



# Members Brief

An informational brief prepared by the LSC staff for members and staff of the Ohio General Assembly

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## Formula Funding Phase-in and Guarantees

Ohio’s primary and secondary education funding formula contains several mechanisms that prevent a district’s state aid from either decreasing or increasing each fiscal year beyond certain limits. First, the formula phases-in most components, which limits funding increases or decreases during the transition to the new formula enacted in H.B. 110. Also, two “guarantee” provisions prevent a district’s funding from falling below certain historical amounts. In FY 2022, the phase-in reduced foundation aid by a net amount of \$758.8 million while 388 districts were on one or both guarantees for a total of \$189.0 million. Final foundation aid, after these adjustments, totaled about \$7.24 billion in FY 2022.

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### Overview

Ohio’s primary and secondary education funding formula consists of many components that work together to determine how much state support a school district receives. The state share of the base cost provides state funding based on a district’s formula-determined cost to educate a typically developing student and its capacity to raise local revenues, targeted assistance provides additional funds based on district wealth characteristics, categorical components provide districts with funds based on the student body’s characteristics, and transportation aid provides funds to assist districts in transporting students to and from school.<sup>1</sup>

<sup>1</sup> Please see the following *Members Briefs* for more information on these various components of the formula: [Base Cost Model](#), [Base Cost – Distribution of State Funds](#), [Targeted Assistance](#), [Categorical Add-On Aid to Ohio Schools](#), and [Pupil Transportation Formula](#).

After the primary components of the funding formula are calculated, the formula adjusts a district's funding through one or more provisions designed to limit large swings in state aid. The first of these adjustments responds to the significant changes made in the new formula, established by H.B. 110 of the 134<sup>th</sup> General Assembly, by phasing it in over time. After a district's phased-in funding is calculated, two "guarantee" provisions prevent losses in state funding compared to certain base years. Temporary transitional aid ensures districts do not receive less than their FY 2020 state foundation aid. A separate formula transition supplement guarantees districts do not receive less than their FY 2021 funding, including student wellness and success funds and the enrollment growth supplement for that year. Additional details are provided below.

## Phase-in

The amount calculated under the new formula for the state share of the base cost, the wealth and capacity tiers of targeted assistance, special education additional aid, English learner funds, gifted student funding, career-technical education and associated services funds, and disadvantaged pupil impact aid (DPIA) totaled \$7.24 billion statewide in FY 2022. However, these components are subject to a phase-in. The table below lists the various phase-in percentages used in the formula. In FY 2022, the phase-in percentage for all components except DPIA, called the "general phase-in percentage," was 16.67% while DPIA funds were phased-in at 0%. In FY 2023, the phase-in percentage for all components, including DPIA, increases to 33.33%. These percentages do not apply to the aggregate amount calculated for each of these components under the FY 2022-FY 2023 formula, but instead apply to the difference between a district's total calculated funding for these components under the new formula and the district's FY 2020 funding base, as described in more detail below.

Phase-in Percentages, Traditional School Districts, FY 2022-FY 2023		
Category	FY 2022	FY 2023
General	16.67%	33.33%
DPIA	0%	33.33%

Calculation of the phase-in amount starts with a district's FY 2020 foundation funding for the base cost and categorical add-on components prior to any reduction ordered by the Governor in response to the COVID-19 pandemic, then adjusting for enrollment transfers in and out of the district. The resulting amount is added to the product of the phase-in percentage and the difference between the amount calculated under the new formula and the FY 2020 amount. This calculation is summarized below. Compared to the FY 2020 base, the new funding formula generated more funding for most districts (413, or 68%) in FY 2022. The phase-in effectively reduces or limits the amount of state foundation aid for these districts compared to the amount calculated under the new formula. Therefore, as the phase-in percentage increases, so does such a district's phased-in funding (all else being equal). In contrast, the new formula generated less than the FY 2020 base for the remaining 196 (32%) districts. The phase-in increases the amount

of state foundation aid for these districts compared to the amount calculated under the new formula. The phase-in practically “phases down” or progressively decreases foundation aid to the calculated amount for these districts as the phase-in percentage increases. Overall, in FY 2022, the phased-in amount of the components subject to the phase-in was \$758.8 million less than the calculated amount for them under the new formula.

