



TALAWANDA SCHOOL DISTRICT

131 W. Chestnut Street, Oxford, Ohio 45056 | www.talawanda.org

Educate and Prepare!

Community Member Questions FQA 3: Ohio School Funding/History

*We do not monitor social media accounts such as Facebook, Twitter, TickTok, etc. where questions are posed. Please use the contact information below if you have any questions:

Contact: Shaunna Tafelski, Treasurer/CFO tafelskis@talawanda.org
Ed Theroux, Superintendent/CEO theroux@talawanda.org OR
levyinformation@talawanda.org

Question 1: How are schools funded in Ohio?

School districts in Ohio are funded through local, state, and federal funds. Not all schools are funded in the same format when comparing States within the United States.

Fact: In 1997 the school funding system in Ohio was found to be unconstitutional due to an over reliance on property tax (DeRolph Case).

In June 2021 the biennial budget was passed by our Ohio legislators, and with it came a new funding formula for school districts (Fair School Funding Plan-FSFP). Based on this FSFP, some school districts received additional funding, some remained flat, and a few actually received less funding per pupil from the State of Ohio.

The state foundation funding formula has gone through many changes in recent years. The most recent funding plan began in FY14 and was dropped in FY19 after six years, followed by no foundation formula for two years in FY20 and FY21, and now HB110 (FSFP) implements the newest and possibly the most complicated funding formula we have seen for FY22 (school year just completed) and FY23 (school year that just started). HB110 (FSFP - current funding formula) introduced many changes to how the state foundation is calculated and expenses deducted from our state funding which will make the five year forecast look different with estimates FY22 through FY26, compared to actual data FY19 through FY21 on lines 1.035, 1.040, 1.060 and 3.030 of our five year forecast.

Key Factors that Influence State Basic Aid in the Fair School Funding Plan (HB110)

- A. Student Population and Demographics
- B. Property Valuation
- C. Personal Income of District Residents

D. Historical Funding- CAPS and Guarantees from prior funding formulas

Base Cost Approach- Unrestricted Basic Aid Foundation Funding

The new funding formula uses *FY18 statewide average district costs* and developed a base cost approach that includes minimum service levels and student teacher ratios to calculate a unique base cost for each district that includes base funding in five (5) areas:

1. Teacher Base Cost (4 subcomponents)
2. Student Support (7 subcomponents-including a restricted Student Wellness component)
3. District Leadership & Accountability (7 subcomponents)
4. Building Leadership & Operations (3 subcomponents)
5. Athletic Co-curricular (contingent on participation)

State Share Percentage – Unrestricted Basic Aid Foundation Funding

Once the base cost is calculated, which is estimated to be as high as \$7,670 per pupil when fully phased in (currently for TSD = \$7,233), the FSFP calculates a state share percentage (SSP) calculation (currently for TSD = 15.8%). The state share percentage in concept will be higher for districts with less capacity (lower local wealth) and be a lower state share percentage for districts with more capacity (higher local wealth). The higher the district's ability to raise taxes based on local wealth the lower the state share percentage. The state share percentage is based on 60% property valuation of the district, 20% on federally adjusted gross income and 20% on federal median income, as follows:

1. 60% based on the most recent three (3) year average assessed values or the most recent year, whichever is lower divided by base students enrolled.
2. 20% based on most recent three (3) year average federal adjusted gross income of district residents or the most recent year, whichever is lower divided by base students enrolled
3. 20% based on most recent year federal median income of district residents multiplied by number of returns in that year divided by base students enrolled
4. When the weighted values are calculated and Items #1 through #3 (above) are added together, the total is then multiplied by a Local Share Multiplier Index ranging from 0% for low wealth districts to a maximum of 2.5% for wealthy districts.

When the unrestricted base cost is determined and multiplied by the state share percentage, the resulting amount is multiplied by the current year enrolled students (including open enrolled students being educated in each district), and finally multiplied by the local share multiplier

index for each district. The result is the local per pupil capacity amount of the base per pupil funding amount. The balance of this amount is the state share to pay. *Talawanda, by Ohio Department of Education's methodology, is considered a 'wealthy' district in that we have a higher capacity to raise funds to educate our students.* Prior to HB110 our state share averaged 24%, with our community paying the remaining portion.

Categorical State Aid

In addition to the base state foundation funding calculated above, the FSFP also has unrestricted categorical funding and new restricted funding beginning in FY22, some of which will have the state share percentage applied to these calculations as noted below:

Unrestricted Categorical State Aid

1. Targeted Assistance/Capacity Aid – Provides additional funding based on a wealth measure using 60% weighted on property value and 40% on income; using current year enrolled average daily membership (ADM). It also will provide supplemental targeted assistance to lower wealth districts whose enrolled ADM is less than 88% of their total FY19 ADM.
2. Special Education Additional Aid – Based on six (6) weighted funding categories of disability and moved to a weighted funding amount and not a specific amount. An amount of 10% will be reduced from all districts' calculation to be used toward the state appropriation for Catastrophic Cost reimbursement.
3. Transportation Aid – Funding based on all resident students who ride including preschool students and those living within 1 mile of school, it provides supplemental transportation for low density districts, and increases state minimum share to 29.2% in FY22 and 33.33% in FY23.

