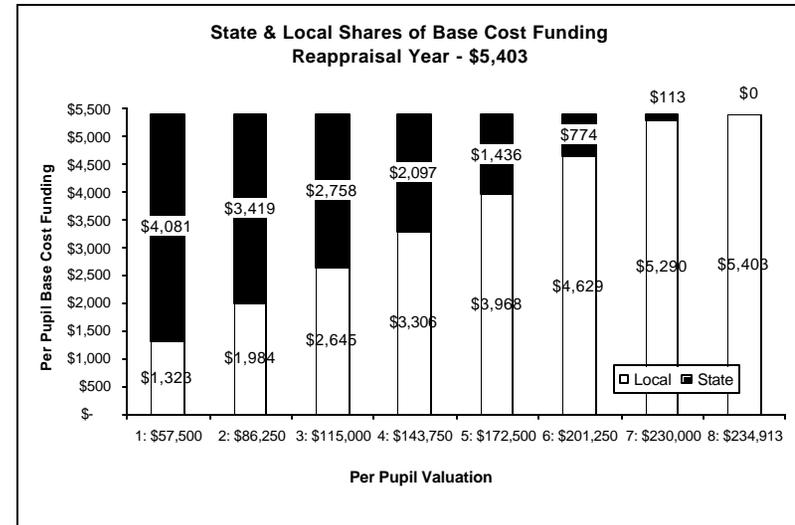
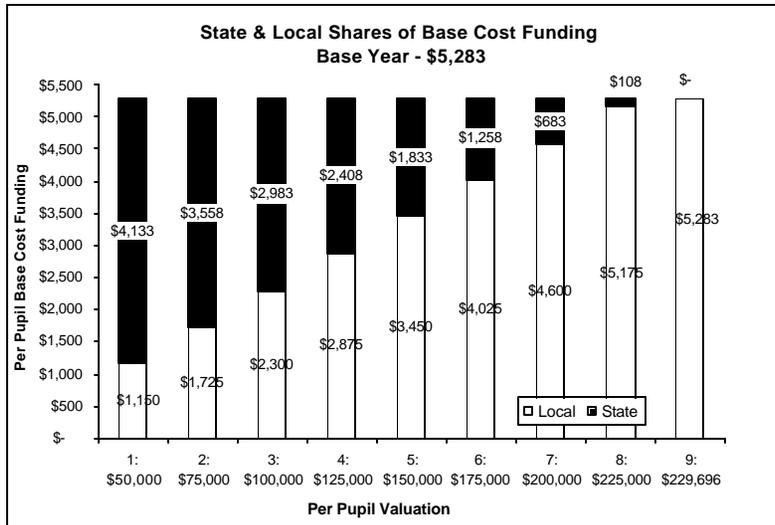


# Summary of Per Pupil Local Operating Tax Revenues, TY 2005



# Interaction of Charge-off and H.B. 920 Tax Reduction Factors

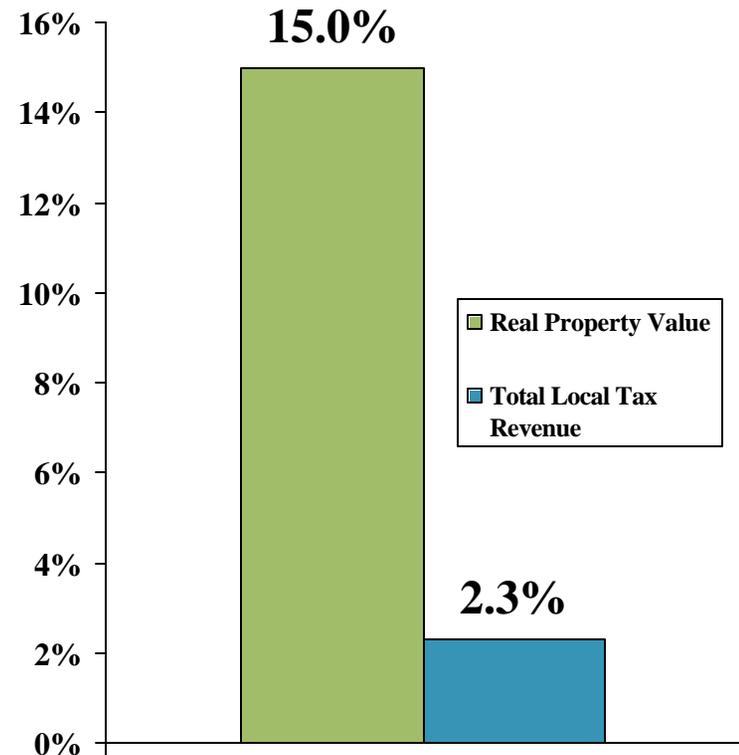
# Charge-off Provides More State Funding to Low Capacity Districts



# H.B. 920 Limits Inflationary Revenue Increase from Existing Real Property

	Base Year	Reappraisal Year
Inside Mills	5.00	5.00
Effective Voted Mills	27.00	23.48
Total Effective Mills	32.00	28.48
Real Property Value Per Pupil	\$ 100,000	\$ 115,000
Real Property Value Growth		15.0%
Inside Mill Revenue	\$ 500	\$ 575
Voted Mill Revenue	\$ 2,700	\$ 2,700
Total Local Tax Revenue	\$ 3,200	\$ 3,275
Total Local Tax Revenue Growth		2.3%

