

The Next State Budget & Education Funding

State Aid Projections for the FY 2012-13 Biennium

While projecting state education aid in the next biennium is not an exact science, school officials throughout Ohio are required to produce five-year forecasts and are working on planning and budgeting for the school year that begins just 16 months from now. In this respect it is only fair to provide as much transparency as possible into potential outcomes of the next state budget and its impact on Ohio schools. The following are assumptions and statistical rationale for the projection that state education funding may be reduced in the next state budget by 22.7% to 30.1%.

SCENARIO #1: The following assumptions were used to compute an average 22.7% reduction in state aid to local schools in the next budget:

- **Federal Stabilization Funding** (\$845,033,275 in one-time federal funds) is deducted from current Estimated State Aid for FY 2011 (2010-11 school year).
- **HB 318 Funding** (\$844,400,000 according to the Ohio Department of Taxation) is deducted. This is new tax revenue generated by temporarily raising income tax rates in HB 318. The revenue, according to current law, will not be available in the next biennium. This revenue was raised specific to the school foundation fund with a simultaneous deduction from the Lottery Profits Education Fund in H.B. 1.
- **“One-Time” State Revenue** (minimally estimated at \$1,081,317,620 in the current budget) is deducted at a rate of 25% as state foundation aid comprises approximately 25% of state GRF spending. Therefore, it is determined that \$270,329,405 be deducted from state foundation aid to account for this loss of state revenue in the next biennium.
- **New State Revenue Projections** as anticipated by the Office of Budget & Management in March, 2009 (\$1,144,200,000). The scenario assumes all of Governor Strickland’s revenue projections will be realized in the next biennium, and further provides all of education’s share of the budget directly to the state foundation aid (42% of revenues). These optimistic assumptions yield an additional \$480,564,000 for state foundation aid in the next biennium.
- **Federal Title 1 and IDEA Funding** (\$721,763,858 according to the Ohio Department of Education) is not included in these assumptions and calculations. These funds are targeted and should not be calculated when determining state support for schools. The column was provided on the spreadsheet only to demonstrate that this money was available to schools for the current biennium and not anticipated in FY 2012-13.

Mathematical Summary of Economic and Budget Assumptions

- FY 11 State Aid **\$6,502,774,980** minus **\$845,033,275** minus **\$844,400,000** minus **\$270,329,405** plus **\$480,564,000** = **\$5,023,576,300**
- For Scenario #1, the total biennium reduction is **\$1,479,198,680**, representing a **22.7%** average reduction in State Aid to Local Schools.
- For Scenario #2, which assumes no increase in state GRF revenues, the total biennium reduction is **\$1,959,762,680**, a **30.1%** cut.

The “ECF Factor” in Projecting State Foundation Aid to Schools

The Governor’s new “Evidenced Based Model” includes an Educational Challenge Factor (ECF) rating which will impact specific aid amounts to local schools. The ECF weighs “community socioeconomic factors such as the district’s wealth, poverty and college attainment”. Those districts with relatively low ECF ratings can expect to experience state aid reductions less than 22.7%, and those with generally higher-than-average ECF ratings can expect state aid reductions higher than 22.7%. ECF ratings are subject to revision each biennium.

Final Assumptions in the Next State Budget:

- * No Increase in State Taxes
- * No New Federal Stimulus Funding
- * No New State Gambling Revenue

BOTTOM LINE: Without new taxes, new federal spending or increased gambling revenue, state foundation aid to local schools can be expected to decline by between 22.7% and 30.1% on average in the next state budget, just 15 months from now.