



Members Brief

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

Author: Sarah Darnell, Budget Analyst
Reviewer: Jason Phillips, Division Chief

Volume 134 Issue 27
January 10, 2022

Public School Federal Operating Revenue

In FY 2021, federal operating revenue for public schools in Ohio totaled \$1.76 billion, or 7.8% of public school revenue.

The largest category of ongoing federal support for public schools in Ohio was from Title I, Part A (Title I) of the Elementary and Secondary Education Act (ESEA), comprising \$574.3 million (32.8%). Title I is the federal government’s main program for economically disadvantaged students with a purpose of ensuring that all children have an opportunity to obtain a high-quality education and reach proficiency on state academic achievement standards and assessments.

The second largest category of ongoing funding was from the Individuals with Disabilities Education Act, Part B (IDEA), comprising \$447.0 million (25.5%). IDEA funding is directed toward students with disabilities to assist districts in complying with federal requirements to provide a free appropriate public education in the least restrictive environment for children with disabilities, ages 3 through 21.

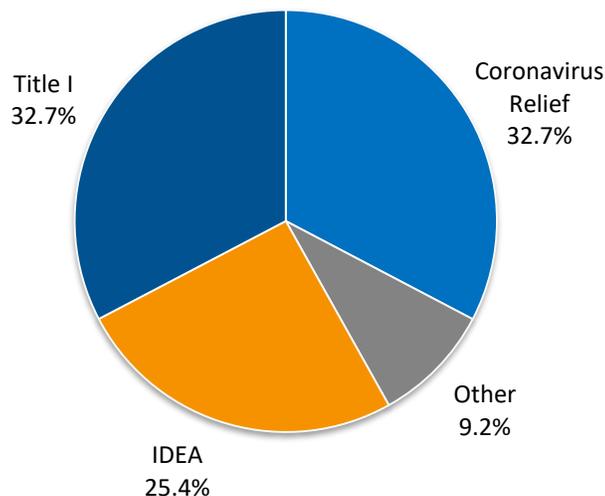
In FY 2021, public schools also received \$574.9 million in federal coronavirus relief funds to assist with expenditures necessary to address the pandemic.

Contents

Title I funding for economically disadvantaged students.....	2
FY 2021 funding.....	2
Title I funding formulas	3
Allocations to LEAs	4
Allowable use of Title I funds	4
Individuals with Disabilities Education Act.....	5
FY 2021 funding.....	5
IDEA funding formula	6
Allocations to LEAs	6
Allowable use of IDEA funds	6
Coronavirus relief funds for education.....	7
Elementary and Secondary School Emergency Relief funds.....	7
Coronavirus Relief Fund	8
Governor’s Emergency Education Relief Fund.....	8

Federal dollars accounted for 7.8% of public school revenue in FY 2021. The federal revenue counted for purposes of this analysis includes the main formula-based funding that flows to schools through the state budget. It does not include competitive grants that either flow through the state budget or that flow directly to grant recipients. In FY 2021, this federal revenue totaled \$1.76 billion. It is mainly directed toward economically disadvantaged and special education students as well as school coronavirus relief initiatives. Spending of federal revenue is generally restricted to purposes allowed by each grant.

Public School Federal Operating Revenue in Ohio, FY 2021



The chart above illustrates that the majority of federal funding for local education agencies (LEAs) in Ohio comes from Title I, Part A (Title I) of the Elementary and Secondary Education Act (ESEA) and Individuals with Disabilities Education Act, Part B (IDEA). Title I comprises 32.7% of federal funding for Ohio schools and IDEA comprises 25.4% of federal funding for Ohio schools. Coronavirus Relief accounted for 32.7% of federal funding for Ohio schools. This brief focuses on these three major sources. The “Other” category includes funding for improving teacher quality, career-technical education, student support and enrichment, early childhood education, English language acquisition, and rural and low-income education.

Title I funding for economically disadvantaged students

The federal government’s main program for economically disadvantaged students is authorized by Title I. The purpose of Title I is to ensure that all children have an opportunity to obtain a high-quality education and reach proficiency on state academic achievement standards and assessments.

FY 2021 funding

In FY 2021, \$574.3 million in Title I funds were distributed to LEAs in Ohio. Table 1 below shows the distribution of federal Title I funding by district typology. Federal funding through Title I is based primarily on U.S. Census data of low-income students. Ohio’s Title I funding is

concentrated in districts with high percentages of student poverty, as illustrated in the table below. Average Title I funding per pupil in FY 2021 ranges from a high of \$924 for urban districts with very high poverty to a low of \$81 for suburban districts with very low poverty. Services are provided to students identified as having the greatest need for assistance and being most at risk of failing state academic achievement standards.