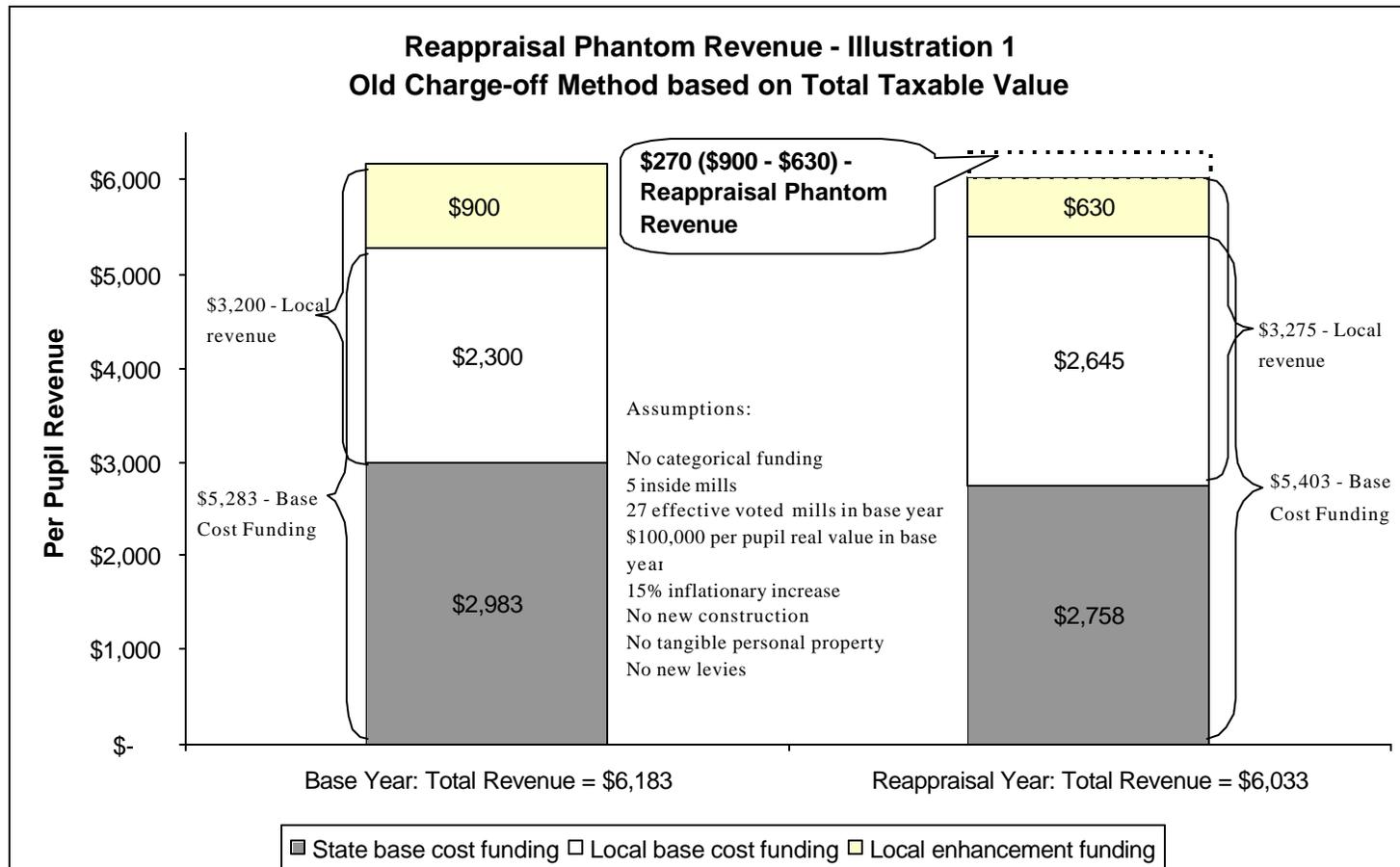
Assumptions:  
 No new construction  
 No new levies  
 No tangible personal property



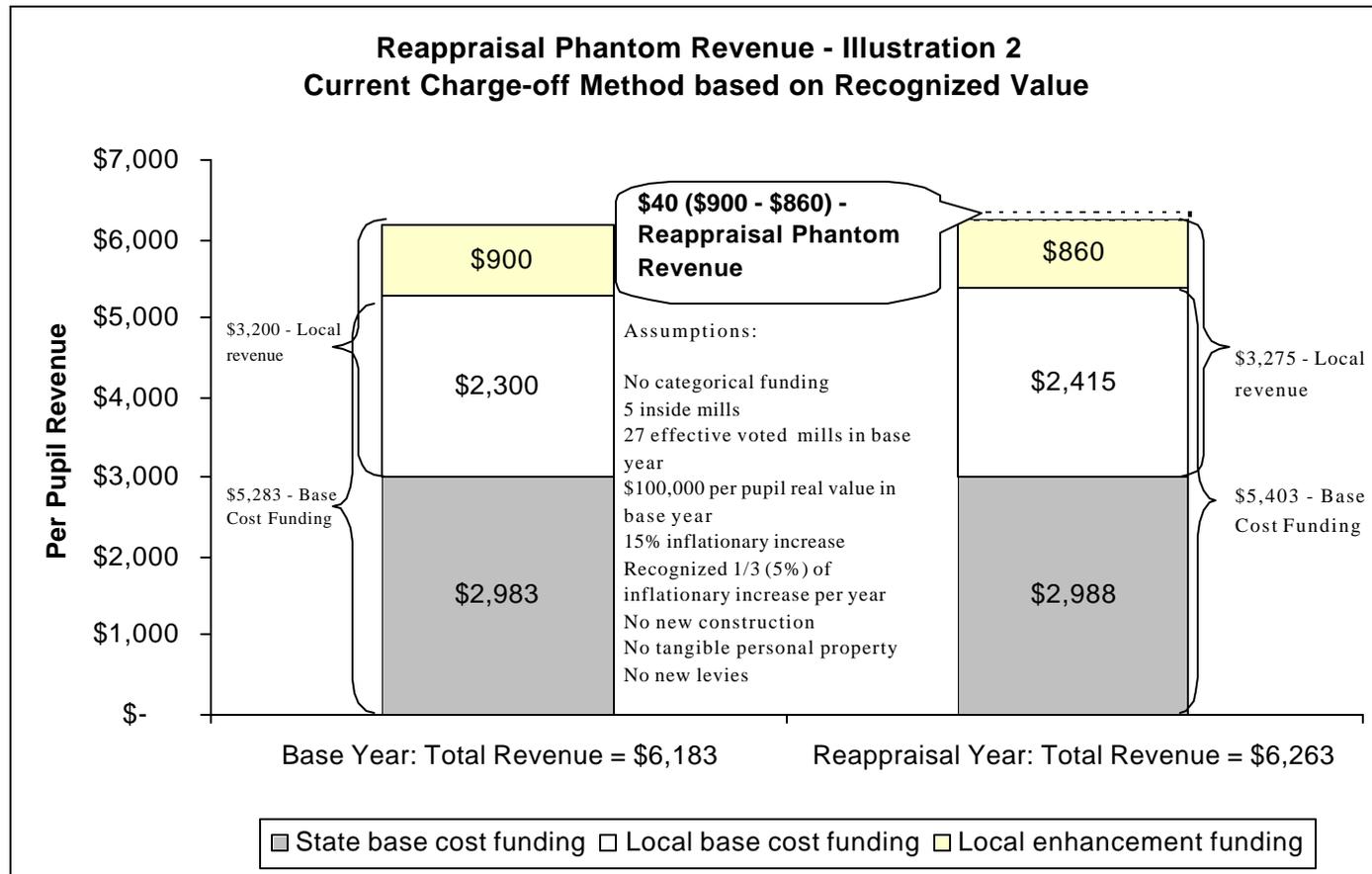
# Phantom Revenue

- Formula (charge-off) phantom revenue
  - the gap between the local share assumed by the formulas and the amount of revenue collected by a district
  - eliminated by the charge-off supplement (gap aid)
  - no phantom revenue in the state-defined basic education
- Reappraisal phantom revenue
  - the interaction between the charge-off and the H.B. 920 tax reduction factors
  - reduces the amount of local enhancement revenue (above the state-defined basic education) when a district goes through a reappraisal/update
  - Difficult to be addressed by the formulas alone without creating new concerns

