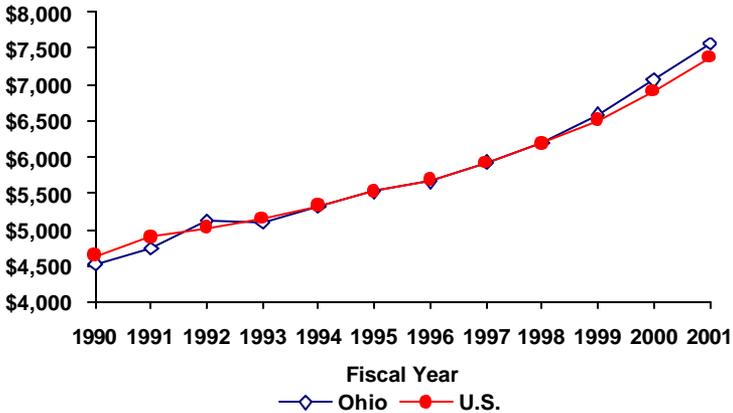


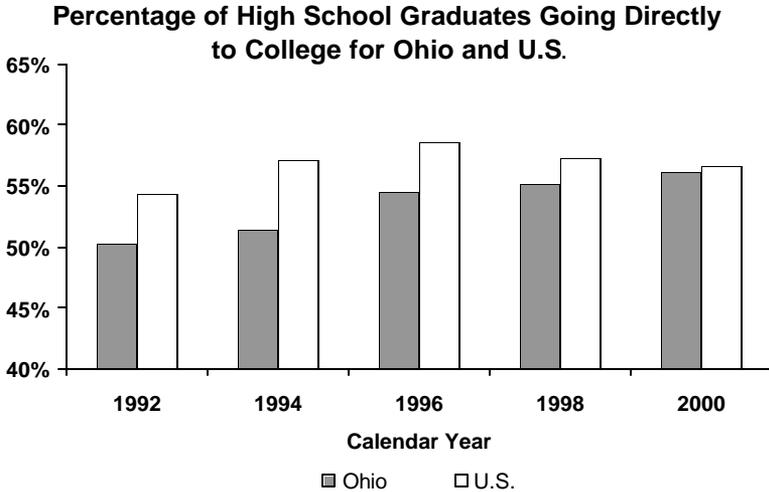
Ohio's per Pupil Current Expenditures Increase along with National Average

Per Pupil Current Expenditures for Ohio and U.S.



- Ohio's per pupil current expenditures increased from 2.0% below the national average in FY 1990 to 2.5% above the national average in FY 2001.
- In the period from FY 1990 to FY 2001, Ohio's per pupil current expenditures increased from \$4,531 to \$7,571, or 67.1%. The national average increased from \$4,643 in FY 1990 to \$7,376 in FY 2001, or 58.9%. Inflation, as measured by the consumer price index, was 37.9% during the same period.
- Ohio's per pupil current expenditures ranked 19th in the nation in FY 2001.
- In FY 2001, Ohio's per pupil current expenditures and ranking in the nation (\$7,571, 19th) were higher than in Kentucky (\$6,079, 41st), Tennessee (\$5,687, 47th), and West Virginia (\$7,534, 20th) but lower than in Illinois (\$7,643, 17th), Indiana (\$7,630, 18th), Michigan (\$8,278, 10th), Minnesota (\$7,645, 16th), Pennsylvania (\$8,210, 14th), and Wisconsin (\$8,243, 12th).

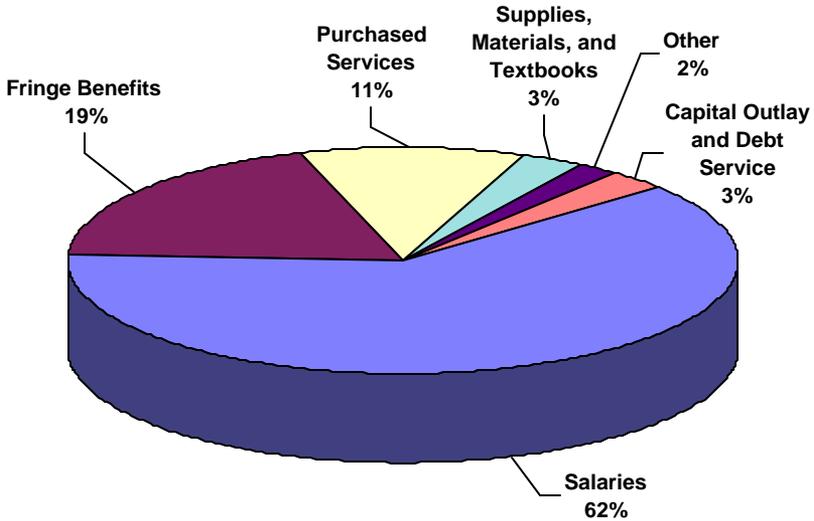
Percentage of Ohio High School Graduates Going Directly to College Increased Faster than U.S. Average