### Calculation of Phase-in

District’s general funding base =  
 FY 2020 calculated aid before budget reductions for all components except for economically disadvantaged funds and transportation - Transfers to community and STEM schools for these components - Net transfers for open enrollment students - Transfers for scholarship programs

General phase-in percentage = 16.67% in FY 2022 and 33.3% in FY 2023

District’s phased-in funding for state share of the base cost, wealth and capacity tiers of targeted assistance, special education additional aid, English learner funds, gifted student funding, and career-technical education and associated services funds =  
 District’s general funding base + [General phase-in percentage x  
 (New formula’s calculated funding for these components - District’s general funding base)]

District’s DPIA funding base =  
 FY 2020 calculated aid before budget reductions for economically disadvantaged funds - Transfers to community and STEM schools for economically disadvantaged funds

DPIA phase-in percentage = 0% in FY 2022 and 33.33% in FY 2023

District’s phased-in funding for DPIA =  
 District’s DPIA funding base + [DPIA phase-in percentage x  
 (New formula’s calculated funding for DPIA - District’s DPIA funding base)]

## Core foundation aid

A district’s core foundation aid is the sum of its phased-in funding for the state share of the base cost, wealth and capacity tiers of targeted assistance, special education additional aid, English learner funds, gifted student funding, career-technical education and associated services funds, and DPIA. In FY 2022, core foundation aid totaled \$6.48 billion.

### Core Foundation Aid

District’s core foundation aid =  
 Sum of district’s phased-in funding for the state share of the base cost, wealth and capacity tiers of targeted assistance, special education additional aid, English learner funds, gifted student funding, career-technical education and associated services funds, and DPIA

## Guarantees

### Temporary transitional aid

The formula provides temporary transitional aid to ensure the funding a traditional district receives in FY 2022 and FY 2023 does not fall below its FY 2020 funding base (the sum of its general and DPIA funding bases, as calculated for the phase-in). Supplemental targeted assistance and transportation aid is not included in the calculations for temporary transitional aid (i.e., they are “outside” this guarantee). In general, therefore, a district’s temporary transitional aid equals its FY 2020 funding base minus its core foundation aid. If the calculation results in a negative number, the district’s temporary transitional aid is \$0.

However, the formula adjusts temporary transitional aid for districts experiencing certain decreases in incoming open enrollment students. If a district’s incoming open enrollment decreases from one fiscal year to the next by 20 students or 10%, whichever is greater (the district’s “decrease threshold”), the district’s temporary transitional aid is reduced by the statewide average base cost per pupil times the reduction in the number of students in excess of the prescribed minimum decrease. For example, consider a hypothetical district that otherwise receives temporary transitional aid and has a decrease threshold of 20. If that district’s incoming open enrollment decreased by 25 students from FY 2021 to FY 2022, the adjustment reduced its temporary transitional aid by \$36,760 (\$7,352 x 5 students above the 20-student threshold). Statewide, the adjustment reduced temporary transitional aid by a total of over \$625,000 for eight districts in FY 2022.

The calculation of temporary transitional aid is summarized below. In FY 2022, temporary transitional aid added \$73.0 million to the funding for 207 districts.

#### Temporary Transitional Aid

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District’s FY 2020 funding base = District’s general funding base + District’s DPIA funding base

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District’s decrease threshold =  
Greater of 20 and 10% of district’s prior year incoming open enrollment students

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If (District’s prior year incoming open enrollment students - district’s current year incoming open enrollment students) > district’s decrease threshold,

District’s temporary transitional aid adjustment =  
Statewide average base cost per pupil x [(district’s prior year incoming open enrollment students - district’s current year incoming open enrollment students) - district’s decrease threshold],

Else, district’s temporary transitional aid adjustment = \$0

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District’s temporary transitional aid =  
Greater of \$0 and (District’s FY 2020 funding base - District’s core foundation aid - District’s temporary transitional aid adjustment)

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In FY 2022, temporary transitional aid tended to be concentrated in the highest-wealth school districts (quintile 5 in the table immediately below). About \$37.5 million, or 51% of the total amount of temporary transitional aid, went to 92 districts in quintile 5, which contains the districts with the highest property valuation per pupil. About 71% of all the districts in quintile 5 received temporary transitional aid. In comparison, 21 (16%) of the least wealthy districts (quintile 1) received a total of \$8.6 million in temporary transitional aid, or about 12% of the total. Overall, 34% of districts statewide were on the temporary transitional aid guarantee in FY 2022.

