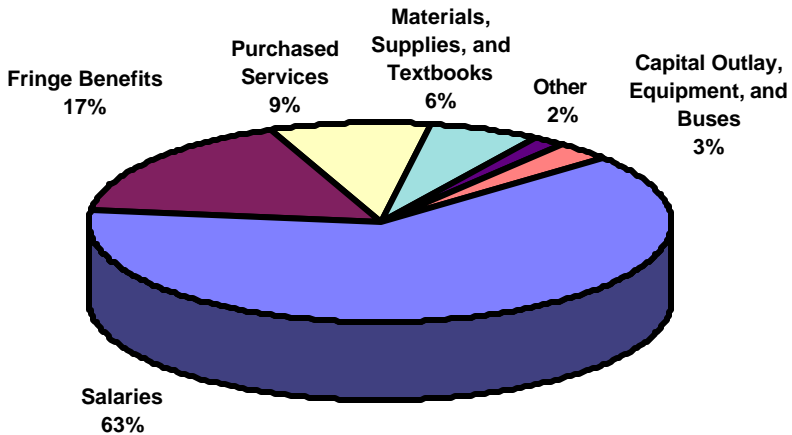
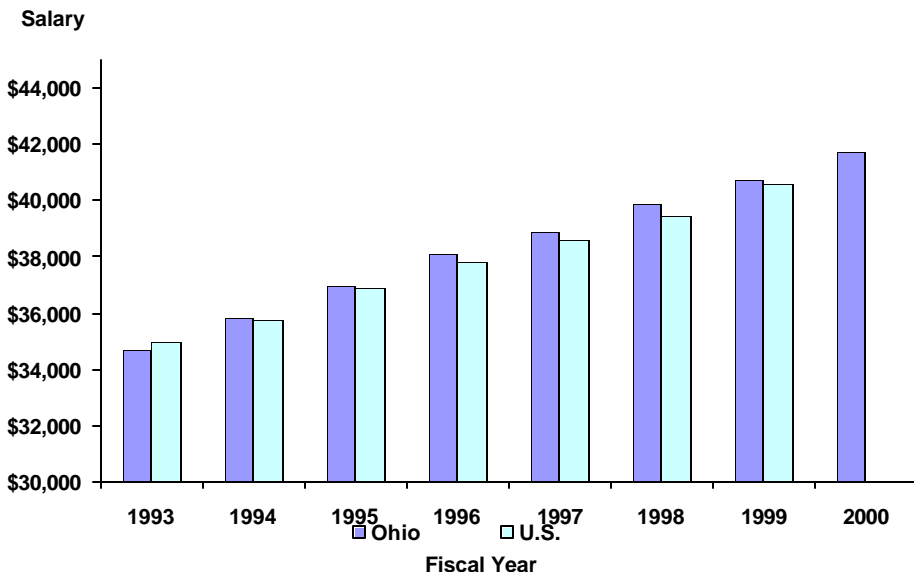


80% of a Typical School Budget Spent on Salaries and Fringe Benefits



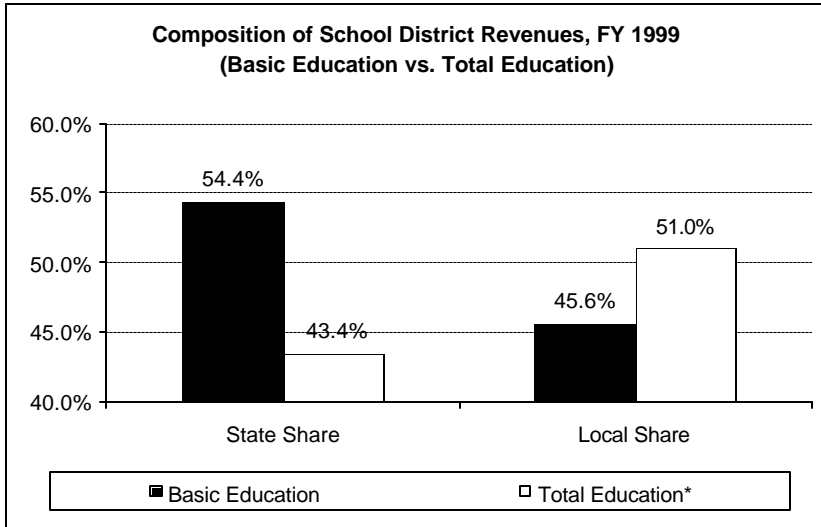
- Salaries and fringe benefits account for approximately 80 percent of school district budgets statewide.
- The percent of school budgets devoted to fringe benefits has increased dramatically in recent years, and amounted to 27.0 percent of the cost of salaries in FY 1998.
- The “other” category includes expenditures for the redemption of notes, transfers out, auditor and treasurers’ fees, and liability insurance.
- Under Sub. H.B. 412 of the 122nd General Assembly (as modified by the Auditor of the State), school districts are required to set aside 3 percent of their operating revenues for textbooks and instructional materials and also for capital and maintenance needs. The set-asides have been further modified by Am. Sub. S.B. 345 of the 123rd General Assembly.