- The percentage of Ohio high school graduates going directly to college increased from 50.3% in fall 1992 to 56.1% in fall 2000, an increase of 11.5%. During the same period, the national average increased from 54.3% to 56.7%, an increase of 4.4%.
- In fall 1992, the percentage of Ohio high school graduates going directly to college was 7.4% below the national average. In fall 2000, Ohio was just 1.1% below the national average.
- Of fall 2002 first-time freshmen from Ohio, 70% were 2002 high school graduates and 30% earlier high school graduates. About 80% of those 2002 high school graduates attended four-year institutions, while only 30% of earlier high school graduates attended four-year institutions.
- ACT and SAT scores are indicators that help predict how well students will perform in college. ACT and SAT scores for Ohio high school seniors have been consistently higher than the national average since FY 1992.
- The average Ohio ACT score was 21.4 in FY 2004, in comparison with the national average of 20.9. About 66% of Ohio high school seniors and 40% of high school seniors nationwide took the ACT test in FY 2004.
- The average Ohio SAT score was 1,080 in FY 2004, in comparison with the national average of 1,026. About 28% of Ohio high school seniors and 48% of high school seniors nationwide took the SAT test in FY 2004.

81% of a Typical School Budget

Breakdown of a Typical School District Budget



Spent on Salaries and Fringe Benefits

- Salaries and fringe benefits account for approximately 81% of school budgets statewide.
- The cost of fringe benefits has increased dramatically in recent years largely due to the rapid growth in health insurance premiums. It amounted to 31% of the cost of salaries in FY 2003, in comparison with 28% of the cost of salaries in FY 2001.
- Under Sub. H.B. 412 of the 122nd General Assembly (as modified by Am. Sub. S.B. 345 of the 123rd General Assembly), each school district is required to set aside an amount equal to 3% of the previous year's base cost funding formula amount multiplied by the number of students for textbooks and instructional materials and another 3% for capital and maintenance needs. In FY 2005, the required set-aside amount is \$151.7 per pupil for textbooks and instructional materials and another \$151.7 per pupil for capital and maintenance needs.

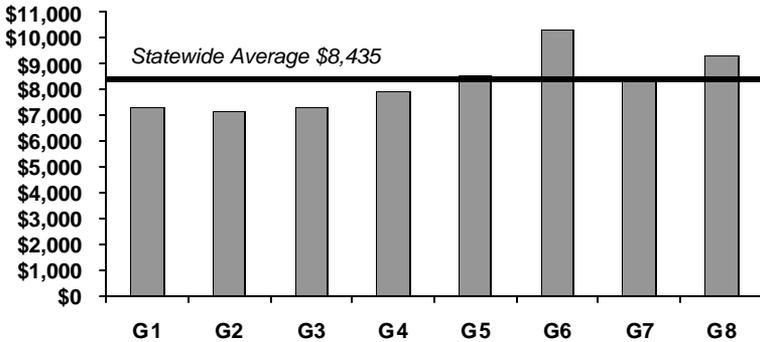
Teacher Salary Increase in Ohio Matched U.S. Average



- The average salary for an Ohio teacher increased by 31.8% over the past ten years, from \$34,519 in FY 1993 to \$45,490 in FY 2003. The national average increased by 31.0%, from \$35,029 in FY 1993 to \$45,891 in FY 2003. Inflation, as measured by the consumer price index, was 27.8% during this ten-year period.
- Ohio's average teacher salary ranked 16th in the nation in FY 2003.
- In FY 2003, Ohio's average teacher salary and ranking in the nation (\$45,490, 16th) were higher than in Indiana (\$44,966, 17th), Kentucky (\$38,981, 35th), Minnesota (\$44,745, 19th), Tennessee (\$39,677, 33rd), West Virginia (\$38,481, 38th), and Wisconsin (\$42,775, 23rd) but lower than in Illinois (\$51,475, 6th), Michigan (\$53,563, 4th), and Pennsylvania (\$51,428, 7th).
- In FY 2003, the average beginning teacher salary in Ohio was \$27,688 for teachers with bachelor's degrees and \$30,043 for those with master's degrees. These salaries were 11.2% and 8.7% higher, respectively, than in FY 2001. This is compared to an inflation rate of 4.0% during that time.

