



PUBLIC
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RESOURCES

EMPOWERING THE PUBLIC'S FINANCIAL LEADERS

Breaking Down the New Funding Formula

OSBA Capital Conference

Mike Sobul & Ernie Strawser, *Consultants*

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About PFR

- Public Finance Resources is an endorsed OSBA partner.
- We provide:
 - Financial forecasting software, training, and communication tools to over one-third of Ohio's school districts.
 - Direct consulting services to districts
 - In-depth benchmarking data, analytics and training





Financial Readiness Seminar

- Financial benchmarking seminar
 - Partnered with Dick Maxwell and Joel Roscoe
 - March 29 & 30, 2016
 - Cambria Suites, Columbus (near Polaris Mall)
 - Evening on the 29th, and all day the 30th
 - Team registration – Treasurers & Superintendents
- For additional information or to register, go to: <http://www.pfrcfo.com/financial-readiness-for-administrators/>



Overview

- What is new in the state formula?
 - And what is not new!
- What parts of the formula should I be focused on?
- How do I answer the questions I get about the formula?
- What are the key results I need to know?



What is not New

- The basic structure of the formula
 - Funding is still based on State Share Index (SSI)
 - SSI is still based on a district's relative wealth to the state as a whole
 - More property valuation and/or fewer students makes a district look wealthier



Key Elements of the Formula

- The State Share Index drives most funding
 - The index will be the same in both 2016 and 2017
- Why is your SSI changing?

District Valuation (3 Year History) Index Data		2015	2016
Valuation Per Pupil		\$96,340	\$98,654
Change in Dist Val PP			2.4%
State Average PP Valuation		\$140,299	\$139,128
Change in State Avg Val PP			-0.8%
Valuation Index (lower than 1 is less than state avg)		0.6867	0.7091
1.2	Core Aid State Share Index	65.51%	63.88%





State Share Index – Per Pupil Valuation

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Pymatuning Valley Local SD, Ashtabula								
State Funding Indicators								
Assessed Property Valuation								
Source: Ohio Department of Taxation								
	2008	2009	2010	2011	2012	2013	2014	
Pymatuning Valley Local SD, Ashtabula	\$142,345,710	\$141,590,160	\$163,027,360	\$154,532,760	\$155,839,750	\$157,618,240	\$177,857,000	
State Total	\$256,223,518,096	\$247,708,668,195	\$248,359,562,442	\$241,551,946,160	\$236,442,170,935	\$238,277,528,092	\$243,258,829,225	
					2009 - 2011 3 Year Avg Annual Change	2012 - 2014 3 Year Avg Annual Change	2009 - 2014 Avg Annual Change	
					Pymatuning Valley Local SD, Ashtabula	2.9%	5.0%	4.2%
					State Total	-1.9%	0.2%	-0.8%
Total Average Daily Membership								
Source: Ohio Department of Taxation								
	2008	2009	2010	2011	2012	2013	2014	
Pymatuning Valley Local SD, Ashtabula	1,363	1,314	1,327	1,483	1,408	1,375	1,372	
State Total	1,784,634	1,775,479	1,775,593	1,766,181	1,754,731	1,748,574	1,725,296	
					2009 - 2011 3 Year Avg Annual Change	2012 - 2014 3 Year Avg Annual Change	2009 - 2014 Avg Annual Change	
					Pymatuning Valley Local SD, Ashtabula	2.9%	-2.5%	0.1%
					State Total	-0.3%	-0.8%	-0.6%

A district's relative per pupil valuation is a primary driver of the State Share Index. If the district's valuation gains out-pace the state as a whole, then the district is getting "richer" per pupil (with static enrollment).



State Share Index - Income

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Pymatuning Valley Local SD, Ashtabula

State Funding Indicators

	2009 - 2011 3 Year Avg Annual Change	2012 - 2014 3 Year Avg Annual Change	2009 - 2014 Avg Annual Change
Pymatuning Valley Local SD, Ashtabula	1.7%	-3.7%	-1.1%

Federal Adjusted Gross Income

Source: Ohio Department of Taxation

	2007	2008	2009	2010	2011	2012	2013
Pymatuning Valley Local SD, Ashtabula	\$117,701,680	\$112,606,941	\$105,413,538	\$111,776,129	\$120,066,014	\$129,706,035	\$125,329,407
State Total	\$284,540,675,459	\$269,835,096,200	\$252,736,657,631	\$266,299,412,971	\$278,347,797,794	\$296,775,711,971	\$300,545,522,957

