

# Department of Education

- Phasing in over a five-year period the "Resources and Accountability Model" to fund an adequate education
- Implementing the recommendations to strengthen academic standards and accountability

## I. OVERVIEW

With a staff of approximately 600 FTEs and a total budget of approximately \$8 billion in FY 2001, the Department of Education (DOE) oversees an education system consisting of 612 public school districts and 49 joint vocational school districts with almost \$15 billion in annual expenditures. In addition, there are public community schools, county educational service centers, head start programs, and other school related entities to monitor. The role of the Department is to assist local school districts providing every student with an adequate education needed to successfully meet the challenges of the 21<sup>st</sup> century. The Department is governed by a 19 member State Board of Education. Eleven of those 19 members are elected by the citizens and the other eight members are appointed by the Governor. The Superintendent of Public Instruction, who is hired by the State Board of Education, is responsible for the Department's day-to-day operation. The Department also oversees state-chartered nonpublic schools.

### A. Appropriation Overview

The executive budget proposes the phased-in implementation of the State Board of Education's recommended "Resource and Accountability Model" to fund an adequate education for Ohio schools. The executive budget provides a total appropriation of \$8,198.4 million in fiscal year 2002 and \$8,633.9 million in fiscal year 2003 for the Department of Education. The below table details the Department's appropriations by fund groups.

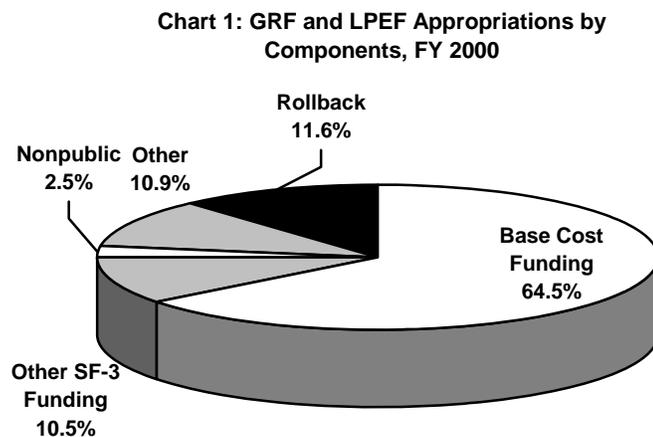
Fund	FY 2001 (estimate)	FY 2002	% Change, FY99-00	FY 2003	% Change, FY00-01
GRF	\$6,200,904,305	\$6,490,298,728	4.7%	\$6,869,755,391	5.8%
General Services	\$17,570,342	\$37,446,829	113.1%	\$37,776,654	0.9%
State Special Revenue	\$16,127,590	\$18,432,522	14.3%	\$19,711,292	6.9%
Lottery	\$671,850,000	\$644,722,100	-4.0%	\$665,722,600	3.3%
Federal Special Revenue	\$1,027,302,630	\$1,007,545,742	-1.9%	\$1,040,961,361	3.3%
<b>Grand Totals</b>	<b>\$7,933,754,867</b>	<b>\$8,198,445,921</b>	<b>3.3%</b>	<b>\$8,633,927,198</b>	<b>5.3%</b>
GRF + Lottery	\$6,872,754,305	\$7,135,020,828	3.8%	\$7,535,477,991	5.6%

It can be seen from the table that the executive proposal would increase the General Revenue Fund (GRF) appropriations by 4.7 percent in FY 2002 and by 5.8 percent in FY 2003. The Lottery Profits Education

Fund (LPEF) appropriations would experience a 4.0 percent decrease in FY 2002 and a 3.3 percent increase in FY 2003. Total GRF and Lottery appropriations would increase by 3.8 percent in FY 2002 and 5.6 percent in FY 2003.

The significant increase in the General Services Fund appropriation in FY 2002 reflects the fact that the appropriation for item 200-687, School District Solvency Assistance, significantly exceeds disbursements by estimated \$25 million in FY 2001. The small decrease in federal funds in FY 2002 is largely due to the discontinuance of federal funding for Goals 2000, School-To-Work, and School Technology Challenge Grant programs. However, the federal funding picture may be substantially revised upward when Congressional action late in calendar year 2000 is factored in. (The federal grants for Ohio is likely to increase by about 10 percent from federal fiscal years 2000 to 2001.) The Department’s overall budget would increase by 3.3 percent in FY 2002 and by 5.3 percent in FY 2003.

The majority of the Department’s appropriation dollars are distributed to 612 school districts and 49 joint vocational school districts through the foundation SF-3 formulas. Chart 1 shows the Department’s GRF and LPEF appropriations by major spending areas in FY 2002. The composition of the Department’s budget remains about the same in FY 2003. It is clear that the SF-3 base cost funding, representing approximately 64.5 percent of total GRF and LPEF appropriations, is the largest spending area within the Department’s budget. Total SF-3 funding (including base cost funding and other SF-3 funding) represents approximately 70.6 percent of the Department’s total GRF and LPEF budget.



## B. Four Major Themes of the Executive Budget

The executive budget centers on four major themes: providing an adequate education for all school districts; beginning to implement the recommendations of the Governor’s Commission for Student Success to strengthen academic standards and accountability; focusing on improving literacy in elementary grades; and increasing funding in professional development for school teachers and administrators.

### a. Providing an adequate education for all schools

The executive budget proposes phasing in over a five year period the State Board of Education’s Resources and Accountability Model to fund an adequate education for all Ohio schools. The Model uses both educational “output” and “input” criteria to determine the base cost of an adequate education. In addition, the executive budget adds an additional funding (\$24 per pupil in FY 2002 and \$25 per pupil in FY 2003) to the Model to account for the graduation credit requirement increase imposed by S.B. 55 of the 122<sup>nd</sup> General Assembly. These two components result in a base cost formula amount of \$4,490 in FY 2002 and \$4,670 in FY 2003, an increase of 4.5 and 4.0 percent, respectively. The executive budget specifies the formula amount will be \$4,926 in FY 2004 (a 5.4 percent over FY 2003) and \$5,197 in FY

2005 (a 5.5 percent increase over FY 2004). The base cost of an adequate education will be fully implemented with a base cost formula amount of \$5,484 in FY 2006 (a 5.5 percent increase over FY 2005).

In addition to the base cost funding, the executive budget reduces each district's local share of the special education weight cost funding by uniform 5 percentage points in FY 2003. This proposed shift would increase the state funding for special education by approximately 10 percent with an estimated cost of \$30 million based on the current available data and would decrease local share funding by the same amount. The executive budget also provides \$30 million in FY 2003 to expand all-day and everyday kindergarten funding in FY 2003. It lowers the DPIA (disadvantaged pupil impact aid) eligibility Index from 1 to 0.6. This proposal would increase the percentage of state funded all-day and every day kindergarten students by 10 percent, from 33 percent to 43 percent.

### ***b. Strengthening academic standards and accountability***

In its final report, which was issued in December 2001, the Governor's Commission for Student Success recommends a series of changes to the current academic standards and the accountability system. The executive budget provides funding to begin implementing these recommendations. Because of the volume of work and the number of steps involved, many recommendations will not be completed until the following biennium.

*Academic Standards.* A new line item Academic Standards is created in the executive budget to provide funding for strengthening academic content standards. The line item receives approximately \$8.5 million in FY 2002 (693.7 percent above FY 2001) and \$8.7 million (4.6 percent above FY 2002) to develop new academic standards in all major subjects – English, mathematics, science, and social studies.

*Student Assessment.* Student Assessment receives approximately \$23.7 million in FY 2002 and \$25.9 million in FY 2003, an increase of 37.8 and 9.5 percent, respectively. The increased funding will mainly be used to develop newly recommended achievement tests and diagnostic tests.

*Student Intervention Services.* Student Intervention Services receives \$31.9 million in FY 2002 and \$38.3 million in FY 2003, an increase of 10.0 and 20.0 percent, respectively. These funds are used to provide extended learning opportunities for young children most at-risk of not passing the 4<sup>th</sup> grade proficiency reading test. Funding is targeted for the 340 districts with at least 10 percent of their students below the reading proficient level.

*School Improvement Initiatives and Incentives.* The executive budget provides funding for a variety of school improvement initiatives. Funding for the academic watch and academic emergency district assistance increases by \$2.2 million in FY 2002 (41.5 percent above FY 2001) and by \$1.0 million in FY 2003 (13.3 percent above FY 2002). The executive budget also provides \$10 million in FY 2002 and \$12 million in FY 2003 to provide incentive grants to reward districts that have achieved significant improvements.

### ***c. Improving Student Literacy***

*OhioReads.* This is Governor's Taft's major educational policy initiative that has already attracted 27,000 volunteers as tutors to help improve the reading skill of K-4 students. To date, 740 elementary schools and 358 community organizations have received OhioReads grants at an average amount \$54,000, which may be used for teacher professional development in reading, supplies and materials such as books, volunteer training, or technology to support the school's strategic reading improvement plan, etc. The

executive budget proposes \$28.8 million each year to expand this initiative, an increase of 15.2 percent over the FY 2000-FY 2001 biennium. The increased funding would provide grants to 300 additional elementary schools. Schools that currently participate in the program would continue to receive annual grants of \$20,000 each.

*Reading/Writing Improvement.* This new line item provides funding for various new and continuing literacy improvement projects. The executive budget proposes \$26.8 million in FY 2002 and \$33.6 million in FY 2003, an increase of 94.6 and 25.5 percent, respectively. It earmarks \$6.5 million in FY 2002 and \$13.0 million in FY 2003 to fund a new initiative of placing half-time literacy specialists in 900 elementary schools throughout the state to coordinate reading intervention services. The goal is to eventually expand this funding all 2,296 elementary schools. Also, \$12.4 million in each year (a 28.7 percent increase in FY 2002 and flat for FY 2003) is set aside for Summer Institute for Reading Intervention. The program will focus on serving 24,000 at-risk third and fourth graders and over 17,000 elementary school teachers.

#### ***d. Increasing funding for professional development***

The executive budget provides funding for various professional development initiatives for school teachers and administrators. A new Professional Recruitment line item, funded at \$2.9 million in FY 2002 and \$2.5 million in FY 2003, is created to provide funding for recruiting minority teaching personnel, prospective math and science teachers from industry and related fields to education, special education teachers, as well as for recruiting paraeducators and high school students to become teachers. The funding is also used to develop and maintain a web-based educator placement bureau.

The executive budget earmarks \$5.8 million in FY 2002 and \$19.4 million in FY 2003 to support the implementation of a new system of entry-year support and assessment required by Ohio teacher licensure standards for beginning teachers. About 6,000 beginning teachers will enter the work force in 2002. Funding is provided for entry-year principals (\$1.0 million in each year) to support a two-year portfolio-based program assisting new principals addressing school improvement needs. Funding is also provided for entry-year superintendents (\$730,000 in each year) to support a mentoring/support system for superintendents who are in their first year on the job. The executive budget also continues funding for 12 Regional Professional Development Centers and Local Professional Development Block Grants.

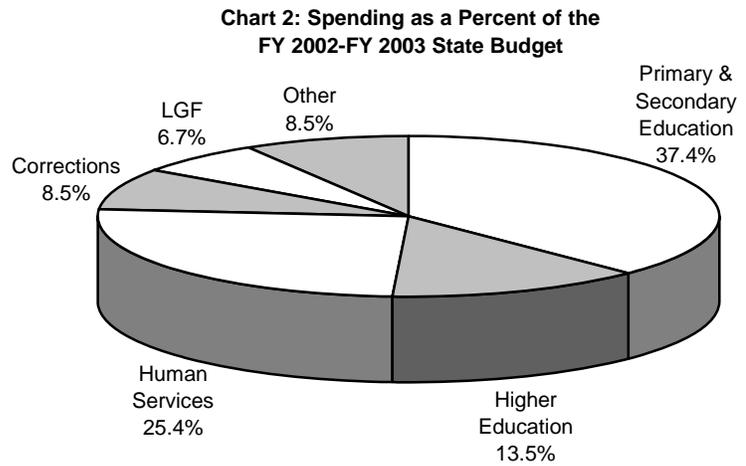
Furthermore, the executive budget provides funding for teacher recognition and retention. Funding for the National Board Teacher Certification initiative increases by 34.7 percent in FY 2002 and by 2.7 percent increase in FY 2003. In addition to providing annual stipends of \$2,500 each to current 935 certified teachers, funding will support an additional 1,450 teachers over the biennium for their attempts to attain certification.

*Community schools and Cleveland voucher program.* In addition to these four major themes, the executive budget also funds a variety of other initiatives. It provides \$3.0 million in each year of the biennium to support the start-up grants to new public community schools. Nearly one percent of total public school students are currently enrolled in community schools. The executive budget also proposes to set aside \$14.9 million in FY 2002 and \$18.1 million in FY 2003 of the moneys distributed to the Cleveland City School District under the DPIA program to provide scholarships to Cleveland public school low-income students who wish to attend nonpublic schools in the area. The funding recommendation will support 3,885 K-8 students who are currently enrolled in the program and provide the opportunity for additional K-8 students to enroll in the program in each year of the biennium.

## II. EDUCATION FUNDING ENVIRONMENT IN THE STATE BUDGET<sup>1</sup>

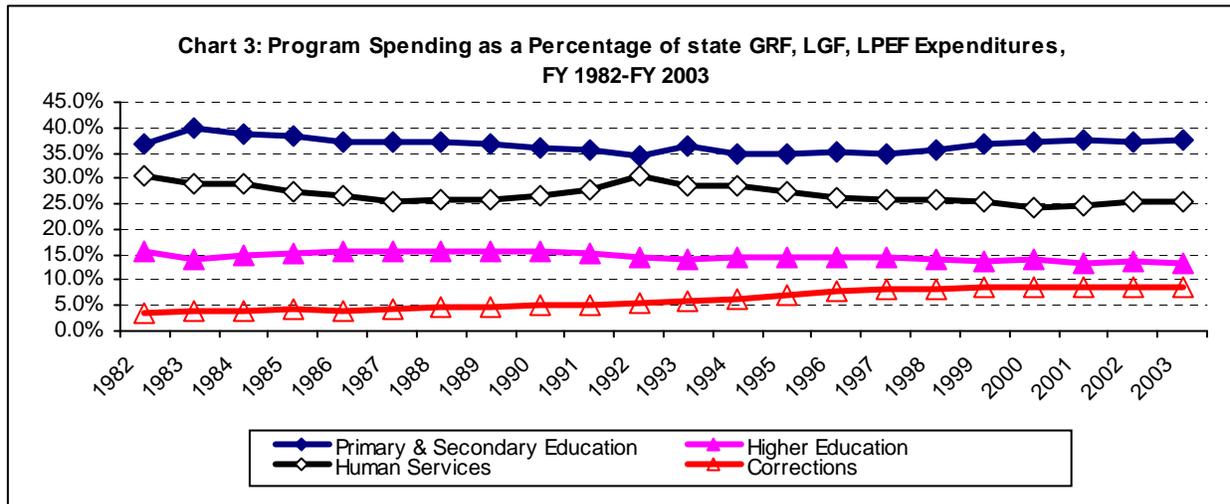
### A. Spending on Primary and Secondary Education Comprises the largest Share of the State Budget

The executive budget proposes a total spending of \$39.7 billion in the FY 2002-FY 2003 biennium. Primary and secondary education continues to be the largest spending area in the state budget (see Chart 2). Approximately 37.4 percent of the state budget is allocated to Primary and Secondary Education. The proportions for the other major spending areas are: 13.5 percent for Higher Education, 25.4 percent for Human Services, 8.5 percent for Corrections, 6.7 percent for Local Government Funds, and 8.5 percent for Other.



### B. Primary and Secondary Education’s Share of the State Budget Has Increased Since FY 1995

In the early 1980s, the Primary and Secondary Education’s share of the state budget was equal to approximately 40 percent. K-12 education’s proportion of the state budget pie gradually decreased in the 1980s, remained steady at between 35 to 36 percent in the early 1990s, and has increased since FY 1995.



<sup>1</sup> For this section, the state budget base includes the state General Revenue Fund (GRF), distribution to the Local Government Funds (LGFs), and lottery disbursements.

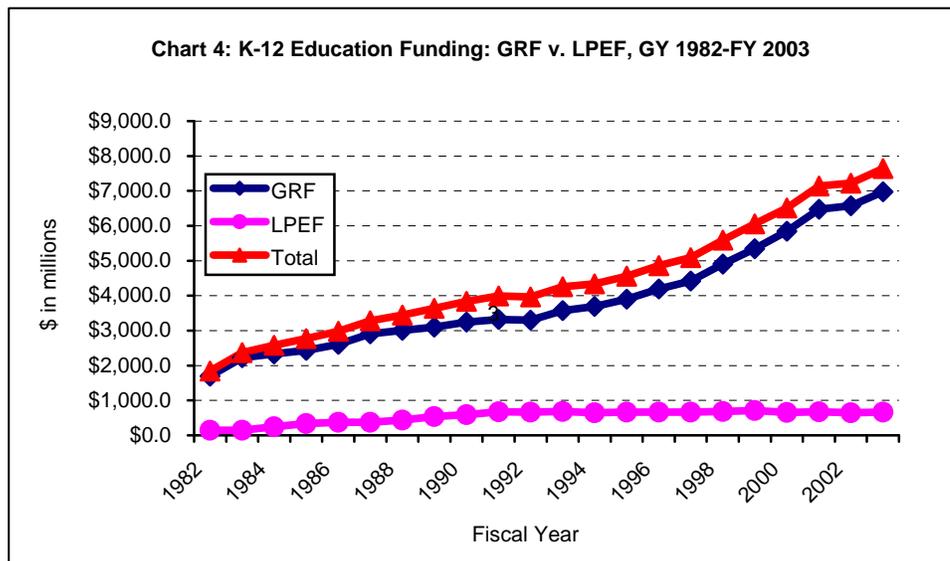
Approximately 35.4 percent of total state spending occurred in K-12 education in FY 1995. An estimated of 37.7 percent of the state budget will be spent in K-12 education in FY 2003.

The economy has a significant impact in the state spending in Human Services. Due to economic recessions, in the early 1980s and again in the early 1990s, Human Services spending absorbed more state resources and its share of the state budget increased. Due to the strong economy in the mid- and late-1990s, the growth in Human Services spending had slowed considerably. The portion of the state budget devoted to Human Services declined from 30.4 percent in FY 1992 to 24.3 percent in FY 2000. However, Human Services spending begins to increase rapidly again because of the recent economic slowdown and federal law changes expanding Medicaid eligibility. An estimated 25.4 percent of the state budget will be devoted to Human Services in FY 2003.

Approximately 16 percent of the state budget was devoted to Higher Education in the early 1980s. This share gradually decreased over the 1980s and stabilized between approximately 14 and 14.5 percent from FY 1992 to 14.0 in FY 2000. The Higher Education share decreases slight to 13.5 percent of the state budget in recent years. Corrections is the only major spending area that has consistently shown increases since the early 1980s. However, the growth rate in Corrections appears to begin leveling off in recent years. The portion of the state budget absorbed by Corrections increases from 3.7 percent in FY 1982 to 8.5 percent in FY 2003.

### C. LPEF Share of Education Spending has decreased since FY 1991

Chart 4 shows GRF and LPEF education spending since the early 1980s. It can be seen from the chart that there has been virtually no growth in Lottery education spending since FY 1991. The LPEF share of primary and secondary education spending decreased from 16.9 percent in FY 1991 to approximately 8.7 percent in FY 2003. As the LPEF source of education funding has leveled and even declined in some years, the GRF appropriations have been making up the difference.



Under the executive budget, total LPEF appropriation is \$644.7 million in FY 2002 and \$665.7 million in FY 2003, a decrease of 4.0 percent and an increase of 3.3 percent, respectively. Of these amounts, \$25.0 million in each year is to be transferred from the Unclaimed Prize Fund. The remaining balance in each year is to be transferred from lottery profits. The executive budget forecasts that lottery profits transfer will be \$619.7 million in FY 2002 and \$640.7 million in FY 2003. These transfers are based on estimated sales that incorporate two recommended statutory changes to current Ohio Lottery. One is to allow the Lottery Commission to offer a multi-state game in Ohio. While adding a multi-state game to the current game mix would bring additional sales, it might decrease sales of some of existing games. However, it

should increase total Lottery sales due to the retention of some of the sales currently lost to neighboring states. The other recommended change is to eliminate language requiring the Lottery Commission to transfer at least 30 percent of the sales. This could allow the Lottery Commission to offer games with higher payouts to attract more players. However, even with higher payout percentages, profit increases would most likely to be modest.

The executive lottery forecast is built on the Lottery Commission's baseline estimates that do not include estimated results from entry in a multi-state game and removal of the 30 percent transfer requirement. The Lottery Commission estimates profits transfers of \$603.1 million in FY 2002 and \$586.9 million in FY 2003. In other words, the executive budget forecasts profits transfers resulting from the proposed two statutory changes is approximately \$16.6 million in FY 2002 and \$53.8 million in FY 2003. Without these two changes or if these two changes do not increase sales to the levels as estimated by the executive budget, this portion of the recommended appropriation may not be fully support by lottery profits.

Meanwhile, based on recent sales trend, the actual lottery profits transfer is unlikely to meet the estimated target of \$665.2 million in FY 2001. (As of January 29, 2001, the year-to-date lottery profits transfer is \$19.1 million or 4.9 percent under estimate.) The Lottery Commission's baseline estimate was made several months before current trends were apparent. The LSC's more recent baseline estimates forecast profits transfers of \$579.2 million in FY 2002 and \$554.9 million in FY 2003. The difference between the LSC baseline estimates and the Lottery Commission baseline estimates is \$23.9 million in FY 2002 and \$32.0 million. The difference between the executive lottery forecast and the LSC baseline estimates is \$40.5 million in FY 2002 and \$85.8 million in FY 2003.

### **III. SCHOOL DISTRICT PROPERTY TAX REPLACEMENT**

S.B. 3 of the 123<sup>rd</sup> General Assembly revises taxes on electric companies and rural electric companies and provides for competition in retail electric supply. Among other things, it reduces the assessment rate on all non-transmission and non-distribution of both for-profits and rural electrics to 25 percent. Assessment rates on transmission and distribution property are not reduced. It also reduces the assessment arte on fuel rods that are used in electric generation but owned by non-electric companies to 25 percent. Before these changes, public utility property was assessed at rates ranging from 50 percent, 88 percent, to 100 percent of true value.

These tax changes first applies to tax year 2001. Thus, they would affect the property tax revenues to school districts and other local government beginning in calendar year 2002 and would affect state payments to school districts in fiscal year 2003. Based on TY 1998 millage rates, LSC estimated that 70 percent of the property tax loss – or approximately \$138.6 million would be incurred by 612 school districts and 49 joint vocational school districts. Losses range from small amounts for most districts to significant amounts for a few districts. However, S.B. 3 establishes a property tax replacement fund, which is supported by a newly created kilowatt-hour tax on electricity consumers, to reimburse school districts and local governments for revenue losses as a result of changes made in the legislation.