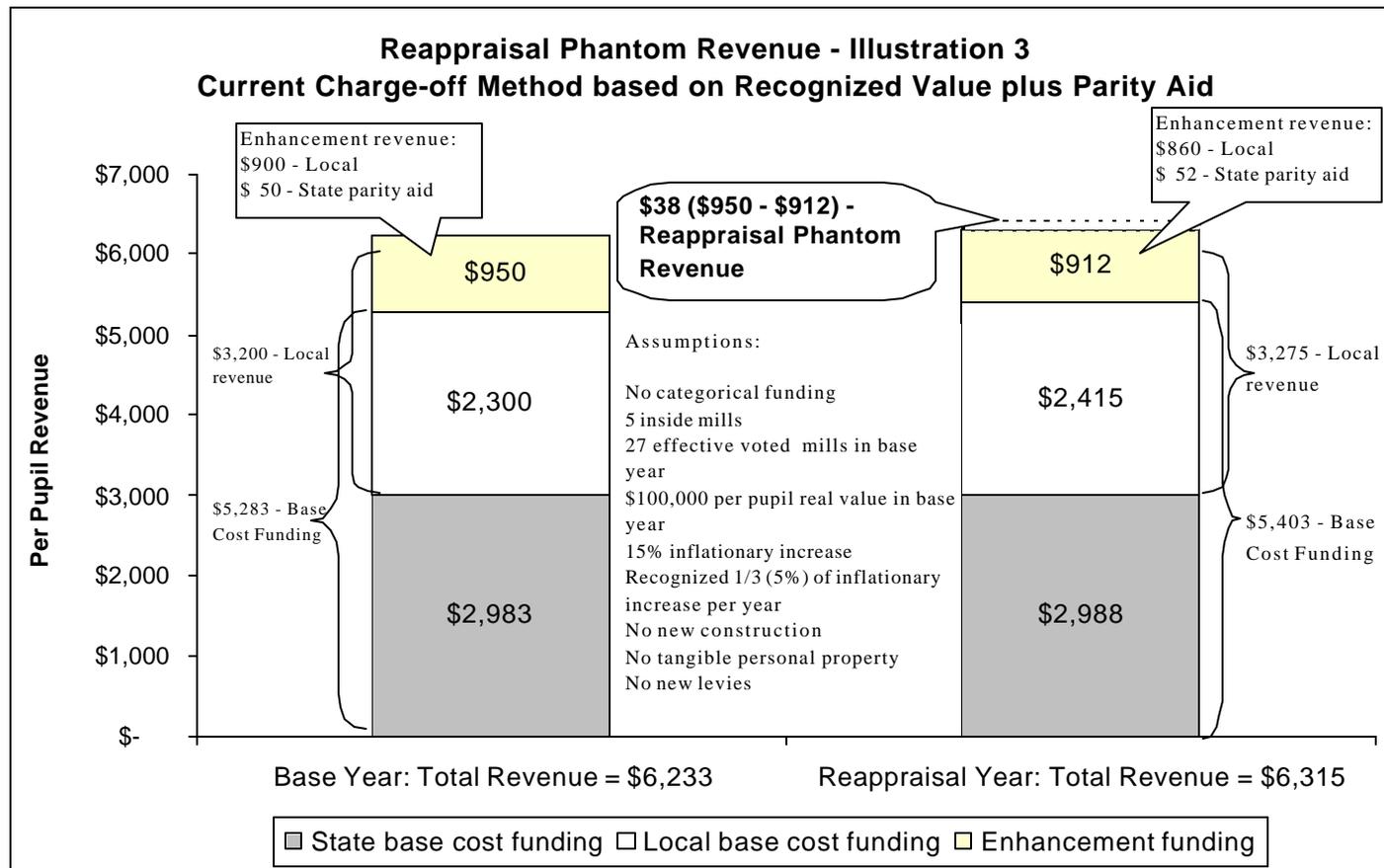
# Interaction of Charge-off and H.B. 920 - Illustration 1