Per Pupil Operating Spending Varies across Ohio

Spending per Pupil by
District Comparison Group, FY 2003



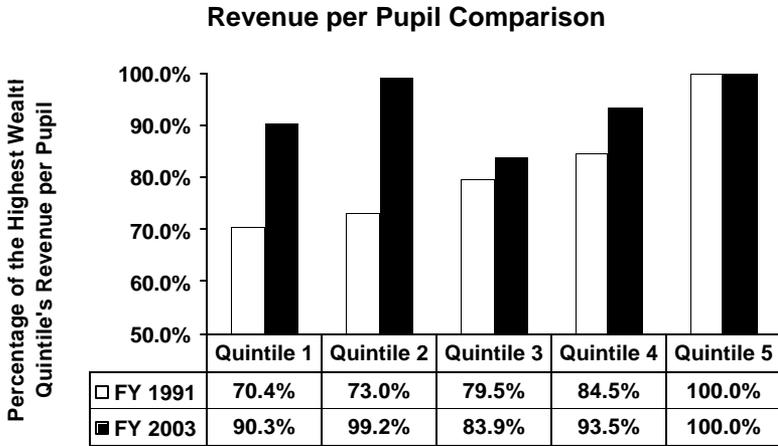
Group Type	Description	ADM** % FY 2003	No. of Districts
G1 - Rural	Very low SES*, very high poverty	7.0	78
G2 - Small Rural	Low SES, low poverty	10.8	157
G3 - Rural Town	Average SES, average poverty	13.7	123
G4 - Urban	Low SES, high poverty	9.0	67
G5 - Large Urban	Average SES, high poverty	11.0	44
G6 - Major Urban	Very high poverty	18.3	14
G7 - Suburban	High SES, moderate poverty	21.2	90
G8 - Suburban	Very high SES, low poverty	8.9	35

*Socioeconomic status

**Average daily membership

- The Department of Education clusters school districts throughout the state as a means to compare districts with similar socioeconomic characteristics. In FY 2003, the state average per pupil spending was \$8,435. About 83% of districts spent within a band of between 20% below the state average (\$6,748) and 20% above the state average (\$10,122).
- High poverty major urban (G6) districts and the wealthiest suburban (G8) districts had the highest spending per pupil among all district groups, spending 22% and 10%, respectively, above the state average in FY 2003.
- While per pupil spending varies across school districts, the pattern of allocation in all groups of districts is similar. On average, school districts spent 55.8% on instruction, 19.3% on building operations, 11.9% on administration, 10.3% on pupil support, and 2.7% on staff support.

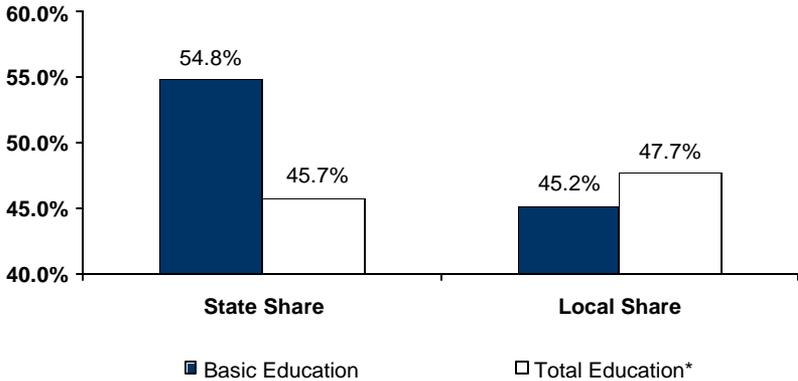
Interdistrict Equity Improved Significantly since FY 1991