S.B. 3 directs the Department of Taxation to determine the "Tax Value Loss" based on 1998 property values for each tax district. This tax value loss is computed only once, and this property value difference is used to calculate the revenue replacement amounts for each school district for the duration of the replacement payments. S.B. 3 also directs the Department of Taxation to determine the revenue associated with the tax value loss for different types of levies in existence in each taxing district in 1998. All taxing districts will generally receive annual replacement revenues for at least 5 years equal to their

levy losses as determined by the Department of Taxation. (The revenue replacement for a bond levy would last for the duration of the levy.)

The school district replacement mechanism is tied in with the school foundation aid formulas. A change in a district's taxable value will affect the amount of state foundation formula aid the district receives. Currently, the base cost funding formula equalizes property wealth up to approximately the 95<sup>th</sup> percentile level for the first 23 mills. If valuation decreases, the state base cost funding increases and results in a higher state share percentage of the base cost funding. Each district's state share percentage is currently used to equalize state funding for special education weight cost funding, special education speech supplement, vocational education weight cost funding, and vocational GRADS teacher grants. State aid for these items will change when a district's state share percentage changes. The charge-off supplement will also be affected by valuation changes. Furthermore, a change in a district's value will affect the amount of power equalization payments the district receives since funding is also based on each district's valuation per pupil for those eligible districts compared with the state average.

Under current law, beginning in FY 2003 the Department of Education is to determine a district's state aid first using current property tax values and then using property values which add back in the *tax value loss* certified by the Department of Taxation. The difference is called the "State Education Aid Offset." School districts are reimbursed for this part of their tax revenue loss through the foundation aid formulas. Any revenue loss not reimbursed through the formula aid is paid directly to the school districts through payments from the school district property tax replacement fund. The state education aid offset in FY 2003 is estimated at approximately \$60 million. This funding is not currently included in the executive FY 2003 appropriation for the Department of Education. When the \$60 million is added into the department's budget, the GRF and lottery appropriations for education will increase by 6.5 percent from FY 2002 to FY 2003, compared with 5.6 percent under the executive budget. The overall education budget will also grow by 6.0 percent from FY 2002 to FY 2003 instead of current 5.3 percent listed in the executive budget.

*Language Change Consideration.* Section 5727.84 of the Revised Code defines "state education aid" as the sum of the state basic aid and state special education aid amount calculated for a school district under divisions (A) and (C) of section 3317.022 of the Revised Code. Based on this definition, state education aid only includes the state base cost funding and special education weight cost funding. As indicated before, a change in a district's property value will result in a change in the district's state share percentage, which will lead to changes in many other state funding items. Also, funding formulas for joint vocational school districts are largely defined in section 3317.16 of the Revised Code. Therefore, a revised definition of "state education aid" is needed. The General Assembly may wish to change the definition of "state education aid" to include the sum of state aid a school district receives under Chapter 3317. of the Revised Code.

# School Funding – Theory, Method, Model, & Formula

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- Neither property wealth nor income wealth has an impact on a district's model cost of an adequate education
- Equalized SF-3 formulas essentially ensures funding for adequacy for every district

On May 11, 2000, the Ohio Supreme Court once again declared the state's school funding system to be unconstitutional. While acknowledging the state's effort since *DeRolph I* (March 1997), the decision commonly known as *DeRolph II* ordered further action by June 15, 2001, to establish a "thorough and efficient system of common schools throughout the state" as required by the Ohio Constitution. Among other things, *DeRolph II* identified four areas of concerns related to the current model used to fund the operating cost of an adequate education. These areas are as follows: the overreliance on local property taxes; adequacy of the basic aid formula amount; funding of mandates; and the persistence of phantom revenue.

Various proposals to address different aspects of *DeRolph II* have emerged since May 2000. Two main proposals to address the cost of an adequate education are the executive proposal that is largely based on the recommendations of the State Board of Education and the recommendations of the Joint Committee to Re-Examine the Cost of An Adequate Education (The Joint Committee). The current school funding model, these two proposals, and the resulting SF-3 formulas used to fund the model cost of an adequate education are discussed in the following sections.

## I. WHERE ARE WE? - THE SCHOOL FUNDING REFORM SUMMARY

### *DeRolph I*

*DeRolph I* cited the process of determining of the level of per pupil funding guaranteed by the formula (formula amount or foundation level or base cost) was the main weakness of the previous foundation program that was used to distribute the majority of state education dollars to school districts. The previous per pupil funding guarantee level lacked a rational base and had "no real relation to what it actually costs to educate a pupil." The legislature traditionally determined the foundation levels every two years in the state biennial budget preparation process. The foundation level for a given fiscal year was largely dependent on the available state revenues.<sup>1</sup> This practice has been criticized as residual budgeting.

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<sup>1</sup> It is important to distinguish the foundation level from the foundation formula. The base cost funding (formally known as basic aid) formula itself is a rational and equitable way to determine the state share and the local share of the education cost. The foundation level guaranteed by the formula, not the formula itself, was found unconstitutional. Ohio, along with approximately 40 other states, continues to use the foundation formula to distribute the bulk of state education dollars.

In response to *DeRolph I*, the 122<sup>nd</sup> General Assembly overhauled the school funding system in Ohio. The 123<sup>rd</sup> General Assembly continued the reform in the vocational education area that was not addressed by the 122<sup>nd</sup> General Assembly due to the time constraint. As a result, one comprehensive child centered school funding system has been established in Ohio. Under this system, a rational performance based method has been employed to determine the base cost of an adequate education. The formula amount determination is now independent of the state budget preparation process. The so-called residual budgeting problem has been eliminated.

Meanwhile, an equalized per pupil weighting system has replaced previous flat unit funding for special and vocational education. All students (including regular, special, and vocational education students) are now first included in the base cost funding. Additional weights are assigned to special and vocational education students to account for higher costs of these programs. The state weight cost funding is equalized based on each district's wealth. The Disadvantaged Pupil Impact Aid (DPIA) program has been restructured to achieve certain educational policy goals. It now includes funding for all-day and every day kindergarten, K-3 class size reduction, and safety and remediation programs<sup>2</sup>. Furthermore, the way of counting school children for the state funding purpose has been reconciled. All school children are now funded through their resident districts. The state funding would then follow children to the places where they are educated, including resident districts, educational service centers, school districts other than their resident districts, or public community schools.

## **The School Funding Model - Theory**

Primary and secondary education funding in Ohio has historically been a partnership between the state and local school districts. Each individual district's spending is essentially a function of the following three factors:

*Base cost for providing a core general education.* Every district is in the business of educating children. There is a core basic education provided by all school districts across the state. The cost of such a basic education is similar from one district to another and can be viewed as a uniform per pupil base cost. It represents a school district's general education spending such as salaries and fringe benefits for regular classroom teachers, principals, superintendents, and some other support staff, textbooks, and building maintenance, etc

*Higher costs due to some uncontrollable cost pressures facing individual districts.* School districts are in the business of preparing students of all ages to meet the challenges of the 21<sup>st</sup> century. In order to provide an adequate education to every student, some districts have to incur higher costs due to those uncontrollable cost factors. School districts with a higher concentration of low-income students often have to provide more remediation services. Special and vocational education students generally require more individualized and costly programs. A large low density rural district is often forced to spend more money to transport students to and from school. School districts in the higher cost labor market areas of the state may have no choice but to pay higher salaries to attract qualified teachers and other personnel.

*Additional spending due to local preference for a "premium" education.* Property tax is the primary local revenue source for school districts. The property tax base varies widely from one district to another due to the uneven distribution of taxable property, especially the presence or absence of business and public utility property and upper income households. The foundation program eliminates the effects of different

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<sup>2</sup> Flat unit funding for special and vocational education and the cap on the amount of DPIA for school districts with higher concentration of students receiving public assistance were also cited by *DeRolph I* as weaknesses of the previous foundation program.

wealth levels by equalizing at the 95<sup>th</sup> percentile level for the first 23 mills. Beyond this level of effort, parental demand for education may vary from one district to another. A school district with parents who have higher demand for education often provides education services beyond the adequate basic education level to meet the local community's preference.

According to *DeRolph I*, the state has the responsibility to provide an adequate basic education for all school children. In order to meet this goal, the state needs to compensate a school district for its higher cost of providing an adequate basic education due to the uncontrollable cost pressures faced by the district. Stated another way, the first tier – an adequate education – should be guaranteed for all students regardless the wealth of school districts. However, *DeRolph I* did not appear to emphasize that the state would be required to match the local preference beyond the adequate education service level.

With this theoretic framework, the 122<sup>nd</sup> General Assembly adopted a rational performance based method to develop a total state and local education cost model to reflect the cost of an adequate education. It continues to use the foundation formula to provide equalized state aid to neutralize the effect of school districts' wealth in providing an adequate education.

## **The School Funding Model - Method**

Obviously, there exists more than one rational method. Specifically, there are at least three types of methods that can be used to determine the cost of an adequate basic education: input method (or the so-called "market basket of goods" approach), output method, and the combination of input and output method. The market basket of goods approach often uses some kind of model to cost out a particular set of education "inputs" that are believed necessary in order to provide certain levels of education services. This approach requires the state to determine what those resources are (including such things as pupil-teacher ratios and teacher salaries, etc.) and what they cost. Even after all these decisions are made, there is a sizeable group of purposes that can not be specified. These are often estimated as a percentage of what could be specified. While the state may not require school districts to spend the state dollars in a way that is consistent with the model used to calculate the funding amounts, there is a strong implication that there is a "best" way to organize resources. If the state requires school districts to spend the funds in a way that is consistent with the model, the "best" way could easily turn into state "mandates."

The 122<sup>nd</sup> General Assembly adopted the output/performance based method with an input supplement to determine the cost of an adequate education. The method is developed based on the framework recommended by school finance expert Dr. John Augenblick. The underpinning theory behind the performance based model is that most districts should have potential to provide a quality education opportunity similar to that offered by a representative group of well performing districts, provided they have a similar amount of revenues adjusted for the uncontrollable cost pressures faced by individual districts. Meanwhile the performance based model maximizes local control, institutes a statewide accountability system, and allows the state to intervene when it is necessary.

## **Current Model**

The performance based model adopted by the 122<sup>nd</sup> General Assembly is a total state and local education cost model. The model includes the base cost – the heart of the foundation program, various adjustments for special needs programs to reflect uncontrollable cost pressures facing individual school districts, and the pupil transportation funding based on a statistical regression analysis. It should be noted that this model only deals with school districts' operating expenditures. The state funding for the classroom facilities assistance program is administered separately by the Ohio School Facilities Commission.

## **A. Base Cost**

### **a. What is the base cost?**

The center of the model is the development of a uniform base cost for all students across the state. Expenditures related to uncontrollable cost pressures (such as student poverty, special and vocational education programs, and the labor cost market difference) as well as transportation expenditures and federal revenues are subtracted from a school district’s “Total Operating Expenditures” to give the district’s “Base Cost” (see Table 1). The base cost is comparable and similar from one district to another. It basically reflects the state base cost funding, equity aid, other state aid outside the foundation program, and local revenues for general education from the first 23 mills and beyond (local preference funding). An analysis of every district’s base cost was conducted for FY 1996.

<p><b>Table 1: Base Cost Calculation</b>  <b><i>A District's Total Operating Expenditures</i></b>                  Minus all of the following:</p> <ul style="list-style-type: none"> <li>-- Special education expenditures</li> <li>-- Vocational education expenditures</li> <li>-- State DPIA Funding</li> <li>-- Transportation expenditures</li> <li>-- Federal revenues</li> <li>-- Deflated by the 18 percent range of the cost of doing business factor</li> </ul> <p style="text-align: center;"><b>= <i>BASE COST</i></b></p>
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### **b. How to determine a statewide base cost? – The original recommended model**

The original model recommended by Dr. Augenblick used 18 indicators (16 proficiency test results, attendance rate, and graduation/dropout rate) to measure each school district’s performance. The evaluation of school district performance produced 169 (or 27.8 percent of all districts) high performing school districts that met at least 17 out of 18 performance standards based on the FY 1996 data. A total of 67 non-representative districts were removed from the model based on high or low property wealth or income wealth and the Expenditure Flow Model (EFM) data screen<sup>3</sup>. The original recommended model calculated a per pupil base cost of an adequate education for the state by using a weighted average method, i.e., by dividing the total base costs for all the remaining 102 model districts (one-sixth of all districts) by the total number of students (average daily membership) in these districts.

### **c. How to determine a statewide base cost? – The current model**

The 122<sup>nd</sup> General Assembly adopted the general performance based expenditure model to determine the statewide base cost of an adequate education. The same expenditure data, performance data, and performance criterion (meeting at least 17 out of 18 performance standards) used in the original recommended model were used by the legislature. However, the current model established by the 122<sup>nd</sup> General Assembly differed from the original recommended model in three areas shown in Table 2.

<b>Table 2: A Comparison of the General Performance Based Methods</b>
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<sup>3</sup> The EFM divides a school district’s expenditures into five categories (instruction, administration, building operating, pupil support, and staff support). It was originally designed to provide school personnel with reports and a data base that can be used to effectively analyze expenditure data at the school site level.

	<b>Original Recommendation</b>	<b>Current Model</b>
Model Districts	169 districts meeting at least 17 out of 18 performance standards	Same
Property Wealth Base Elimination	Top and bottom 5% of all districts in property value per pupil	Same
Income Wealth Base Elimination	Top and bottom 5% of all districts in school district median income per tax return	Top and bottom 10% of all districts in school districts median income per tax return
Expenditure Flow Model Data Screen	Used to further remove districts from the model	Not used
Statewide Base Cost Estimate	ADM average of the 102 selected model districts	District average of the 103 selected model districts

The base cost of an adequate education determined by the 122<sup>nd</sup> General Assembly was \$4,063 in FY 1999. This model has been phased in over a three-year period and is fully implemented with a formula amount of \$4,294 in FY 2001.

***B. Adjustments for Uncontrollable Cost Pressures Facing School Districts***

The base cost is the corner stone of an adequate education funding model. However, any sound school funding system needs to recognize that students and school districts are not all the same. A flat per pupil base cost funding will not ensure a similar adequate education opportunity for every student in every district. A rational school funding system should provide additional funds above the base cost to compensate individual districts for higher costs pressures they have to face in providing an adequate education to all students. Both the original model and current model include a series of adjustments to the base cost to account for individual district’s unique characteristics. These adjustments mainly include the regional labor market cost, special needs (special and vocational education) programs, student poverty, and pupil transportation. Through these adjustments, all expenditures (Table 1) that were previously excluded from a district’s base cost were added back to level the playing field for every district.

**a. The cost of doing business factor adjustment (CODBF)**

As shown in Table 1, each district’s base cost used in the model was deflated by the 18 percent range of CODBF to make the base cost comparable from one district to another. In the actual base cost funding formula, each district’s base cost is adjusted by the county based CODBF, which attempts to measure the county by county systematic differences in the regional labor market faced by school districts. This adjustment enables the formula to provide additional aid to those districts, which may have to incur higher labor costs in providing an adequate education. Without this adjustment, school districts in counties with a high labor cost may be forced to hire fewer teachers, resulting in a large class size. This would be particularly true for low wealth districts in high labor cost counties, such as East Cleveland City School District in Cuyahoga County. Wealthy districts may be able to overcome this obstacle by passing additional local levies. It should be noted that the cost of doing business factor adjustment in the base cost funding formula merely reflects the systematic wage differences from one county to another based on private sector wage patterns. On average, about 80 percent of a school district’s operating budget is for salaries and fringe benefits.

**b. The special education adjustment**

Special education students are first included in a school district’s base cost funding. Based on a rational statistical regression analysis, special education students are grouped into three categories and assigned additional weights (0.22 for category one and 3.01 for categories two and three) to reflect higher costs required by special education services (Table 3). The state funding for special education additional weight cost is equalized based on the wealth of school districts.

<p><b>Table 3: Special Education Total Weight Categories</b></p> <p><b>Category One – <math>1 + 0.22 = 1.22</math></b></p> <p>Developmentally handicapped, specific learning disabled, other health handicapped</p> <p><b>Category Two – <math>1 + 3.01 = 4.01</math></b></p> <p>Hearing handicapped, orthopedically handicapped, vision impaired, multihandicapped, severe behavior handicapped</p> <p><b>Category Three – <math>1 + 3.01 = 4.01^*</math></b></p> <p>Autism, traumatic brain injury, both visually and hearing disabled</p> <p><i>*Category three students are eligible for additional funding for the cost exceeding \$25,000 per student.</i></p>
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**c. The vocational education adjustment**

HB 282 of the 123<sup>rd</sup> General Assembly completed the vocational education funding reform. In addition to the base cost funding, vocational education students enrolled in joint vocational school districts and comprehensive high schools are also assigned the same additional weights based on the types of vocational education programs to cover higher costs of vocational education services (Table 4). The state funding for vocational education additional weight is equalized based on a school district’s wealth.

<p><b>Table 4: Vocational Education Total Weight Categories</b></p> <p><b>Workforce Development Program Weight – <math>1 + 0.6 + 0.5 = 1.65</math></b></p> <p><b>Non-Workforce Development Program Weight – <math>1 + 0.3 + 0.5 = 1.35</math></b></p> <p><i>0.05 - Vocational Education Associated Service Weight</i></p>
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**d. The student poverty adjustment – Disadvantaged Pupil Impact Aid (DPIA)**

There were two major challenges facing the DPIA program reform: increasing the funding stability and establishing a rational method. The 122<sup>nd</sup> General Assembly completely restructured the program to provide funding for certain education policy goals and created a DPIA index to distribute the subsidy. The program now includes funding for all-day and every-day kindergarten, increasing instructional attention or reducing class size in grades K-3, and safety and remediation measures.

*DPIA index.* To minimize the fluctuation in DPIA funding as a result of the Ohio Works First (OWF) caseload falling, beginning in FY 1999, funding is distributed based on each district’s DPIA index. The DPIA index, which measures a district’s relative concentration of poverty, is determined by comparing a district’s ADC/OWF percentage to the statewide average ADC/OWF percentage. When a district’s ADC/OWF student counts and the statewide ADC/OWF student counts decrease at the same time, the

district's DPIA index could remain unchanged or could change but by a smaller magnitude. Therefore, the funding stability increases as a result of tying a district's funding level to the index.

*All-day and everyday kindergarten.* School districts with a DPIA index greater than or equal to one or with a three-year average formula ADM of at least 17,500 are eligible for all-day and everyday kindergarten funding. However, school districts need to actually provide this service to their kindergarten students in order to receive the funding from the state. The actual funding amount is based on each district's percentage of kindergarten students that actually receive this service. A school district that was eligible for all-day kindergarten funding and actually provided this service in the previous year is guaranteed to be eligible for the funding regardless of the change of the district's DPIA index.

*K-3 class size reduction.* School districts with a DPIA index of greater than or equal to 0.6 are eligible for funding to reduce K-3 pupil/teacher ratios ranging from 23:1 to 15:1 depending on districts' poverty levels. Districts with a DPIA index greater than or equal to 2.5 would receive funding to reduce ratios to 15:1. Districts with a DPIA index greater than or equal to 0.6 but less than 2.5 would receive funding based on a sliding scale to reduce pupil/teacher ratios ranging from slightly above 15:1 down to 23:1.

*Safety and remediation.* School districts with a DPIA index greater than or equal to 0.35 are eligible for funding for any safety measures and remediation programs districts elect to implement. Districts with a DPIA index greater than or equal to 0.35 but less than one would receive \$230 per ADC/OWF student. Districts with a DPIA index greater than or equal to one would receive \$230 adjusted by the district's index per ADC/OWF student. For a district with an index of two, per ADC/OWF student subsidy amount is \$460 ( $\$230 \times 2$ ).

### ***C. A Statistical Pupil Transportation Funding Model***

*Previous reimbursement method.* Prior to HB 650 of the 122<sup>nd</sup> General Assembly, school districts were reimbursed at the greater amount of a uniform per mile reimbursement calculation or a uniform per pupil reimbursement calculation. The per mile and per pupil amounts were traditionally determined based on the appropriation level. The low reimbursement rate has been the main criticism on the state pupil transportation funding for many years.<sup>4</sup> The 122<sup>nd</sup> General Assembly was committed to increasing the transportation reimbursement rate from 30 percent, to 50 percent in FY 1999, and to 60 percent in FY 2003 and thereafter.

*Why a statistical model?* Transportation expenditures vary widely across school districts. Transportation expenditures ranged from less than \$50 per total ADM in some districts to more than \$500 per total ADM in a few districts. Some school districts spend as little as 0.4 percent of total expenditures on transportation. Two districts devote more than 10 percent of their total spending to pupil transportation. On average, school districts spend approximately 3.9 percent of their total expenditures on pupil transportation. Since there is such a wide disparity in transportation expenditures across school districts, it is legitimate for the state to be concerned about whether an individual district has been efficiently using its resources in providing transportation service. The efficiency concern becomes even more important in light of the commitment of increasing the state reimbursement rate. A substantial increase in the state funding, coupled with a formula based on the actual expenditure, would lessen the incentive for school districts to improve transportation efficiency. As a result, the state could be forced to fund inefficient transportation practices. Policies such as uniform bell times for all schools, door to door pick up,

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<sup>4</sup> While the state law requires school districts to transport K-8 students who reside at least two miles from school, the state reimburses school districts for regularly transported K-12 students living one mile or more from school. If the state had only reimbursed school districts for the service level required by the state law, the historical state reimbursement rates would have been higher.

assigning individual buses to only one school, and unenforced walk zones all lead to inefficiency in the transportation system. Several other states also use similar statistical models to fund pupil transportation.

*The multiple regression model and a rough road supplement.* A multiple regression model and a rough road supplement have been established to fund pupil transportation based on the statewide average efficiency. The model uses a simple algebraic equation to predict each district's transportation cost based on each district's daily bus miles per total ADM and its percentage of pupils transported. The state funding for each district's pupil transportation is based on the district's modeled transportation cost instead of actual transportation expenditures. Under current law, the state reimbursement rate is 55% in FY 2001 and will increase to 57.5% in FY 2002 and will be fully phased in to 60% beginning in FY 2003. The additional rough road supplement is provided to mainly sparse rural districts in counties with above the statewide average rough road percentage as defined by the Department of Transportation.

In summary, the current model to fund the cost of an adequate education includes the following three main components: (1) base cost; (2) adjustments to the base cost to account for uncontrollable cost pressures facing individual school districts (including the labor market cost, special education, vocational education, and DPIA); and (3) a statistical pupil transportation model. Federal education revenues that are beyond the control of the state and local school districts will continue to flow independent of the model. Once again, the model includes both state and local funding. The foundation (SF-3) formula is used to determine an equitable way of sharing each district's total model cost of an adequate basic education between the state and the district (see section The Foundation SF-3 Formula of this analysis for details).