	2008 - 2010 3 Year Avg Annual Change	2011 - 2013 3 Year Avg Annual Change	2008 - 2013 Avg Annual Change
Pymatuning Valley Local SD, Ashtabula	-1.7%	4.0%	1.1%
State Total	-2.1%	4.3%	0.9%

Median Ohio Federal Adjusted Gross Income

Source: Ohio Department of Taxation

	2007	2008	2009	2010	2011	2012	2013
Pymatuning Valley Local SD, Ashtabula	\$27,178	\$26,845	\$25,354	\$26,857	\$26,544	\$27,149	\$26,750
State Total	\$31,460	\$31,787	\$30,827	\$31,680	\$32,180	\$33,073	\$32,875

	2008 - 2010 3 Year Avg Annual Change	2011 - 2013 3 Year Avg Annual Change	2008 - 2013 Avg Annual Change
Pymatuning Valley Local SD, Ashtabula	-0.4%	-0.1%	-0.3%
State Total	0.2%	1.3%	0.7%

A district with low median taxpayer income relative to the state wide median could benefit from additional funding through the Income Index adjustment.



State Share % and Taxpayer Income

- Valuation Index
 - Per pupil valuation relative to the state is a key factor
 - Agricultural funding is causing some reduction in SSI, but increases in Agricultural Supplemental funding
- Taxpayer income used to enhance funding, not take away funding
 - If the district's taxpayer Income Index is less than its Valuation Index, then the Wealth Index is adjusted lower

District Valuation (3 Year History) Index Data	2016
Valuation Index (lower than 1 is less than state avg)	1.9330
District's Median Income Index	1.0227
District's Income Index	1.18
Wealth Index	1.6328



Economic Disadvantaged

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Pymatuning Valley Local SD, Ashtabula							
State Funding Indicators							
Economic Disadvantaged Percentage							
	2008	2009	2010	2011	2012	2013	2014
Pymatuning Valley Local SD, Ashtabula	44.3%	48.7%	57.3%	55.2%	54.8%	58.6%	63.4%
					2009 - 2011 3 Year Avg Annual Change	2012 - 2014 3 Year Avg Annual Change	2009 - 2014 Avg Annual Change
Pymatuning Valley Local SD, Ashtabula					8.2%	5.0%	7.2%

For many districts the percentage of students identified as economically disadvantaged drives additional funding.

The state-wide average district's poverty indicator is around 48%. The district above has a poverty rate of 63.4%.



What is New

- Three new components of aid
 - Capacity Aid
 - Graduation Bonus
 - Third Grade Reading Proficiency Bonus
- Two significantly revamped subcomponents
 - Agricultural-Based Targeted Assistance
 - Transportation Supplement
- Funding growth above the base funding cap



Capacity Aid

- Aimed at small districts
 - Must have total valuation below the median total valuation in the state
 - Qualifying districts generate a relatively low amount of revenue for each additional “mill” of taxation.
 - Base amount is \$582 per pupil in 2016, and \$742 in 2017
 - The 2017 adjustment will cause an increase in Capacity Aid funding in the second year of the biennium for those districts that qualify for Capacity Aid assistance.
 - Amounts adjusted for the statewide median valuation relative to a district’s valuation
 - If a district is capped on base funding, it receives any capacity aid above the capped amount which can generate year-over-year increases in excess of 7.5%



Capacity Aid Stats

- Current districts qualifying have valuation below \$221,595,101 (October #2 SFPR)
 - Median valuation \$123,642,758 for those qualifying
- 304 districts qualify
- Total statewide funding amount = \$143,560,918
- Median enrollment is 1,104 for districts qualifying
- Highest amount of Capacity Aid per pupil = \$1,468
 - Median amount per pupil \$466



Graduation and 3rd Grade Bonuses

- The Graduation Bonus is based on the four-year average graduation rate
- The Third Grade Reading Bonus is based on the percentage of third graders passing the reading exam
- The base amounts for both are \$442 per grade appropriate student in 2016, and \$450 in 2017
- Both are adjusted by the district's SSI and the percentage of student graduating or passing
- Districts receive this amount above the funding cap



Transportation Supplement

- Is based on student density (ADM per square mile)
- Districts receive the supplement if the density is below 35 students per square mile in 2016, and 50 per square mile in 2017
 - The density factor change in 2017 can cause more districts to qualify and an increase in funding for those already qualified in 2016
- The supplement is a percentage of base transportation funding
- The supplemental funding can be received above the funding cap