- The main goal of state aid for school districts is to neutralize the effect of a school district's wealth on its total revenue per pupil. The state's equalization effort, complemented by federal funds, significantly improved interdistrict revenue per pupil equity since FY 1991.
- School districts are first ranked from the lowest to the highest in valuation per pupil in each year. Districts are then grouped so that each quintile contains a roughly equal number of school districts. Quintile 1 has the lowest valuation per pupil and quintile 5 has the highest valuation per pupil.
- In the period from FY 1991 to FY 2003, districts in quintiles 1 and 2 registered the highest percentage and the biggest dollar increases in per pupil revenue. This occurred even though these districts experienced the smallest increase in per pupil valuation.
- In FY 2003, the average revenue per pupil for 80% of school districts (quintiles 1, 2, 3, and 4) was approximately 92% of the average revenue per pupil for quintile 5 (the highest wealth quintile).
- In FY 1991, approximately 76% of the variation in per pupil revenue could be explained by the variation in per pupil valuation. In FY 2003, the per pupil valuation explained about 31% of the variation in per pupil revenue. This indicates a significant improvement in interdistrict equity and fiscal neutrality since FY 1991.
- The state and federal governments both target extra funds for students in poverty. The percentages of students in each quintile whose families participated in Ohio Works First in FY 2003 are 7.8%, 10.8%, 3.4%, 5.5%, and 1.7%, respectively.

School District Revenues More State than Local in Basic Education

Composition of School District Revenues, FY 2003
(Basic Education vs. Total Education)

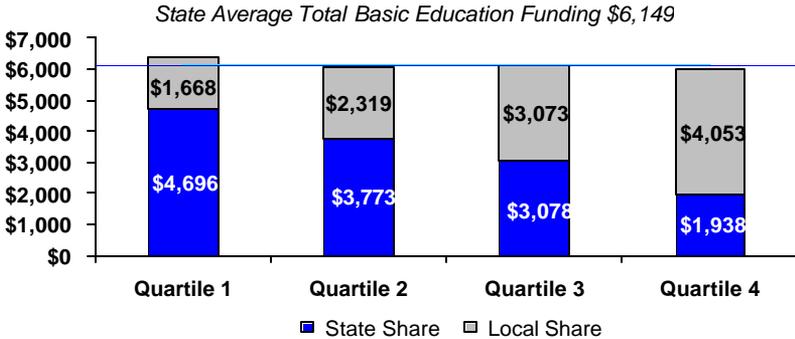


*Federal funds account for the remaining 6.6% of total education spending.

- The state of Ohio primarily uses a performance-based model to determine the cost of a basic education. The model includes a uniform per pupil base cost and a series of adjustments to account for unique challenges each individual school district faces in providing a similar basic education. Total modeled basic education cost is shared between the state and local school districts through an equalized SF-3 foundation formula. The state pays approximately 54.8% of total basic education cost under the formula. Local school districts pay the remaining 45.2% 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 relief program.
- The SF-3 foundation formula equalizes three-fourths of local operating tax revenue; the other one-fourth (approximately \$1.8 billion in FY 2003) of local revenue is available for school districts to provide education services beyond the basic education level. Local revenue above the basic education level is largely unequalized. The existence of local revenues beyond the basic education level is the main reason for a lower state share percentage (45.7%) in total education spending.

Equalized State Aid Eliminates Disparities in Total State and Local Funding for Basic Education

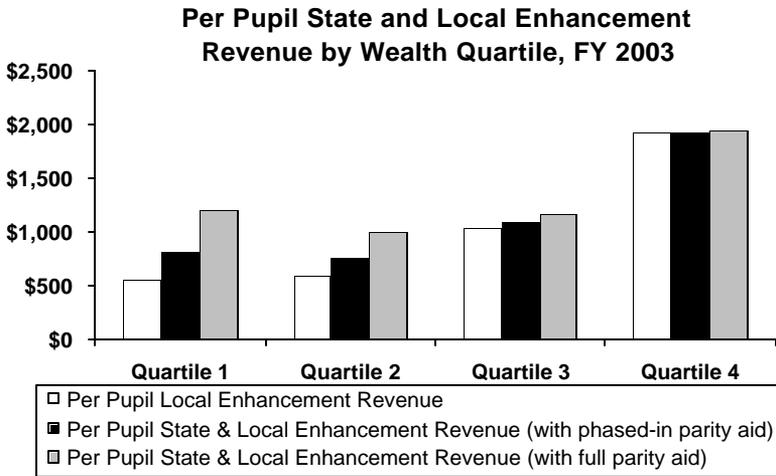
Per Pupil State and Local Funding for Basic Education by Wealth Quartile, FY 2003