## II. THE EXECUTIVE PROPOSAL – PHASING IN THE STATE BOARD OF EDUCATION'S RECOMMENDATION

### Base Cost

#### *A. The Resource and Accountability Model*

The "Resource and Accountability Funding Model" recommended by the State Board of Education uses both "inputs" and "outputs" to determine the cost of an adequate education. The model is based on the most recent available FY 1999 data. Specifically, the formula amount is based on 43 selected model districts that meet the following criteria:

- Meeting at least 20 out of 27 performance standards (25 proficiency tests, attendance rate, and graduation rate) currently included in the local report card;
- Having at least 80% of teachers with five or more years of experience;
- Offering at least one advanced placement (AP) course;
- Having a district average K-12 regular pupil-teacher ratio of 21:1 or less.

The district average of base cost expenditures for these 43 model district was \$4,497 in FY 1999. When adjusted for an annual inflation of 2.8%, the base cost of an adequate education for is \$4,885 in FY 2002. The State Board of Education recommended a three-year phased-in implementation of the model. The executive budget proposes a five-year phased-in implementation of the model.

***B. Funding for S.B. 55 of the 122<sup>nd</sup> General Assembly***

In addition to implementing the Resource and Accountability Model, the executive proposal adds additional funding to the model to account for the graduation credit requirement increase imposed by S.B. 55 of the 122<sup>nd</sup> General Assembly. The State Board of Education did not include an adjustment for S.B. 55 in their proposal or budget request.

S.B. 55 of the 122<sup>nd</sup> General Assembly increases the mathematics credit requirement from 2 to 3 units and increases the science credit requirement from 1 to 2 units (until September 15, 2003) and to 3 units thereafter. According to the executive budget, the model districts on average required 2 units of science for graduation. It proposes adding \$24 in FY 2002 and \$25 in FY 2003 to the base cost formula amount to account for requirements of 1 additional math unit and 1 additional science unit increase. The executive budget uses the following formula to estimate the cost of increasing one unit requirement each on mathematics and science:

$$\{[(140,000 \times 54\%)/ 25] \times \$7,000\}/1,800,000 = \$12 \times 2 = \$24 \text{ in FY 2002}$$

Where: 1,800,000 – total statewide average daily membership (ADM)

140,000 (1,800,000/13) – average ADM per grade

54% = 1 – 46% (average percentage of students completing the college prep curriculum)

\$7,000 = \$42,000/6 (\$42,000 – average salary for a math or science teacher; 6 – the number of courses taught by a math or science teacher)

25 – average class size

**When adjusted for annual inflation of 2.8%, proposed funding for S.B. 55 is \$25 in FY 2003**

This formula assumes all students (46%) who completed the college prep curriculum already met the requirement of S.B. 55 of the 122<sup>nd</sup> General Assembly. It attempts to estimate the cost of increasing the science and mathematics unit requirement on the remaining 54% of students. The formula also assumes that the cost of a mathematics or science teacher is \$42,000 and on average a science or mathematics teacher can teach six courses. Therefore, the per course cost is \$7,000. The formula further assumes the average teacher-student ratio is 25:1 and attempts to estimate the per course cost for a cohort grade of high school students (75,600 = 1,800,000/13 x 54%). Finally the formula converts this cost to a total statewide ADM basis and adds \$24 (\$12 per unit) and \$25 per pupil to the base cost formula amount in FY 2002 and FY 2003, respectively, to fund S.B. 55 of the 122<sup>nd</sup> General Assembly.

***C. Formula Amount***

As indicated earlier, the executive budget proposes to phase in the Resources and Accountability Model over a five year period. The formula amounts under the executive proposal for FYs 2002 to 2007 as shown in Table 5.

<b>Table 5: The Base Cost Formula Amount, FY 2002-FY 2007</b>						
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Model Base Cost	\$4,885	\$5,022	\$5,163	\$5,308	\$5,456	\$5,609
S.B 55	\$ 24	\$ 25	\$ 26	\$ 27	\$ 28	\$ 29
Total Base Cost	\$4,909	\$5,047	\$5,189	\$5,335	\$5,484	\$5,638
Phase-in Formula Amount	\$4,490	\$4,670	\$4,926	\$5,197	\$5,484	\$5,638
Difference	\$419	\$377	\$263	\$138	\$0	\$0

## Special Education

The executive budget proposes to reduce each district’s local share of special education weight cost funding beginning in FY 2003. Specifically, it proposes to increase each district’s state share percentage of special education weight cost funding by uniform 5 percentage points. For example, if a district’s state share percentage is 65%, the district’s local share percentage is 35%, then under the executive proposal, the district’s state share percentage for the special education weight cost funding will be 70% (65% + 5%) in FY 2003. It therefore reduces the district’s local share from 35% to 30% accordingly. Based on the current available data, this provision would increase the state special education funding by approximately \$30 million in FY 2003 and reduce local share by the same amount.

There are two issues the General Assembly may wish to consider regarding this proposal. First, under current law the same percentage method is used to share the special education weights and vocational education weights between the state and local school districts. Increasing only the state’s share for special education may spark a fairness issue. Second, the uniform 5% point increase under the executive proposal would give every district the same benefit regardless of each district’s wealth although the district’s state share percentage is already equalized under the base cost funding formula. Alternatively, a greater equity can be achieved if each district’s state share percentage is increased by 10% (which equals 5 percentage points for an average wealth district with a 50-50 share). This would cost approximately the same amount as the executive proposal.

**Table 6: Examples of the Special Education State Share Percentage Alternative**

State Share % (the base cost funding)	State Share % of Special Education Weights (the executive proposal)	State Share % of Special Education Weights (alternative)
85%	90% (85% + 5%)	93.5% (85% x 1.1)
65%	70% (65% + 5%)	71.5% (65% x 1.1)
50%	55% (50% + 5%)	55.0 % (50% x 1.1)
30%	35% (30% + 5%)	33.0% (30% x 1.1)
15%	20% (15% + 5%)	16.5% (15% x 1.1)

## All-day and Everyday Kindergarten

The executive budget proposes to expand state funding for all-day and everyday kindergarten under the DPIA program. Under current law, school districts with a DPIA index equal to or greater than one or have at least 17,500 formula ADM are eligible for this funding. Under the executive proposal, school districts with an index equal to or greater than 0.6 will be eligible for all-day and everyday kindergarten in FY 2003. According to the executive budget, this will increase the number of districts eligible for all-day kindergarten funding from the current 106 to 162. An additional \$30 million is provided in FY 2003 to fund this change. Based on the current estimate, this proposal is likely to increase the percentage of state funded all-day kindergarten students by approximately 10 percent, from the current 33 percent to 43 percent.

The current formula provides fairly generous operating funding for all-day and everyday kindergarten. However, some school districts may need to have planning time (for classroom space, e.g.). Expanding all-day and everyday kindergarten in the second year of the biennium would give eligible districts more time for needed planning activities if they choose to provide this service.

Funding for all-day and everyday kindergarten started in FY 1999. Table 7 shows all-day kindergarten service levels provided by the 106 eligible districts from FY 1999 to FY 2001. It is clear that the number of eligible school districts providing this service has been increasing consistently over the last three years. This trend indicates that school districts may need to have planning time for providing all-day and every day kindergarten service.

Fiscal Year	No. of Districts Providing 100% of All-day Kindergarten Service	No. of Districts Providing less than 100% of All-day Kindergarten Service	No. of Districts Providing No All-day kindergarten Service
1999	71	19	15
2000	77	18	11
2001	85	14	7
Total Eligible Districts	106	106	106

It should be noted that some eligible districts do not actually provide this service or do not provide this service to all of their kindergarten students. It is partially because of the lack of classroom space. It is also partially due to the lack of parental interest. According to the Legislative Office of Education Oversight, the lack of parental interest was the most cited reason for not providing all-day kindergarten service.<sup>5</sup>

It should also be noted that the current Classroom Facilities Assistance Program provides space funding for school districts that are eligible for all-day and every day kindergarten funding. When the state expands all-day kindergarten funding, the General Assembly may wish to also provide facilities funding to those additional eligible districts. Meanwhile, with the approval of the Department of Education, eligible districts are currently allowed to use a portion of their state operating funding for all-day kindergarten to meet their capital needs.

## Cap

Due to many changes made to the previous school funding formula and uneven starting points for individual school districts in terms of how much state aid they received under the old system, the amount of state aid increase for each district under the new system established by Am. Sub. H.B. 650 of the 122<sup>nd</sup> General Assembly varied significantly from one district to another. To help smooth the transition from the old system to the new system and give school districts more time to efficiently plan their spending, the 122<sup>nd</sup> General Assembly placed a cap on the maximum amount of an annual increase in state aid each district could receive in the transition period.

The cap has been increased to a higher percentage every year in the last three years. In FY 2001 the cap is the greater of 12% increase in total funding or 10% increase in per pupil funding. Under current law, there will be a cap in FY 2002 and the cap is then set to expire after FY 2002. The executive budget retains the same cap for FY 2002, i.e., the greater of 12 percent annual increase in total funding or 10 percent annual increase in per pupil funding, and the cap will then be eliminated in FY 2003.

<sup>5</sup> LOEO: All-Day Kindergarten and Class Size Reduction: Implementation Report, October 2000.

### III. THE RECOMMENDATIONS OF THE JOINT COMMITTEE TO RE-EXAMINE THE COST OF AN ADEQUATE EDUCATION

In preparing the response to *DeRolph II*, several legislative Joint Committees were formed, one of which was the Joint Committee to Re-Examine the Cost of an Adequate Education. In December 2000 the Joint Committee issued its final report containing recommendations to address four concerns identified by *DeRolph II*: adequacy of the basic aid formula; funding “unfunded” mandates; the overreliance of local property taxes; and phantom revenue. The recommendations propose a two-tier funding system for Ohio schools. Tier I includes all elements of funding for an adequate education. Tier II provides equalized state aid to supplement local school districts’ effort to provide educational services beyond adequacy.

#### **Tier I – Funding for Adequacy**

##### ***A. Base Cost of an Adequate Education***

###### **a. Re-examination of legislative changes**

In *DeRolph II*, the Ohio Supreme Court recognized that “what methodology to adopt is a policy determination” and did not find the performance based expenditure method unconstitutional. However, the Court was “perplexed” by the changes (Table 2) made by the 122<sup>nd</sup> General Assembly. *DeRolph II* indicated that these changes were made “with no adequate explanation.”

The Joint Committee re-examined each of those three changes. It reaffirmed two legislative changes, but recommended to undo the other change. Specifically, the Joint Committee reaffirmed the decision not to utilize the EFM data screen to eliminate any districts from the model and the use of the district average of the model districts’ base cost expenditures to determine the statewide base cost of an adequate education. It recommended eliminating from the model only those districts with median income within the top and bottom 5% of all districts, as used in the original model.<sup>6</sup> This re-examination added an additional 19 districts to the original model district count of 103 to provide a total of 122 districts as the basis for determining the statewide base cost formula amount for an adequate education. This puts one-fifth of all districts in the model, thus giving a fairly strong representation for the system.

The district average of the 122 selected model districts’ base cost expenditures was \$3,797 in FY 1996, as compared to \$3,740 under current model. For FY 2002, the corresponding figures are \$4,481 in comparison of \$4,414 under current model, a \$67 increase in the per pupil base cost formula amount.

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<sup>6</sup> Please see “Final Report of the Joint Committee to Re-Examine the Cost of an Adequate Education” (December 31, 2000) for detailed explanations for reasons behind these recommendations.

### **b. Funding for S.B. 55 of the 122<sup>nd</sup> General Assembly**

Funding for “unfunded” mandates is another concern of *DeRolph II*. After reviewing major new requirements enacted since HB 650 of the 122<sup>nd</sup> General Assembly, the Joint Committee recommended the base cost formula amount to be adjusted to fund one identified unfunded mandate, i.e., the new graduation requirement of 21 credits imposed by S.B. 55 of the 122<sup>nd</sup> General Assembly. Survey information indicated that the average minimum graduation credit requirement for the 122 model districts was 19.6 credits in FY 1996 – the year before the enactment of S.B. 55. The Joint Committee recommended using the following formula to determine the cost of the 1.4 credit increase:

$$(1.4/19.6) \times (1+0.244) \times \$2,430 \times (1/3) = \$72 \text{ in FY 1996 dollars}$$

Where: 0.244 – high school factor

\$2,430 – district average per pupil classroom base cost (excluding administrative and other non-direct classroom costs) for the 122 model districts

1/3 – the proportion of high school students

**When adjusted for inflation, funding for the 1.4 credits is estimated at \$85 in dollars**

Dividing the unfunded 1.4 credits by the 19.6 average funded credits results in a percentage that can be applied to the cost of providing 19.6 credits to estimate the cost of 1.4 additional credits. This formula assumes that offering a small number of additional high school courses has little fiscal impact on a school district’s operations outside the classroom. Therefore, the formula applies the calculated percentage to the portion of the classroom base cost with the adjustment for a high school cost factor. Finally the estimated cost is adjusted to reflect the proportion (1/3) of students affected by the increase in the graduation requirement since high school students (grades 9-12) represent about 1/3 of all students.

This formula produced a fairly generous cost estimate of the average increase in graduation credits because many students earned more credits than the minimum required by their school districts particularly since the old credit requirement is fairly modest. Because of these modest minimum requirements, many students actually graduate from high school with 21 or higher credits. The increase in the minimum graduation requirement should not result in any additional cost to educate these students. However, there was no data available on students with 21 or more credits.

### **c. Base cost formula amount – the results of the recommendations**

The Joint Committee recommendations result in a base cost formula amount of \$4,566 in FY 2002. This represents a per pupil funding increase of \$272 or 6.3% from FY 2001 (\$4,052) and an increase of \$152 per pupil from the amount specified for FY 2002 (\$4,414) in the current statute. Specifically, the \$272 per pupil increase in FY 2002 results from:

- Adding \$67 per pupil to the model’s average base cost as a result of including additional 19 districts in the model;
- Adding \$85 per pupil to fund the 1.4 additional graduation credits required to bring the average model district up to 21 credits as required by S.B. 55 of the 122<sup>nd</sup> General Assembly;
- Adding \$120 per pupil increase provided by the 2.8% annual inflationary factor under current law.

The base cost formula amount is calculated at \$4,694 for FY 2003 by applying the inflationary factor of 2.8% to the formula amount of \$4,566 for FY 2002.

### ***B. Funding for the Model Cost of an Adequate Education***

The Joint Committee largely affirms the current formulas used to calculate a series of adjustments to the base cost (special education weights, vocational education weights, DPIA, and pupil transportation) to compensate school districts for higher costs they may have to incur in providing an adequate education for all students. The Joint Committee also declares that the base cost as well as adjustments to the base cost and pupil transportation are all essential elements of an adequate education system. It further recommends two formula changes to ensure funding for the model cost of an adequate education for every district.

#### **a. Excess cost supplement**

Under current law, the method used to assign the local share of the base cost funding is different from the methods used to assign the local share of pupil transportation as well as special and vocational education weight costs. The local share of the base cost funding is a uniform effective 23 mills of property tax levies, resulting in an equalized state share percentage of the base cost funding for every district. The local share of pupil transportation is a uniform percentage of total model cost (57.5 percent in FY 2002 and 60 percent in FY 2003 and thereafter). And the local share of special and vocational education is based on each district's state share percentage of the base cost funding. For a given service need the local required share for special and vocational education weights results in the same number of mills. This is due to the fact that the state share percentage of the base cost funding is already equalized.

However, the need for these services can vary greatly from one district to another, especially for certain individual districts. Therefore, the local share of these items could require different levels of property tax levies in different districts although the state funding for these items are generally equalized. For example, the estimated local share for transportation as well as special and vocational education weights requires a range from less than 1 mill of local property tax levy to more than 7 mills of local property tax levies with a statewide average of approximately 3 mills in FY 2001.

The Joint Committee recommends establishing an excess cost supplement to limit a school district's local share of these items to a maximum amount that is equivalent to 3 mills of local property taxes. If a district's local share of the formula costs for these three items exceeds 3 mills, the state will pay for the amount above the mills. If a district's formula share for these items is less than 3 mills, the district will not be affected by this provision.

Table 8 shows examples of estimated excess cost supplement payments for four districts if the proposal were implemented in FY 2001. It can be seen from the table that a required higher local millage rate is primarily due to a higher need for these services. By limiting each school district's local formula share for transportation as well as special and vocational weights to a maximum of 3 mills of local property taxes, school districts will not be overburdened by the local share of the formula costs for these items. It will allow school districts (especially those low wealth districts) that make a greater effort to enhance their education services to have more local revenues for their local enhancement purposes. The higher need for transportation service generally concentrates on rural southeastern Ohio school districts. The higher need for special education service, however, also affects many medium and even a few high wealth suburban districts. Based on the current estimate, up to 40 percent of school districts could be eligible for this supplement.

Charge-off Value Per Pupil	Per Pupil Revenue @ 3 Mills	Per Pupil Formula Share	Per Pupil Excess Cost Supplement
\$34,062	\$102.2 (\$34,062 x 0.003)	\$221.3	\$119.1 (\$221.3 - \$102.2)
\$55,542	\$166.6 (\$55,542 x 0.003)	\$209.4	\$42.8 (\$209.4 - \$166.6)
\$114,687	\$344.1 (\$114,687 x 0.003)	\$391.2	\$47.2 (\$391.2 - \$344.1)
\$130,414	\$391.2 (\$130,414 x 0.003)	\$477.7	\$86.5 (\$477.7 - \$391.2)
\$188,011	\$564.0 (\$188,011 x 0.003)	\$629.9	\$65.8 (\$629.9 - \$564.0)

**b. Charge-off supplement (“gap aid”) expansion**

One of the most significant and least understood new features in HB 650 of the 122<sup>nd</sup> General Assembly is the charge-off supplement (more commonly know as “gap aid”) provision. Gap aid currently fills any missing local revenues for every district’s formula share of the base cost funding as well as special and vocational education weight costs. It assures every district has the full amount of state and local revenues to fund the cost of these items. It also effectively ensures the local share of the base cost funding as well as special and vocational education weight cost funding does not depend on the locally *voted* property tax system.

The Joint Committee recommends extending current gap aid to include the local share of transportation model cost. As indicated before, the Joint Committee declares the transportation model cost is an essential part of the adequate education cost model. Under the Joint Committee recommendation, gap aid will be calculated as follows:

<b>Gap Aid =</b>
+ Local share of the base cost funding (23-mill charge-off)
+ Local share of special education weight cost funding
+ Local share of vocational education weight cost funding
+ Local share of transportation model cost funding (the Joint Committee recommendation)
- Excess cost supplement
- Total local operating revenues (including property taxes and school district income taxes)

The recommendation of including the local share of transportation model cost funding in gap aid calculations may seem to be subtle, but it has significant implications. It is clear that the gap aid formula requires the state to fill any missing local revenue to ensure every district to have sufficient local revenue to meet its total local share of an adequate education model cost assigned by the formulas. Some districts do not have the equivalent of up to 26 effective mills to meet its local share requirement either due to the HB 920 reduction factor or districts simply do not levy these mills. However, the state provides supplemental funding to fill the gap. *Therefore, the local share of an adequate education model cost is guaranteed for every district and is not dependent on the locally voted property tax system. Gap aid eliminates “Type I” phantom revenue, as recognized by DeRolph II, which results from the fact some districts may not have sufficient millage to meet the required local share under the formulas. It effectively guarantees every district to receive both state and local shares of the adequate education model costs and therefore ensures funding for education adequacy for every district.*

It should be noted that the cost of gap aid and the excess cost is somewhat interdependent. For example, if two districts both have the same total formula local share of 27 mills (23 mills for the base cost funding and 4 mills for special education, vocational education, and pupil transportation), District 1 has an amount of local operating revenue equal to 22 mills of property tax levies and District 2 has 26 mills. If both proposed changes are adopted, District 1 would receive an amount of state subsidy equal to one mill (4

mills – 3 mills) of levy from the excess cost supplement and the equivalent of 4 mills (26 mills – 22 mills) of levies from gap aid. District 2 would be eligible for an equivalent of one mill (4 mills – 3 mills) of levy from the excess cost supplement. If only the gap aid expansion proposal is adopted, District 1 would receive an equivalent of 5 mills (27 mills – 22 mills) of levies from expanded gap aid and District 2 would receive an equivalent of one mill (27 mills – 26 mills) of levy. In contrast, if only the excess cost supplement proposal is adopted, District 1 and District 2 would each be eligible for an equivalent of one mill (4 mills – 3 mills) of levy.

## **Tier II – Funding for Education beyond Adequacy**

In addition to ensure funding for education adequacy (Tier I) for every district, the Joint Committee recommends establishing a new Tier II funding to replace current power equalization to provide a state supplement for education beyond adequacy. Just like the executive proposal, the Joint Committee recommendation does not call for major property tax system reform. However, it recommends creating Tier II funding to lessen the impact of disparities in property and income wealth on school districts’ abilities to enhance their education services beyond adequacy. *DeRolph II* pointed out the inequity of the current system by noting that dependence on locally voted property taxes creates disparities in spending beyond adequacy across Ohio school districts. Unlike current power equalization, there is no additional local effort requirement for receiving the proposed Tier II supplement.

### **A. Capacity Ratio**

The Joint Committee recommends distributing Tier II supplemental funding based on each district’s capacity ratio, which consists of 1/3<sup>rd</sup> weight of a district’s income wealth and 2/3<sup>rd</sup>s weights of district’s property wealth. The income wealth is measured by the federal adjusted gross income per pupil and the property wealth is measured by property valuation per pupil. These weights generally reflect the recognition of the main local revenue source (property taxes) and the importance of income wealth in determining a district’s ability to raise enhancement revenues. Table 10 shows examples of how to calculate each district’s capacity ratio.

<b>Table 10: Examples of Capacity Ratio</b>				
Statewide Average Valuation Per Pupil = \$104,141 (FY 2002) Statewide Average FAGI Per Pupil = \$123,657 (CY 1998)				
Valuation Per Pupil	FAGI Per Pupil	Valuation Ratio	Income Ratio	Capacity Ratio
\$25,211	\$47,511	0.24(\$25,211/\$104,141)	0.38(\$47,511/\$123,657)	0.29 [0.24*(2/3) + 0.38*(1/3)]
\$58,978	\$44,605	0.57(\$58,978/\$104,141)	0.36(\$44,605/\$123,657)	0.50 [0.57*(2/3) + 0.36*(1/3)]
\$69,207	\$112,565	0.67(\$69,207/\$104,141)	0.91(\$112,565/\$123,657)	0.75 [0.67*(2/3) + 0.91*(1/3)]
\$108,618	\$114,769	1.04(\$108,618/\$104,141)	0.93(\$114,769/\$123,657)	1.00 [1.04*(2/3) + 0.93*(1/3)]
\$165,585	\$168,349	1.59(\$165,585/\$104,141)	1.36(\$168,349/\$123,657)	1.51 [1.59*(2/3) + 1.36*(1/3)]
\$203,819	\$183,771	1.96(\$203,819/\$104,141)	1.49(\$183,771/\$123,657)	1.80 [1.96*(2/3) + 1.49*(1/3)]

**B. Tier II Equalization Factor**

Once capacity ratios are determined, every district will be assigned an equalization factor based on the formula shown in Table 11.