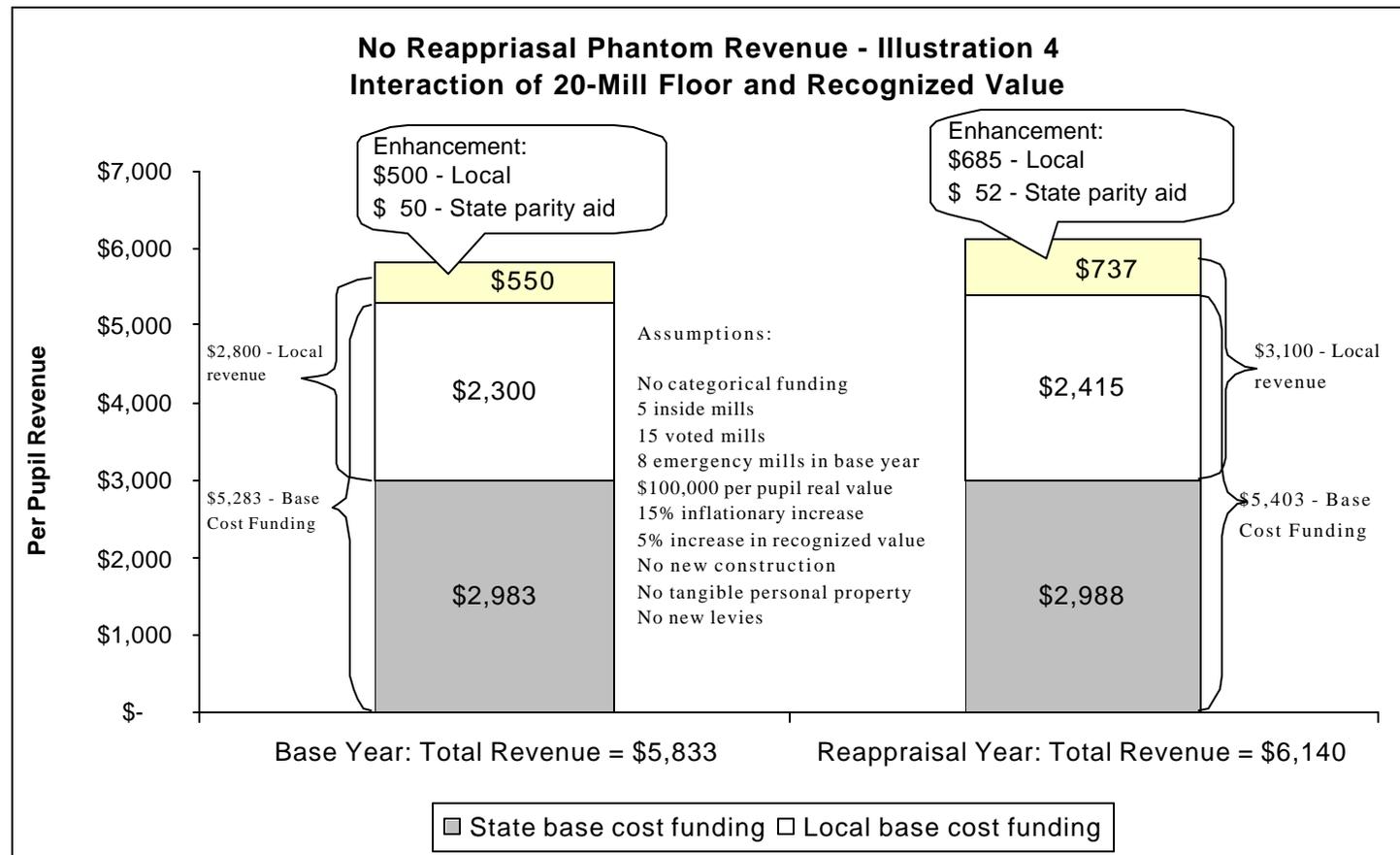
# Interaction of Charge-off and H.B. 920 - Illustration 2



# Interaction of Charge-off and H.B. 920 - Illustration 3



# Interaction of Charge-off and H.B. 920 20-Mill Floor - Illustration 4



# A Few Thoughts on Reappraisal Phantom Revenue

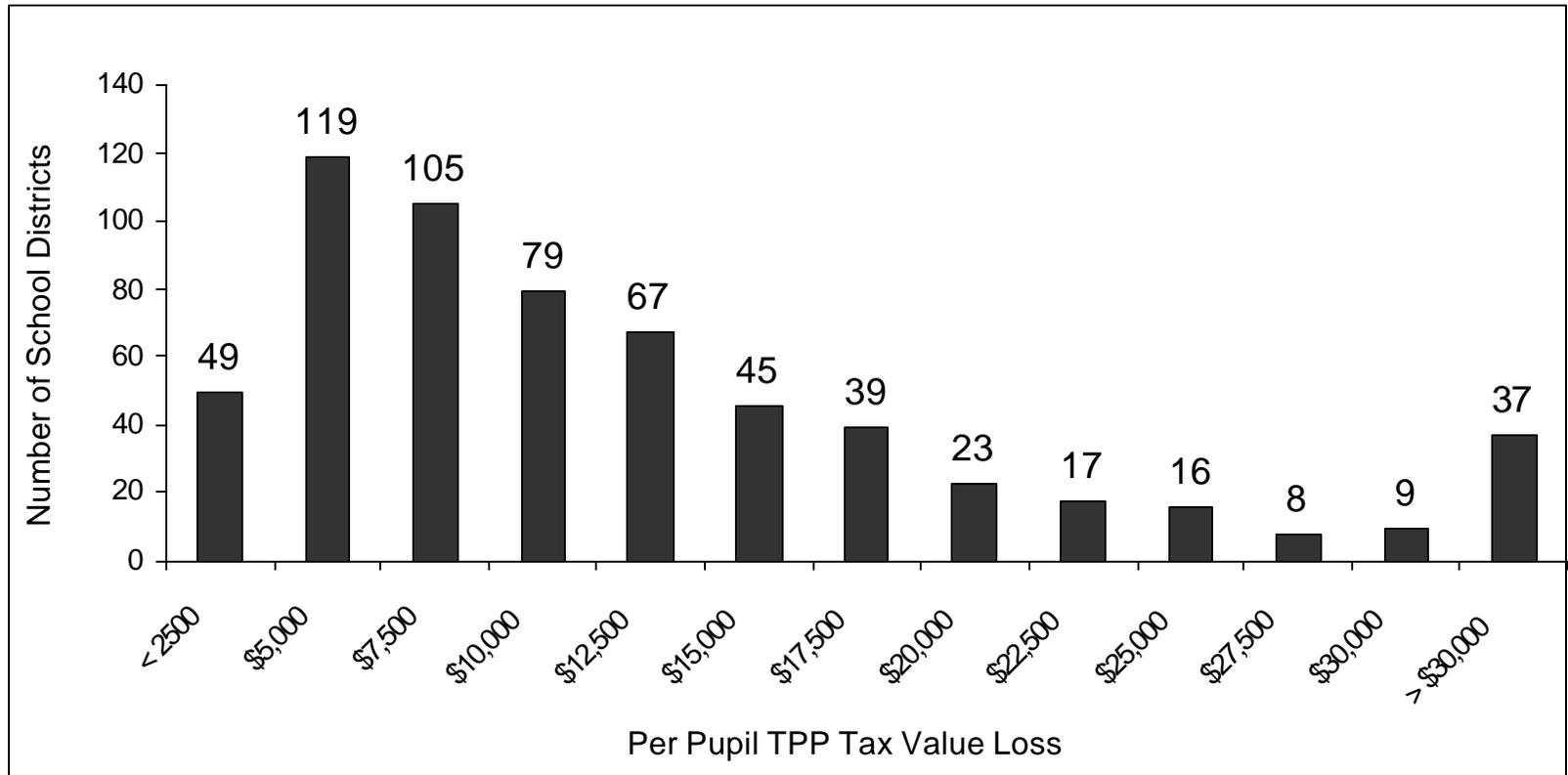
- Both charge-off and H.B. 920 achieve what they are designed to do.
- Reappraisal phantom revenue is a by-product of interaction of charge-off and H.B. 920.
- The sheer share of property taxes in school district revenue exacerbates the problem.
- It is difficult to address reappraisal phantom revenue in the school funding formula alone without creating new concerns.