Restricted Categorical State Aid

1. Disadvantage Pupil Impact Aid (DPIA)- Formerly Economically Disadvantaged Funding, DPIA is based on number and concentration of economically disadvantaged students compared to state average and multiplied by \$422 per pupil. Phase-in increases are limited to 0% for FY22 and 14% in FY23.
2. English Learners – Based on funded categories based on time students enrolled in schools and multiplied by a weighted amount per pupil.
3. Gifted Funds –Based on average daily membership multiplied by a weighted amount per pupil.
4. Career-Technical Education Funds – Based on career technical average daily membership and five (5) weighted funding categories students enrolled in.
5. Student Wellness & Success Funding – moved into DPIA funding, is restricted funding and will be spent on the same initiatives and requirements that were previously designated under the stand-alone fund (467) provided by HB 166 in FY20 and FY21..

* By merging the SWSF funds into HB110 (FSFP) and into state aid/wrapped into the expanded funding and mission of DPIA funds noted above and on Line 1.04 on our five year forecast, these funds now are affected by our State Share %. **This was a loss of \$214,245 annually to the District.**

State Funding Phase-In FY22 and FY23 and Guarantees

HB110 (FSFP) provides funding for FY22 and FY23. While the FSFP was presented as a six (6) year phase-in plan, the state legislature only approved the first two (2) years of the funding plan. The FSFP does not include caps on funding, rather it will include a general phase-in percentage for most components in the amount of 16.67% in FY22 and 33.33% in FY23. DPIA funding will be phased in 0% in FY22 and 14% in FY23. Transportation categorical funds will not be subject to a phase-in.

Fact: Talawanda is currently on the ‘guarantee’!

HB110 includes “formula transition aid” which is a guarantee. There are actually three (3) guarantees in both temporary and permanent law to ensure that no district will get less funds in FY23 than they received in FY22. TSD has been on the ‘guarantee’ for roughly ten (10) years, but legislators have spoken about eliminating the guarantee program, which would further put the burden on our community members.

To add complexity to the school funding system, Talawanda School District is on a Guarantee. This is another level where Talawanda will be guaranteed a certain amount of state funding. *For the most part districts on the guarantee tend to reflect lower enrollment and also enrollment that has trended downward over the past five years. The guarantee districts also have fewer students per square mile (density), so they are generally sparsely populated. This density factor is a primary contributor to higher transportation costs as district buses travel more miles to pick up students. Besides lower student counts, the guarantee districts have generally seen sharp increases in property valuations (21.0% growth versus 7.2% for formula districts and -9.0% decline for capped districts). The combination of declining enrollment and increasing valuations causes per pupil valuations and wealth status to increase therefore decreasing state share of per pupil funding.

Our funding status for FY 24-26 will depend on two (2) new state budgets which are unknown. There is no guarantee that the current Fair School Funding Plan in HB110 will be funded or continued beyond FY23. **Below is a graph comparing FY22 actual receipts from the State of Ohio to FY23 anticipated based on the 1st foundation settlement payment received. Both of these are reflected in annual amounts, not what is received within each payment.

State Funding Comparing the FY22 Final Settlement Report to FY23 First Settlement Report		FY22 Actual June #2 Settlement	FY23 Anticipated August #2 Settlement	Variance
Base Cost	3110	\$ 5,607,155.60	\$ 4,873,011.47	\$ (734,144.13)
Base Cost - Student Wellness and Success	3218	\$ 285,408.15	\$ 248,201.74	\$ (37,206.41)
Targeted Assistance	3110	\$ 175,961.64	\$ 140,781.99	\$ (35,179.65)
Special Education	3110	\$ 451,623.97	\$ 423,281.88	\$ (28,342.09)
Disadvantaged Pupil Impact Aid (DPIA)	3211	\$ 132,009.13	\$ 127,980.46	\$ (4,028.67)
English Learners	3217	\$ 13,611.62	\$ 12,922.09	\$ (689.53)
Gifted	3216	\$ 137,140.31	\$ 121,896.14	\$ (15,244.17)
Career Technical Education	3215	\$ 7,600.68	\$ 6,772.94	\$ (827.74)
Supplemental Targeted Assistance	3110	\$ -	\$ -	\$ -
Temporary Transitional Aid Guarantee	3110	\$ 379,239.96	\$ 1,082,981.44	\$ 703,741.48
Transportation	3110	\$ 1,049,453.56	\$ 1,192,550.92	\$ 143,097.36
Formula Transition Supplement	3110	\$ 30,622.16	\$ 39,445.71	\$ 8,823.55
Preschool Special Education	3110	\$ 134,624.82	\$ 131,636.94	\$ (2,987.88)
Special Education Transportation	3110	\$ 102,906.13	\$ 117,593.91	\$ 14,687.78
Total State Support		8,507,357.73	8,519,057.63	\$ 11,699.90

Talawanda School District two (2) years ago received \$2,500 per student in terms of its state share. This school year Talawanda School District via the new state share formula will receive approximately \$1,100 per student.