Title I funding formulas

Title I funds are currently allocated through four statutory formulas based primarily on U.S. Census poverty estimates and the cost of education in each state. According to the U.S. Department of Education, the four statutory formulas are used to distribute:

1. **Basic Grants**, which provide funds to LEAs in which the number of children counted in the formula (formula children) is at least ten and exceeds 2% of an LEA's school-age population.
2. **Concentration Grants**, which provide funds to LEAs that are eligible for Basic Grants and in which the number of formula children exceeds 6,500 or 15% of an LEA's total school-age population.
3. **Targeted Grants**, which are based on the same data used for Basic and Concentration Grants except that the data are weighted so that LEAs with higher numbers or higher percentages of children receive more funds. Targeted Grants provide funds to LEAs in which the number of formula children (without application of the formula weights) is at least ten and at least 5% of the LEA's school-age population.
4. **Education Finance Incentive Grants (EFIG)**, which distribute funds to states based on factors that measure (a) a state's effort to provide financial support for education compared to its relative wealth as measured by its per-capita income, and (b) the degree to which education expenditures among LEAs within the state are equalized. Once a state's EFIG allocation is determined, funds are allocated to LEAs in which the number of children from low-income families is at least ten and at least 5% of the LEA's school-age population.¹

The Title I formula includes children ages 5-17 that meet any of the following criteria:

- Below the federal poverty level, as determined by the U.S. Census Bureau;
- Above the federal poverty level but receiving Temporary Assistance for Needy Families (TANF) payments; or
- Children in institutions for neglected or delinquent children or those in foster homes.

¹ U.S. Department of Education, "Improving Basic Programs Operated by Local Educational Agencies (Title I, Part A)," <https://www2.ed.gov/programs/titleiparta/index.html>.

An LEA's initial Title I allocation is the sum of the amount that the LEA receives under each formula.²

Allocations to LEAs

The Ohio Department of Education (ODE) receives predetermined allocations from the federal government for traditional districts based on the federal formula. ODE makes adjustments to the traditional school district allocations to account for funds it reserves for state administration (up to 1%), school improvement (7% generally), direct student services (up to 3%), and neglected and delinquent youth (based on funds generated by those youth), and to provide funds for community (charter) and STEM schools, which are not included in the statutory formula calculations. The community and STEM school allocations are determined based on enrollment data. Title I funds also provide equitable services to eligible children enrolled in private schools.

LEAs target the Title I funds they receive to schools with the highest percentages of children from low-income families by implementing targeted assistance programs and school wide programs. Targeted assistance programs focus Title I services on children who are failing, or most at risk of failing, to meet state academic standards. Schools in which children from low-income families make up at least 40% of enrollment are eligible to use Title I funds to operate school wide programs that serve all children in the school in order to raise the achievement of the lowest-achieving students.

Allowable use of Title I funds

Title I funds are allowed to be used for employee salaries and benefits, educational materials (ODE recommends districts spend no more than 10% of allocation on supplies and equipment), and operational needs (e.g., school maintenance and cleaning and Title I conferences).³ Title I funds are subject to federal maintenance of effort (MOE) provisions that generally prohibit LEA spending from state and local sources from falling below a certain level and "supplement, not supplant" requirements aimed at preventing federal funds from being used to replace state and local funds.

² For additional details concerning the calculation of Title I, Part A allocations, please see the Congressional Research Services' report entitled "Allocation of Funds Under Title I-A of the Elementary and Secondary Education Act," updated September 17, 2018, <https://crsreports.congress.gov/product/pdf/R/R44461>.

³ Ohio Department of Education, "Office of Federal Programs Resource Guide: Basics to the Elementary and Secondary Education Act," <http://education.ohio.gov/getattachment/Topics/School-Improvement/Federal-Programs/OFP-ESEA-Resource-Guide-2015-1.pdf.aspx>.