Transportation Supplement Stats

- Statewide = \$35,559,793
 - Regular transportation = \$493,296,257
- 333 districts qualify for Transportation Supplement
- Median enrollment of districts is 1,175



Agricultural-Based Targeted Assistance

- Agricultural value must be at least 10% of total real property valuation
 - A few districts that received funding in 2015 may not qualify in 2016 and 2017
- Base amount is \$2,350 per pupil times the agricultural percentage of total property above 10%
- This is part of Targeted Assistance and is subject to the funding cap



Relative Agriculture Values

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Pymatuning Valley Local SD, Ashtabula
State Funding Indicators

Assessed Agricultural Valuation

Source: Ohio Department of Taxation

	2008	2009	2010	2011	2012	2013	2014	
Pymatuning Valley Local SD, Ashtabula	\$41,842,330	\$41,762,900	\$52,073,830	\$52,245,130	\$52,208,930	\$52,424,940	\$72,514,660	
State Total	\$10,286,975,410	\$10,635,598,180	\$11,260,233,550	\$12,764,680,950	\$13,128,473,720	\$14,348,730,350	\$18,136,572,259	
District Ag as % of Total	29.4%	29.5%	31.9%	33.8%	33.5%	33.3%	40.8%	
					2009 - 2011 3 Year Avg Annual Change	2012 - 2014 3 Year Avg Annual Change	2009 - 2014 Avg Annual Change	
					Pymatuning Valley Local SD, Ashtabula	8.3%	12.9%	12.2%
					State Total	8.0%	14.0%	12.7%

If district agricultural values exceed 10% then the district will qualify for agricultural assistance funding.

Fast paced agricultural valuation growth can potentially reduce a district's SSI, but some offset can occur with additional agricultural funding.



Why is my District's SFPR Different from the Simulations?

- Simulations used older valuation information (SSI)
- Simulations also used an enrollment estimate, including special education
- Note: The October #2 SFPR is still using FY 2015 enrollment data, and is NOT final

		Actual	Simulations	SFPR
		2015	2016	2016
1.1 Core Aid Funding	Core Funding Per Pupil	\$5,800	\$5,900	\$5,900
1.2	State Share of Core Funding	42.0150%	40.5716%	42.5300%
1.3	State Core Funding Per Pupil	\$2,437	\$2,394	\$2,509
1.4	Formula ADM + PS Autism ADM	10,143.49	9,710.64	10,141.30
1.5	Total Calculated Core Funding	\$24,718,376	\$23,244,623	\$25,447,260
5.7	Final Funding Amount	\$31,864,832	\$31,230,510	\$33,387,466
5.8	Unfunded Formula Above Cap	\$1,203,939	\$0	\$0



Is Your District Capped?

Cap vs Guarantee vs Formula

	CALCULATED FUNDING	STATE FUNDING
FOUNDATION FUNDING COMPONENTS:		
A Opportunity Grant:	4,773,260.66	4,650,273.52
B Targeted Assistance:	0.00	0.00
C K-3 Literacy Funding:	93,724.90	91,310.00
D Economic Disadvantaged Funding:	639.37	622.90
E Limited English Proficiency Funding:	10,097.71	9,837.53
F Gifted Education Funding:	119,712.37	116,627.87
G Transportation Funding:	682,233.57	664,655.24
H Special Education Additional Funding (Generally Exempted from Cap):	605,588.85	605,588.85
I Career Tech Education Funding (Generally Exempted from Cap):	7,162.06	7,162.06
J Total Foundation Funding Before Guarantee (A+B+C+D+E+F+G+H+I):	6,292,419.49	6,146,077.97
K Transitional Aid Guarantee (L-J):	0.00	0.00

L Total State Funding:		6,146,077.97



- This district is on the cap by \$146,341 (\$6,292,419-\$6,146,078)
 - The \$146,341 represents the unfunded portion of the calculated funding
 - It will not take a lot of change (about 2.5%) to become a formula district
 - Knowing this relative position can assist in projecting state funding
- The more the calculated funding is above the state funding, the more likely the district is to remain cap funded
 - Enrollment, valuation and SSI fluctuation may not alter the actual funding received, but the unfunded formula may increase or decrease