Teacher Salary: Ohio Average and Rate of Increase Comparable to U.S. Average



- Average salary for an Ohio teacher was approximately \$21,900 in FY 1984, \$39,836 in FY 1998, and \$41,714 in FY 2000.
- In 1995, Ohio teachers' average salaries surpassed the average for all U.S. teachers. Ohio's overall average rose higher in the next two years to exceed the U.S. average by 0.8 percent in 1997. Historically, Ohio's average has been at least 95 percent of the U.S. average, and since 1992 has been at least 98.5 percent of the U.S. average. In FY 1999, Ohio's average surpassed the U.S. average by less than 1 percent.
- In 2000, the average salary for beginning teachers in Ohio was \$23,579 for teachers with bachelor's degrees and \$26,105 for those with master's degrees. These salaries were 4.9 percent and 4.8 percent higher, respectively, than in 1998. This is compared to an inflation rate just under 4.9 percent during that time.
- Increases in Ohio teachers' average salaries moderated in recent years. Typically, teachers' average salaries have increased at rates exceeding inflation rates. However, recent salary increases more closely approximate the inflation rate. (These statistics are also affected by retirement and the rate of new hires.)

School District Revenues: More State than Local in Basic Education

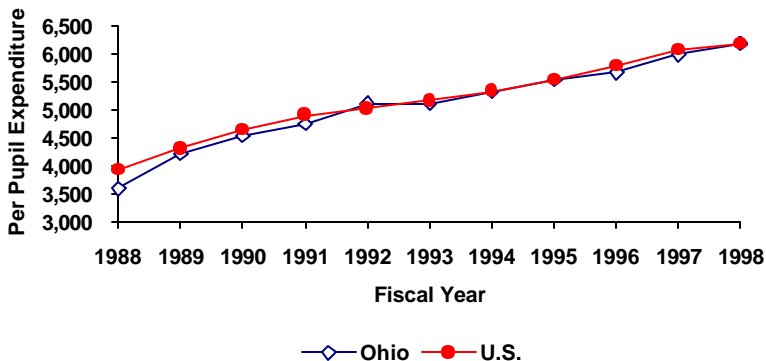


*Federal funds account for the remaining 5.6 percent of total education spending.

- House Bills 650 and 770 of the 122nd General Assembly adopted a performance based method to determine the cost of a basic education. Total basic education cost is shared between the state and local school districts through an equalized SF-3 foundation formula. The state pays approximately 54.4 percent of total basic education cost under the formula. Local school districts pay the remaining 45.6 percent of the basic education cost. The state share includes the portion of the local property tax charge-off paid by the state under the property tax rollback program.
- The SF-3 foundation formula equalizes approximately 2/3 of local operating revenues and the other 1/3 (about \$2 billion in fiscal year 2000) of local revenues is available for school districts to provide education services beyond the basic education level. The existence of local revenues beyond the basic education level is the main reason for a lower state share percentage (43.4 percent) in total education spending.