FY 2003	Charge-Off Valuation Per Pupil	Per Pupil Total Basic Education Funding	Per Pupil State Share %	Per Pupil Local Share %
Quartile 1	\$69,156	\$6,364	73.8%	26.2%
Quartile 2	\$95,082	\$6,092	61.9%	38.1%
Quartile 3	\$126,886	\$6,151	50.0%	50.0%
Quartile 4	\$182,666	\$5,991	32.3%	67.7%

- To create wealth quartiles, school districts are first ranked from lowest to highest in valuation per pupil. Districts are then divided into four groups, each of which includes approximately 25% of total statewide average daily membership. Funding amounts are then calculated under the state-defined basic education model. Other funding is excluded. Total basic education funding for an individual district takes into account unique challenges facing the district and does not depend on the district's wealth.
- 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 \$69,156 for quartile 1 to \$182,666 for quartile 4. The state shares of total basic education funding for quartiles 1 to 4 are 73.8%, 61.9%, 50.0%, and 32.3%, respectively.
- Equalized state aid has ensured the same basic education funding for every student in every district regardless of the district's wealth. The funding is equalized at 23 mills of local share. While valuation per pupil varies significantly, there is little difference in the total amount of per pupil state and local funding for basic education among the district quartiles.

Parity Aid Reduces Disparities in Local Enhancement Revenue That Is Above the Basic Education Level



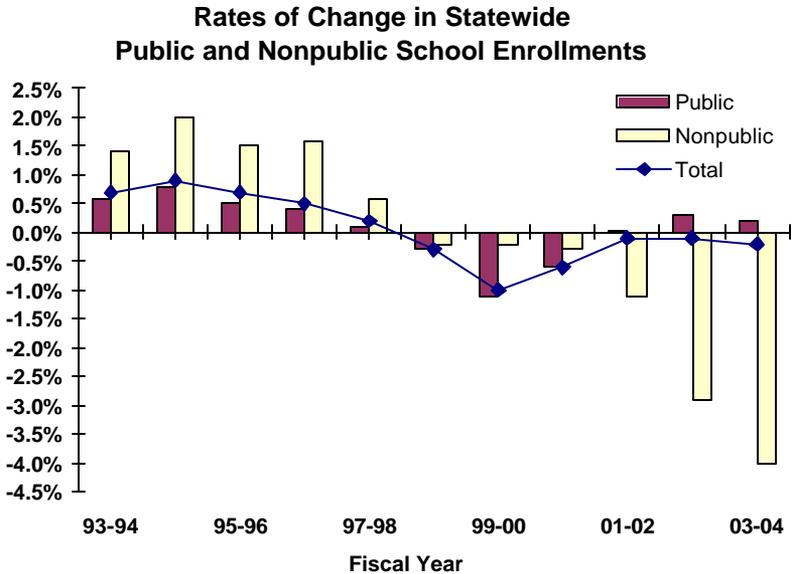
- To create wealth quartiles, school districts are first ranked from lowest to highest in valuation per pupil. Districts are then divided into four groups, each of which includes approximately 25% of total statewide average daily membership. Quartile 1 has the lowest valuation per pupil and quartile 4 has the highest valuation per pupil.
- Equalized state aid eliminates disparities in total state and local funding for basic education. Disparities occur in unequalized local enhancement revenue that is above the basic education level. In FY 2003, per pupil local enhancement revenue ranged from \$546 for quartile 1 to \$591 for quartile 2, \$1,027 for quartile 3, and up to \$1,932 for quartile 4.
- Parity aid is designed to systematically reduce disparities in local enhancement revenue that is above the basic education level. It equalizes an additional 9.5 mills (above the basic education level) to the 80th percentile district's wealth level. Parity aid is currently being phased in and funded at the 76% level in FY 2005.
- In FY 2003, parity aid was funded at the 40% level. With phased-in parity aid, per pupil state and local enhancement revenues for quartiles 1 to 4 were \$806, \$755, \$1,082, and \$1,935, respectively, in FY 2003. Fully implemented parity aid would have substantially reduced disparities in local enhancement revenue. If parity aid had been fully implemented in FY 2003, a total of \$308.7 million in additional state aid would have been provided and per pupil state and local enhancement revenue would have been \$1,196 for quartile 1, \$1,002 for quartile 2, \$1,159 for quartile 3, and \$1,940 for quartile 4. There would then have been little difference among the first three quartiles.