# Phase-out of General Business TPP Tax

# School District TPP Value Loss

Tax Year	Tax Value Loss
2006	\$6.1 billion
2007	\$11.1 billion
2008	\$15.5 billion
2009	\$20.9 billion
2010	\$21.3 billion
2011	\$21.7 billion

# Distribution of Per Pupil TPP Value Loss by TY 2011



# School District TPP Tax Revenue Loss

Tax Year	Tax Revenue Loss
2006	\$370.8 million
2007	\$616.2 million
2008	\$840.6 million
2009	\$1,110.2 million
2010	\$1,130.2 million

# TPP Tax Revenue Loss Reimbursement

State Education Aid Offset

+

Direct Reimbursement

=

Total Reimbursement Amount

# TPP Tax Revenue Loss Reimbursement

- State education aid offset
  - School funding formula requires an increase in state education aid when a district's taxable value decreases.
  - State education aid increases due to the TPP tax value loss is called the state education offset.
  - Generally a little under 50% of the TPP tax revenue loss may be made up by increases in state education aid; however, this percentage may be lower due to various supplement and guarantee component of the formula.

# TPP Tax Revenue Loss Reimbursement

- Direct Reimbursement
  - The difference between a district's total reimbursement amount and its state education aid offset
  - School districts are to be held harmless for the first five years (TY 2006-TY 2010).
  - Direct reimbursement begins to phase out in TY 2011 at a rate of  $\frac{3}{17}$  per year in the first two years, then at  $\frac{2}{17}$  per year after that until TY 2017.
  - State education aid increases due to the TPP tax phase-out are permanent.

# Capital Funding for Schools

# School Capital Funding Sources

- State – School Facilities Commission
  - 12-year plan to rebuild Ohio’s schools
- Local – bond levies
  
- \$2.0 billion in FY 2006
- State – \$0.7 billion
- Local - \$1.3 billion

# School Facilities Commission

- Created in 1997 by S.B. 102 of the 122<sup>nd</sup> G.A.
- Served 290 school districts from 1997 to June 2006
- Provided support for 427 new or renovated buildings
- Completed entire facility projects for 103 school districts

# SFC's Main Programs

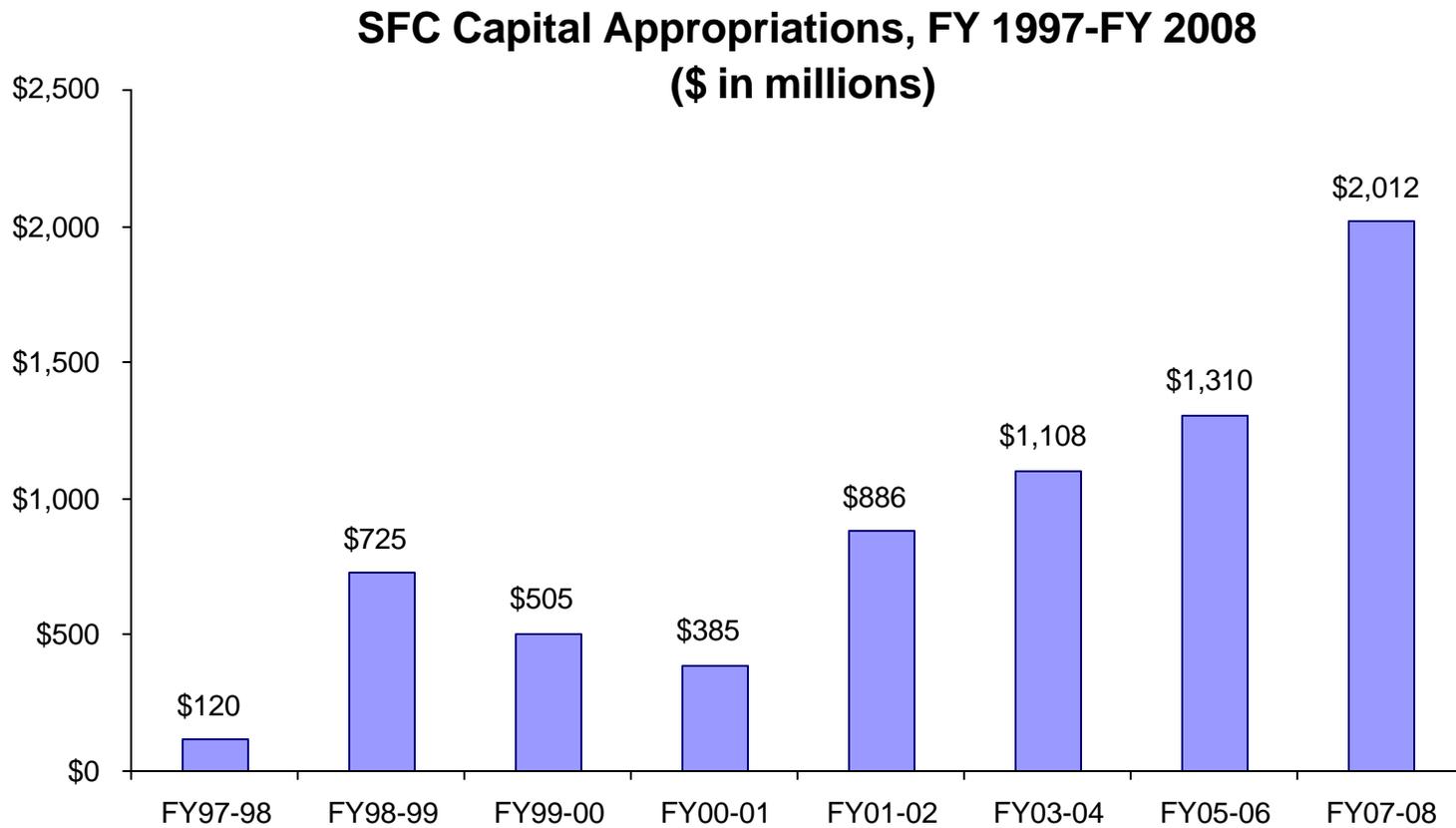
## **School Districts**

- Classroom Facilities Assistance Program
  - Accelerated Urban Initiative
- Exceptional Needs Program
- Expedited Local Partnership Program (ELPP)