Ohio's Per Pupil Expenditures Increasing Along With National Average

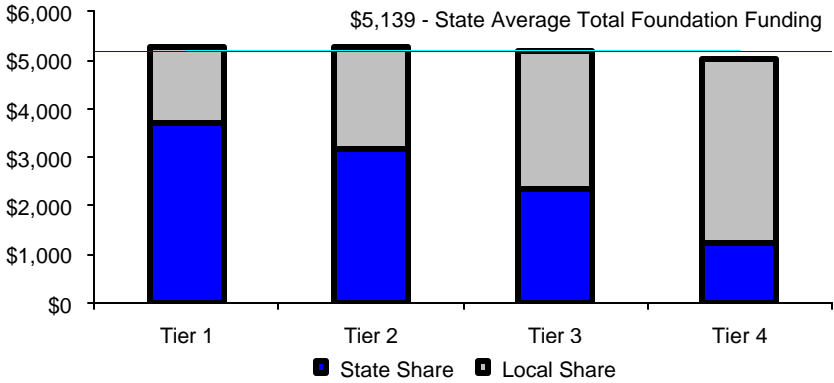
Per Pupil Expenditure for Ohio and U.S.



- Ohio's per pupil expenditures increased from 8 percent below the national average in FY 1988 to 2 percent above the national average in FY 1992, then changed to slightly above the national average level in FY 1998.
- Ohio's per pupil expenditure ranking in the nation accordingly changed from 30th in FY 1988 to 18th in FY 1992, and to 23rd in FY 1998.
- In FY 1998, Ohio's per pupil expenditures were higher than Kentucky and Tennessee, but lower than Illinois, Indiana, Michigan, Minnesota, Pennsylvania, West Virginia, and Wisconsin.

Equalized State Aid Neutralizes the Effect of School Districts' Wealth in Providing Basic Education

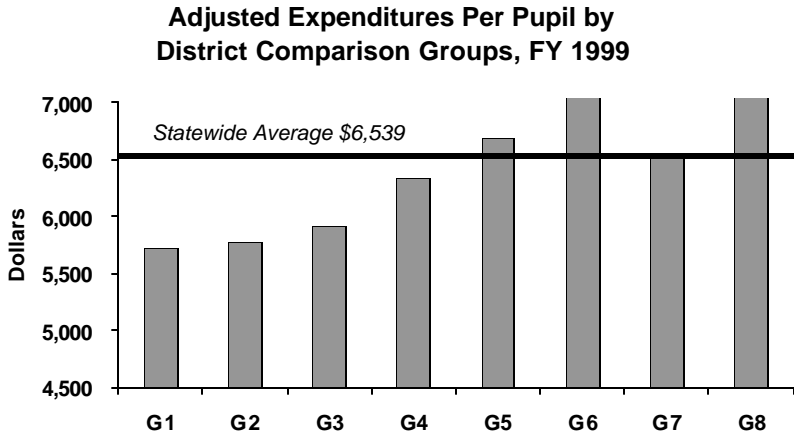
Per Pupil State & Local Foundation Funding for Basic Education by District Tiers



| FY 2000 | Adjusted Recognized Valuation Per Pupil | Per Pupil State Foundation Funding | Per Pupil Local Foundation Funding |
|----------------------|---|------------------------------------|------------------------------------|
| Tier 1 | \$57,526 | \$3,847 | \$1,431 |
| Tier 2 | 80,410 | 3,324 | 1,956 |
| Tier 3 | 109,156 | 2,569 | 2,628 |
| Tier 4 | 161,997 | 1,550 | 3,466 |
| State Average | \$102,090 | 2,826 | 2,367 |

- To create the tiers, school districts are first ranked from the lowest to the highest in adjusted recognized valuation per pupil. Districts are then grouped into four tiers and each tier includes approximately 25 percent of total statewide ADM. Funding amounts are then calculated under the state SF-3 foundation program. Other funding is excluded.
- Valuation per pupil is the most important indicator of each district's ability to provide education. Due to the uneven distribution of taxable property, valuation per pupil varies from \$57,526 for tier 1 to \$161,997 for tier 4.
- The state shares of total foundation funding for district tiers 1 to 4 are 73 percent, 63 percent, 49 percent, and 31 percent respectively. The average state share is approximately 54 percent. Equalized state aid has ensured the same basic education funding for every student in every district regardless of the district's property wealth. The funding is equalized at 23 mills of local share. While valuations per pupil vary significantly, there is little difference in the total amount of per pupil state and local foundation funding among the four district tiers.