Table 11: Examples of Tier II Equalization Factor	
<i>A District's Equalization Factor = 5 x (2 - District's Capacity Ratio)</i>	
Capacity Ratio	Tier II Equalization Factor
0.29	8.55 [5 x (2 - 0.29)]
0.50	7.50 [5 x (2 - 0.50)]
0.75	6.25 [5 x (2 - 0.75)]
1.00	5.00 [5 x (2 - 1.00)]
1.51	2.45 [5 x (2 - 1.51)]
1.80	1.00 [5 x (2 - 1.80)]

The Joint Committee recommends every district should have a minimum equalization factor of one. It can be seen from Table 7 that school districts with a capacity ratio above 1.80 will be assigned a minimum equalization factor of one as result of this recommendation. Approximately 30 (or 5 percent) school districts have a capacity ratio above 1.80. While the minimum equalization factor is one, the possible maximum factor is 10 (a zero capacity ratio would give an equalization factor of 10). Based on the current available data, the maximum actual equalization factor would be approximately 8.55.

**C. Per Pupil Tier II Supplement**

The Joint Committee recommendation ties the Tier II funding level to the Tier I base cost level and proposes the minimum per pupil Tier II supplement ranging from 0.5% to 1.0% of the Tier I base cost formula amount with the cost of doing business factor adjustment. Per pupil Tier II supplement for an individual district will be adjusted by the district's equalization factor. S.B. 2 of the 124<sup>th</sup> General Assembly – the implementation of the Joint Committee recommendations – calls for phasing in Tier II funding and proposes a level of 0.25% of the Tier I base cost formula amount in FY 2002 and 0.5% of the Tier I base cost formula amount in FY 2003. Table 12 shows examples of per pupil Tier II supplemental funding if the proposal were implemented in FY 2001. For simplicity, the examples assume a cost of doing business factor of one for every district.

Table 12: Examples of Per Pupil Tier II Supplement				
Capacity Ratio	Equalization Factor	Per Pupil Tier II Supplement @ 0.25% of \$4,294	Per Pupil Tier II Supplement @ 0.5% of \$4,294	Per Pupil Tier II Supplement @ 1.0% of \$4,294
0.29	8.55	\$91.8 (\$10.7 x 8.55)	\$183.6 (\$21.5 x 8.55)	\$367.1 (\$42.9 x 8.55)
0.50	7.50	\$80.5 (\$10.7 x 7.50)	\$161.2 (\$21.5 x 7.50)	\$322.1 (\$42.9 x 7.50)
0.75	6.25	\$67.1 (\$10.7 x 6.25)	\$134.2 (\$21.5 x 6.25)	\$268.4 (\$42.9 x 6.25)
1.00	5.00	\$53.7 (\$10.7 x 5.00)	\$107.4 (\$21.5 x 5.00)	\$214.7 (\$42.9 x 5.00)
1.51	2.45	\$26.3 (\$10.7 x 2.45)	\$52.6 (\$21.5 x 2.45)	\$105.2 (\$42.9 x 2.45)
1.80	1.00	\$10.7 (\$4,294 x 0.025)	\$21.5 (\$4,294 x 0.005)	\$42.9 (\$4,294 x 0.01)

With the equalization factor adjustment and at the 0.25% of the base cost formula amount level, school districts would receive per pupil Tier II supplement ranging from 0.25% to 2.14% (0.25% x 8.55) of the base cost formula amount with the cost of doing business factor adjustment. Per pupil Tier II supplement

will range from 0.5% to 4.28% (0.25% x 8.55) and from 1.00% to 8.55%, respectively, of the base cost formula amount if the minimum funding level is at 0.5% and 1%, respectively, of the base cost formula amount level.

The base cost funding formula equalizes each district’s property wealth up to the 95<sup>th</sup> percentile for the first 23 mills. By tying Tier II funding level to the base cost formula amount, the proposed Tier II supplement achieves the same 95<sup>th</sup> percentile of the equalization level. At the 0.25% of the base cost formula amount level, Tier II supplement equalizes approximately additional 0.5 mills up to the 95<sup>th</sup> percentile level. At the 0.5% of the base cost formula amount level, Tier II supplement equalizes approximately additional 1 mill up to the 95<sup>th</sup> percentile level. The equalization level under current power equalization is approximately at the 65<sup>th</sup> percentile.

## IV. DISCUSSION OF THE EXECUTIVE PROPOSAL AND THE JOINT COMMITTEE RECOMMENDATION

### **Base Cost Models**

The executive base cost model and the Joint Committee model have several similarities. At the same time, they also have significant differences. Table 13 provides a summary comparison of the two models.

<b>Table 13: Comparison of Base Cost Models</b>		
	<b>Executive Proposal</b>	<b>Joint Committee Recommendation</b>
Base Data	FY 1999 expenditure data and performance data	FY 1996 expenditure and performance data
Model	163 districts meeting at least 20 out of 27 performance indicators	169 districts meeting at least 17 out of 18 performance indicators
Wealth Base Elimination	Top and bottom 5% of all districts in property value per pupil Top and bottom 5% of all districts in school district median income per tax return (43 districts were removed based on the wealth screens)	Same  (47 districts were removed based on the wealth screens)
Additional "Input" Criteria	Having a district average pupil-teacher ratio of 21:1 or less Having at least 80% of teachers with five or more years of experience Offering at least one AP course (Additional 77 districts were removed based on the "input" criteria)	Not used   None
Number of Model Districts	43	122
Statewide Base Cost Estimate	District average based on 43 model districts' base expenditures	District average based on 122 model districts' base expenditures

### ***A. Similarities***

Both models attempt to establish the statewide base cost of an adequate education based on the district average of a group of high performing districts' base expenditures. The executive model uses all 27 performance indicators (25 proficiency tests, graduation rate, and attendance rate) that are currently included in the local report card and defines high performing districts as districts meeting at least 20 out of 27 performance indicators. The Joint Committee model uses 18 performance indicators and defines high performing districts as districts meeting at least 17 out of 18 performance indicators. All these 18 indicators (16 proficiency tests, graduation rate, and attendance rate) are included in the 27 indicators used in the executive models.

Both models use the same wealth criteria to remove some "non-representative" districts. Both models use the district average method to estimate the statewide base cost of an adequate education. Also, both models use 2.8% as the annual inflationary adjustment factor.

### ***B. Differences***

The first difference between the executive proposal and the Joint Committee recommendation is the issue of when a base cost model should be updated. The executive proposal chooses to update the model for the current biennium and uses this model with the inflationary adjustment to fund schools for the next five years (FY 2002-FY 2006). The Joint Committee recommendation focus on the re-examination of the current model and quantifying the cost of "unfunded" mandates. Two acts with new "mandates" were passed in 1997. Re-examining the current model provides a clear "before-and-after" comparison of the cost of mandates. In anticipation of the recommendations of Governor's Commission on Student Success, S.B. 2 of the 124<sup>th</sup> General Assembly calls for the model update in 2003. Just like the executive proposal, the Joint Committee recommendation uses the same model adjusted for the inflation to fund schools for five years (FY 1999-FY 2003).

The other difference is the representation of these two models. The executive model is based on the district average base expenditures of 43 selected model districts, representing 7.0 percent of all districts. This model has a better representation than a model that is based on less than 10 districts. However, the Joint Committee recommendation, which is based on 122 selected model districts or 20 percent of all districts, clearly has a better representation than the executive model does. Also students enrolled in 122 model districts represents 15.1 percent of statewide total ADM, compared with 6.8 percent for the executive model.

The fundamental difference between the executive proposal and the Joint Committee recommendation is the decision concerning the appropriate place to include "inputs" in a school funding model. The executive's base cost model includes three "input" criteria to remove some high performing districts from the final consideration. The Joint Committee proposal does not include any "input" criterion in the initial base cost model, but recommends using an "add-on" approach for inputs that are unfunded mandates or for inputs for which a consensus develops that districts should all include spending for that input within their educational program choices. The difference here may be subtle, but it has significant policy implications. The "output" only base cost model recognizes every different path to success by allowing the highest level of local flexibility. The "output" **and** "input" base cost model implies that only certain ways to success will be recognized by the state. It can be seen from Table 10 that 77 (or 47%) high performing districts were eliminated from the model just because they don't meet the selected "input" criteria.

### ***C. Three Input Criteria***

*Teacher experience.* One of the “input” criteria used in the executive model is teacher experience. The quality of teachers is undoubtedly important to the quality of education. However, the number of years of experience may not be the best indicator for the quality of teachers. At least the data used in the executive model does not appear to support this link. There is little difference between the district average percentage of teachers with at least 5 years of experience for districts meeting at least 20 performance indicators (77.6%) and that for districts meeting less than 20 performance indicators (76.9%). Among the 30 best performing districts (meeting at least 26 performance indicators), 20 (or 67%) districts did not meet the 80% threshold used in the model. In contrast, out of the 52 districts meeting 20 performance indicators, only 23 (or 44%) districts did not meet the 80% criterion.

The percentage of teachers with at least 5 years of experience ranged from 33.3 percent to 100 percent with a statewide average of 77.1 percent in FY 1999. The teacher experience data distribution is highly clustered together and the differences among many districts are relative small. One percentage point difference could separate many districts. For example, 90 districts fall into the range of the statewide average of 77.1 percent and the 80 percent threshold used in the model. Meanwhile, school districts with the lowest percentages of teachers with at least 5 years of experience include districts with a high teacher turnover rate, such as Columbus City. They also include many fast growing districts in the state, such as Olentangy Local (Delaware County), and Mason City (Warren County). These are the two districts with the lowest percentages of teachers with at least 5 years of experience at 33.3% and 40.2%, respectively, but they meet the performance standards (20 out of 27 indicators) used in the model. In fact, Olentangy Local meets 21 performance indicators and Mason City meets 26 performance indicators.

Finally, the executive model uses the threshold of 80 percent to remove high performing districts from the final consideration. This threshold is higher than the state average of 77.1 percent. Among 163 districts meeting at least 20 out of 27 performance indicators, 88 or 53.9 percent of districts do not meet the 80 percent threshold.

*Advanced placement courses.* High wealth districts are generally able to offer more AP courses than low wealth districts do. However, the number of AP course offered by a district is also highly related to the district’s size. Of 163 high performing districts initially selected in the model, 25 districts did not offer any AP courses. The average size for these 25 districts was 1,137 compared with 3,113 for the remaining 138 districts. Also, the postsecondary options program offers an alternative to many students and many school districts. The number of public school students enrolled in the program increased more than 50% from 4,748 in FY 1996 to 7,172 in FY 2000. Funding for the program also increased from \$5.5 million in FY 1996 to \$9.3 million in FY 2000. Students from more than 500 school districts statewide participate in the postsecondary options program. Some small districts that do not offer any AP course may be due to the fact that the postsecondary options sufficiently meet the need of their students. Furthermore, technology, such as distance learning, provides another alternative. (The executive budget includes specific funding to increase the access to AP courses on the Internet.)

*Student-teacher ratio.* The district average regular teacher-student ratio is another criterion used in the executive model. The executive model uses the student-teacher ratio of 20:1 or less to eliminate some high performing districts from the final consideration. The statewide average student-teacher ratio is 18.8 in FY 1999. Theoretically, having a small class size would provide more attention to individual students and increase their chances of success. However, the average student-teacher ratio (18.7) for districts meeting at least 20 out of 27 indicators is almost identical to that (18.8) for district meeting less than 20 indicators. Also, there are many other ways to provide more instructional time to students who need extra help, such as extended day, extended year, after school, Saturday school, and summer school, etc. The

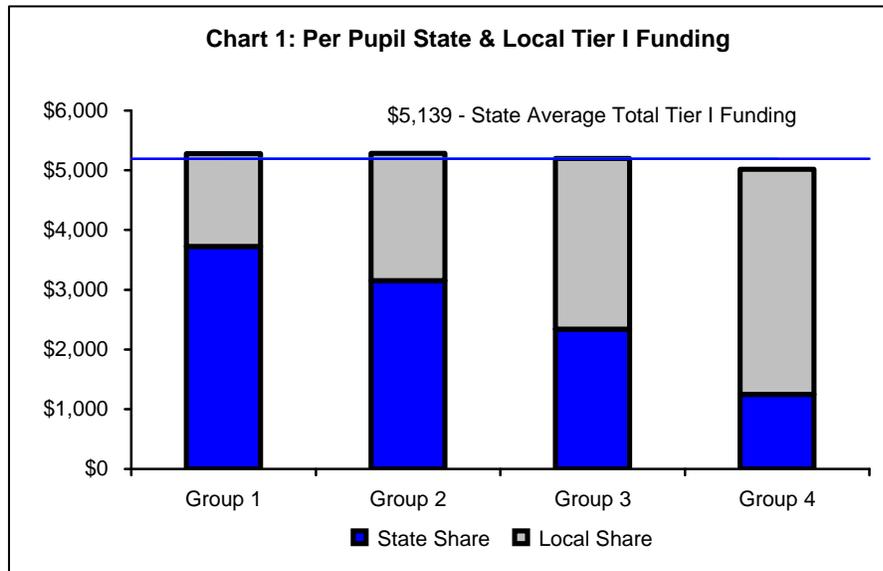
executive budget provides more than \$70 million for student targeted intervention services. It should also be noted that the current model already provides targeted funding for increasing instructional time or reducing class size in grades K-3 through the DPIA program. The 170 districts with certain levels of poverty receive approximately \$133.7 million in DPIA funding for this purpose.

In summary, including these three input criteria result in a higher base cost formula amount. The Ohio Constitution requires a “thorough and efficient” education system. While establishing a “thorough” system has been and should be the central focus of school funding reform at this time, efficiency is also an essential part of the Constitutional requirement. The rationales for including input criteria in the initial base cost model and for including these three particular input screens warrant further considerations of the General Assembly, especially considering the fact that current model provides funding outside the base cost model for some of the same inputs used in the executive model.

## One Tier Funding or Two Tiered Funding?

### A. Where are the disparities?

*No disparity in Tier I funding for the model cost of an adequate education.* The heart of the equity issues goes to the question where the disparities are. Under the current system, total cost of an adequate education for an individual district does not depend on the district’s property wealth or income wealth. It is based on a rational model that takes into account unique characteristics of the district and its students. Funding for the cost of an adequate education is largely equalized under the executive proposal. In the case of the Joint Committee recommendation, funding is completely ensured for every district’s education adequacy. There is no disparity in Tier I funding for an adequate education.



*Spending above the adequacy level or Tier II spending is the origin of disparities.* Chart I groups school districts based on their property wealth and each group includes approximately 25% of total statewide ADM. Group 1 includes districts with the lowest property value and group 4 districts have the highest property value in the state. It can be seen from Chart 1 that there is little difference in terms of total state and local Tier I funding. Any difference in total Tier I funding is legitimate and is due to uncontrollable

cost pressures facing individual districts (see the earlier section “Adjustments for Uncontrollable Cost Pressures Facing School Districts”). The state share of the cost of an adequate education is equalized based on each district’s wealth. As a result, every district has a similar amount of combined state and local revenues to provide an adequate education to all students. One may argue what is the cost of an adequate education. However, for a defined cost of an adequate education, equalized state formulas ensure similar amount of total state and local funding for an adequate education for every district. This should be the goal for a rational state school funding system and the current formula has achieved this goal.

There is no disparity in a defined cost of an adequate education. Then, where are the disparities? Well, as shown in Chart 2, spending above the adequacy level or Tier II spending is the origin of disparities. In

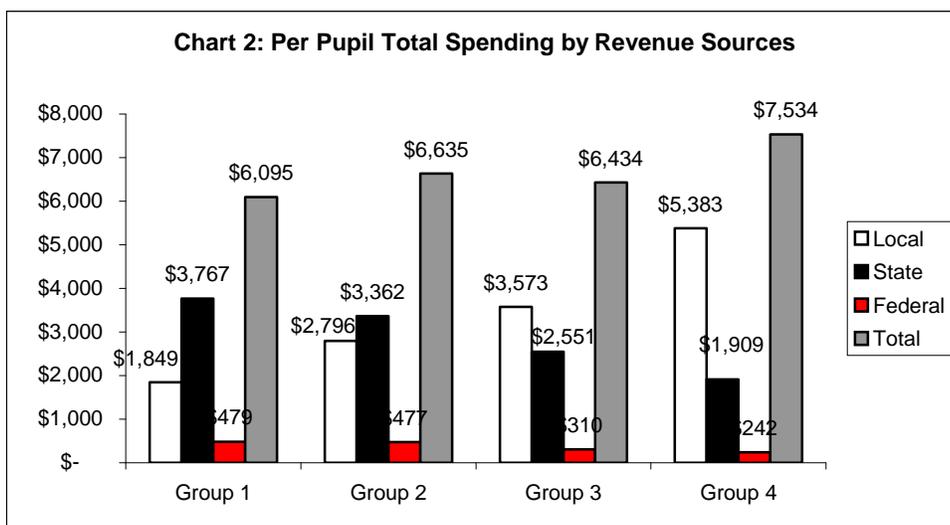


Chart 2 school districts are grouped based on the same method used in Chart 1. While there is little difference in four district groups in Chart 1, in Chart 2 the average amount of total revenues per pupil available for Group 4 districts is more than \$1,100 higher than that for the other three groups of districts. Group 4 districts on average raise almost \$2,000 per pupil more in local revenue to support their higher spending. (Lower state and federal revenues reduce the local revenue advantage to the net level of \$1,100.)

Under the current system, there is no limit on how much additional taxes local residents can approve for their schools. The state funding formula equalizes approximately 2/3 of local operating revenues and the other 1/3 (about \$2 billion in FY 2002) of local revenues is available for local school districts to provide education services beyond adequacy. The top 25% wealthiest (group 4) districts have a disproportionate share of Tier II local enhancement revenues. This is the origin of disparity in Ohio’s school funding system. Without major property tax reform or increasing the charge-off millage, simply increasing the base cost formula amount will do little to address the disparity issue because almost all districts receive the same increase per pupil. In contrast, equalized Tier II funding will help narrow the gap in enhancement spending among high wealth and low wealth districts.

**B. One tier funding v. two-tiered funding**

In addition to funding for the cost of an adequate education, the Joint Committee recommendation provides an equalized Tier II supplement for education beyond adequacy. The executive model does not include this feature. The base cost of an adequate education under the executive model is \$4,885 in (the executive budget proposes to phase in this model over a five year period with additional funding for S.B.

55). The Joint Committee recommendations call for immediate funding the base cost of an adequate education of \$4,566 in FY 2002 with a Tier II funding supplement. To make a fair comparison, let's assume the state would immediately fund the executive model's base cost formula amount of \$4,885 in FY 2002. The cost difference between the formula amounts of \$4,885 and \$4,566 is approximately \$574,200,000 (not including the impact of the cost of doing business factor as well as special and vocational education weight funding). In contrast, spending \$574.2 million in Tier II in the manner proposed by the Joint Committee has very different impact on individual districts compared with spending \$574.2 million in Tier I base cost funding. Table 14 shows examples of effects of spending \$574.2 million on Tier I and spending \$574.2 million on Tier II.

**Table 14: Example of Tier I v. Tier II Funding**

Per Pupil Valuation	Per Pupil Base Cost Funding \$4,566	Per Pupil Base Cost Funding \$4,885	Per Pupil Tier I Base Cost Funding Difference	Per Pupil Tier II Funding @574.2 million
\$25,156	\$3,987	\$4,306	\$319	\$559
\$50,183	\$3,412	\$3,731	\$319	\$493
\$75,036	\$2,840	\$3,159	\$319	\$436
\$100,279	\$2,260	\$2,579	\$319	\$360
\$123,891	\$1,717	\$2,036	\$319	\$300
\$152,522	\$1,058	\$1,377	\$319	\$269
\$171,419	\$623	\$942	\$319	\$115
\$193,698	\$111	\$430	\$319	\$65

It can be seen from Table 14 that per pupil benefit is the same for all school districts regardless of the wealth of school districts in general when \$574.2 million is spent to increase the base cost formula amount from \$4,566 to \$4,885. (There are two exceptions to this: 1) about 24 wealthy districts above the equalization level will not receive any state aid, and 2) due to the guarantee provision, the net gain for those guarantee districts will be reduced.) However, if the same amount of moneys is spent on Tier II, per pupil benefit for a low wealth district is greater than that for a high wealth district. Tier II funding appears to achieves greater equity and addresses the disparity issue more effectively.

## V. THE FOUNDATION SF-3 FORMULA

As indicated earlier, each individual district's total model cost of an adequate education is based on a rational model that includes a uniform per pupil base cost, various adjustments to account for uncontrollable cost factors facing the district, and the transportation cost based on a statistical transportation model. Once the total cost of an adequate education is determined for the district, the foundation SF-3 formula is used to determine an equitable way to share each district's total adequacy model cost between the state and the district based on the district's wealth. Gap aid is also an essential part of the formula since it provides subsidies to eligible school districts to ensure they receive the full amount of state and local revenues to fund the model cost of an adequate education. These various formulas are discussed in the following sections. The analysis of the second tier power equalization program under the executive proposal is also included here. Examples cited in these sections are largely based on the executive budget proposal.

**A. Base Cost Funding (formally known as basic aid)**

Simply put, by providing equalized state aid, the base cost funding formula guarantees every student to receive the same per pupil base cost funding amount with the cost of doing business factor (CODBF) adjustment from the combination of state and local revenues at 23 mills. The formula neutralizes the effect of different levels of property wealth on school districts’ abilities to provide an adequate education. The expression of the base cost funding formula can be seen in the below table. The discussion of various formula factors follows.

<b>Total Base Cost = Local Share + State Share</b>
<b>Total Base Cost = Per Pupil Base Cost x CODBF x Formula ADM</b>
➤ Formula Amount (Per Pupil Base Cost) = \$4,490 in FY 2002; \$4,670 in FY 2003
➤ CODBF Range = 15.2% in FY 2002; 16.6% in FY 2003
➤ ADM = Average Daily Membership
<b>Local Share = Income Adjusted Total Recognized Valuation x 0.023</b>
<b>State Share = Total Base Cost – Local Share</b>

***a. Formula amount (base cost)***

As indicated earlier, the executive budget proposes phasing in the “Resources and Accountability Model” over a five year period. During the phase-in period, the formula amount is \$4,490 in FY 2002 and \$4,670 in FY 2003. The range of CODBF is 15.2 percent in FY 2002 and 16.6 percent in FY 2003.

With a formula amount of \$4,490 and a 15.2 percent range of CODBF in FY 2002, the base cost funding formula equalizes per pupil valuation up to a range of \$195,217 ( $\$4,490/0.023$ ) to \$224,890 [ $(\$4,490*1.152)/0.023$ ] depending on each district’s county CODBF. This per pupil valuation range is called the equalization wealth level, which represents about the 95<sup>th</sup> percentile ranking in valuation per pupil in the state. School districts with valuations per pupil above the equalization level (approximately 24 districts with 3.0 percent of all districts) would not receive any state base cost funding from the formula calculation alone. The equalization wealth level ranges from \$203,043 ( $\$4,670/0.023$ ) to \$236,749 [ $(\$4,670*1.166)/0.023$ ] depending on each district’s county CODBF in FY 2003.