Ohio has Realigned Its School Accountability System with the Federal No Child Left Behind Act

District and School Report Card Ratings, FY 2003-FY 2004				
	Districts		Buildings	
	2003	2004	2003	2004
Excellent	85	117	630	920
Effective	177	229	771	906
Continuous Improvement	278	224	1,242	1,211
Academic Watch	52	34	237	125
Academic Emergency	16	4	338	222

- The federal No Child Left Behind Act (NCLB) requires that districts be rated according to whether they have made "adequate yearly progress" (AYP). AYP has been set for each year by the Ohio Department of Education. It requires certain levels of proficiency on state mandated tests for all students, as well as certain subgroups of students and it will ultimately require 100% proficiency by the year 2014.
- Ohio has realigned its school accountability system with NCLB. District and building report card ratings now take into account the number of state standards met, as well as performance index scores, improvement in performance index scores, and whether AYP has been achieved. In FY 2004, 38 districts (6%) and 347 buildings (11%) had one of the lowest two ratings, compared to 68 districts (11%) and 575 buildings (17%) in FY 2003.
- The ninth-grade proficiency tests, the current high school graduation requirement, will be replaced by the Ohio Graduation Test (OGT), a series of tests that measure achievement at the tenth grade level. Starting with the graduating class of 2007, students in both public and chartered nonpublic schools are required to attain the proficient level on the OGT in order to receive a high school diploma. In FY 2003, 64% of public school students passed all five ninth-grade proficiency tests by the end of the ninth grade.
- All other proficiency tests are in the process of being phased out in favor of new achievement tests that are aligned with the requirements of NCLB. When completely phased in, students in Ohio will take, in addition to the OGT, achievement tests in reading and mathematics in grades three through eight, in writing in grades four and seven, and in science and social studies in grades five and eight.

Public School Enrollment Increases while Nonpublic School Enrollment Decreases from FY 2001 to FY 2004



- The moderate growth in total school enrollment in the 1990s reached its peak in FY 1998. It has decreased consistently since then at an average rate of 0.4% per year.
- Although total enrollment continues to decrease, public school enrollment began to increase in FY 2002. Nonpublic enrollment continues to fall. From FY 2001 to FY 2004, total public school enrollment grew by 0.6%, from 1,810,514 students to 1,821,534 students, an increase of 11,020 students. In the same span of time, total nonpublic school enrollment fell by 7.9%, from 241,908 students to 222,842 students, a decrease of 19,066 students; and total school enrollment fell by 0.4%, from 2,052,422 students to 2,044,376 students, a decrease of 8,046 students.
- In FY 2004, nonpublic school enrollment represented approximately 10.9% of total public and nonpublic students in Ohio. Nonpublic school enrollment numbers include the Cleveland Scholarship Program students.
- The number of public school students categorized as needing special education services has increased much faster than total public school enrollment. Total special education students increased from 212,274 in FY 2002 to 227,795 in FY 2004, an increase of 7.3%, in comparison with an increase of 0.6% for total public school enrollment.

Community School Enrollment Increases Significantly since its Beginning in FY 1999

Growth of Community Schools, FY 1999-FY 2004				
	Number of Community Schools	Annual % Change	Community School Enrollment	Annual % Change
FY 1999	15	N/A	2,245	N/A
FY 2000	48	220.0%	9,032	302.3%
FY 2001	68	41.7%	16,717	85.1%
FY 2002	93	36.8%	23,626	41.3%
FY 2003	134	44.1%	33,978	43.8%
FY 2004	179	33.6%	47,409	39.5%

