

Analysis of Governor’s FY18-19 School Funding Formula

Table 1: FY17-FY19 State Formula Funding Summary – Governor’s Budget Proposal (\$ in Millions)

	FY17	FY18 Gov	FY19 Gov
Computed Formula Funding	\$8,167.2	\$8,209.8	\$8,215.9
Transitional Aid Guarantee Amt.	\$104.4	\$181.2	\$196.8
# of Districts on Guarantee	N=133	N=315	N=321
Gain Cap Reduction	-\$492.9	-\$465.7	-\$358.7
# of Districts on Gain Cap	N=151	N=130	N=103
Net State Foundation Funding	\$7,778.7	\$7,925.3	\$8,054.0
Annual Change in Funding		\$146.6	\$128.8
# of Districts Receiving Funding Increase		N=256	N=255
# of Districts Receiving Funding Decrease		N=346	N=46
Districts With No Change in Funding 1 Year to the Next		N=4	N=309

Table 1 provides an overview of the Governors’ proposed FY18-19 school funding formula including computed formula funding, the transitional aid guarantee and the gain cap in FY17, FY18 and FY19. The main findings are:

- 1) The # of districts on the transitional aid guarantee as well as the amount of the guarantee increase from FY17 to FY18, and again from FY18 to FY19.
- 2) The number of districts on the gain cap as well as the dollar amount decreases from FY17 to FY18 and again from FY18 to FY19.
- 3) The Governor’s budget proposal results in a net increase of formula funding of \$146.6 million in FY18 and \$128,8 million in FY19. However, not all districts receive increases in formula funding.
- 4) In FY18, *346 districts receive less formula funding than they received in FY17*, 256 districts receive more formula funding than in FY17, and 4 districts receive the same amount of funding.
- 5) In FY19, 46 districts receive less formula funding than they received in FY18, 255 districts receive more formula funding than in FY18, and *309 districts receive the same amount of funding in FY19 as in FY18*.

Table 2 provides an overview of TPP related payments to school districts from FY17 through FY19. TPP replacement payments will continue to phase-down in FY18 and FY19 according to the formula prescribed in SB 208. In addition, the FY17 TPP Supplement, vetoed by Governor Kasich in HB64 but partially reinstated in SB 208 will also be eliminated in FY18 and FY19.

Table 2: FY17-FY19 Tangible Personal Property Tax (TPP) Replacement Payments and TPP Supplement (\$ in Millions)

	FY17	FY18	FY19
TPP Operating Levy Replacement Payments*	\$180.5	\$142.3	\$111.2
# of Districts Receiving Payments	131	101	81
TPP Supplement*	\$43.9	\$0	\$0
# of Districts Receiving Supplement	75	0	0
# of Districts Receiving Either or Both TPP Related Payments	158	101	81
Total State TPP Payments	\$224.4	\$142.3	\$111.2
Change from Year to Year		-\$82.1	-\$31.1

* FY18 and FY19 TPP replacement payments and FY17 Total TPP Replacement + TPP Supplement amounts are from LSC. FY17 breakdown of TPP replacement and TPP Supplement payments computed by Howard Fleeter based on most current Ohio Dept. of Education and Ohio Dept. of Taxation data.

In FY17 TPP Operating Levy Replacement payments were \$180.5 million and the TPP Supplement (which assured that no district lost more than 4% total funding compared to FY15) is estimated at \$43.9 million.

However, in FY18 TPP operating levy replacement payments under SB 208 are estimated to fall by \$38.2 million to \$142.3 million. TPP replacement payments are then estimated to decrease by an additional \$31.1 million in FY19 to \$111.3 million.

Table 3 on the next page provides combines the effects of the data shown in Tables 1 and 2. Table 3 shows that when only formula funding is considered, 346 school districts receive less funding in FY18 than in FY17, with a total reduction of **-\$47.8 million**. 256 districts receive increases in funding totaling \$194.3 million. The net formula funding increase from FY17 to FY18 is \$146.6 million (\$146.6 million = +\$194.3 million for the districts receiving more funding, minus the **-\$47.8 million** lost by districts receiving less formula funding).

However, when the reduction in TPP replacement payments and the elimination of the TPP Supplement are factored in, **390 districts now receive less total state formula + TPP funding in FY18 than they did in FY17**, with a total reduction of **-\$105.8 million**.

Similarly, the number of districts that gain state funding when TPP changes are factored in falls from 256 to 216, with the net increase in state funding also falling from \$194.3 million when just formula funding is considered to \$170.3 million. **Thus, the net funding increase from FY17 to FY18 when the TPP changes are included is only \$64.4 million** (\$64.4 million = +\$170.3 million for the districts receiving more formula + TPP funding, minus the **-\$105.8 million** lost by districts receiving less formula + TPP funding).

A similar pattern occurs from FY18 to FY19 when the TPP changes are included, with the net increase in funding falling from \$128.8 million when formula funding only is considered to \$97.7 million when the continued phase-down of the TPP replacement payments are included. The impact on funding from including the TPP payments is not quite as extreme from FY18 to FY19 as from FY17 to FY18 because the TPP Supplement is not in place in either FY18 or FY19.

Table 3: FY18 & FY19 Changes in State Funding Formula Only and Including Tangible Personal Property Tax Payments* (\$ in Millions)

	Formula Funding Only		Formula Funding + TPP Replacement	
	FY18	FY19	FY18	FY19
# of Districts Losing Funding	346	46	390	109
Total Amount of Funding Loss	-\$47.8	-\$2.4	-\$105.8	-\$15.0
# of Districts Gaining Funding	256	255	216	219
Total Amount of Funding Gain	+\$194.3	+\$131.1	+\$170.3	+\$112.7
# of Districts Same Funding	8	309	4	282
Net Funding Change	+\$146.6	+\$128.8	+\$64.4	+\$97.7