***b. The cost of doing business factor (CODBF)***

The countywide based cost of doing business factor has been in place in the base cost formula since 1980. The CODBF range had remained at 7.5 percent from FY 1980 to FY 1995. The range was increased to 8.2 percent in FY 1996, to 8.9 percent in FY 1997, and to 9.6 percent in FY 1998. The original thinking was to gradually phase in the range to 18 percent in FY 2010. The 122<sup>nd</sup> General Assembly accelerated the phase-in schedule in Am. Sub. H.B. 650 and the 18 percent range of COBDF will be fully implemented beginning in FY 2004. While there was theoretical justification for the COBDF prior to H.B. 650, in the reformulation it has become an integrated part of the base cost method, representing one of the basic uncontrollable cost factors facing all districts.

Division (N) (1) of section of 3317.02 of the Revised Code defines the 7.5 percent range of COBDF (unadjusted COBDF) for each county based on weighted average weekly wage data for all workers within a county, and for workers in all its contiguous counties reported by the Ohio Bureau of Employment Services.<sup>7</sup> The unadjusted COBDF data are generally updated every two years. The following formula is then used to adjust the 7.5 percent range of COBDF to reflect the increasing range for FY 2002 and FY 2003:

$\text{FY 2002 Adjusted COBDF} = (\text{Unadjusted COBDF} - 1) \times (15.2/7.5) + 1$ $\text{FY 2003 Adjusted COBDF} = (\text{Unadjusted COBDF} - 1) \times (16.6/7.5) + 1$
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For example, the unadjusted COBDF for Cuyahoga County is 1.0697 in the FY 2002-FY 2003 biennium, the adjusted COBDF for all districts in the county is determined as follows:

$\text{FY 2002 Adjusted COBDF} = (1.0672 - 1) \times (15.2/7.5) + 1 = 1.1361$ $\text{FY 2003 Adjusted COBDF} = (1.0672 - 1) \times (16.6/7.5) + 1 = 1.1486$
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To compensate school districts for the higher costs they may have to incur to provide the adequate education services due to the county by county systematic differences in the regional labor markets, one multiplies the formula amount by the adjusted COBDF. For example, the adjusted formula amount of \$5,101 (\$4,490 x 1.1361) in FY 2002 for districts in Cuyahoga County is viewed as equivalent as the formula amount of \$4,490 for districts in Galia County (with the lowest COBDF factor of one). In other words, to ensure a similar ability to provide an adequate basic education, the formula provides 13.61 percent more in the base cost funding to school districts in Cuyahoga County than it provides to school districts in Galia County.

<b>Ten Highest COBDF Counties</b>	<b>Ten Lowest COBDF Counties</b>
Hamilton, Cuyahoga, Warren, Butler, Summit ,	Galia, Meigs, Scioto, Athens, Belmont,
Medina, Lake, Clermont, Geauga, and Lorain	Adams, Guernsey, Jefferson, Vinton, Washington

***c. Formula ADM***

The foundation payments for a given fiscal year are based on the so-called October count, or the average daily membership (ADM) of students during the first full week of October classes for that fiscal year. The formula ADM is an adjusted form of the October count. All K-12 students, including special and vocational education students are included, but kindergarten students are counted at 50 percent and JVS students are counted at 25 percent.

$\text{Formula ADM} = \text{Kindergarten ADM @ 50\%} + \text{Grades 1-12 ADM} - 75\% \text{ JVS ADM}$
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The growth in both public and nonpublic school enrollments in the 1990s reached its peak in FY 1998. Since then both public and nonpublic schools have been experiencing declining enrollments. As one of the several measures to minimize the fluctuation in state aid due to the declining enrollment, the greater of current year or 3-year average formula ADM is used in the base cost funding formula. For example, in FY 2001 the formula provides state aid to 19,272 students that are not enrolled in any school, at a cost of approximately \$92 million.

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<sup>7</sup> The law describes the 7.5 percent range as the unadjusted COBDF. This is a misnomer since more than 40 percent is the full spread of county cost factors. By shrinking the original variation to about one-fifth its original size, the 7.5 percent range is obtained

***d. Income adjusted recognized valuation***

**i). Total assessed valuation**

Property value in Ohio is divided into four major categories: (1) Class I (residential and agricultural real property); (2) Class II (commercial, industrial, and mineral real property); (3) Public utility personal tangible property; and (4) Other personal tangible property. Class I and Class II are commonly referred as real property. A typical school district’s property value composition is as follows: 59.7 percent in Class I; 19.6 percent in Class II; 12.7 percent in public utility, and 8.0 percent in other personal tangible. However, the composition for each individual district varies widely across the state. The table below shows the maximum and minimum ranges for each category.

Property Value Composition		
Category	Maximum	Minimum
Class I	13.7%	95.6%
Class II	1.4%	47.1%
Public Utility	2.3%	69.9%
Other Personal Tangible	0.2%	61.5%

Due to different assessment and tax rates for different categories of property, a change in tax policy on a particular category of property would have an uneven implication on individual districts. However, since the base cost formula equalized up to the 95<sup>th</sup> percentile (??) (\$195,217 to \$224,890 in FY 2002) in valuation per pupil, the different compositions of property value would have no impact on the first 23 mills for the vast majority of school districts. Among the 24 districts above the equalization level, some are wealthy due to residential wealth (Class I), some are due to business wealth, and some are due to both.

Property value and tax are assessed and collected based on the tax (or calendar) year while the foundation payments are made based on a fiscal year. For purpose of calculating the payments, the formula generally uses second prior year’s property value data certified by the Department of Taxation. Specifically, TY 1999 property value is used in making FY 2001 foundation payments, TY 2000 actual property value will be used in making FY 2002 payments, and TY 2001 actual value will be used in making FY 2003 payments. The projected TY 2000 and TY 2001 property valuations are used in making budget appropriations. For real property, these years correspond to taxes payable in CY 2001 and CY 2002.

The property value annual growth rate is largely tied to real property’s reappraisal/update cycles. While the estimated statewide average property value growth rate is 5.3 percent per year from FY 1998 to FY 2003, the growth rate for each year is not even (see table below). Growth rates are lower in FY 2000 and FY 2003 because of fewer reappraisal or update counties in these years.

Fiscal Year	1998 (actual)	1999 (actual)	2000 (actual)	2001 (actual)	2002 (actual)	2003 (estimate)
Annual growth rate	6.4%	5.1%	3.8%	7.5%	6.0%	3.1%

**ii). Recognized valuation**

Real property is updated every three years and reappraised every six years. School districts generally would experience a significant increase in real property valuation in the reappraisal or update year. Revenue from voted operating mills on existing (carryover) real property, however, does not grow with appreciation in value of property due to H.B. 920. Millage rates are generally adjusted downward to

maintain the same dollar amount of revenue from these levies. For example, a school district may have a 15 percent increase in real property valuation in a reappraisal year and ends up with only 2.3 percent growth in revenue from real property. However, the previous base aid formula used the full growth value and assigned a 15 percent increase in local share for the district in that reappraisal year. While the effect of that increase was at least partially offset by the increase in the state foundation level, a district's state aid would sometimes decrease by a significant percentage in that year. The state funding fluctuated along with the reappraisal/update cycles.<sup>8</sup> The previous formula did contain a one-year reappraisal guarantee provision, which ensured a reappraised or an updated school district to receive at least the same amount of funding it received from the previous year. The provision used to cost the state about \$10 to \$15 million per year.

To minimize the fluctuation in state funding due to reappraisal/update cycles, Am. Sub. H.B. 215 of the 122<sup>nd</sup> General Assembly adopted the "recognized" valuation provision. Beginning in FY 1998, a school district's inflationary increase in carryover real property in the reappraisal/update year has been "recognized" evenly over a three-year phase-in period. If a district experiences a 15 percent inflationary increase in real property in a reappraisal year, the base cost formula only recognizes a 5 percent increase in that year, 10 percent increase in the following year, and the full 15 percent growth in the third year. In other words, in the third year recognized valuation equals assessed valuation.

The Department of Taxation certifies the real property inflationary increase data for individual districts to the Department of Education. Assuming District A had a reappraisal in TY 2000, its real property inflationary increase from TY 1999 to TY 2000 was \$6,000,000, its total assessed value is \$120,000,000 in TY 1999 and \$122,000,000 in TY 2000. The following method will be used to calculate the recognized value used in the base cost formula for FY 2002 and FY 2003.

$\text{FY 2002 Recognized Valuation} = \$120,000,000 - \$6,000,000 \times (2/3) = \$116,000,000$
$\text{FY 2003 Recognized Valuation} = \$122,000,000 - \$6,000,000 \times (1/3) = \$120,000,000$

It is clear that the recognized valuation lowers District A's charge-off by \$92,000 ( $\$4,000,000 \times 0.023$ ) in FY 2002 and by \$46,000 ( $\$2,000,000 \times 0.023$ ) in FY 2003. By doing so, the state funding for District A increases in both years. The funding stability also increases. The recognized valuation provision lowers the charge-off by approximately \$75 million per year. The reappraisal guarantee provision continues under the current foundation formula. However, the cost of the reappraisal guarantee decreased significantly. It costs approximately \$2.4 million in FY 2001.

### iii). Income factor

*What is an income factor?* An income factor was first adopted in the base cost funding formula in FY 1996. It attempts to measure a district's "ability" to pay while the property wealth is generally viewed as a measurement of a district's "potential" to pay for education. Each district's income factor is determined by comparing the district's median income per return to the statewide median school district median income per return. Therefore, a district that has an above the statewide median income would have an income factor above one and a district that has a below the statewide median income would have an income factor of below one. The income factor has been used to alter a district's true property wealth in the eyes of formula. It lowers valuation for districts with a below one income factor and makes these districts appear "poorer." Therefore, the formula would provide more state aid to these districts. Conversely, the income factor adjusts valuations upward for districts that have an above one income factor and makes these districts appear "richer." These districts would receive less state aid than if their

<sup>8</sup> This was never a fair comparison because a three year increase in value is matched against an annual increase in the foundation level.

“true” valuations were used in the calculation. While the formula amount is \$3,851 in FY 1999, the usage of the income factor causes the state to provides less than \$3,851 in the base cost funding for students in higher income districts and provides more than \$3,851 in the base cost funding to students in lower income districts.

*Why did the 122<sup>nd</sup> General Assembly change the income factor adjustment thinking?* To standardize the impact of the income factor, the adjustment applies to a uniform per pupil valuation of \$60,000. Table 15 shows examples of per pupil income factor benefit. The original thinking was to phase in the income factor over a 15-year period. The 122<sup>nd</sup> General Assembly froze the income factor adjustment at 4/15 (4/15) for districts with a less than one income factor. Meanwhile, it began to phase out the adjustment for districts with an above one income factor in FY 1999. This adjustment was completely eliminated in FY 2000 and thereafter.

<b>Table 15: Examples of Per Pupil Income Factor Adjustment Benefit</b>			
Income Factor	Per Pupil Valuation Adjustment Benefit @4/15	Per Pupil State Aid Benefit @ 4/15	Per Pupil State Aid Benefit @1/15
0.6	- \$6,435	\$148	\$37
0.7	- \$4,870	\$112	\$28
0.8	-\$3,130	\$72	\$18
0.9	\$1,565	\$36	\$9

Under the old system, the foundation amount (first tier) was not based on a rational study of the cost of an adequate basic education. Therefore, the line between the first tier basic education and the second tier enhancement education was not clearly defined. The old thinking was that the foundation formula should provide an overall (basic and enhancement education) equalization from the first 23 mill foundation program. Previous special and vocational education unit funding was largely unequalized. By applying the income factor adjustment to all school districts, the formula effectively redistributed state aid from higher income to lower income districts and helped improve the system’s equity.

Under the new system, the base cost represents the cost of an adequate education. The state is committed to providing an adequate education to all districts. If the income factor adjustment continues to be applied to higher income districts, the state will not ensure an adequate basic education to students in higher income districts. Also, *DeRolph I* identified one type of phantom revenue was based on the income factor adjustment for districts with an income factor above one. The 122<sup>nd</sup> General Assembly eliminated this adjustment for higher income districts beginning in FY 2000 and therefore eliminated this type of phantom revenue. The continuation of the income factor adjustment (at the 4/15 strength) for school districts with a below one income factor further increases state aid (above the adequate education level) to districts where taxpayers have a low ability to pay property taxes.

*What is purpose of the current income factor adjustment?* The SF-3 formulas generally neutralize the impact of school districts’ wealth in providing an adequate education. Theoretically, the state could also phase out the adjustment for lower income districts. By keeping the income factor adjustment at the 4/15 strength, this adjustment increases the state base cost funding for about 305 school districts with a below one income factor by approximately \$47 million per year. In other words, in recognition of some taxpayers’ low abilities to pay, the formula distributes additional state aid within the first tier foundation program to help these districts to increase their abilities to provide enhancement education above the adequate education level. (The maximum benefit to a school district is about \$150 per pupil under current law.) The power equalization program that will be discussed in a later section is another effort from the state to help and reward low property wealth districts to provide enhancement education services to their students.

Since purpose of the income factor is to provide supplemental funding to school districts for education enhancements, the Joint Committee proposal recommends moving the income wealth consideration from Tier I into proposed Tier II funding.

**iv). Income adjusted recognized valuation – charge-off valuation**

There are two steps (see table below) to apply the income factor adjustment to the recognized valuation in the base cost funding formula for a district with a below one income factor.

1. Total adjusted recognized valuation = Total recognized valuation – [\$60,000 x (1 – Income factor) x Formula ADM]
2. Charge-off valuation = Total adjusted recognized valuation (Step 1) x (4/15) + Total recognized valuation x (1 – 4/15)
<b>District A example: Income factor = 0.7092; total recognized valuation = \$579,383,246; ADM = 11,959</b>
Total adjusted recognized valuation = \$579,383,246 – [\$60,000*(1-0.7092)*11,959] = \$370,718,621
Charge-off valuation = \$370,718,621*(4/15) + \$579,648,486*(1-4/15) = \$523,739,346
Charge-off difference = \$579,383,246 x 0.023 - \$523,739,346 x 0.023 = \$1,279,810
Total state aid increase = \$1,279,810
Per pupil state aid increase = \$107.0

It can be seen from the above example that through the income factor adjustment, the formula increases the state base cost funding for District A by \$1,279,810 or \$107.0 per pupil. One should keep in mind that these moneys represents the state funding for the second tier enhancement education for this district and that these moneys are in addition to the foundation level of \$4,490 per pupil in FY 2002.

**e. Charge-off millage rate**

The executive budget does not alter the 23-mill charge-off millage rate in the base cost formula, which has been in place since FY 1997. The statewide average school district operating millage rate (including school district income tax) was 33.4 mills in TY 1999. At the 23-mill charge-off, the base cost formula equalizes about 68.9 percent (23/33.4) of local operating tax levies. Additional millage is equalized through the special and vocational education weight cost funding

Beginning in FY 1994, the charge-off millage rate was increased from 20 mills in FY 1993 to 20.5 mills in FY 1994, 21 mills in FY 1995, 22 mills in FY 1996, and 23 mills in FY 1997. Increasing the charge-off mills improves the overall inter-district equalization since a greater portion of local revenue would be subject to the formula equalization. Several legislative study committees in the early 1990s had recommended phasing the charge-off millage rate into 25 mills to help improve overall equity.

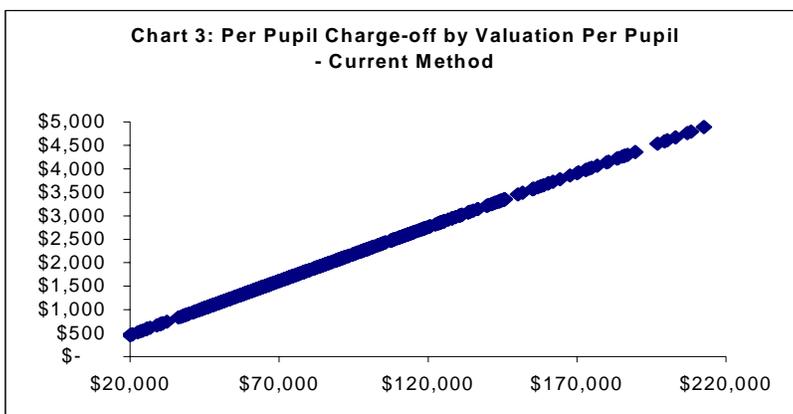
Generally speaking, raising the charge-off millage rate benefits low wealth districts more than simply increasing the formula amount. However, some districts have complained about the increase in the charge-off because of the problem of so-called phantom revenue, as discussed later. While formula phantom revenue was a problem prior to House Bills 650 and 770, the establishment of the charge-off supplement eliminates this problem.

**f. Local share of the base cost funding – Charge-off**

Each district’s local share (charge-off) of the base cost funding is determined as follows:

$$\text{Charge-off} = \text{Income adjusted total recognized valuation} \times 0.023$$

The current charge-off method assumes 23 effective mills against all property adjusted for phasing in the inflationary increase in carryover real property and for income for districts with a below one income factor. In other words, the charge-off is a fixed amount of revenue generated by 23 effective mills for every district regardless of each district’s enrollment. This is a rational and equitable statewide system. The current charge-off method has an upward linear straight line relationship with each district’s valuation per pupil, i.e., higher per pupil valuation, higher per pupil charge-off (see above chart). The method is closely connected to each district’s actual property wealth.



The current charge-off method has an upward linear straight line relationship with each district’s valuation per pupil, i.e., higher per pupil valuation, higher per pupil charge-off (see above chart). The method is closely connected to each district’s actual property wealth.

**g. How does the base cost funding formula work?**

As indicated earlier, the expression of the state base cost funding formula is as follows:

$$\text{Base Cost Funding} = \text{Total Base Cost} - \text{Charge-off}$$

It can be seen from the above expression that the state base cost funding is the difference between a district’s total base cost and its charge-off at 23 mills. In other words, once school districts meet their local share requirements at 23 mills, the state would provide an equalized funding to ensure all students receiving the same base cost funding with the CODBF adjustment from the combination of state and local revenue at 23 mills. Table 16 shows the equalization effect of the base cost formula.

		<b>District A</b>	<b>District B</b>	<b>District C</b>
Line 1	ADM	1,000	1,000	1,000
Line 2	Per Pupil Base Cost (FY 2002)	\$4,490	\$4,490	\$4,490
Line 3	CODBF	1.00	1.00	1.00
Line 4 = L1*L2*L3	Total Base Cost	\$4,490,000	\$4,490,000	\$4,490,000
Line 5	Income Adjusted Recognized Valuation	\$29,282,609	\$97,608,696	\$165,934,783
Line 6 = L5/L1	Valuation Per Pupil	\$29,283	\$97,609	\$165,935
Line 7 = L5*0.023	Total Local Share @ 23 Mills	\$673,500	\$2,245,000	\$3,816,500
Line 8 = L7/L1	Per Pupil Local Share	\$673.5	\$2,245	\$3,816.5
Line 9 = L4-L7	Total State Base Cost Funding	\$3,816,500	\$2,245,000	\$673,500
Line 10 = L9/L1	Per Pupil Base Cost Funding	\$3,816.5	\$2,245.0	\$673.5
Line 11 = L10+L8	Per Pupil State and Local Revenue @23 Mills	\$4,490	\$4,490	\$4,490
Line 12 = L10/L2	State Share %	85%	50%	15%
Line 13 = L8/L2	Local Share %	15%	50%	85%

In the example, Districts A, B, and C each has 1,000 students. Total base cost is therefore the same at \$4,490,000 for each of these three districts assuming a CODBF of one. However, wealth levels are very different among them. Per pupil valuation is \$29,283 for District A, \$97,609 for District B, and \$165,935 for District C. Due to different levels of property wealth, the same 23 mill levies generate \$673.5 per pupil in District A, \$2,245.0 in District B, and \$3,816.5 in District C. However, the formula generates an equalized state base cost funding and requires the state to provide per pupil subsidies of \$3,816.5, \$2,245.0, and \$673.5 to Districts A, B, and C, respectively. With the combination of state and local revenue at 23 mills, all students in these three districts have the same per pupil base cost funding of \$4,490. The base cost formula effectively neutralizes the impact of different wealth levels on school districts' abilities to provide an adequate basic education. To achieve this goal, the state provides 85 percent of the base cost funding for District A, 50 percent for District B, and 15 percent to District C. Conversely, local shares of the base cost funding for Districts A, B, and C are 15 percent, 50 percent, and 85 percent, respectively.

***h. How does formula really work? – The so-called “marginal” student effect***

The above example shows that each district's average per pupil state funding for the base cost is equalized primarily based on the district's property wealth level. On average the state provides \$3,432.3 per pupil to low wealth District A, \$2,019.0 to average wealth District B, and \$605.7 to high wealth District C. However, when adding or subtracting students from the formula, the base cost funding amount changes are not based on the average per pupil funding amount. Instead, most districts would gain or lose the full formula amount with the CODBF adjustment for every student being added into or subtracted from the formula ADM. These students are commonly referred as “marginal” students. A close look at the way the formula determines the state aid amount for District A could illustrate the marginal student effect.

<b>Table 17: The Base Cost Funding Formula – District A Example</b>
Total Local Share @ 23 Mills = \$673,500
Locally Funded ADM = 150 (\$673,500/\$4,490) – The break-even ADM number
State Base Cost Funding @150 ADM = \$4,490 x 150 - \$673,500 = 0
State Base Cost Funding @ 151 ADM = \$4,490 x 151 - \$673,500 = \$4,490
State Base Cost Funding @152 ADM = \$4,490 x 152 - \$673,500 = \$8,980 (\$4,490 x 2)
State Base Cost Funding @1,000 ADM = \$4,490 x 1000 - \$673,500 = \$3,816,500 (\$4,490 x 850)
State Funded ADM (“Marginal Students”) = 1,000 – 150
State Share of the Base Cost Funding Percentage = 85% (850/1,000)
Local Share of the Base Cost Funding Percentage = 15% (150/1,000)

It is clear that in any year the local share is a fixed amount of local revenue generated by 23 mill levies. The formula first looks at how many students can be supported by the local charge-off revenue (or the break-even ADM number). If the number of students for a district is less than the number of students supported by the charge-off local revenue (the district is very wealthy), the district is not eligible for any state aid from the formula calculation alone. For every marginal student above the breakeven ADM number, the formula requires the state to pay the full formula amount with the COBDF adjustment for the district. Conversely, the district would lose the full formula amount with COBDF adjustment when it loses a student above the break-even ADM number.

It can be seen that each district's state share percentage of the base cost funding can also be calculated by comparing the number of state funded marginal students to its total students. *One should keep in mind that the state share percentage is an end result of the formula.* The base cost funding formula does not operate based on each district's state share percentage. Rather, it produces a state share percentage for a given number of students. The district's state share percentage changes when students are added into or subtracted from the formula because of the state base cost funding amount change.