Table 1. Title I and IDEA Funding Per Pupil by District Type, FY 2021

Comparison Group – Description		Number of Districts	Student Poverty %	Title I Per Pupil	% Special Education	IDEA Per Pupil
Rural	High poverty, small population	123	51.8%	\$329	16.3%	\$234
Rural	Average poverty, very small population	106	38.0%	\$229	14.5%	\$204
Small town	Low poverty, small population	111	30.7%	\$170	13.7%	\$223
Small town	High poverty, average population	89	56.4%	\$340	16.1%	\$254
Suburban	Low poverty, average population	77	30.6%	\$165	14.2%	\$248
Suburban	Very low poverty, large population	46	14.1%	\$81	12.7%	\$242
Urban	High poverty, average population	47	75.0%	\$504	18.5%	\$277
Urban	Very high poverty, very large population	8	93.3%	\$924	19.9%	\$326
Average			46.7%	\$328	15.6%	\$254

Individuals with Disabilities Education Act

The second largest source of ongoing federal operating revenues for public schools is authorized by IDEA. This funding is directed toward students with disabilities to assist districts in complying with federal requirements to provide a free appropriate public education (FAPE) in the least restrictive environment for children with disabilities, ages 3 through 21.⁴

FY 2021 funding

In FY 2021, \$447.0 million in IDEA funds were distributed to LEAs in Ohio. Table 1 above shows the distribution of federal IDEA funding by district typology. Although special education students are more evenly distributed among districts than economically disadvantaged students, they are more heavily concentrated in urban districts. Average IDEA funding per pupil in FY 2021 ranges from a high of \$326 for very large urban districts, which have an average of 19.9% of

⁴ 34 Code of Federal Regulations (C.F.R.) § 300 *et. seq.* and Ohio Administrative Code § 3301-51-02.

enrollment receiving special education, to a low of \$204 for very small rural districts, which have an average of 14.5% of enrollment receiving special education.

IDEA funding formula

IDEA grants for states are allocated through a federal funding formula. The formula starts with each state's IDEA allocation for FY 1999 (the "base year"). If the IDEA appropriation to states remains the same or increases from one year to the next, 85% of the funds above the base year are allocated based on the relative population of children who are in the age range for which the state ensures the availability of FAPE to children with disabilities. Ohio provides FAPE to children ages 3 to 21. The remaining 15% of funds above the base year are allocated based on the relative population of children ages 3 to 21 living in poverty. Once a state's initial grant is determined based on these factors, it is subject to certain minimum and maximum amounts that are calculated based on various formulas. If the amount available for allocation to states decreases from the prior year, any amount available for allocation to states above the FY 1999 level is allocated based on the relative share of increased funding that the states received between FY 1999 and the prior year. If there is a decrease below the amount allocated for FY 1999, each state's allocation is reduced from the FY 1999 level in proportion to the reduction in overall funding. Since 1999, IDEA funding has not decreased below FY 1999 levels.⁵

Allocations to LEAs

ODE provides most of the state's IDEA allocation as subgrants to LEAs. However, it may reserve certain amounts for state administration and state-level activities. After these reservations are taken into account, ODE distributes IDEA funding to LEAs using a formula similar to the one used for determining each state's allocation. Specifically, after ODE determines each LEA's base amount based on its FY 1999 allocation, it distributes 85% of the remaining amount according to each LEA's share of the current population of children in both public and private schools and 15% of the remaining amount according to each LEA's share of current students living in poverty. In the LEA distribution formula, however, the LEA base amounts are adjusted for new LEAs that have been established since FY 1999 and other circumstances and no minimum or maximum amounts are calculated.

Allowable use of IDEA funds

The federal government requires that IDEA funds are used for the education and services of students with a disability, to strengthen education, drive reforms, and improve results for students. IDEA funds may be used for teachers and support staff (salaries, benefits, and training), instruction supplies and equipment (including assistive technology), intervention services, and administrative expenses (related to program implementation, evaluation, student transportation, and facility improvements benefiting students with disabilities). IDEA funding cannot be used for general expenditures that generally benefit all students in a building or

⁵ For additional details concerning the calculation of IDEA allocations, please see the Congressional Research Services' report entitled "The Individuals with Disabilities Education Act (IDEA) Funding: A Primer," updated August 29, 2019, <https://crsreports.congress.gov/product/pdf/R/R44624>.

district.⁶ In addition, IDEA funds are subject to federal MOE and “supplement, not supplant” requirements.