Cap (Unfunded Formula) Stats

Quartiles of Capped (Unfunded Formula) Districts Top 25% to the Lowest	% of Total Dollars	Cap (Unfunded Formula) Amount	Median Cap (Unfunded Formula) as % of Funding	Median Cap (Unfunded Formula) Per Pupil	Median State Funded Formula Per Pupil Capped	Median Taxpayer Income	Median State Share Index	Economic Disadvantaged	Per Pupil Valuation
Top 25%	58.8%	\$337,881,326	43.8%	\$1,446	\$3,050	\$29,978	51.3%	50.9%	\$126,467
2nd 25%	23.6%	\$135,303,760	20.4%	\$673	\$3,312	\$31,472	47.8%	46.2%	\$133,729
3rd 25%	14.3%	\$82,374,508	11.2%	\$429	\$3,620	\$32,513	48.4%	42.8%	\$133,404
Bottom 25% 180 Districts	3.2%	\$18,644,594 \$574,204,188	3.9%	\$127	\$3,737	\$35,442	43.7%	40.2%	\$143,171

- 58.8% of the unfunded formula amount is generated by about 45 districts
 - 82.4% is generated by a total of about 90 districts
 - These same 90 (of the 180 districts) are also currently funded at the lowest per pupil amount



How Does a District Receive More Than a 7.5% Increase?

FY 2015 Funding	4,000,000
FY 2016 Cap Amount (2015 * 1.075)	4,300,000
FY 2016 Calculated Funding	4,500,000
FY 2016 Funding before Items Outside the Cap	4,300,000
Growth Rate in Funding before Items Outside Cap	7.5%
Base Funding Amount	4,300,000
Capacity Aid	600,000
Third Grade Bonus	40,000
Graduation Bonus	35,000
Transportation Supplement	140,000
Total State Funding	5,115,000
Overall Funding Growth Rate	27.9%
(5,115,000-4,000,000)/4,000,000)	

The cap growth is 7.5%, but the items exempt from the cap cause an overall growth rate of 27.9%



Is Your District Guaranteed?

Cap vs Guarantee vs Formula

	CALCULATED FUNDING	STATE FUNDING
FOUNDATION FUNDING COMPONENTS:		
A Opportunity Grant:	6,007,911.52	6,007,911.52
B Targeted Assistance:	1,367,972.83	1,367,972.83
C K-3 Literacy Funding:	80,403.83	80,403.83
D Economic Disadvantaged Funding:	183,612.85	183,612.85
E Limited English Proficiency Funding:	1,965.43	1,965.43
F Gifted Education Funding:	78,651.20	78,651.20
G Transportation Funding:	452,147.87	452,147.87
H Special Education Additional Funding (Generally Exempted from Cap):	880,419.35	880,419.35
I Career Tech Education Funding (Generally Exempted from Cap):	815.81	815.81
J Total Foundation Funding Before Guarantee (A+B+C+D+E+F+G+H+I):	9,053,900.69	9,053,900.69
K Transitional Aid Guarantee (L-J):	55,677.26	55,677.26
L Total State Funding:		9,109,577.95

- This district is on the guarantee by \$55,677 (out of \$9.1 million of aid)
 - District is within about 0.6% of being a formula district
- The bigger the guarantee amount is relative to total aid, the harder it is for the district to move onto the formula



Guarantee Stats

- Statewide \$124,018,466 in Guarantee Funding for 170 districts
- Median guarantee per pupil is \$904 for the districts with the highest guarantee amount (top 25%)
- Median guarantee per pupil is \$24 for the districts with the lowest guarantee amount (bottom 25%)



Is Your District a Formula District?

Cap vs Guarantee vs Formula

	CALCULATED FUNDING	STATE FUNDING
FOUNDATION FUNDING COMPONENTS:		
A Opportunity Grant:	9,469,884.27	9,469,884.27
B Targeted Assistance:	0.00	0.00
C K-3 Literacy Funding:	217,560.50	217,560.50
D Economic Disadvantaged Funding:	17,384.69	17,384.69
E Limited English Proficiency Funding:	20,394.07	20,394.07
F Gifted Education Funding:	227,381.96	227,381.96
G Transportation Funding (Generally Exempted from Cap):	1,508,681.17	1,508,681.17
H Special Education Additional Funding (Generally Exempted from Cap):	1,244,859.60	1,244,859.60
I Career Tech Education Funding (Generally Exempted from Cap):	40,290.64	40,290.64
J Capacity Aid (Exempted from Cap):	0.00	0.00
K Graduation Bonus (Exempted from Cap):	0.00	0.00
L Third Grade Reading Bonus (Exempted from Cap):	0.00	0.00
M Total Foundation Funding Before Guarantee (A+B+C+D+E+F+G+H+I+J+K+L):	12,746,436.90	12,746,436.90
N Transitional Aid Guarantee (O-M):	0.00	0.00
<hr/>		
O Total State Funding:		12,746,436.90



- Formula districts will reflect calculated and funded as the same on the SFPR
- Knowing 2015's funding as a comparison is key to knowing the district's formula relativity to the "guarantee" or the "cap"



Is Your District a Formula District?