- Community schools are public schools that are not part of a school district and are exempt from some state requirements. Since the establishment of community schools in FY1999, community school enrollment has increased from 0.1% of public school enrollment (2,245 students) in FY 1999 to 2.6% of public school enrollment (47,409 students) in FY 2004.
- Of the 179 community schools operating in FY 2004, 95 were sponsored by the State Board of Education, 45 by school districts, 28 by educational service centers, 10 by the Ohio Council of Community Schools, and 1 by a joint vocational school district. Sub. H.B. 364 of the 124th General Assembly eliminated the authority of the State Board to sponsor new community schools and instead required the Department of Education to be responsible for the oversight of and for providing technical assistance to community schools.
- Unlike traditional public schools, community schools do not have taxing authority and are funded primarily through state foundation aid transfers. These transfers totaled \$11.0 million in FY 1999, \$51.7 million in FY 2000, \$91.2 million in FY 2001, \$138.9 million in FY 2002, \$204.5 million in FY 2003, and \$297.9 million in FY 2004.
- The Cleveland Scholarship and Tutoring Program (CSTP) provides state-funded scholarships to parents in the Cleveland Municipal School District that can be used to fund their children's education at participating private and public schools. Since the establishment of the CSTP in FY 1997, scholarship students have increased from 0.8% of nonpublic school enrollment (1,994 students) in FY 1997 to 2.6% of nonpublic school enrollment (5,796 students) in FY 2004. State expenditures for CSTP have increased from approximately \$5.0 million in FY 1997 to approximately \$16.3 million in FY 2004.

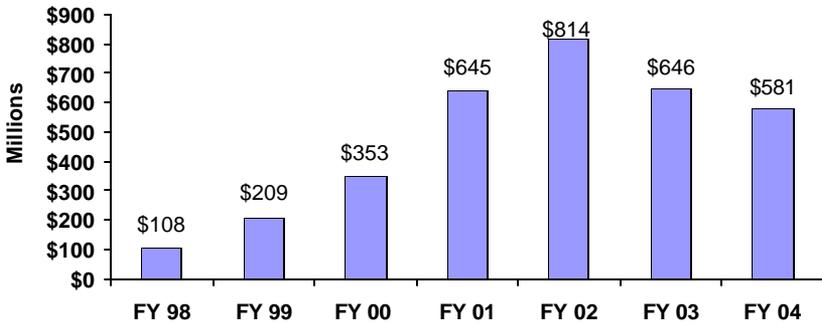
Ohio Ranks High in Student Access to Technology

Student-Computer Ratio for Ohio and U.S.			
Computer Type	Ohio Rank	Students per Computer	
		Ohio	U.S.
Instructional (in classrooms only)	2nd	5.4	7.9
Instructional (overall)	9th	3.6	4.0
Instructional Multimedia (overall)	8th	4.1	4.8
Internet-connected (in classrooms only)	4th	6.3	8.4
Internet-connected (overall)	9th	3.8	4.3

- The Ohio SchoolNet Commission was created in 1997 as an independent agency to expand student access to technology. Since then student access to technology in Ohio has improved significantly. In 1996 Ohio ranked 46th in the nation in student access to technology. According to *Technology Counts 2004 (Education Week)*, Ohio now ranks 2nd in the number of students per instructional computer located in classrooms, 4th in the number of students per Internet-connected computers located in classrooms, 8th in the number of students per instructional multimedia computer overall, and 9th in the number of students per instructional computer and per Internet-connected computer overall.
- SchoolNet, funded at \$95 million, was created in 1994 to provide telecommunications wiring for every public school classroom in the state and to purchase computer workstations for the 153 low-wealth school districts. Under the program, over 93,000 public school classrooms were wired and more than 16,000 computers were purchased for low-wealth school districts.
- SchoolNet Plus was originally established in 1995 to expand the impact of SchoolNet in grades K-4 by providing state subsidies to help achieve the goal of one computer workstation for every five K-4 students. Since 1995, approximately \$553 million in GRF and tobacco settlement money has been invested in SchoolNet Plus for grades K-4 and beyond.
- More than 217,000 computer workstations have been purchased under SchoolNet Plus, resulting in a student to computer ratio of 5:1 for grades K-6. SchoolNet Plus is currently completing the seventh grade and will be expanding into the eighth grade.