Temporary Transitional Aid Guarantee by District Wealth Quintile, FY 2022				
Quintile*	Number of Districts on Guarantee	% of Districts in Quintile on Guarantee	Total Guarantee (in millions)	% of Total Guarantee
1 (Lowest wealth)	21	16.3%	\$8.6	11.7%
2	20	13.5%	\$3.6	5.0%
3	30	27.8%	\$6.0	8.2%
4	44	46.8%	\$17.3	23.7%
5 (Highest wealth)	92	70.8%	\$37.5	51.4%
<b>Total</b>	<b>207</b>	<b>34.0%</b>	<b>\$73.0</b>	<b>100.0%</b>

\*Note: Each quintile contains approximately 20% of the statewide student population of traditional school districts.

## Formula transition supplement

The formula transition supplement is another guarantee provided in the formula. It ensures that a district's funding does not fall below base FY 2021 levels. Specifically, this supplement guarantees that a district's foundation aid in FY 2022 and FY 2023 (including temporary transitional aid, supplemental targeted assistance, and total transportation aid) does not fall below the sum of (1) the district's FY 2021 foundation aid as calculated before budget reductions, (2) the district's FY 2021 student wellness and success funds, and (3) the district's FY 2021 enrollment growth supplement. This calculation is summarized below. In FY 2022, 324 (53%) districts received the formula transition supplement, totaling \$116.1 million statewide.

### Formula Transition Supplement

$$\text{District's base funding} = \text{District's FY 2021 calculated foundation aid before budget reductions} - \text{Transfers to community and STEM schools} - \text{Net transfers for open enrollment students} - \text{Transfers for scholarship programs} + \text{District's FY 2021 student success and wellness funds} + \text{District's FY 2021 enrollment growth supplement}$$

### Formula Transition Supplement

District's formula transition supplement =  
 Greater of \$0 or [District's base funding – (District's core foundation aid + District's temporary transitional aid + District's supplemental targeted assistance + District's transportation aid + District's transportation guarantee)]

The next table shows that the formula transition supplement is more evenly distributed across district wealth quintiles than temporary transitional aid. The share of districts in each quintile receiving the supplement in FY 2022 ranged from 47% in the lowest wealth quintile (quintile 1) to roughly 60% in the second-highest wealth quintile (quintile 4), with 53% of all districts statewide receiving these funds. Each quintile received between roughly 15% and 25% of the statewide total formula transition supplement of \$116.1 million, ranging from \$17.1 million distributed to districts in quintile 4 to almost \$28.0 million to districts in quintile 3.

Formula Transition Supplement by District Wealth Quintile, FY 2022				
Quintile*	Number of Districts Receiving Supplement	% of Districts in Quintile Receiving Supplement	Total Formula Transition Supplement (in millions)	% of Total Formula Transition Supplement
1 (Lowest wealth)	61	47.3%	\$23.9	20.6%
2	79	53.4%	\$27.2	23.5%
3	58	53.7%	\$28.0	24.1%
4	56	59.6%	\$17.1	14.7%
5 (Highest wealth)	70	53.8%	\$19.8	17.1%
<b>Total</b>	<b>324</b>	<b>53.2%</b>	<b>\$116.1</b>	<b>100.0%</b>

\*Note: Each quintile contains approximately 20% of the statewide student population of traditional school districts.

In FY 2022, 388 (64%) of school districts were either on the temporary transitional aid guarantee or received the formula transition supplement. These funding guarantees totaled \$189.0 million that year.

## Final foundation aid

A district's final foundation aid is the sum of its core foundation aid, temporary transitional aid, supplemental targeted assistance, total transportation aid, and formula transition supplement. The calculation of final foundation aid for each school district is summarized below. In FY 2022, a total of about \$7.24 billion was allocated to the 609 traditional school districts in Ohio.

## Final Foundation Aid

Final foundation aid = Core foundation aid + temporary transitional aid + supplemental targeted assistance + transportation aid + transportation guarantee + formula transition supplement

Overall, the statewide average final foundation aid per pupil in FY 2022 was \$4,953. The chart below displays final foundation aid per pupil by formula component (after the phase-in is applied) and by the same wealth quintiles described in the [Base Cost – Distribution of State Funds Members Brief](#) and in Tables 2 and 3 above. As the chart shows, low-wealth districts receive more state foundation aid per pupil than high-wealth districts. In FY 2022, the average per-pupil state foundation aid for wealth quintiles 1 through 5 was \$8,628, \$6,356, \$4,323, \$2,949, and \$2,638, respectively.

**Per-Pupil Final Foundation Aid by Wealth Quintile, FY 2022**