The way the formula really works has several implications. First, the marginal student effect magnifies the impact of changing enrollment on each district's state base cost funding amount. For an average wealth school district, one percent change in enrollment would change its state aid by two percent. Essentially, the formula puts most of the funding pressure from increasing enrollment on the shoulders of the state. On the other hand, using the greater of current year or three-year average formula ADM and other guarantee provisions lessen the marginal student effect on school districts that experience declining enrollments.

Second, while the marginal student effect reflects the way the formula really works and reveals the formula's state budgetary impact, it may not be appropriate for local school districts to identify locally funded students vs. state funded students in terms of making their spending decisions. In this case, average per pupil base cost funding is an appropriate way to look at the formula's equalization effect.

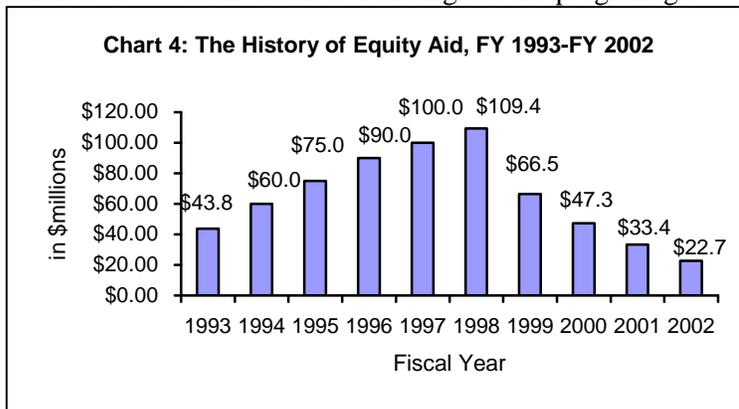
Third, one can use the marginal student effect to estimate the impact of a different enrollment number on a formula district's base cost funding amount for the year. For an individual district, one can multiply the number of net enrollment change by the formula amount with the CODBF adjustment. The method should not be applied to "guarantee" districts and those districts with a wealth level above the formula's equalization level. The statewide impact of increasing enrollment can also be estimated in a similar fashion by using the weighted state average CODBF. The same logic can also be used to estimate the statewide fiscal impact of raising the formula amount. To estimate the additional cost of raising one dollar in the formula amount, one can multiply one dollar by the statewide Formula ADM and by the statewide average CODBF plus the result of multiplying one dollar by total weights for special and vocational students. For FY 2002 this works out to be approximately 2 million for per dollar increase in the base cost formula.

***i. The state share percentage of the base cost funding (excluding guarantee)***

The base cost funding formula produces a state share percentage of the base cost funding for every district. This percentage is then used to determine the state share of special, vocational, and gifted weight cost funding for each district. In FY 2001, the average state share percentage is approximately 48 percent. However, the median state share percentage is approximately 55 percent in the same year. In other words, about 305 school districts receive more than 55 percent of their base cost funding from the state. Approximately 373 (or 61 percent of all districts) school districts have higher than 50 percent for their state share percentage. Meanwhile, the state share percentage is zero for those 24 districts with above the formula equalization wealth levels.

## B. Equity Aid Phase-out

Equity aid was first created in fiscal year 1993 as a mechanism to target more state aid to low wealth school districts. The program was established against the backdrop of the *DeRolph* case. It provides state aid for the second tier enhancement education to low wealth districts. Funding for the program grew by 250.1 percent, from \$43.75 million in FY 1993 to \$109.40 million in FY 1998. The poorest districts in the state received more than \$700 per pupil from the state in that year. The number of districts eligible for equity aid also grew from 218 to 292 lowest wealth districts in FY 1998. The equalization mills remained fairly constant at 13 mills (above 23 mills). But there is no local effort requirement in the program participation. Low wealth school districts that meet the program's valuation threshold are eligible for state aid for the full 13 mill equalization funding regardless whether districts actually levy additional 13 mills or not.



The 122<sup>nd</sup> General Assembly overhauled the school funding system in Ohio. Now there is a clearly defined adequate basic education cost model. The state is committed to bringing every district to the same adequate level. Meanwhile, there are two programs that provide state funding for the second tier enhancements: power equalization and the income factor. The power equalization program provides second tier funding to districts with below the statewide average valuation per pupil. The income factor provides second tier funding for districts with below the statewide average school district median income by adjusting downward these districts' charge-off valuations in the base cost funding formula. The 122<sup>nd</sup> General Assembly began to gradually phase out equity aid in FY 1999. In FY 2002, 117 lowest wealth districts would be qualified for an additional 10 mill enhancement equalization subsidy. There will be no equity aid beginning in FY 2003.

Each eligible district's equity aid amount in FY 2002 is determined as follows:

$$(\text{Threshold valuation per pupil} - \text{District's adjusted valuation per pupil}) \times 10 \text{ Mills} \times \text{Formula ADM}$$

The executive budget provides \$22.7 million in FY 2002 for equity aid. The program's valuation threshold in FY 2002 will be the 118<sup>th</sup> lowest district's adjusted valuation per pupil. The formula uses the prior three years' average valuation and prior year's formula ADM. The three-year average valuation is also adjusted by each district's income factor. The adjustment applies to a uniform per pupil valuation of \$30,000.

## C. Special and Vocational Education Weighting Cost Funding

The 122<sup>nd</sup> General Assembly began to change the previous largely unequalized categorical unit funding to an equalized pupil weighting funding system for special and vocational education. Special and vocational (FTE) students that were previously excluded from a district's base cost funding are now first included in the district's formula ADM to qualify for the state base cost funding. Recognizing the higher costs of these special needs programs, each student who requires special needs service is assigned an appropriate weight. The weight cost funding is equalized based on each district's state share percentage of the base

cost funding. The special education weighting system was established by H.B. 650 of the 122<sup>nd</sup> General Assembly. The vocational education weighting system was established by H.B. 282 of the 123<sup>rd</sup> General Assembly.

***a. Special education weight cost funding***

The following formula is used to determine the state funding amount for each district's special education weight cost:

<p>Special Education Weighting Funding =</p> $\frac{\text{Total special education student weights} \times \text{Formula amount} \times \text{District's state share percentage of the base cost funding}}{\text{Total special education weights} = (\text{Category one students} \times 0.22 + \text{Categories two \& three students} \times 3.01)}$
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The most recent available FY 2001 special education student data are used here to illustrate the formula calculation. Actual payments for FY 2002 and FY 2003 will be based on actual October counts for these two respective years. In FY 2001, there are 132,891 category one students and 31,417 category two and three students. The total weights for these special education students are 123,801 (132,891 x 0.22 + 31,417 x 3.01). Total special education weight cost for these students would be approximately \$556 million (123,801 x \$4,490) in FY 2002. The state share of the weight cost would be approximately \$278 million (\$556 million x 50% - excluding any guarantee moneys). The local share of the weights is also approximately \$278 million.

This example is likely to understate the state's special education weight cost funding obligation because it assumes no growth in the number of special education student from FY 2001 to FY 2002. While the overall enrollment has been declining in recent years, special education students identified grow at an average rate of 3.4 percent per year from FY 1999 to FY 2001. (This could reflect one potential downside of any pupil weighting funding system. It could provide an incentive for districts to identify more weighted students and to increase the severity classification.) State special education weight cost funding grows approximately 12.5 percent per year from FY 1999 to FY 2001. Based on the foundation level recommended by the executive budget, the special education weight cost funding is likely to increase by 9.6 percent per year in the FY 2002-FY 2003 biennium. In FY 2001, the estimated state weight cost funding is approximately \$259 million. By using the estimated annual growth rate of 9.6 percent, state special education weight aid is likely to be approximately \$284 million (\$259 million x 1.096) in FY 2002. The executive budget proposes to reduce each district's local share of special education weight cost by uniform 5 percentage points in FY 2003. This would increase total state funding by approximately 10 percent. Therefore, state special education weight funding is likely to be approximately \$342 (\$284 million x 1.096 x 1.1).

In addition to the weight cost funding, H.B. 282 of the 123<sup>rd</sup> General Assembly established a special education speech supplement to provide more state aid for special education. This provision funds a partial cost of a speech personnel for every 2,000 ADM. The personnel supplement is set at \$30,000 in FY 2001 with a total state funding of approximately \$12.3 million. The state supplement is also equalized based on each district's state share percentage as follows:

<p>Special Education Speech Personnel Supplement =</p> $\text{District's ADM} / 2,000 \times \$30,000 \times \text{District's state share percentage of the base cost funding}$
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The executive budget maintains the same level of the speech personnel supplement (\$30,000) for FY 2002 and FY 2003. In FY 2002 total state funding for speech service is likely to be about the same as the FY 2001 funding level. In FY 2003 total state funding is likely to be approximately \$13.5 million (\$12.3 million x 1.1) due to the reduction of 5 percentage points in local share for every district as recommended by the executive budget.

### ***b. Vocational education weight cost funding***

Just like special education students, vocational education students receive additional funding above the base cost funding. The additional weight is 0.6 for a vocational FTE student enrolled in the workforce development programs and is 0.3 for vocational FTE student enrolled in all other vocational programs. Every vocational FTE student also receives a weight of 0.05 for vocational associated services. The weight funding is also equalized based on each district's state share percentage of the base cost funding as follows:

$\begin{aligned} \text{Vocational Education Weighting Funding} = & \\ & \text{Total vocational education student weights} \times \text{Formula amount} \times \text{District's state share percentage of the base cost funding} \\ & \text{Total vocational education weights} = (\text{Workforce development FTEs} \times 0.6 + \text{Other vocational FTEs} \times 0.3) \\ \\ \text{Associated Service Funding} = & \text{Total Vocational FTEs} \times 0.05 \times \text{District's state share percentage of the base cost funding} \end{aligned}$
--

The most recent available FY 2000 vocational FTE student data are used here to demonstrate the formula calculation. Actual payments for FY 2002 and FY 2003 will be based on the actual October counts for these two years. In FY 2000, there were 16,841 workforce development FTEs and 19,571 other vocational FTEs. Total weights for these vocational education students are 17,797 [16,841 x (0.6+0.05) + 19,571 x (0.3 + 0.05)]. Total vocational weight (including associated service weight) cost for these students is estimated at \$80 million (\$4,490 x 17,797) and the state share of the weight cost is approximately \$40 million (\$73.3 million x 50%) in FY 2002. It should be noted that the funding for associated services would eventually be transferred to lead vocational education planning districts that actually provide these services. The same weights are also applied to joint vocational school students. (see section The JVSD SF-3 Foundation Formula for details.)

In addition to the weight funding, the state provides equalized funding for up to 255 (including both school districts and joint vocational school districts) FTE GRADS teachers. Per GRADS teacher allowance is \$46,260 in FY 2001. It remains unchanged for FY 2002 and FY 2003 under the executive budget. Again, the GRADS teacher grant is equalized based on each district's state share percentage of the base cost funding. Total state funding for this program is about \$7 million in FY 2001. Most of these teachers are located in joint vocational school districts.

### ***c. Gifted Unit funding***

Gifted education continues to be funded by units. Gifted students have historically been included in the base cost funding. Unit funding provides additional aid above the base cost funding for gifted education. Unit funding is largely unequalized and determined based on the following formula:

$\begin{aligned} \text{Gifted Unit Funding} = & \text{Approved Unit Numbers} \times [\text{Salary Allowance} + 15\% \text{ Fringe Benefits} + \text{Classroom Allowance} (\$2,678) \\ & + \text{Supplemental Allowance} (\$5,251)] \end{aligned}$
---

Salary allowance is based on the state minimum teacher salary schedule prescribed by law. The classroom allowance has remained steady for many years. The gifted funding increases have been done by increasing the supplemental unit allowance since FY 1996. Approximately 50 percent of the supplemental allowance is equalized based on the district's state share percentage of the base cost funding. There is no equalization component for units that are distributed to ESCs. Approximately 1/4th of gifted units are currently located in ESCs. The current estimated average amount of unit funding is \$36,744 in FY 2001. The state provides funding for up to 1,000 gifted units.

The executive budget increases gifted unit funding by 5 percent per year. The unit supplemental unit allowance remains unchanged for both FY 2002 and FY 2003. While the average unit reimbursement would largely remain unchanged, more units would be funded. The executive budget increase the maximum number of state funded units from 1,000 to 1,050 in FY 2002 and to 1,100 in FY 2003.

## **D. DPIA**

As mentioned earlier, the DPIA funding is distributed based on each district's DPIA index and includes all-day and every day kindergarten, K-3 class size reduction, safety and remediation measures. Under the executive budget, item DPIA (200-520) receives approximately \$375.1 million in FY 2002 and \$404.5 million in FY 2003, an increase of 0.8 and 7.9 percent, respectively.

### ***a. DPIA index***

To calculate each district's DPIA index, one first calculates each district's ADC/OWF student percentage and the statewide average ADC/OWF student percentage and then compares these two percentages as follows:

<p><b>District's DPIA index = District's ADC/OWF percentage / Statewide ADC/OWF percentage</b></p> <p>Where: District's ADC/OWF percentage = 5-year average ADC/OWF counts / 3-year average formula ADM</p> <p>Statewide ADC/OWF percentage = State 5-year ADC/OWF counts / State 3-year average formula ADM</p>
--

The creation of the DPIA index particularly benefits major urban districts. While almost every district's OWF student count is declining, the declining rates in major urban districts tend to be slower than that for other districts. As a result, major urban districts' DPIA indexes are either increasing or show a little change. Therefore, funding for K-3 class size reduction and all-day kindergarten for major urban districts remain fairly stable.

Based on the current estimate, about 291 school districts have DPIA indexes equal to or greater than 0.35 and qualify to receive DPIA funding in FY 2001. Of these 291 school districts, 113 districts' indexes are between 0.35 and 0.6; 78 districts' indexes are between 0.6 and 1; and the remaining 100 districts' indexes are at least one or above.

***b. All-day and everyday kindergarten funding***

School districts with a DPIA index of at least one or with a three-year average formula ADM of at least 17,500 are eligible for all-day and everyday kindergarten funding. The appropriation generally assumes eligible districts would provide this service to all of their kindergarten students in order to appropriate the maximum amount of funding for the program. However, the actual funding amount is based on each district's percentage of kindergarten students that actually receive this service as follows:

All-day and Everyday kindergarten Funding = Kindergarten ADM x 50% x Formula amount x All-day kindergarten percentage (The other 50 percent of kindergarten ADM are included in formula ADM to qualify for the base cost funding)
---

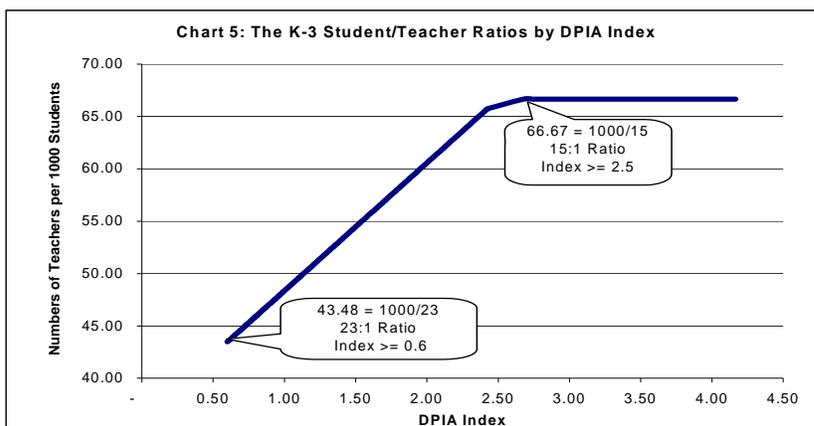
The change in a district's DPIA index from slightly above one to slightly below one or vice versa could have a significant impact on the district's all-day kindergarten funding. The executive budget continues to guarantee school districts that receive all-day kindergarten funding, i.e. districts that were eligible and actually provided all-day kindergarten service, in the previous year, to continue to be eligible for this funding in FY 2002 and FY 2003 regardless of their index numbers.

In FY 2001, approximately \$107.5 million was originally made available for 106 school districts that are eligible for all-day kindergarten funding. Most eligible districts, especially major urban districts, are currently providing all-day kindergarten services (see Table 18). Based on the October student count data, however, the needed appropriation for all 106 eligible districts is about \$96.8 million in FY 2001. Based on the current available data, 99 eligible districts actually provide this service and receive a total funding of \$86.5 million in all-day kindergarten funding in FY 2001. The remaining unused \$10.3 million (or 9.7 percent of total funding) is due to the fact that not all eligible districts actually provide this service and that some districts do not provide this service to all of their kindergarten students (see FY 2001 actual all-day and everyday kindergarten percentages for all 106 eligible districts in Section Additional Facts & Figures).

<b>Table 18: DPIA All-day and Everyday Kindergarten Funding for Major Urban School Districts – FY 2001</b>							
District Name	County	DPIA Index	K-ADM	Funding @100% of All-K	Actual All-K %	Funding @ Actual All-K %	Funding Difference
Cleveland City	Cuyahoga	4.55	5,943	\$12,759,621	100.0%	\$12,759,621	\$0
Columbus City	Franklin	2.31	5,041	\$10,823,027	100.0%	\$10,823,027	\$0
Cincinnati City	Hamilton	2.80	3,683	\$7,907,401	100.0%	\$7,907,401	\$0
Toledo City	Lucas	2.91	3,053	\$6,554,791	100.0%	\$6,554,791	\$0
Akron City	Summit	2.58	2,595	\$5,571,465	100.0%	\$5,571,465	\$0
Dayton City	Montgomery	3.09	1,609	\$3,454,523	97.7%	\$3,375,069	\$79,454
South-Western City	Franklin	0.71	1,461	\$3,134,620	0%	\$0	\$3,134,620
Youngstown City	Mahoning	4.21	1,048	\$2,250,056	100.0%	\$2,250,056	\$0
Canton City	Stark	2.24	1,029	\$2,209,263	100.0%	\$2,209,263	\$0
Sub-total			<b>25,462</b>	<b>\$54.7 million</b>	<b>94.1%</b>	<b>\$51.5 million</b>	<b>\$3.2 million</b>
Total (All 106 eligible districts)	42 counties		<b>42,091</b>	<b>\$96.8 million</b>	<b>10.6%</b>	<b>\$86.5 million</b>	<b>\$10.3 million</b>

**c. K-3 class size reduction**

School districts with a DPIA index of greater than or equal to 0.6 (178 districts in FY 2001) are eligible for funding to reduce K-3 pupil/teacher ratios ranging from 23:1 to 15:1 depending on districts' poverty levels. Districts with a DPIA index greater than or equal to 2.5 would receive funding to reduce ratios to 15:1. Districts with a DPIA index greater than or equal to 0.6 but less than 2.5 would receive funding based on a sliding scale to reduce pupil/teacher ratios ranging from slightly above 15:1 down to 23:1 (see chart). The executive budget increases the salary allowance for hiring a new teacher by 2.8 percent per year, from \$41,312 in FY 2001, to \$42,469 in FY 2002, and to 43,658 in FY 2003. Funding for K-3 class size reduction is approximately \$133.7 million.



The formula assumes that every eligible district currently has a student and teacher ratio of 23:1. Then, the formula identifies how many additional teachers would be needed to reduce an eligible district's ratio down towards 15:1 according to a sliding scale based on their poverty levels and provides funding for districts to hire new teachers. Specifically, the K-3 class size reduction funding amount is determined as follows:

<p>Step 1: Total needed teachers for districts to have pupil/teacher ratios ranging from 15:1 to 23:1</p> <p style="padding-left: 40px;">Total needed teachers = 66.667 x (K-3 regular ADM/1000) – If the district's DPIA index is greater than or equal to 2.5</p> <p style="padding-left: 40px;">Total needed teachers = 43.478 + [(DPIA index – 0.6)/1.9] x 23.188 – if the district's DPIA index is at least 0.6 but less than 2.5</p> <p style="padding-left: 80px;">(Where: 66.667 = 1000/15; 43.478 = 1000/23; 23.1888 = 66.667 – 43.478; 1.9 = 2.5 – 0.6)</p>
<p>Step 2: Total current available teachers = 43.778 x (K-3 regular ADM/1000)</p>
<p>Step 3: Total needed new teachers = Total needed teachers (Step 1) – Total current available teachers (Step 2)</p>
<p>Step 4: Total K-3 class size reduction funding = Total needed new teachers x \$42,469 in FY 2002 (\$43,658 in FY 2003)</p>

**d. Safety and remediation funding**

School districts with a DPIA index greater than or equal to 0.35 (291 districts in FY 2001) are eligible for funding for any safety measures and remediation programs districts elect to implement at approximately \$230 per ADC/OWF student. The calculation formula is as follows:

<p>\$230 x 5-year average ADCOWF student counts – if the district's DPIA index is greater than or equal to 0.35 but less than one</p> <p>\$230 x DPIA index x 5-year average ADC/OWF student counts – if the district's DPIA index is greater than one</p>
--

For example, for a district with an index of two, per ADC/OWF student subsidy amount is \$460 (\$230 x 2). For a district with an index of 3.0, per ADC/OWF student subsidy amount is \$690 (\$230 x 3.0). Funding for safety and remediation measures is approximately \$111.1 million in FY 2001.

***e. The guarantee provision***

As another measure to stabilize the DPIA funding, school districts are guaranteed to receive at least their FY 1998 DPIA funding amounts. That is, total amount of DPIA funding a district will receive from all-day kindergarten, K-3 class size reduction, and safety and remediation measures in FY 2002 is guaranteed to be no less than the district's FY 1998 DPIA funding amount. This is a continuing guarantee provision and it applies to FY 2003 also. In FY 2001, the cost of the guarantee provision is approximately \$6.7 million.

**E. Pupil Transportation**

***a. Multiple regression model***

The transportation reimbursement rate is 55.0 percent of each district's modeled cost in FY 2001 and will increase to 57.5 percent in FY 2002 and fully phases in to the 60 percent target in FY 2003. FY 2001 and FY 2002 actual transportation expenditure data would be used to perform regression analyses for actual payments for FY 2002 and FY 2003, respectively. The most recent available FY 1999 data are used here to simulate the formula effect. Based on the FY 1999 data, the proposed regression model yields a simple algebraic equation that can be used to predict the expected transportation cost per total ADM for each district as follows:

$\text{Cost per Total ADM} = 58.8545 + 151.7230 \cdot \text{Daily Miles per Total ADM} + 115.2380 \cdot \text{Transported Pupil \%}$
--

For example, the modeled cost per ADM would be \$274.2 ( $58.8545 + 151.7230 \times 0.85 + 110.2380 \times 0.75$ ) for a district that transports 75 percent of its students and has an average 0.85 bus mile per ADM per day. Assuming the district has a total ADM of 3,000, total modeled transportation cost is approximately \$822,743 ( $\$274.2 \times 3000$ ). The district would receive about \$473,077 ( $\$822,743 \times 0.575$ ) in state transportation funding in FY 2002.