## **Joint Vocational School Districts**

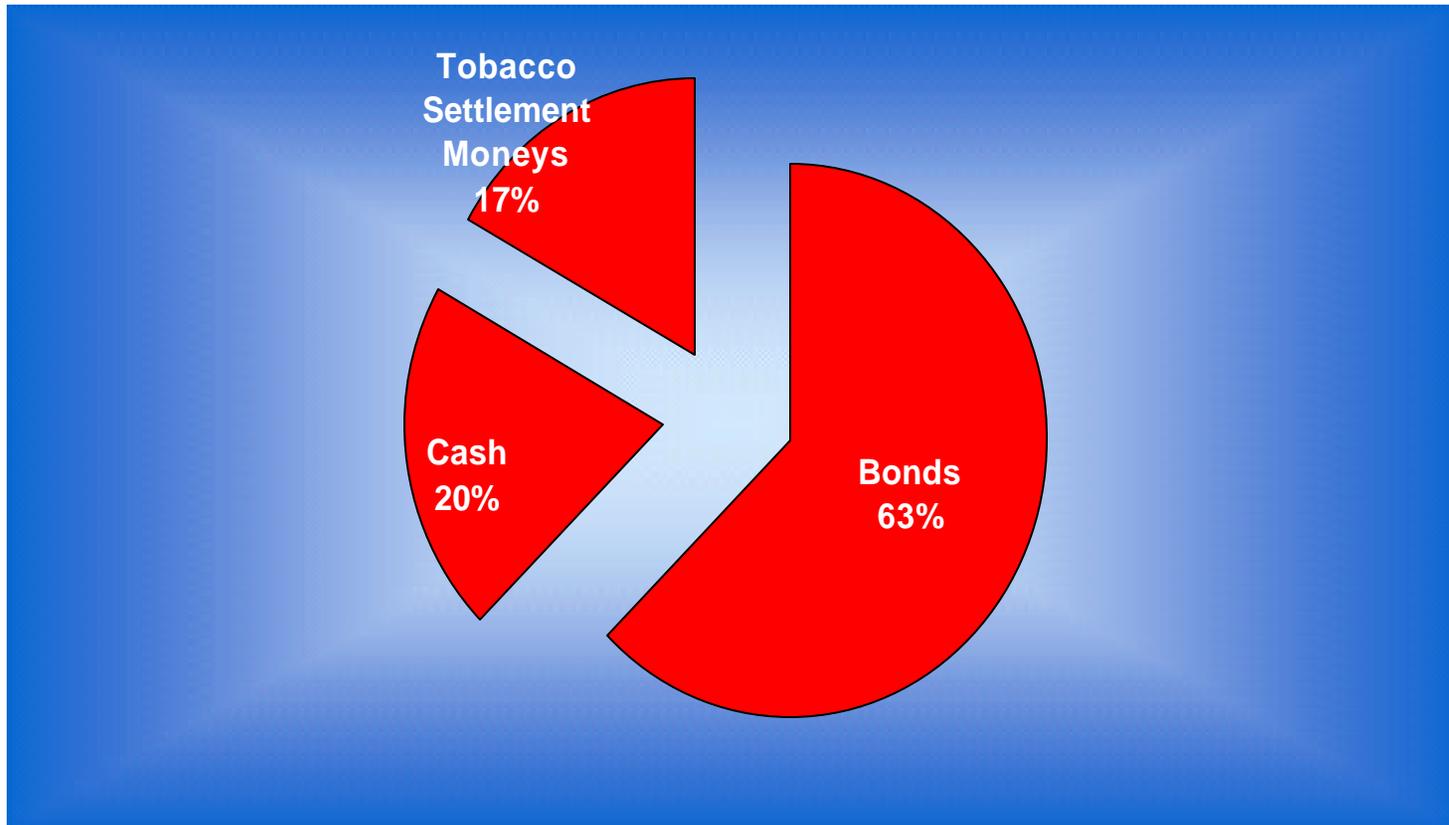
- Vocational Facilities Assistance Program (VFAP)
- VFAP ELPP

# SFC Capital Appropriations



Total: \$7.05 billion

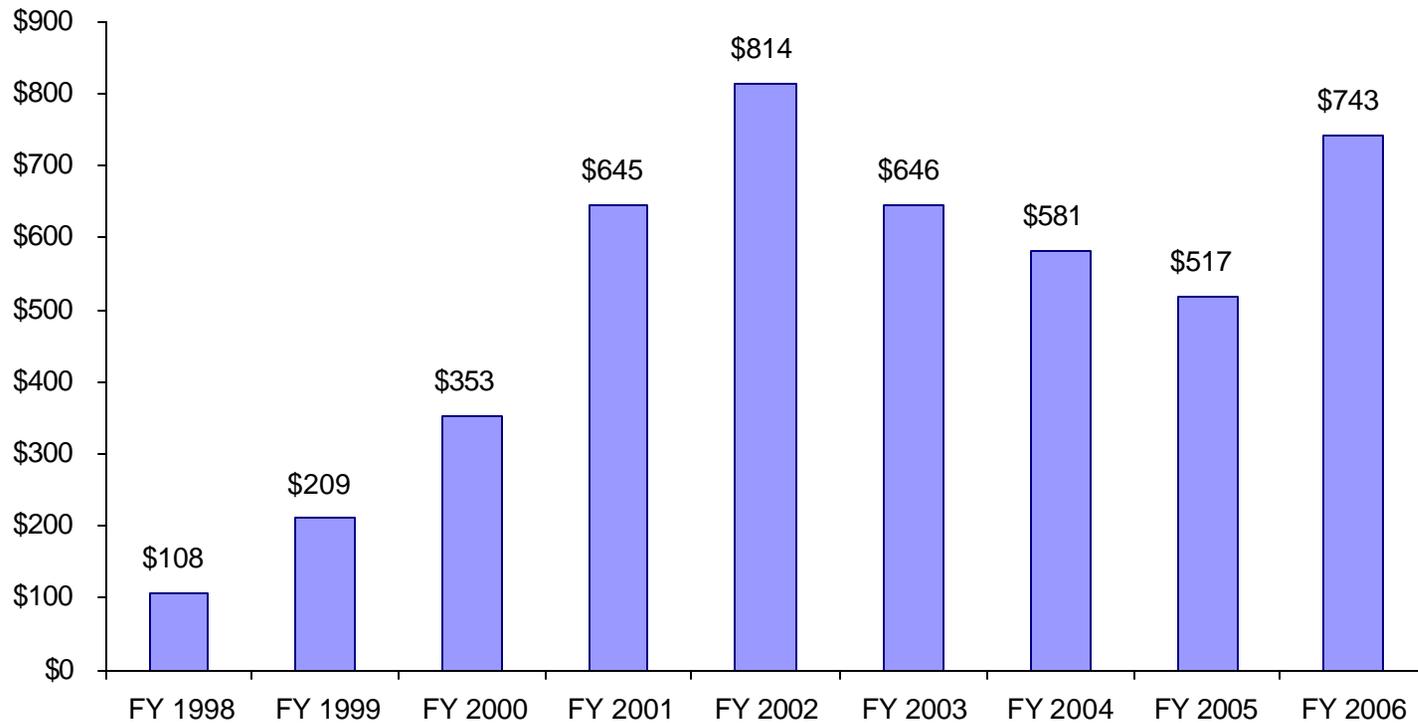
# SFC Capital Appropriations by Source, FY 1997-FY 2008