Per Pupil Operating Expenditure Varies Across Ohio



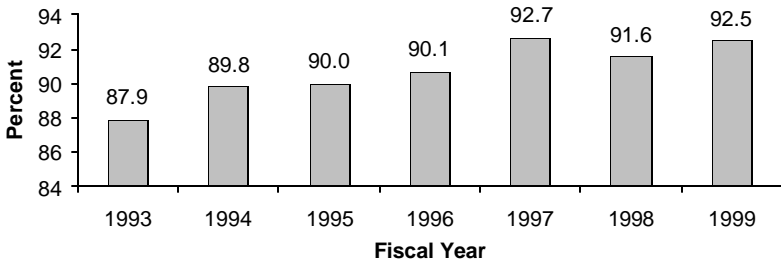
| Group Type | Description | ADM % FY99 | No. of Districts |
|------------------|----------------------------------|---------------|---------------------|
| G1 - Rural | Very low SES*, very high poverty | 7.0 | 78 |
| G2 - Small Rural | Low SES, low poverty | 10.8 | 157 |
| G3 - Rural Town | Average SES, average poverty | 13.5 | 123 |
| G4 - Urban | Low SES, high poverty | 9.3 | 67 |
| G5 - Large Urban | Average SES, high poverty | 11.1 | 44 |
| G6 - Major Urban | Very high poverty | 19.9 | 14 |
| G7 - Suburban | High SES, moderate poverty | 20.2 | 89 |
| G8 - Suburban | Very high SES, low poverty | 8.2 | 35 |

*Socio-economic status

- The Ohio Department of Education clusters school districts throughout the state as a means to compare districts with similar socio-economic characteristics. While per pupil expenditures vary significantly, the pattern of allocation in all types of districts is similar. Instruction costs represent approximately 57 percent of total adjusted operating expenditures in all districts in Ohio.
- In FY 1999, the statewide weighted average per pupil expenditures was \$6,539. Approximately 87 percent of districts spent within a band of between 20 percent below the average (\$5,231) and 20 percent above the average (\$7,847) per pupil.

Equity Aid Brings Up Low Wealth School Districts' Spending

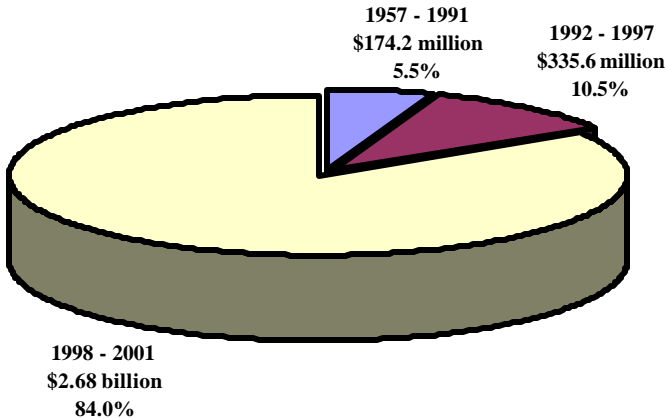
Per Pupil Expenditures for the 153 Lowest Wealth Districts as a Percentage of the State Average



| | FY93 | FY94 | FY95 | FY96 | FY97 | FY98 | FY99 |
|-------------------------------|-------|-------|-------|-------|-------|-------|-------|
| Per Pupil Equity Aid | | | | | | | |
| The 153 Lowest Wealth SDs | \$159 | \$212 | \$246 | \$269 | \$286 | \$300 | \$212 |
| Per Pupil Expenditures | | | | | | | |
| The 153 Lowest Wealth SDs | 4,428 | 4,680 | 4,837 | 5,031 | 5,294 | 5,568 | 6,036 |
| State | 5,038 | 5,213 | 5,373 | 5,545 | 5,708 | 6,080 | 6,523 |
| Annual % Change | | | | | | | |
| The 153 Lowest Wealth SDs | -- | 5.7 | 3.4 | 4.0 | 5.2 | 5.2 | 8.4 |
| State | -- | 3.5 | 3.1 | 3.2 | 2.9 | 6.5 | 7.3 |