It should be noted that the regression model only includes funding for two main types of pupil transportation methods: board-owned and operated school buses (type one) and contractor-owned and operated school buses (type two). A small percentage of regular students are transported by four other methods. Payments for types three through six and for special needs transportation continue to be made pursuant to the rules established by the State Board of Education.

***b. Rough road supplement***

In addition to the regression model, a rough road supplement provides additional subsidies to mainly large, rural, low-density districts in counties with high percentages of rough roads as defined by the Department of Transportation.

The rough road percentage data are currently available only on the countywide basis. A district located within the municipal boundary in a rural county often has the majority of good roads in that county and therefore has a much lower rough road percentage than its county average. Fortunately, a district's density (total ADM per square mile) can be used to minimizing the data limitation. Generally speaking, the pupil density for a rural district is much lower than that for an urban district. By using both the rough road percentage and the pupil density variables, the supplement program targets funding to large rural districts that have the highest needs.

Specifically, a maximum rough road subsidy for a district with the highest rough road percentage in the state is \$0.75 per mile. The maximum per rough road mile subsidy amount is scaled down to zero for a district with the statewide average rough road percentage based on each district's county rough road percentage.

Meanwhile, in order to target the rough road subsidies to rural and low-density school districts, a density multiplier factor is also used. The district with the lowest density in the state has a multiplier factor of 100 percent. The maximum factor is scaled down to zero for a district with the statewide average density based on each district's total ADM per square mile. A district's adjusted rough road subsidy amount is determined by multiplying the district's rough road subsidy formula amount by its density multiplier factor. This density factor adjustment ensures that when two districts have the same rough road percentage, the district with a lower density would receive a higher subsidy. The proposed rough road subsidy formulas can be summarized as follows:

Per rough road mile subsidy	= \$0.75 - \$0.75 x	$\frac{(\text{Maximum county rough road \%} - \text{District's rough road \%})}{(\text{Maximum county rough road \%} - \text{State average rough road \%})}$
<b>Total rough road subsidy = Per pupil rough road mile subsidy x Total rough road miles</b>		
Total rough road miles = Total annual miles traveled x Rough road %		
Pupil density multiplier %	= 100% - 100% x	$\frac{(\text{Maximum pupil density} - \text{District's pupil density})}{(\text{Maximum pupil density} - \text{State average pupil density})}$
<b>Adjusted total rough road subsidy = Total rough road subsidy x Pupil density multiplier %</b>		

The FY 2001 rough road subsidy is estimated at \$3.5 million based on current available data. The rough road subsidy for these districts would range from less than \$1 to slight above \$100 per total ADM. Rural local districts in counties like Monroe, Morgan, Noble, Coshocton, Athens, Washington, and Guernsey receive an additional per pupil subsidy of \$40 or more. Switzerland Local (Monroe County) receives the highest per pupil rough road subsidy of slight over \$100. Noble Local (Noble County) receives the second highest rough road subsidy of approximately \$90 per total ADM.

## **F. Teacher Experience and Training Adjustment**

The last two components of the SF-3 funding formula are subsidies for extended service and teacher training and experience adjustment. The extended service program provides partial subsidies for school personnel who are on duty beyond the regular school year. The teacher training and experience adjustment is specified in division (B) of section 3317.023 of the Revised Code. School districts receive additional funding for having teachers who are above the state average teacher education and experience level. The state funding for these two programs are about \$16 million per year.

## **G. SF-3 Funding Formula – The Guarantee and Cap Provisions**

Each district's SF-3 funding amount includes: (1) base cost funding; (2) equity aid; (3) special education weight cost funding; (4) special education speech supplement; (5) vocational education weight cost funding; (6) vocational education GRADS teacher grant; (7) DPIA; (8) transportation funding; (9) gifted unit funding and (10) teacher training and experience adjustment. The so-called **fundamental aid** represents all components of SF-3 funding with the exception of pupil transportation. Stated another way, subtracting pupil transportation subsidy from a district's SF-3 funding is the district's fundamental aid.

***a. FY 1998 fundamental aid guarantee***

It should be noted that the guarantee funding provides subsidies above the formula amounts to school districts. If a district received the guarantee funding, it means that the district receives more state and local revenues than the amount assumed by the first tier foundation formula. Therefore, the guarantee moneys can also be viewed as the second tier enhancement funding

Under current law, each district is guaranteed to at least the same amount of its total FY 1998 fundamental aid amount. The state pays estimated \$57.0 million in fundamental aid guarantee funding in FY 2001. Changes in property value and ADM and prior basic aid guarantee are the main factors that determine a district's "guarantee" status.

***b. The reappraisal guarantee***

The reappraisal guarantee provision continues under the current formula. However, as a result of the recognized valuation provision, the fiscal impact of the reappraisal guarantee has been reduced substantially. The state paid about \$2.0 million in FY 2001 for this provision. For a reappraisal/update district, this provision guarantees a district to receive at least the same amount of SF-3 funding it received in previous year.

***c. The cap provision – the greater of 10% total SF-3 funding or 6% per pupil SF-3 funding***

The executive budget continues the cap provision enacted by the 122<sup>nd</sup> General Assembly in FY 2002. The maximum amount of SF-3 funding each district can receive is capped at the greater of a 12 percent annual increase in total SF-3 funding or a 10 percent annual increase in per pupil SF-3 funding. The 10 percent in per pupil SF-3 funding cap benefits districts experiencing rapid enrollment growth. Essentially, if a capped district's annual enrollment growth is higher than 2 percent, the district would benefit from the alternative per pupil SF-3 funding cap. In FY 2001, the capped amount is about \$47 million based on the current estimate. (The capped amount for joint vocational school districts is about \$4 million in FY 2001 based on the current estimate. This would bring total capped amount statewide to about \$51 million.)

**H. Charge-off Supplement – The first tier supplement**

The charge-off supplement (or gap aid) program established by Am. Sub. H.B. 650 of the 122<sup>nd</sup> General Assembly intends to ensure all school districts would receive the full amount of state and local revenues assumed by the foundation program. If local revenues are missing, the program fills the gap with this special state aid. Therefore, gap aid is an essential part of the SF-3 foundation formula to ensure the funding for adequacy for every district.

The base cost funding formula equalizes the same base cost funding with the CODBF adjustment for every student at 23 mills. That is, the formula charges each district with a share of raising the equivalent of 23 effective mills of property taxes against all classes of property – real and tangible. School district income tax levies are also included in calculating local revenues. However, the district may not actually collect the equivalent of 23 effective mills of property taxes, either due to the H.B. 920 tax reduction factor or because the district actually levies less than 23 mills. Therefore, the local share assumed by the base cost funding formula may exceed the amounts of total local operating revenues the district actually raises.

Gap aid pays a school district the difference between its local share assumed by the foundation formula and the amount the district actually collected in taxes, including property taxes and income taxes for current operating expenses and the prior year's power equalization subsidy from the state. The local share includes both the 23 mill charge-off in the base cost funding formula and the local share of special and vocational education weight cost funding. However, very wealthy districts that are above the equalization level and have zero percentage of state share for the base cost funding do not qualify for this subsidy. Although these districts may have less than the equivalent of 23 mill levies, their local revenues already exceed the local share amount assumed by the foundation formula.

As indicated before, as under current law, the executive budget does not include pupil transportation in the gap aid calculations. In FY 2001, about 56 school districts receive an estimated \$12.5 million in gap aid.<sup>9</sup> The formula used to calculate this subsidy is as follows:

Charge-off Supplement =
+ Local share of the base cost funding (charge-off)
+ Local share of special education weight cost funding
+ Local share of vocational education weight cost funding
- Total local operating revenues (including school district income tax)
- Prior year's power equalization subsidy

## I. Power Equalization – The second tier enhancement

The foundation SF-3 formula and gap aid neutralize the impact of different levels of property wealth on school districts' abilities to purchase necessary educational resources to provide an adequate education across the state. The power equalization program intends to provide an incentive for school districts to pass additional levies and reward low wealth districts for their efforts to support education beyond the basic foundation program level. Levies in Class I (residential and agricultural) property and personal income tax are widely viewed as indicators of "tax effort." Tax effort is measured by taxes paid, not by voted levies. As mentioned earlier, the income factor adjustment is another program that provides additional state aid to low income wealth districts for the second tier enhancement.

The power equalization program equalizes up to the statewide weighted average valuation per pupil level for up to two eligible mills of Class I property taxes and school district income taxes that are above 23 mills. That is, these two enhancement mills are guaranteed to generate the state average property revenue per pupil at the combination of state and local revenue. The equalization per pupil amount is estimated at approximately \$240 in FY 2002, and \$250 in FY 2003.

The program will be fully phase in with a subsidy reimbursement rate of 100% beginning in FY 2002. A district's total assessed valuation and formula ADM for a given fiscal year are used in the subsidy calculation. The expression of the formula is as follows:

Power Equalization =
(Statewide Average Valuation Per Pupil – District's Valuation Per Pupil) X Eligible Mills x Formula ADM x Reimbursement Rate

<sup>9</sup> This includes about \$4.7 million for newly established Monroe Local SD (Butler County). The district currently receives almost all of its foundation model cost from the state through gap aid because of data limitations.

Due to HB 920, without additional new levies a school district's overall effective rate could decrease as a result of reappraisal or update. This could affect the district's eligibility for this subsidy and it could also affect the amount of subsidy the district would receive under the program. This weakness has sometimes also been portrayed as phantom revenue.

## J. JVSD Foundation SF-3 Formula

There are three types of vocational education planning districts: joint vocational education planning districts, independent (mainly those big urban districts) or contract vocational education planning districts, and compact vocational education planning districts. Currently, there are 49 joint vocational school districts (JVSD) serving approximately 35,000 students. They have a total of 495 associate districts. Most of them tend to be small. JVSD has its own taxing authority. Levies need to be approved by taxpayers in all associate districts and the same JVSD millage rate applies to all associate districts within a JVSD. JVSD's effective millage rates in Class I and Class II real property are prevented from dropping below two mills by H.B. 920.

A parallel foundation SF-3 funding formula has been used to fund 49 joint vocational school districts. The JVSD SF-3 funding also includes the base cost funding, vocational education weight cost funding, vocational GRADS teacher grant, special education weight cost funding, and special education speech supplement. Each JVSD is guaranteed to receive at least the same amount of total funding it received in FY 1999. Under the executive proposal, in FY 2002 each JVSD's SF-3 funding amount is also subject to the same cap provision – the greater of a 12 percent annual increase in total SF-3 funding cap or a 10 percent annual increase in per pupil SF-3 funding cap.

All students attending a JVSD are first funded through the equalized base cost funding formula. The charge-off millage rate is set at 0.5 mills. COBDF for each JVSD is based on the county where JVSD is located. The JVSD base cost funding formula is expressed as follows:

$$\text{JVS Base Cost Funding} = \text{Formula Amount} \times \text{COBDF} \times \text{JVSD ADM} - \text{Income Adjusted Total Recognized Valuation} \times 0.065$$

Note: Income adjusted total recognized valuation for a JVSD is the sum of income adjusted total recognized valuations for all of its associate districts.

Based on the current estimate, the state share percentage of the base cost funding for JVSDs ranges from zero to 90 percent with a statewide average of approximately 67 percent in FY 2001. Specifically, 42 districts receive more than 50 percent of their base cost funding from the state; six districts have state share percentages ranging from 8 to 47 percent; and the other one is above the formula's equalization level and has a zero state share percentage.

In addition to the base cost funding, JVSD students also receive additional funding for special and vocational education. The same weights applied to students in the 611 school districts are also applied to students enrolled in JVSDs. Each JVSD's state share percentage of the base cost funding is also used to equalize the state funding for special and vocational education weight cost funding, special education speech service supplement, and vocational GRADS teacher grants.

Based on the current available data, the SF-3 funding for 49 JVSDs is approximately \$174 million. Specifically, it includes \$108 million in base cost funding, \$9 million in special education additional (including both weight and speech service) funding, \$51 million in vocational education additional (including both weight and GRADS teacher) funding, and \$9 million in guarantee funding. About \$4 million of SF-3 funding is subject to the cap in FY 2001. About 14 JVSDs are on the guarantee in 2001. This is primarily due to the fact that many JVSDs received substantial funding increases in FY 1999 and JVSDs are now guaranteed to receive at least the same amounts of total state aid they received in FY

1999. FY 1999 was the last year in which JVSDs were funded by units. Many additional units were approved and funded for JVSDs.

It should be noted that funding estimates cited above are based on the FY 2000 JVSD ADM count. The actual payment for FY 2001 will be based on FY 2001 October ADM count. Therefore, these funding amounts would change when actual FY 2001 ADM count data are used.

## **VI. PHANTOM REVENUE**

### **A. Types of Phantom Revenue**

*DeRolph II* cited the existence of three types of phantom revenues. “Type III” phantom revenue is referring to the previous application of the income factor to adjust valuation upward in the formula for districts with an income factor above one. This adjustment was completely eliminated by the 122<sup>nd</sup> General Assembly and this policy will remained unchanged under both the executive proposal and the Joint Committee recommendation.

“Type I” or formula phantom revenue is referring to the difference between the formula local share and the amount of revenues a district actually collects. The origin of Type I phantom revenue is the interaction of the current charge-off method and the H.B. 920 tax policy against the backdrop of the existence of unequal charge-off and H.B. 920 floor guarantee millage rates. School districts are required to levy at least 20 mills (qualifying millage rate) to qualify for receiving the foundation payments from the state. Before FY 1994, the first year in which the charge-off was increased, the charge-off, qualifying, and H.B. 920 floor guarantee millage rates were the same at 20 mills. There existed no formula phantom revenue problem. This problem arises when the charge-off millage rate is not equal to the H.B. 920 floor guarantee rate. However, with the establishment of gap aid, Type I phantom revenue has been largely eliminated again under the executive proposal. (The local share of the transportation model cost is not included in gap aid calculations under current law or the executive budget.) Under the Joint Committee recommendation, Type I phantom revenue will be completely eliminated again because transportation is included under gap aid

“Type II” phantom revenue is referring to reappraisal phantom revenue as a result of HB 920. Neither the executive budget nor the Joint Committee proposal completely addresses reappraisal phantom revenue. However, there appears to be no fair and rational proposal to completely address reappraisal phantom revenue within the education formula. HB 920 is a complex tax policy designed to protect homeowners from rapid increases in property taxes following a reappraisal or an update. It affects not only just school districts but also other local government entities and all individual taxpayers of the state. Meanwhile, reappraisal phantom revenue does not have an impact on Tier I funding for an adequate education. The recognized valuation provision and the Joint Committee’s proposed Tier II funding partially address the impact of HB 920 on school districts’ local enhancement revenues Due to the complexity of HB 920, the debate on the HB 920 impact should occur in the context of the state’s overall tax policy.

## **B. HB 920 and Reappraisal Phantom Revenue**

### ***a. What is H.B. 920?***

As a tax policy, HB 920 restrains the revenue growth in existing (carryover) real property, resulting in so-called reappraisal phantom revenue. Limiting the tax revenue growth in real property has been a constant in Ohio. In 1976, H.B. 920 replaced the previous millage rollback system that had existed since World War I. (The millage rollback system restrained the revenue growth in all property and benefited tangible property too.)

While H.B. 920 started out as a law (hence the name), it is now firmly placed in the Ohio Constitution as Article XII Section 2a. There are other provisions on property tax in Article XII Section 2 and elsewhere. These provisions form a complex web of provisions which limit significant changes to property tax law. Discussion of these many provisions is beyond the scope of this report. Suffice it to say that the main ways to blunt the effects of H.B. 920 all involve complex constitutional issues. The main ways include increasing the number of “inside” mills and increasing the 20 mill floor for H.B. 920. While it is clear that the legislature can increase the H.B. 920 floor, the mechanism of how this can be accomplished without significant and immediate property tax increases is not clear. Increasing the number of inside mills is arguably constitutional but any law attempting to do so will undoubtedly be reviewed by the Supreme Court before it is implemented. This makes possible policy changes uncertain and the timing for the change unknown. Given the revenue involved, certainly no change could be made that would jeopardize the current flow of property tax revenue.

It should be noted that not all property tax levies are subject to the H.B. 920 reduction factor. Emergency and debt service levies produce a fixed dollar amount while levies on new construction and tangible personal property grow when valuation increases. Revenue from inside mills, which are on average about 5 mills for school districts, also grows when valuation increases. Meanwhile, H.B. 920 also prevents the Class I effective rate and Class II effective rate from dropping below 20 mills, i.e., the so-called H.B. 920 floor guarantee. School districts that are at the Class I floor and/or Class II floor benefit from the full tax growth along with the growth in real property value. In TY 1999, there are just over 250 districts at the “floor” for Class I, Class II, or both. (Many of these districts also have a school district income tax or emergency mills so their operating mills are actually well above 20 mills.) Contrary to the picture given of no property tax growth, these measures allow typical annual growth of nearly 3% without new levies.

### ***b. What is the fundamental policy impact of HB 920 on education?***

It is LSC’s view that it is likely that property tax revenue would be much the same today without H.B. 920 or another tax limiting mechanism over the last 20 years. However, the path traveled to reach today’s point would have been much different. There would have been far fewer levy votes and perhaps a different distribution of revenue. LSC’s analysis indicates that property tax revenue grew by 7.06 percent per year over the last 20 years (1975-1995). The growth has matched the personal income growth (7.03 percent per year) during the same period. While this would be a fairly realistic outcome without any property tax limitation, some claim that property tax revenue would be much higher without H.B. 920 – as high as current gross millage rates. Assuming the same gross millage rates, total property taxes paid by Ohioans would have risen from \$5.60 billion to \$8.08 billion in 1995 (excluding the rollbacks) if not for H.B. 920. For this to happen, property tax revenue growth would have had to exceed personal income growth by 2.01 percent every year on an annual basis since 1975. This is clearly not a realistic assumption.

The fundamental policy impact of HB 920 on education is the role of school district superintendents, principals, and some other administrators. HB 920 requires superintendents, school board members, and some other school administrators to lead levy campaigns more frequently than would a system with no limitation on the growth of local property taxes. (Most districts at the 20-mill floor also have many levy campaigns because the emergency levies that many districts use have a maximum length of five years.) Should these school officials' primary role be educators or leaders of levy campaigns? But the other side of the coin is whether there would be sufficient communications between school districts and taxpayers without the recurring levy campaigns caused by H.B. 920. As a public policy making body, the General Assembly may wish to debate on the issue in the context of the state's overall tax policy.

***c. What is the fiscal impact of HB 920?***

The fiscal impact of HB 920 has been that a school district often has to shift local enhancement revenue that was over and above the local share of Tier I model cost funding before reappraisal/update to meet the local share requirement after reappraisal/update, resulting in so-called reappraisal phantom revenue. This is due to the fact that the revenue growth from carryover real property as a result of reappraisal/update is limited by H.B. 920. However, the 23-mill charge-off formula assumes the full revenue growth in carryover real property (or recognized value) over a brief three year phase-in period. There is no phantom revenue in the first 23 effective mills. But H.B. 920 often forces a school district to pass additional levies to make up the local enhancement revenue that was shifted to meet its local share of foundation model cost due to reappraisal/update. Said differently, H.B. 920 decreases the effective millage rate of the district. To keep the same effective millage rate (and thus the same enhancement revenue), the district must pass additional mills.

Reappraisal phantom revenue is a result of any system that limits the tax revenue growth in real property relative to valuation growth. As long as there is a tax revenue growth limitation mechanism, school districts will have to pass additional levies to keep previously available local enhancement revenue dollars growing with inflation. Reappraisal phantom revenue may have become more apparent under H.B. 920 due to the existence of two tax (voted millage and effective millage) rates and the property tax credit system. Under the previous millage rollback system, there was only one effective rate and this rate was adjusted downward in the reappraisal year. However, in order to maintain the same amount of local enhancement revenue, under the old system school districts also needed to pass additional levies.

One positive benefit to H.B. 920's effects on enhancement revenue is that the general effect appears to be somewhat equalizing on wealthy school districts. School districts that have higher HB 920 tax credits tend to have high millage rates, high real property value growth, and high proportion of real property (especially Class I real property). Districts with lower HB 920 tax credits tend to have low real property value, low growth in real property value, and school districts income taxes. These characteristics indicate that HB 920 tends to pull down the tax rates in wealthy districts more than poor districts. Without HB 920, tax rates and revenues in wealthy districts might be even higher than they currently are today.

***d. Provisions that soften the impact of HB 920 on local enhancement revenue***

The recognized valuation provision adopted by the 122<sup>nd</sup> General Assembly lowers the base cost funding charge-off by approximately \$75 million per year. The provision phases in the valuation growth due to reappraisal/up date over a three-year period in the base cost funding formula. Compared with the previous charge-off method that utilized total assessed valuation, the recognized valuation provision somewhat softens the impact of reappraisal phantom revenue on local enhancement revenues. The following is an example that shows how recognized valuation lessens the problem in fictitious District A.

<b>Table 19: Phantom Revenue Example – District A</b>			
	FY 2000	FY 2001 (Total Assessed Valuation - Old Method)	FY 2001 (Total Recognized Valuation – Current Method)
Tax Rate = 32 mills (5 inside mills + 27); Students = 1,000; CODBF = 1			
Formula Amount	\$4,052	\$4,294	\$4,294
Base Cost	\$4,052,000	\$4,294,000	\$4,294,000
Valuation	\$80,000,000	\$92,000,000 (\$12,000,000 - 15% reappraisal increase)	\$84,000,000 (\$4,000,000 – phase in or “recognized” 5% reappraisal increase)
Total Local Revenue	\$2,560,000 [\$2,160,000 (\$80,000,000 x 0.027) + \$400,000 (\$80,000,000 x 0.005)]	\$2,620,000 – 5 Inside mill growth [\$2,160,000 + \$460,000 (\$92,000,000 x 0.005)]	\$2,620,000 – 5 Inside mill growth [\$2,160,000 + \$460,000 (\$92,000,000 x 0.005)]
Local Revenue Annual Increase	N/A	2.3%	2.3%
Charge-off	\$1,840,000 (\$80,000,000 x 0.023)	\$2,116,000 (\$92,000,000 x 0.023)	\$1,932,000 (\$84,000,000 x 0.023)
Charge-off Annual Increase	N/A	15%	5%
Charge-off Revenue %	72%	81%	74%
Enhancement Local Revenue	\$720,000	\$504,000	\$688,000
Enhancement Local Revenue %	28%	19%	26%
<i>Growth from new construction and/or new levies is excluded in the example.</i>			

In the example, District A has a reappraisal in FY 2001 and its carryover property value increases 15 percent from FY 2000. It can be seen from the example that 28 percent of the district’s local revenue was available for second tier enhancement in FY 2000. This percentage would have decreased to 19 percent in FY 2001 due to the reappraisal if the full 15 percent growth of carryover property value were used in the formula as before. Since the recognized valuation only phases in a 5 percent growth in carryover value in the reappraisal year, 26 percent of local revenue is available for enhancements. It should also be noted that school districts do get the full revenue growth from new construction and new levies. While the recognized valuation does not completely address the phantom revenue problem, it somewhat lessens the HB 920 impact.