Total = \$7.05 billion

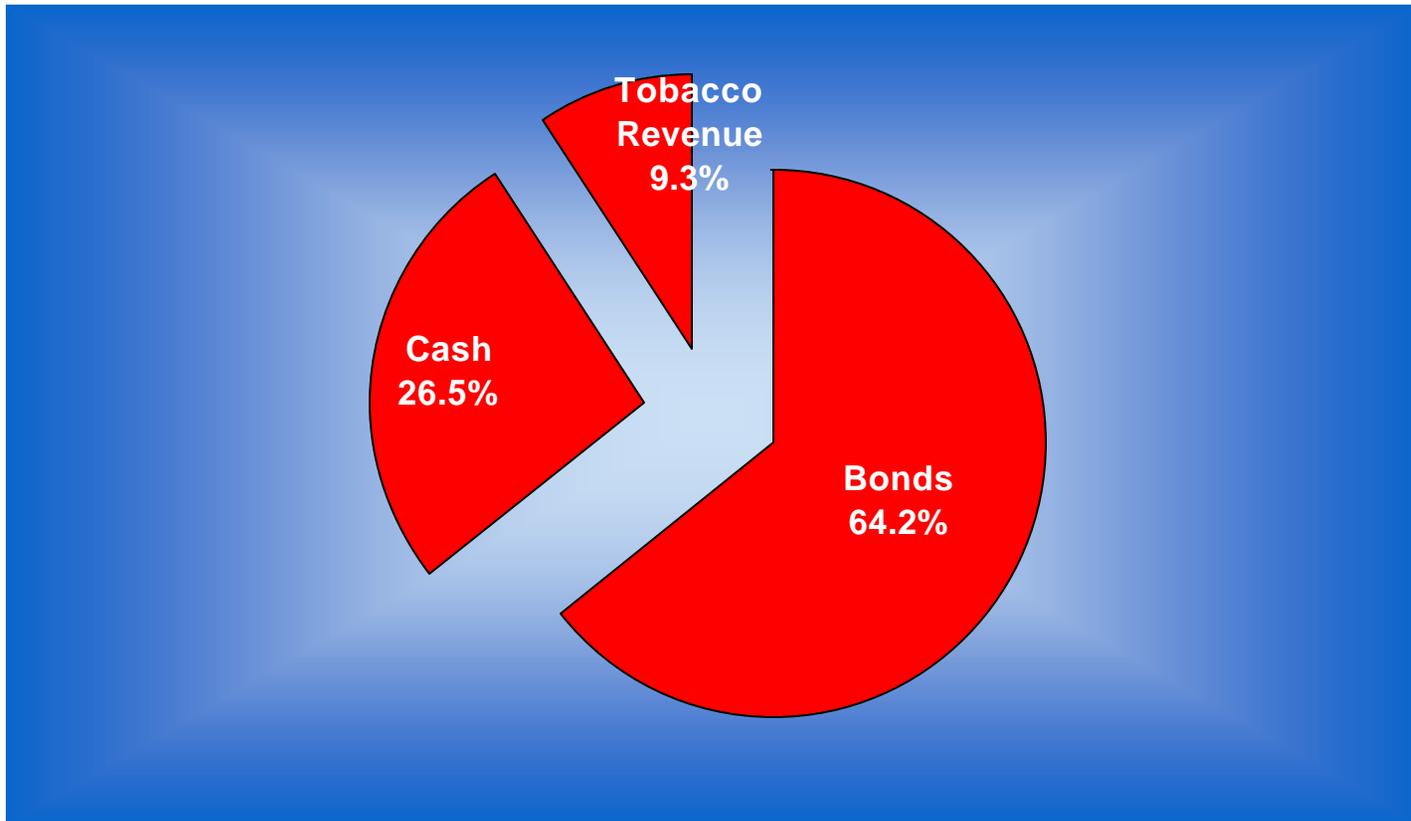
# SFC Capital Disbursements

SFC Capital Disbursements, FY 1998-FY 2006  
(\$ in millions)



Total = \$4.6 billion

# SFC Capital Disbursements, FY 1998-FY 2006



Total = \$4.6 billion

# Classroom Facilities Assistance Program (CFAP)

- SFC's main school building program
- Created in S.B. 102 of the 122<sup>nd</sup> General Assembly
- Eligibility and state share are generally based on a district's wealth ranking in the state
- Lower wealth districts are generally served first and have higher state shares
- A minimum of 5% state share

# Classroom Facilities Assistance Program (CFAP)

- Half-mill maintenance tax levy in addition to the local share of the project cost
- Serving districts around the 30<sup>th</sup> percentile rank in FY 2007
- Disbursed nearly \$4.0 billion through FY 2006

# Accelerated Urban Initiative

- Created in S.B. 272 of the 123<sup>rd</sup> G.A.
- Allowed six major urban districts: Akron, Cincinnati, Cleveland, Columbus, Dayton, and Toledo, to receive CFAP assistance earlier than otherwise anticipated
- Multiple-phased projects
- Estimated total project cost of these six districts is \$5.7 billion, with nearly \$3.0 billion in state funds.
- Since FY 2003, 18 buildings in these districts have been built.

# Exceptional Needs Program (ENP)

- Created in H.B. 850 of the 122<sup>nd</sup> G.A.
- Assists school districts in addressing the health and safety needs of a specific building
- Serves districts up through the 75<sup>th</sup> percentile rank and districts with territories larger than 300 square miles
- SFC can spend up to 25% of its annual capital appropriations for ENP projects.
- SFC has disbursed \$392.5 million for ENP projects through FY 2006.

