



**Department  
of Education**

John R. Kasich, Governor  
Paolo DeMaria, Superintendent of Public Instruction

July 31, 2017

Dave Yost  
Auditor of State  
88 East Broad Street  
Columbus, OH 43215

Dear Auditor Yost:

Thank you for your letter dated July 20, 2017 and your concerns with ECOT's FTE reporting. Enclosed is the letter that the Department sent to address our mutual concerns. As you will see, the Department will be holding back 12% of the ongoing monthly payments in light of ECOT's recent statements regarding the reduction in enrollment, beginning with the August payment. This letter also addresses how we will adjust 2017-18 funding to reflect the amount of funding that ECOT can substantiate for the upcoming academic school year.

From a review of your letter, please note that the Department's standard practice is to fund all schools, including community schools, based on previous year data until current year enrollment data is reported and available. While the Department does advance these funds during the summer, the Department also has a policy in place to hold or adjust payments to protect public funds. Additionally, as schools and districts begin to report enrollment data for 2017-18, our system will automatically flag and adjust for overlapping enrollment. If two schools are claiming the same student for the same period of time, neither school receives funding for the portion of overlapping enrollment. This should address part of the concern you raised in your letter. This adjustment is included on the FTE Detail Report. An explanation of the EMIS report can be found in the EMIS Validation and Report Explanation section of our website.

If you would like to discuss this further, please let me know.

With regards,

Paolo DeMaria  
State Superintendent of Public Instruction

Enclosure



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of Education**

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July 31, 2017

Dear Ms. Pierson,

I am writing in response to your letter of July 24, 2017 concerning ECOT's recent FTE review. I disagree with your assertion that the Department has "changed positions" regarding ECOT's FTE review. Rather, it is ECOT that has changed its position. Most significantly, at the May 11 meeting, ECOT committed that, in advance of the final FTE review, ECOT would adjust its percent of time element in EMIS for each of its students to reflect the participation during the 2016-17 academic year that ECOT contends it can substantiate for that student. This commitment to have all of the data updated in EMIS was part of the reason why the Department agreed to conduct the FTE review in July rather than June. Yet, the final FTE review has now occurred, and, as further set forth below, ECOT has yet to do as it promised.

As you know, under the funding statute (R.C. 3314.08), ECOT earns FTE funding based on the time that each of its enrolled students actually participates in the learning opportunities that ECOT makes available. Indeed, as you further know, the Department adjusted ECOT's claimed FTEs for the 2015-16 school year based on the student participation that was substantiated for that year, and that determination was recently upheld by the State Board of Education. Moreover, the judges that have considered the issue in the lawsuit that ECOT filed likewise have concluded—unanimously—that the funding statute reflects that funding model.

Consistent with that statutory funding framework, and contrary to your claim of "changing positions," at the May 11 meeting, and at all points since that time, the Department's position has been that it is ECOT's responsibility to identify the duration of student participation in learning opportunities. The purpose of the FTE review is for ODE to verify that the student information submitted to ODE through EMIS can be substantiated by the school. As we discussed, the Department contemplated that ECOT would provide a spreadsheet with a line for each student for whom it claimed any funding during the year, with each line containing (1) the SSID; (2) the total time that ECOT contends for funding purposes (e.g., subject to the 10-hour per day limit) that the student participated in computer-based and non-computer based learning opportunities during the year; and (3) the resulting percent of time factor for that student (total hours claimed for funding purposes/maximum hours of funding available based on enrollment period). Indeed, Jack Pierson provided a spreadsheet tool to you in advance of the May 11 meeting depicting how ECOT could present that information, and we specifically discussed that spreadsheet at the May 11 meeting. Other eschools have used that very same tool to provide the requested information, and have successfully completed FTE reviews this summer.

Beyond that information, the Department also informed ECOT that, with respect to 50 of the students in the 721-student sample identified for the FTE review, ECOT is

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continue over-claiming funding during the coming academic year. The Department has two concerns in that regard. First, while it is our standard practice to base FTE payments in July through September on previous year data, the Department is concerned that applying that practice here would result in ECOT receiving estimated monthly payments based on a substantially higher enrollment than ECOT actually expects for 2017-18. More specifically, ECOT has asserted publicly multiple times that its enrollment is down more than 12% for the upcoming year. As enrolled students create the possibility for funding (with the amount of such funding determined by those students' hours of participation), this reduction will undoubtedly have consequences for ECOT's FTE funding. Second, it appears that ECOT is continuing to receive funding based on 100% student participation for each of its students, when in fact ECOT was unable to substantiate anywhere near that level of participation during the 2015-16 academic year, and it appears unlikely that ECOT will be able to substantiate that percentage of participation for the 2016-17 academic year either (and thus continuing to pay on that basis for 2017-18 would result in ECOT receiving overpayments of public funds).

As a responsible steward of public funds, the Department has an obligation to take steps to ensure that ECOT is not receiving an overpayment of public funds. That is particularly true as ECOT has represented to multiple courts that it is likely to cease operations in the near future, which may significantly impact the Department's ability to recoup these ongoing overpayments. To account for the first issue above, the Department will be reducing ECOT's monthly base FTE funding by 12%, beginning with the August payment. As for the second, if ECOT's 2016-17 FTE review reveals that ECOT is unable to substantiate the percentage of time that it claimed for its student (like it was for the 2015-16 academic year), the Department will have no alternative other than to begin adjusting ECOT's 2017-18 funding to reflect the amount of funding that ECOT is likely to be able to substantiate for its students for the upcoming academic year. The Department will hold the funding adjustments described above until the completion of the 2017-18 final FTE review, or such earlier time as the Department is able to verify the accuracy of the information (including the percent of time element) that ECOT is reporting in EMIS.

I look forward to ECOT providing the information requested above. Once ECOT has done so, I look forward to working with you to arrange a meeting to review raw durational data and to discuss ECOT's methodology for determining and reporting student participation.

Thank you,



Aaron Rausch  
Director, Office of Budget and School Funding