Coronavirus relief funds for education

In addition to the ongoing federal funding described above, school districts and other public schools are receiving a substantial infusion of federal funds to respond to the COVID-19 pandemic and its impacts on primary and secondary education. The federal Coronavirus Aid Relief, and Economic Security (CARES) Act, the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act, 2021, enacted as part of the federal Consolidated Appropriations Act, 2021, and the American Rescue Plan (ARP) Act provide Ohio with a total of \$6.96 billion in Elementary and Secondary School Emergency Relief (ESSER) funds, by far the largest source of coronavirus school relief funds. In addition, Ohio used portions of its flexible allocations from the Coronavirus Relief Fund (CRF) and the Governor’s Emergency Education Relief (GEER) Fund, both of the CARES Act, to provide formula funding for districts and schools. Overall, ODE distributed \$574.6 million of coronavirus school relief funds to public schools in FY 2021. Table 2 below breaks out this amount by funding source. Additional details for each program follow the table.

Funding Source	Expenditures
ESSER Fund	\$469.7
CRF	\$91.3
GEER Fund	\$13.6
Total	\$574.6

Elementary and Secondary School Emergency Relief funds

In FY 2021, LEAs received \$469.7 million in ESSER funds. The federal acts require ESSER funding to be allocated to LEAs in proportion to each LEA’s share of Title I, Part A funds for the most recent fiscal year.⁷ ESSER funds may cover a variety of expenses related to the impact of COVID-19 on education. Allowable uses of ESSER funds include maintaining continuity of services and employment of existing LEA staff; purchasing educational technology to aid in educational interactions between students and teachers; coordinating and improving COVID-19 preparedness and response efforts; training LEA staff on sanitation and purchasing supplies to

⁶ Ohio Department of Education, “IDEA Part B funds; Use of Funds Guidance,” <https://ccip.ode.state.oh.us/DocumentLibrary/ViewDocument.aspx?DocumentKey=81750>.

⁷ U.S. Department of Education, “Elementary and Secondary School Emergency Relief Fund,” <https://oese.ed.gov/offices/education-stabilization-fund/elementary-secondary-school-emergency-relief-fund/>.

sanitize school facilities; providing mental health services and supports; addressing learning loss through the implementation of evidence-based interventions, such as summer learning or school enrichment, extended day, comprehensive afterschool programs, or extended school year programs; addressing the needs of individual schools and the unique needs of low-income children, students with disabilities, and other vulnerable populations; and planning and implementing summer learning and supplemental afterschool programs.⁸ ESSER funds from the CARES Act (“ESSER I”), CRRSA Act (“ESSER II”), and ARP Act (“ARP ESSER”) must be spent by September 30 of 2022, 2023, and 2024, respectively.

Coronavirus Relief Fund

Public schools, including traditional districts, joint vocational school districts (JVSDs), community or STEM schools, educational service centers (ESCs), and county developmental disabilities (DD) boards, were allocated \$94.5 million from the CRF to cover expenditures necessary to comply with COVID-19-related health and safety measures (an additional \$5.5 million was allocated to nonpublic schools). Traditional districts received 93% of the public school CRF allocation while the other types of public schools received the remaining 7%. The CRF was provided to districts and schools based on a formula taking into account the number of students enrolled, with additional funding provided based on students with disabilities, English learners, and economically disadvantaged students as well as transportation obligations. Districts and schools may use the funding for personal protective equipment, cleaning and sanitation, purchasing remote learning equipment, and additional transportation, among other uses. The CRF may be used for allowable expenditures incurred through December 31, 2021. As of the end of FY 2021, ODE had reimbursed \$91.3 million to public schools.

Governor’s Emergency Education Relief Fund

Congress provided additional emergency support funding from the flexible Governor’s Emergency Education Relief (GEER) Fund to assist states with responding to the COVID-19 pandemic and maintaining educational services. In general, GEER funds may be used to provide grants to LEAs, higher education institutions, and other education-related entities as well as to provide childcare, early childhood education, social and emotional support, and the protection of education-related jobs. Ohio chose to allocate \$45.7 million from its GEER Fund allocation under the CARES Act (“GEER I”) to support formula payments to LEAs that did not receive subsidies through federal ESSER funds, such as county DD boards, ESCs, and JVSDs. In general, ODE distributed the funds to these entities on a per-pupil basis. The remaining GEER I funds were allocated for K-12 mental health, higher education, childcare, and other initiatives. GEER I funds may be used for allowable expenditures incurred through September 30, 2022. As of the end of FY 2021, ODE paid out \$13.6 million in GEER I formula funds to public schools.

⁸ U.S. Department of Education, “ESSER Frequently Asked Questions (PDF),” https://oese.ed.gov/files/2021/05/ESSER.GEER_FAQs_5.26.21_745AM_FINALb0cd6833f6f46e03ba2d97d30aff953260028045f9ef3b18ea602db4b32b1d99.pdf.