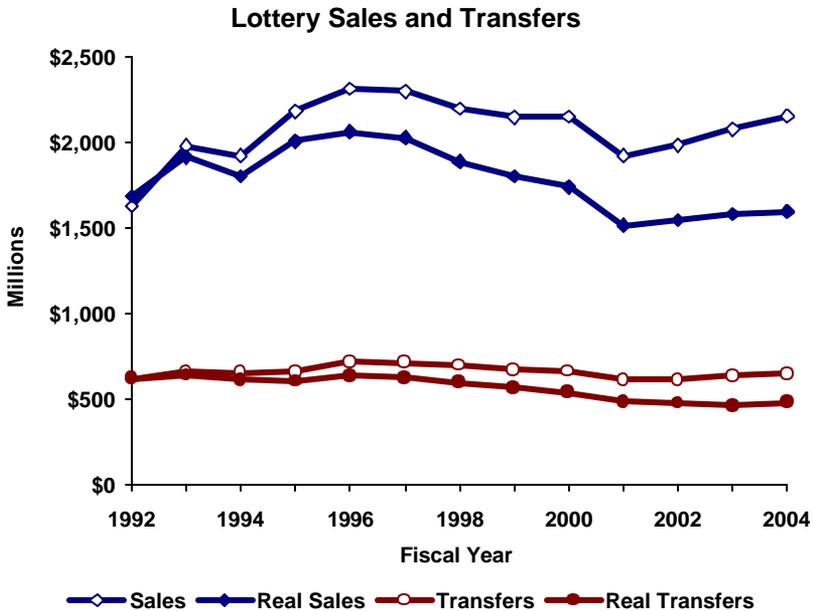
State Spending for School Facilities Projects Reached \$3.4 Billion in Seven Years

SFC Disbursements by Fiscal Year



- Since its creation in 1997, the School Facilities Commission (SFC) has disbursed almost \$3.4 billion and provided assistance to 274 school districts. So far, over 200 new or renovated buildings have opened across Ohio school districts.
- SFC disbursements increased from \$108 million in FY 1998 to a peak of \$814 million in FY 2002. Disbursements declined in FYs 2003 and 2004 due to the size and complexity of the six major urban district projects (Akron, Cincinnati, Cleveland, Columbus, Dayton, and Toledo). Disbursements are expected to increase again in FY 2005 as these projects move from the design stage to construction.
- The Classroom Facilities Assistance Program (CFAP) provides equalized state funding for the entire facility needs of school districts. Low-wealth districts are generally first to receive assistance under CFAP. About \$2.8 billion of the total disbursed funds since FY 1998 have gone to 129 CFAP districts. On average, the state pays about 84% of their basic project costs.
- The Exceptional Needs Program (ENP) addresses health and safety needs in specific buildings within a district and disburses money on a grant application basis. Since its inception in 2000, ENP has disbursed approximately \$294 million for 23 participating school districts, with an average state share of approximately 65%.
- The Expedited Local Partnership Program (ELPP) allows school districts to use local funds to begin portions of their facilities projects before becoming eligible for assistance under CFAP. The district will receive a credit for the money it has spent against its required local contribution once it becomes eligible under CFAP. Thus far, 125 ELPP districts have earned a combined state-funding credit of \$2.8 billion. The average state share for these ELPP districts is approximately 48%.

Lottery Sales Improving, but Still below 1996 Peak



- Lottery sales grew from \$1.68 billion in FY 1992 to a peak of \$2.31 billion in FY 1996 before falling to \$1.92 billion in FY 2001. Sales have since increased each year to \$2.15 billion in FY 2004. Although sales grew by 27.9% between FY 1992 and FY 2004, in real terms (adjusted for inflation) sales have declined by 5.4%, from \$1.68 billion to \$1.59 billion in 1992 dollars.
- Transfers to education grew from \$618 million in FY 1992 to a peak of \$714 million in FY 1996 before falling to \$610 million in FY 2002. Transfers have increased in the last two fiscal years to \$648 million in FY 2004. Although transfers have increased 4.8% between FY 1992 and FY 2004, in real terms transfers have fallen by 22.4%, from \$618 million to \$479 million in 1992 dollars.
- Competition in the gaming industry comes from riverboats in Indiana and Kentucky, casinos in Michigan, New York, and Canada, enhanced racetracks in West Virginia, the Powerball multi-state lottery, and Internet gaming. New York and Pennsylvania recently approved the installation of thousands of video lottery terminals.
- In May 2002, the Ohio Lottery entered the multi-state game Mega Millions. The new game is largely responsible for the increase in sales in FY 2003 and FY 2004.