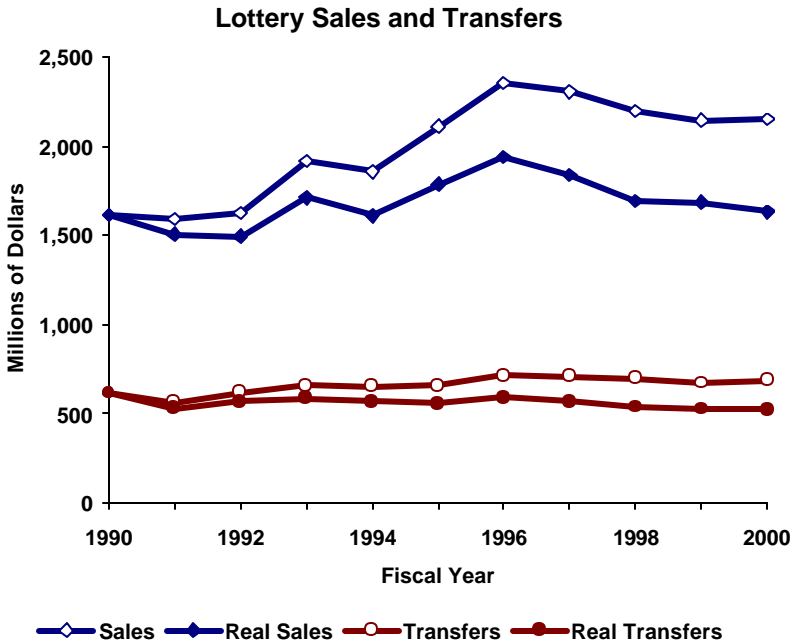
- School districts were first ranked from the lowest to the highest in valuations per pupil every year. The weighted average per pupil expenditures for the 153 lowest wealth school districts and for the state were then calculated. The analysis includes 604 school districts.
- Equity aid was established in FY 1993 as an interim mechanism to target more state moneys for the low wealth districts. Equity aid has clearly increased low wealth school districts' expenditures per pupil. The average per pupil expenditures for the 153 lowest wealth districts as a percentage of the state average increased from 87.9 percent in FY 1993 to 92.5 percent in FY 1999.
- The 122nd General Assembly has established a base cost per pupil by using a performance base methodology. The General Assembly intends to bring every district up to the same base cost level with the 23 mill equalized local share. With this change the necessity of equity aid no longer exists. Therefore, equity aid will be fully phased out in FY 2003.

Total State Appropriations for School Facilities Fiscal Years 1957 - 2001



- Through the Building Assistance Program established within the Ohio Department of Education (ODE) in 1957, the state provided \$174.2 million in total building assistance appropriations through 1991. Because it operated essentially as a loan program during that time, \$63.7 million in repayments received by the state were reinvested in the program.
- Following the release of an ODE study of the condition of classroom facilities in 1990, the state's role as a source of funding increased considerably. As a result, state appropriations during the period 1992 to 1997 totaled \$335.6 million, a 92.6 percent increase over the amounts appropriated during the first thirty-five years of the program.
- The Classroom Facilities Assistance Program (CFAP), created by Senate Bill 102 in 1997, ushered in another increase in the state's financial commitment. As a result, since 1998, the General Assembly has appropriated \$2.68 billion for school repair and construction, a 425.7 percent increase in state funding compared to the previous forty years.
- Of the moneys appropriated, \$682.2 million was distributed in support of construction projects during the period 1998 through 2000. During this period, annual spending increased from \$120.7 million in FY 1998 to \$352.6 million in FY 2000. Continuing this trend, the School Facilities Commission estimates that approximately \$450 million will be disbursed in FY 2001.