The Guarantee Funding will still give Talawanda the \$2,500 per student this year. However, each year the legislators state at some point in time in the near future this Guarantee funding will be eliminated. This additional loss of state share funding is coming for which we need to be prepared.

Talawanda School District's enrollment since the 2012/13 school year has declined slightly. In 2010, Talawanda School district had 3,092 students (Ohio State Auditor's 2010 Single Audit Report). Our enrollment has remained stable over the last several years (approx 2,791 students). Talawanda School District is considered sparsely populated due to the density factor determined by the State of Ohio. Property valuations have increased since the 2012/13 school year. As mentioned before Talawanda School district is considered a wealthy school district. These combinations have led Talawanda School District (\$1,100 per student) to receive less state share money as compared to other school districts in Ohio (other school districts may receive a base state share up to \$7,349 per student).

Question 2: What are the types of school levies and how do those funding sources work?

Operational Levy: is a general levy based upon valuation of property and/or income tax. A school district may use this money for expenses to operate the district on a daily basis including, but not limited to; salaries, benefits, materials, electricity, gas, transportation, tests, assessments, curriculum, heating and cooling.

Permanent Improvement Levy (also called a PI levy): A school district may only use Permanent Improvement money for items that have a lifetime greater than five (5) years; examples include new/repared air handlers, furnaces/boilers, roofs, window replacements, and parking lots. This money **cannot** be used for salaries, benefits, daily transportation costs (although it could purchase a bus) and utility and fuel charges.

Bond Levy: is taxpayer money used to build/construct facilities. This money **cannot** be used to operate a building, pay for salaries, benefits, materials, transportation, utility and fuel charges. Talawanda School District has two (2) active bond levies (THS and Bogan). This money generated from property taxes is being used to pay the debt that was incurred to build both Bogan Elementary and Talawanda High School buildings. TMS was built with a 1987 bond levy.

A **replacement levy** is taxpayer money used to pay for a previous levy that is or has expired. The money has to be used for the exact original purpose.

An **income tax levy** can either be a permanent improvement levy or operational levy. School Districts are allowed to levy income tax. Talawanda School District has one (1) Income Tax Levy of 1.0%. The income tax Talawanda receives each year may/does fluctuate pending the community workers income.

Our Talawanda School District Bond and Levy History:

(BOE must vote and approve in order to place a levy on a ballot. All levies then must be voted/ approved by the public).

Operating levies-

- Talawanda has not had an operating levy since November 2004 - 1% income tax that ebbs and flows with the economy. Unlike property tax levy's, this money can experience growth as income increases throughout the years; but can also see reduction's as income decreases.
- The last property tax levy passed was in November 2000 - 6.5 mills. Other property tax levies include:
 - November 1988 - 7.9 mills
 - June 1980 - 6.9 mills
 - November 1975 - 2.0 mills

Based on HB920, any levies voted in are capped at the revenue generated at the time it was voted on; it will never see growth in revenue even when your property valuation increases. Each year the Butler County Auditor will generate tax rates that 'roll' this millage backwards to create effective millage. As property values increase, this voted millage decreases so that school districts do not collect any additional funds other than what was originally certified and approved by the taxpayers

Bond levies-

- February 1987 - 6.3 mills for a new TMS (paid off and no longer being collected by taxpayers)

- November 2003 - 1.19 mills for a new Bogan (still being collected until debt is paid off)
- November 2008 - 4.7 mills for a new THS (still being collected until debt is paid off)

Additional information may be found below describing the many different types of levies.

Additional Resources:

***Understanding School Levies**

<https://www.ohioschoolboards.org/sites/default/files/OSBAUnderstandingLeviesFactSheet.pdf>

DeRolph Decision

<https://www.supremecourt.ohio.gov/rod/docs/pdf/0/2002/2002-Ohio-6750.pdf>

Ohio's June 2021 New Funding System

<http://www.oepiohio.org/index.php/research-reports/overview-of-the-ohio-senates-fy22-23-school-funding-formula/>

***Information taken from "WHY ARE DISTRICTS ON THE CAP, GUARANTEE, OR THE FORMULA WITH OHIO'S NEW SCHOOL FUNDING MODEL?" By: Ernie Stawser & Mike Sobul**

<http://pfrco.com/wp-content/uploads/2014/11/2014-11-10-Why-Are-Districts-on-the-Cap-Guarantee-or-the-Formula.pdf>