

Merge state funding components into the core Opportunity Grant

Proposal: Streamline the state funding formula by eliminating the Targeted Assistance, Capacity Aid, and the bonus funding components, and merge those funding streams into the Opportunity Grant.

Background: School funding has long been a joint state-local responsibility. In 2017, Ohio districts generated roughly \$9 billion in local tax revenue, with wealthy districts able to raise more. Meanwhile, the state contributes \$10 billion-plus and distributes more funds to Ohio's neediest districts to compensate for their lower taxing capacities. To allocate the bulk of state aid, lawmakers first set a formula, or "base," amount (\$6,010 per student in FY 18). This base is then adjusted by the State Share Index (SSI), which accounts for districts' income and property wealth. Together, the base amount and SSI determine districts' Opportunity Grants, which are the core of Ohio's foundation funding program (table 1). Additional components are layered on top, such as Targeted Assistance, Capacity Aid, various student-based categories, and bonus funds. Some of these additional components are essential to equitable state funding; for example, Ohio adds funds when schools serve special-education students or students with limited English proficiency. Other components, such as Targeted Assistance and Capacity Aid, are less necessary to achieving funding-equity goals yet increase the complexity of the funding system. Moreover, unlike the Opportunity Grant, which provides a certain amount of state aid to all districts, not everyone receives funds under Targeted Assistance and Capacity Aid. In 2017, ninety-three out of 610 districts were denied Targeted Assistance, and 308 were denied Capacity Aid.

Table 1: Main components of Ohio's foundation funding program, traditional districts, FY 2017

Component	Funding amounts
General operations	
Opportunity Grant	\$4,598,854,867
Targeted Assistance	\$860,527,578
Capacity Aid	\$174,520,646
Student-based funding	
Special education	\$822,966,225
Economically disadvantaged	\$401,769,653
K-3 literacy	\$103,165,226
Gifted	\$73,615,005
Career and technical	\$64,105,048
Limited English proficiency	\$27,769,456
Bonuses	
Graduation rate	\$19,994,850
Third-grade reading	\$8,390,742
Transportation	\$528,310,149
Guarantee	\$103,654,486
TOTAL FOUNDATION FUNDING	\$7,787,643,931

Source: ODE, [Foundation Settlement Report](#) (FY 2017, June 2 Payment).

Proposal rationale: The Opportunity Grant, Capacity Aid, and Targeted Assistance have overlapping purposes: all aim to drive more dollars to districts with limited funding capacity. By collapsing these similar components into the core Opportunity Grant, the state would create a less complicated formula that is easier to predict, while also maintaining a focus on equity between districts. Centering attention

on the Opportunity Grant would also allow the state to concentrate on its design and functionality, rather than having to review multiple calculations. Meanwhile, the bonus components spread too little funding across all districts to incentivize any real improvements; those dollars would be better allocated via the Opportunity Grant.

Cost: The proposal rolls existing dollars into the Opportunity Grant and, in isolation, would not cost additional state money. However, districts' state funding levels would change, and hence the proposal would likely interact with caps and guarantees; fiscal modelling should be undertaken to predict costs.

Resources: For more on merging funding streams into the base funding, see the Foundation for Excellence in Education's paper [Student-Centered State Funding: A How-To Guide for State Policymakers](#) (2017); this idea is also part of the school-funding proposals in Ohio [House Bill 102](#) of the 132nd General Assembly. For a relatively broad description of the state funding system, see [A Formula That Works: Five Ways to Strengthen School Funding in Ohio](#), a report written by Bellwether Education Partners' Jennifer Schiess and colleagues and published by the Fordham Institute (2017). For detail on district-funding calculations, see the ODE report [School Finance Payment Report \(SFPR\): Line by Line Explanation](#) (2018).