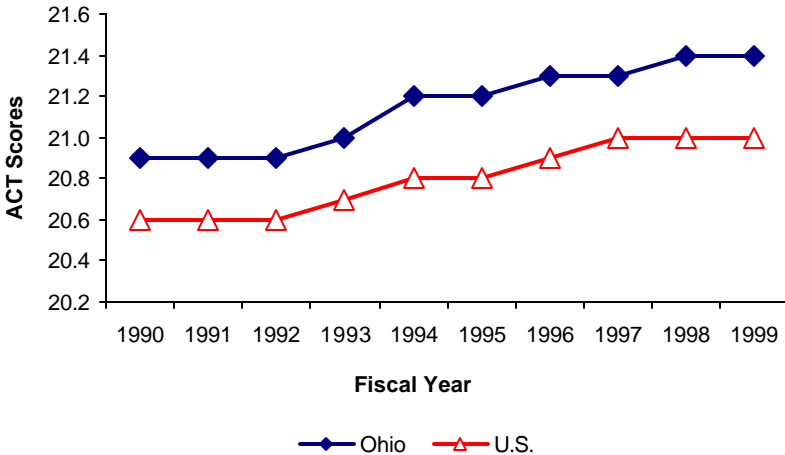
Lottery Sales Still Declining From 1996 Peak



- During the 1990's, lottery sales grew from \$1.6 billion in FY 1990 to a peak of \$2.4 billion in FY 1996 before falling to \$2.1 billion in FY 2000.
- Although sales grew by 33 percent between FY 1990 and FY 2000, in real terms (adjusted for inflation) sales have grown by just 1 percent, from \$1.61 billion to \$1.63 billion in 1990 dollars.
- Transfers to education grew from \$616 million in FY 1990 to a peak of \$714 million in FY 1996 before falling to \$686 million in FY 2000.
- Although transfers grew by 13 percent between FY 1990 and FY 2000, in real terms transfers have fallen by 15 percent, from \$616 million to \$521 million in 1990 dollars.
- Sales have decreased 13 percent from their peak in FY 1996. This decline is attributed to increased competition in the gaming industry. This competition comes from riverboats in Indiana and Kentucky, casinos in Michigan and Canada, enhanced racetracks in West Virginia, multi-states lotteries with huge prizes, and flourishing Internet gaming.

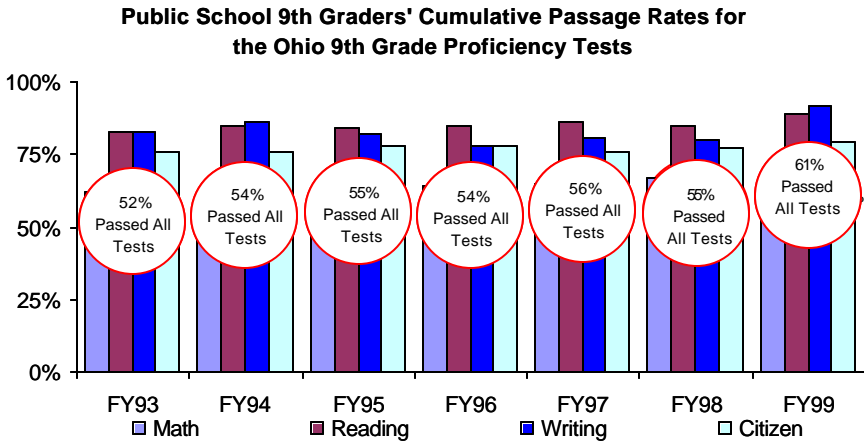
Ohio ACT and SAT Scores are Higher than U.S. Average

ACT Scores for Ohio and the U.S.



- ACT and SAT scores are indicators to help predict how well students will perform in college. ACT and SAT scores for Ohio high school graduates have been consistently higher than the national average since FY 1990.
- From FY 1990 to FY 1999, approximately 60 percent of Ohio high school graduates took the ACT test each year, and 24 percent of high school graduates took the SAT test each year. For FY 1999, a record 26 percent, or 32,395 graduates statewide, took the SAT.
- Ohio SAT scores increased from 1,048 in FY 1990 to 1,072 in FY 1999. SAT scores nationwide increased from 1,001 to 1,016 during the same period.
- School districts in Ohio were required to offer the post-secondary enrollment options program beginning in FY 1992. The program provides an opportunity for 11th and 12th graders to enroll in post-secondary courses for high school and/or college credits. Beginning in FY 1999, the post-secondary enrollment options program was made available to 9th and 10th graders. In FY 2000, over 3 percent of 9th through 12th graders took advantage of the post-secondary enrollment option.