If so, by how much, or little?

M	Total Foundation Funding Before Guarantee [A+B+C+D+E+F+G+H+I+J+K+L]:	\$12,746,436.98
N	Funding Guarantee Base [FY15 Total State Funding (Line 'L' of SFPR)]:	\$12,366,420.29
O	Transitional Aid Guarantee [if N>M then N-M else 0]:	\$0.00
P	Total Funding Including Guarantee [M+O]:	\$12,746,436.98
Q	Funding Cap Limit [N*1.075]:	\$13,293,901.81
R	Total Capped Funding [if (P-(G4+J+K+L))>Q then Q else P]:	\$12,746,436.98

- The district is guaranteed \$12,366,420 (Line N), which was their FY 2015 funding amount
- The district's capped growth is \$13,294,901 (Line Q)
 - FY 2015 x 1.075 (7.5% growth)
- The district's funded formula is \$12,745,436 (Line P)
 - The district is about \$400,000 (3%) over its FY 2015 funding level
 - Line M minus N
 - The district is about \$900,000 (8%) under its FY 2016 Cap
 - Line Q minus N
- This district is closer to Guarantee than Cap



Forecasting State Funding Tips

- Know relative wealth indicators
 - Good valuation and enrollment estimates are essential!
- Calculate Guarantee, or Cap as percent of funding
 - Know degree to which you are in between (Formula Districts)
- Monitor the SFPR data bi-monthly

The Public Finance Resources Team



Matt Bunting, Consultant, has over 25 years of experience in the public finance sector. This includes 15 plus years as a school district treasurer, and 11 years with the Auditor of State where he led financial, legal compliance, and Federal single audits of government entities. Matt has served as interim school treasurer several times, as well as worked with Ernie and Stacy to test their forecasting software and instruct at their yearly seminars. He holds an Associates Degree in Accounting from Hocking College, and is a Certified Government Financial Manager.



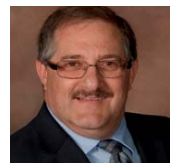
Ryan Ghizzoni, Consultant, began his career with the Auditor of State's Office and has served as a school district treasurer for the past 10 years. During his career, he has been the recipient of six Association of School Business Officials International Meritorious Budget Awards and was the recipient of the Ohio Association of School Business Officials 2011 Outstanding Treasurer of the Year Award. Ryan holds a Bachelors of Business Administration from the Youngstown State University, and is a Certified Administrator of School Finance and Operations.



Debra Hoelzle, Chief Operations Officer, provides direct services to clients, and oversees the day-to-day operations of PFR. She brings with her operational experience from both the public and private sectors, including a school district and multiple corporations in the financial services industry. Debra holds her Masters of Business Administration from Ohio University, and her Bachelors of Science in Business Administration from The Ohio State University.



Stacy Overly, Consultant, provides direct financial services to clients. He has over 20 years of experience serving as school district treasurer, including 15 plus years of developing financial forecasting tools, and providing instruction and training opportunities attended and used by over two hundred of Ohio's public school treasurers. Stacy works with clients to analyze trends and review local economic data to help determine a long-term operating strategy for the organization. He holds his Masters of Business Administration and his Bachelors of Business Administration in Finance from Ohio University.



Mike Sobul, Consultant, brings 30 years of experience in public finance and tax analysis. Currently a school district treasurer, Mike spent nearly 25 years with the Ohio Department of Taxation where he led revenue forecasting efforts and provided analysis, training, and fiscal services to schools and local governments. Mike holds a Masters Degree in Public Policy from the University of Michigan and a Bachelors Degree in Economics and Political Science from Wittenberg University.



Ernie Strawser, Consultant, provides direct services to our public finance clients. He has over 30 years of public finance experience as a CFO, consultant, and developer and instructor of financial forecasting techniques and tools which have been used by over two hundred Ohio school district CFOs. Ernie works with clients to facilitate their understanding of local financial results, trends, and strategies. He holds both a Masters of Science in Administration from Central Michigan University and a Bachelor of Science in Finance from Ohio University.



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