# Expedited Local Partnership Program (ELPP)

- Created in S.B. 272 of the 123<sup>rd</sup> G.A.
- Permits a school district not yet eligible for CFAP to enter into an agreement with SFC to spend local resources to construct new or renovate old facilities
- The local resources spent by the district then are credited to the district's local share when it becomes eligible for CFAP assistance
- Through FY 2006, 88 ELPP districts = \$1.8 billion accumulated against state funds
- In FY 2007, 7 ELPP districts being served through CFAP = \$120.0 million credit against state funds

# Vocational Facilities Assistance Program (VFAP) & VFAP ELPP

- Created in H.B. 675 of the 125<sup>th</sup> G.A. to assist Ohio's 49 joint vocational school districts (JVSDs)
- Up to 2% of SFC's annual appropriations for VFAP projects.
- No JVSD local share of its basic project to be below 25% or above 95%
- Disbursed \$5.1 million and served four JVSDs through VFAP; two offered funding in FY 2007
- Two other JVSDs, with \$7.7 million accumulated credit against state funds, served through VFAP ELPP

# SFC-Assisted Projects By Program

<b>Program</b>	<b># of districts served through FY 2006</b>	<b># of districts offered funding in FY 2007</b>
<b>CFAP (includes Accelerated Urban)</b>	159	26
<b>ENP</b>	37	2
<b>ELPP</b>	88	N/A
<b>VFAP</b>	4	2
<b>VFAP ELPP</b>	2	N/A
<b>Total</b>	290	30

# Other SFC Programs

- *Extreme Environmental Contamination Program* – allows a school district experiencing extreme environmental contamination to participate in ENP
- *Emergency Assistance Program* – provides state grants to help defray the costs of replacing damaged facilities that suffer a natural disaster due to “an act of God”
- *Energy Conservation Program* – allows school districts with older facilities to borrow funds, without the vote of the public, to make energy saving improvements

## Other SFC Programs

- *Community School Loan Guarantee Program* – provides loan guarantees to community schools to assist them in acquiring, improving, or replacing classroom facilities
- *Half-Mill Maintenance Equalization Program* – provides equalized subsidies, through ODE, to school districts with below statewide average valuation per pupil that have passed the one-half mill maintenance requirement under CFAP

# Eligibility Ranking List Determination

- Annually, ODE calculates the adjusted valuation per pupil for all school districts through the following formula:

**District's valuation per pupil – [\$30,000 X (1 – the district's income factor)]**

- **EXAMPLE:**

**$\$100,000,000/1,500 - [\$30,000 \times (1 - 0.5)] = \$51,667$**

- Then, three-year average adjusted valuation per pupil calculated from the current and preceding two fiscal years

# Eligibility Ranking List Determination

- Districts ranked from the lowest three-year average adjusted valuation per pupil to the highest and divided into percentiles
- 1st percentile = lowest wealth districts  
100<sup>th</sup> percentile = the highest wealth districts
- List certified to SFC by September 1<sup>st</sup> each fiscal year.

# Determining the State and Local Share

- Local Share (not to exceed 95%) = Greater of (a) or (b):  
  
(a) The district's required percentage of the basic project cost, computed as follows:

$$\text{Required Percentage} = .01 \times (\text{District Percentile Rank})$$

- (b) The amount necessary to increase the net bonded indebtedness of the school district to within \$5,000 of its required level of indebtedness, computed as follows:

$$\text{Required Level of Indebtedness Percentage} = .05 + .0002 \times (\text{District Percentile Rank} - 1)$$

# Determining the State and Local Share: Example A

## School District A

Adjusted valuation per pupil = \$66,707

Ranked 152nd in the state = 25th percentile

Required level of indebtedness = 5.48%  $(0.05 + 0.0002 \times (25-1))$

No other existing debts

Total Assessed Valuation \$112,947,910

Total Estimated Basic Project Cost \$26,098,528

## *Local Share Equals the Greater of:*

- (a) Required percentage  
of project cost method: 25% of project costs \$6.5 million
- (b) Required level of  
indebtedness method: 5.48% of assessed valuation \$6.2 million

# Determining the State and Local Share: Example B

## **School District B.**

Adjusted valuation per pupil = \$180,211

Ranked 560th in the state = 92nd percentile

Required level of indebtedness = 6.82% ( $0.05 + 0.0002 \times (92-1)$ )

No other existing debts

Total Assessed Valuation	\$201,577,352
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Total Estimated Basic Project Cost	\$14,500,000
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## ***Local Share Equals the Greater of:***

(a) Required percentage

of project cost method: 92% of project costs \$13.3 million

(b) Required level of

indebtedness method: 6.82% of assessed valuation \$13.7 million

# Federal Funding for Schools

# Main Purposes of Federal Funding

- Target children from low-income families and children with disabilities
- 8.1% of total funding for school districts in FY2006.
- \$771 – average per pupil federal funding for school districts in FY 2006

# Types of Federal Grants

- Entitlement – 81% of all federal funds
  - Subsidy payments driven by federal formulas
- Discretionary – 19% of all federal funds
  - Competitive grants – 10% of all federal funds
  - State-level activities – 7% of all federal funds
  - State administration – 2% of all federal funds

# Federal Discretionary Grants

- Competitive grants
  - Distributed based on application criteria established with federal grant guidelines
- State-level activities
  - The majority are distributed to educational partners outside of ODE for technical assistance, professional development, and program evaluations
- State administration
  - Range from 1% to 8% of the grant amounts
  - 2% overall

# Growth of Federal Grants

- Increase rapidly in recent years
- Double from FY 1998 to FY 2006
  - \$796 million in FY 1998
  - \$1.6 billion in FY 2006

# Timing of Spending Federal Funds

- Federal fiscal year: October 1 – September 30
- Appropriated on 10/1
- Available for spending on following 7/1 for 27 months with 90 days of extension
- Five years after funds are appropriated, any unspent balances will return to the U.S. Treasury

# Major Federal Funding Areas

- Special education
- Title I
- School lunch and breakfast programs
- Head Start (funding goes to providers directly)
- No Child Left Behind (NCLB)

## Major Program Funding, FY 2006

<b>Program Name</b>	<b>Amount</b>
Special Education	\$487.0 million
School Lunch and Breakfast	\$267.7 million
NCLB	
Title I, Part A	\$396.6 million
Improving Teacher Quality	\$106.2 million
Reading First	\$46.4 million
21 <sup>st</sup> Century Community Learning Centers	\$30.7 million
English Language Acquisition	\$7.0 million
State Assessments	\$8.5 million
<b><i>Total</i></b>	<b><i>\$1,350.1 million</i></b>