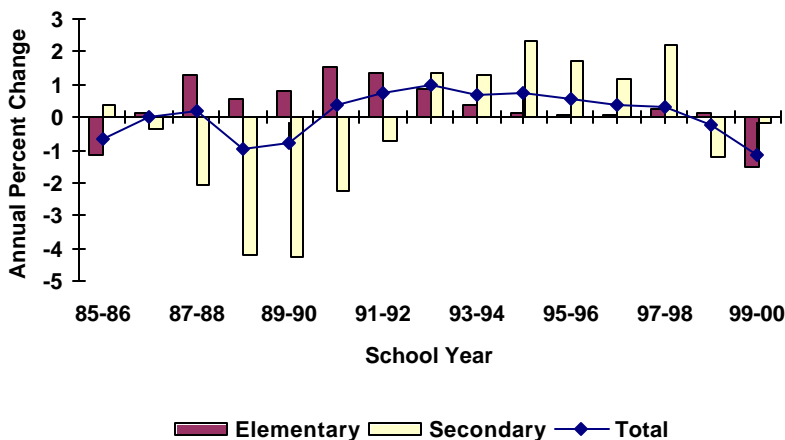
Ninth Grade Proficiency Test Results Show Improvement



- The percentage of Ohio public school 9th graders passing all four 9th grade proficiency tests by the end of the 9th grade increased from 52 percent in FY 1993 to 61 percent in FY 1999. Public school students have to attain the 9th grade level on each test in order to receive a high school diploma. In FY 1999, this graduation requirement was applied to chartered nonpublic school students as well. From the start of FY 2001, students in both public and chartered nonpublic schools are also required to attain a 9th grade level on the science test in order to receive a high school diploma.
- Public school 9th graders have made improvements in all areas of the proficiency tests. Passing rates among public school 9th graders on the mathematics test increased from 62 percent in FY 1993 to 69 percent in FY 1999. Reading test rates increased from 83 percent to 89 percent, citizenship test rates increased from 76 percent to 79 percent, and writing test rates increased from 83 percent to 92 percent during the same period.
- Am. Sub. S.B. 55 of the 122nd General Assembly phases out 9th grade proficiency tests and replaces them with 10th grade proficiency tests. The 10th grade proficiency tests will begin in FY 2001. However, passing all five 9th grade proficiency tests will continue to be a requirement for high school graduation until FY 2004. By FY 2005, passing all five 10th grade proficiency tests will be a requirement for graduation.

K-12 Enrollment: Moderate Increases Convert To A Moderate Decrease

Rates of Change in Statewide School District Enrollments



- Total enrollment in Ohio schools decreased during the 1998-1999 and 1999-2000 school years. The annual rate of decrease was less than 0.5 percent for 1998-1999, and more than 1 percent for 1999-2000.
- From 1985-86 to 1999-00, total public school enrollment grew by only 1.53 percent, or from 1,793,900 students (1,206,200 elementary and 587,800 secondary) to 1,821,276 students (1,281,210 elementary and 540,066 secondary).
- In recent years, enrollment in secondary schools (grades 9-12) grew faster than elementary schools (K-8), although this trend has since moderated and is now characterized by a similar relationship in terms of decreases.
- The ethnic composition of K-12 enrollment has remained essentially the same for the past decade. In FY 1998 the enrollment was 81.5 percent white, 15.3 percent black, 1.4 percent Hispanic, and 1.7 percent “other” (Asian, Indian, multiracial, et al.).
- A one percent increase in enrollment would require an increase of approximately \$122 million in total school district expenditures in order to maintain the 1998-99 average rate of expenditure (approximately \$6,700 per pupil).