*Joint Committee Recommendations.* Under the Joint Committee proposal, expanded gap aid and Tier II would also soften the impact of HB 920 on local enhancement revenues. Proposed Tier IA fills any missing local share (including the base cost, special education, vocational education, and pupil transportation) of the model cost of the adequate education. It effectively eliminates any formula phantom revenue either due to the HB 920 tax reduction factor or due to a district’s failure to levy sufficient levies

to meet the assigned local share. Therefore, HB 920 has no impact on school districts' abilities to provide an adequate education.

Proposed Tier II funding provides school districts funding for education beyond adequacy. It will buffer the HB 920 impact on local enhancement revenues for school districts in general. Tier II funding is equalized based on each district's capacity ratio. It will particularly lessen the HB 920 impact on low property and/or low income wealth districts' abilities to enhance education beyond adequacy. As mentioned before, Tier II funding does not require local "effort." A school district's overall effective tax rate may decrease as a result of reappraisal/update, but the district will continue to be eligible for proposed Tier II enhancement funding based on its capacity ratio. Also, each district's capacity ratio is a weighted average of income (1/3) wealth and property wealth (2/3). The reappraisal/update effect has lesser impact on this averaging ratio than it does on a capacity ratio based solely on property wealth.

### **C. Proposals to "Solve" Reappraisal Phantom Revenue**

Proposals to "solve" reappraisal phantom revenue tend to be costly since HB 920 tax credits for school districts could amount to \$2.8 billion per year. *However, this number is an artifact of the tax credit method and should not be treated as a meaningful, realistic number. With no limitation on the tax payment growth, many levies would not have been adopted.* School taxes on real property were about \$4.4 billion in tax year 1997. Assuming the gross millage rate, school district real property taxes would have increased by an additional \$2.8 billion (or a 60 percent increase) in TY 1997 if not for HB 920. There is no rational way to determine HB 920 property tax credits for each district. It is almost impossible to "reimburse" for their tax losses. HB 920 property tax credits were not designed with reimbursement in mind. If the state had reimbursed for the property tax credits, these credits would be much higher than they are today due to different school district behavior over the last 25 years. For example, many more continuing levies would have been used, levies would not have been allowed to expire or be replaced, and emergency levies and school district income taxes would not be used.

#### ***a. Reducing the charge-off from 23 mills to 20 mills***

One proposal to "solve" reappraisal phantom revenue is to reduce the charge-off from 23 mills to 20 mills. This proposal in fact does not completely eliminate reappraisal phantom revenue. What it does is to eliminate formula or Type III phantom revenue as noted in *DeRolph II*. Gap aid also eliminates formula phantom revenue. However, the cost of reducing the charge-off from 23 mills to 20 mills is estimated at approximately \$542 million compared with about \$30-40 million in gap aid to completely eliminate formula phantom revenue in FY 2001.

More importantly, reducing the charge-off would shift a significant amount of the base cost funding from local school districts to the state. State aid for every district would increase if the charge-off were reduced from 23 mills to 20 mills. However, per pupil benefit for a high wealth districts would be higher than that for a low wealth district. This is due to the fact that the per pupil charge-off under current method for a high wealth district is greater than that for a low wealth district. The charge-off method is directly proportional to property wealth. Having a higher charge-off millage rate helps improve the system's overall equity because a higher percentage of total effective mills are equalized. Table 20 shows per pupil benefits for districts with different levels of property value. It is quite clear high wealth districts would benefit more than low wealth districts do from this proposal.

Valuation Per Pupil	Per Pupil Charge-off @ 23 Mills	Per Pupil Charge-off @ 20 Mills	Per Pupil State Aid Increase
\$25,000	\$575	\$500	\$75
\$50,000	\$1,150	\$1,000	\$150
\$75,000	\$1,725	\$1,500	\$225
\$100,000	\$2,300	\$2,000	\$300
\$150,000	\$3,450	\$3,000	\$450
\$175,000	\$4,025	\$3,500	\$525

**b. “Actual” revenue proposal**

Proposals to “solve” reappraisal phantom revenue also tend to have a strong potential to exacerbate any existing inequity between school districts and often raise difficult issues of horizontal equity. School districts with equal tax effort or wealth would be treated unequally under the so-called actual revenue proposal recommended by a few school officials. This proposal would substitute actual revenue per mill for valuation in the base cost funding formula. In general, a property tax amount is calculated based on the following formula:

$$Tax = Valuation \times Mills$$

So,

$$Valuation = Tax / Mills$$

Therefore, *valuation is measured as revenue per mill*. The actual revenue proposal is no different from the current formula if the millage used in the proposal is effective mills. A districts’ local share under the current base cost funding formula is the amount of revenue generated by the 23 effective mills. (With gap aid, the formula ensures all school districts have local share assumed by the formula in the base cost, as well as special and vocational education weight costs.) The actual revenue proposal, however, uses *voted* mills to calculate a district’s local share. In other words, a district’s local share under the actual revenue proposal is the calculated amount of revenue generated by the 23 voted mills.

In almost all cases, voted mills are greater than effective mills. Using revenue per voted mill instead of revenue per effective mill will generally cause formula wealth to decline. In a few cases voted mills and effective mills are the same. The effective mill range is approximately 40 percent to 100 percent of voted mills.

Let's look at the following three hypothesized district examples. The effective tax rate and actual valuation per pupil are the same for all three districts at 32 mills and \$80,000 per pupil, respectively. However, the first district's effective mills equal 50 percent of its voted mills (64 mills). The second district has effective mills equal to 80 percent of its voted mills (40 mills). The third district's effective mills and voted mills are the same.

<b>Table 21: Examples of "Actual" Revenue Proposal</b>						
District	Effective Mill	Voted Mills	Effective Mills as a % of Voted Mills	Actual Value (Current Formula)	Recalculated Formula Value (Proposal)	Base Cost Funding Change
1	32	64	50%	\$80,000	\$40,000 (\$80,000 x 50%)	\$920 (((\$80,000 - \$40,000) x 0.023)
2	32	40	80%	\$80,000	\$64,000 (\$80,000 x 80%)	\$368 (((\$80,000 - \$60,000) x 0.023)
3	32	32	100%	\$80,000	\$80,000 \$80,000 x 100%)	\$0 (((\$80,000 - \$40,000) x 0.023)

Under the actual revenue proposal, districts 1 and 2 become "poorer" in the eyes of the formula and their state aid increases by substantial amounts. Since the first district has the highest relative voted mills, it has the lowest "wealth" in this new formula and increases its base cost funding by \$920 per pupil. The second district increases its state aid by \$368 per pupil and state aid for the third district remains unchanged. Under the current formula, these three districts are equally wealthy and receive the same amount of the state base cost funding at \$2,454 [ $\$4,294 - (\$80,000 \times 0.023)$ ]. Under the actual revenue proposal, their "wealth" is very different and so is their state aid. It is very difficult to say what justification might exist to alter the true wealth of districts in such a significant fashion.

If the starting wealth figure for each district in Table 21 is doubled to \$160,000 per pupil, then the resulting benefit per pupil is also doubled. (District 1 would have a benefit of \$1,940 per pupil and District 2 would have a benefit of \$736 per pupil.) As these high per pupil benefit levels indicate, this proposal is particularly favorable to districts at substantial wealth levels. As another example, the per pupil benefit levels for a \$40,000 valuation per pupil district would be half the level given in Table 21. In fact, for a given percentage of effective mills as a percent of voted mills, e.g., 50 percent, per pupil benefit for a school district is directly proportional to the district's valuation per pupil.

LSC estimates that the actual revenue proposal would increase state formula aid by approximately \$1.2 billion with the same base cost formula amount of \$4,294 in fiscal year 2001. The proposal generally benefits medium and high wealth districts much more than it does low wealth districts. State aid for the vast majority of school districts would increase under the actual revenue proposal. But the results would be very uneven because districts of roughly the same wealth have very different percentages of effective mills compared to voted mills and thus state aid increases would vary by well over \$1,000 per pupil. In addition, a few guarantee districts' state aid would remain unchanged. In a few cases where a district's effective mills are close to its voted mills, state aid would actually decrease. All districts that would experience a decrease in state aid have less than \$100,000 in valuation per pupil.

**The underpinning problem in the actual revenue proposal is that there is no rational relationship between a district's voted mills and effective mills. The voted millage rate is not a true measurement of a district's wealth. Nor is it a true measurement of a district's tax effort. Rather, it is a part of the result of levy type choices each individual district has made over the last twenty five years.** The difference between voted mills and effective mills for districts choosing the continuing operating expense levy more often generally tends to be greater than that for districts relying more heavily on emergency levy (and/or school district income taxes in recent years).

## ADDITIONAL FACTS AND FIGURES

### A. Staffing Levels

Department of Education Staffing Levels				
Fund Group	1998	1999	2000	2001
GRF Operating	147	158	143	160
GRF Special Purpose	90	104	112	140
GSF/SSR	89	105	115	120
Federal	181	164	162	180
<b>Totals</b>	<b>507</b>	<b>531</b>	<b>532</b>	<b>600</b>

- The average level of staffing for the department is 542.5 FTEs from FY 1998 to FY 2001. The employees listed under GRF Operating are funded by line item 200-100, Personal Services. The employees listed under GRF Special Purpose are funded by GRF appropriations from 400's line items. The number of GRF-funded employees increases by 30.8 percent from 237 FTEs in FY 1998 to 200 FTEs in FY 2001. Under the executive budget, the department will gain more than 30 new GRF-funded employees for developing model curriculums and new achievement tests.
- During the same period, the number of employees funded by General Service Fund (GSF) and State Special Revenue Fund (SSR) increases by 34.8 percent from 89 employees in FY 1998 to 120 employees in FY 2001.
- The number of federally-funded employees decreased by 10.5 percent from FY 1998 to FY 2000; however, the number is expected to bounce back to the FY 1998 level in FY 2001 in anticipation of the need for administering a new federal school renovation program.

### B. Public and Nonpublic Enrollments, FY 1997-FY 2001

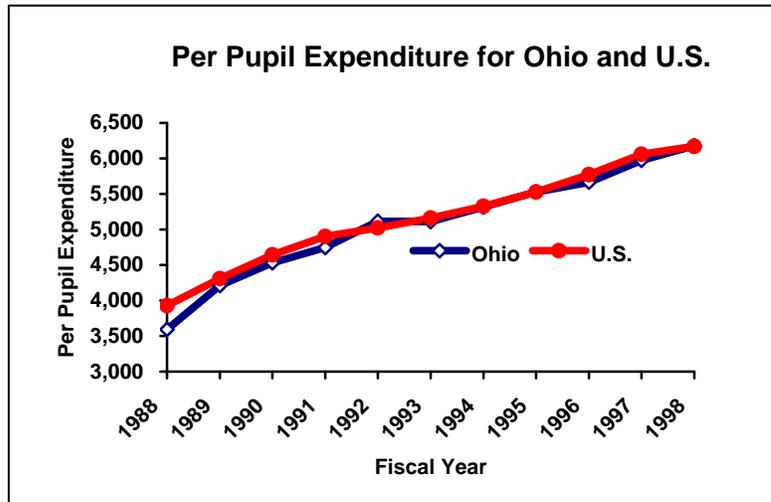
Fiscal Year	1997	1998	1999	2000	2001
Number of Public Students	1,844,611	1,846,564	1,841,617	1,821,064	1,810,514
Annual % Change	N/A	0.1%	-0.3%	-1.1%	-0.6%
Number of Nonpublic Students	238,276	243,688	243,220	242,720	241,908
Annual % Change	N/A	2.3%	-0.2%	-0.2%	-0.3%
<b>Total Students</b>	<b>2,082,887</b>	<b>2,090,252</b>	<b>2,084,837</b>	<b>2,063,784</b>	<b>2,052,422</b>

- The growth in public and nonpublic school enrollments in the 1990s reached its peak in FY 1998 and both public and nonpublic enrollments have decreased consistently since then. However, on average nonpublic enrollment declined at a slower annual rate, 0.2 percent compared with 0.7 percent for public enrollment.

- Public enrollment data include students attending public community schools and the Cleveland voucher program students are included in the nonpublic enrollment counts. Community school enrollment represents nearly 1 percent of total public school enrollment in FY 2001.
- In FY 2001, nonpublic school student enrollment represented approximately 11.8 percent of total public and nonpublic students in Ohio.

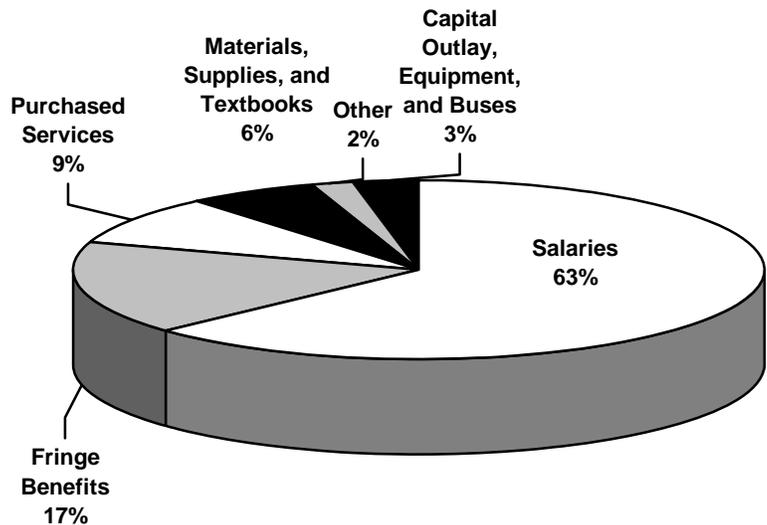
### C. Ohio's Per Pupil Spending Increasing Along With National Average

- 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, and changed to slightly above the national average in FY 1998.
- Ohio's per pupil expenditure ranking in the nation accordingly changed from 30<sup>th</sup> in FY 1988 to 18<sup>th</sup> in FY 1992, to 23<sup>rd</sup> 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.



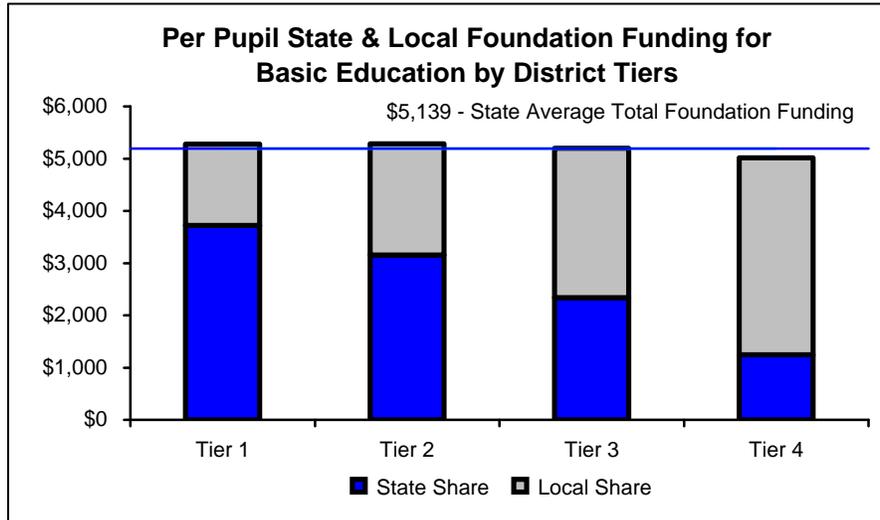
### D. A Typical School's Budget – 80 percent is spent on Salaries and Fringe Benefits

- 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 amounts to 17 percent of the cost of salaries.
- Under Sub. H.B. 412 of the 122<sup>nd</sup> 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 123<sup>rd</sup> General Assembly.

### E. Equalized State Aid Neutralizes the Effect of School Districts' Wealth in Providing Adequate Basic Education

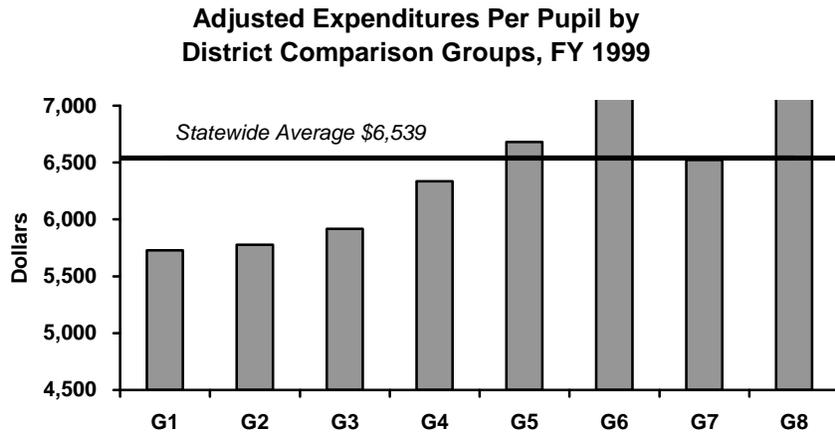


FY 1999 (estimate)	Adjusted Recognized Valuation Per Pupil	Per Pupil State Foundation Funding	Per Pupil Local Foundation Funding
Tier 1	\$57,526	\$3,847	\$1,431
Tier 2	80,410	3,324	1,956
Tier 3	109,156	2,569	2,628
Tier 4	161,997	1,550	3,466
<b>Average</b>	<b>\$102,090</b>	<b>2,826</b>	<b>2,367</b>

- 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 five tiers and each tier includes approximately 25 percent of total statewide ADM. Funding amounts are then calculated under the state 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%, 63%, 49%, and 31%, respectively. The average state share is about 54%. Equalized state aid has ensured the same basic education funding for every district regardless of the district's 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.

## F. Per Pupil Operating Expenditure varies Across Ohio

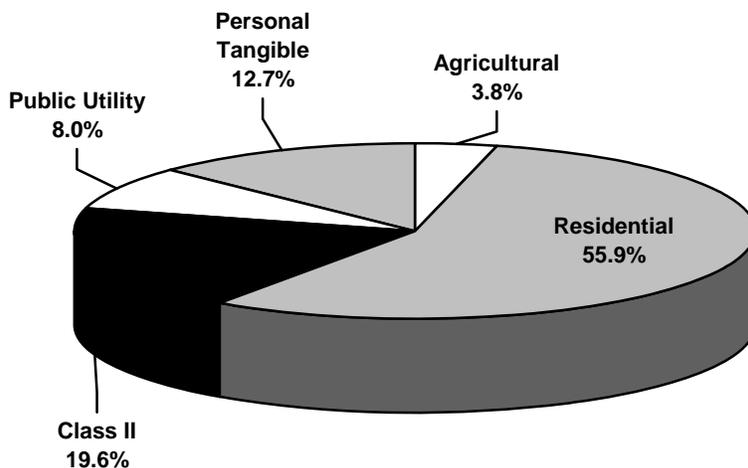


	Description	ADM % FY99	No. of Districts
G1 - Rural	Very low Socio-economic Status (SES), very high poverty	7.0	78
G2 - Small Rural	Low SES, low poverty	10.8	157
G3 - Rural Town	Average SES, average poverty	13.5	123
G4 - Urban	Low SES, high poverty	9.3	67
G5 - Large Urban	Average SES, high poverty	11.1	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

- 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.
- Systematic differences in the cost of doing business, which is reflected through salary and fringe benefit cost, accounts for some of the variation among the eight groups of districts. Districts in groups G1, G2, and G3 have lower than average cost of doing business while districts in groups G5, G6, G7, and G8 have higher than average cost of doing business.

## G. A Typical School District's Property Value Composition

➤ Class I (residential and agricultural) property value is the largest component of a typical school district's total property value, representing approximately 59.7 percent of a typical district's total property value.



➤ The property value compositions for individual districts vary significantly across Ohio school districts. The minimum and maximum percentages for the following four types of property are:

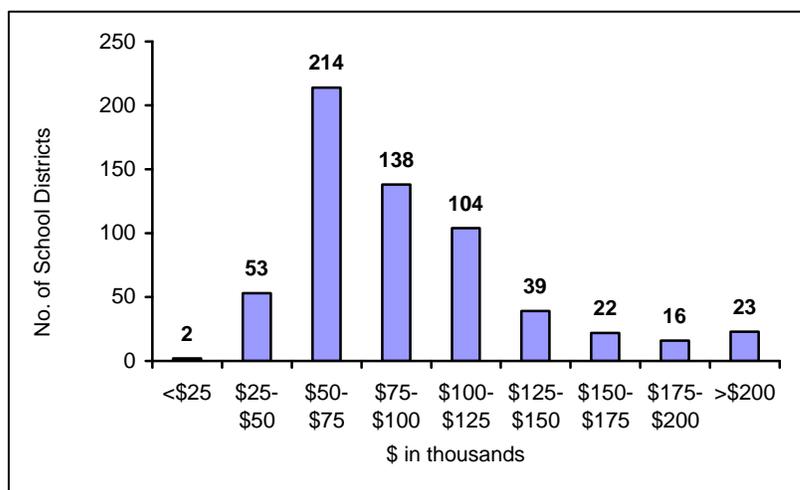
13.7 percent and 95.6 percent for Class I; 1.4 percent and 47.1 percent for Class II; 2.3 percent and 69.9 percent for public utility tangible; and 0.2 percent and 61.5 percent for other general personal tangible.

➤ The state base cost funding formula equalizes valuation up to the 95<sup>th</sup> percentile for every district's first 23 mills of property tax levies. Therefore, the different compositions of property value have no impact in the first 23 mills of levies for most school districts.

## H. Valuation per Total ADM by School Districts - FY 2000

➤ In tax year 1998, the statewide weighted average valuation per total ADM was \$100,374 while the statewide median valuation per total ADM was \$81,593.

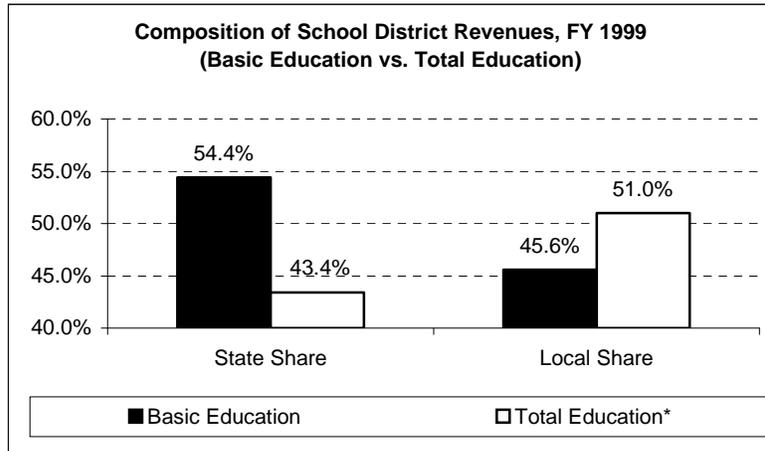
➤ The weighted average represents the per pupil based ranking, which takes into account the size of school districts. The median represents a district based ranking, which is represented by the middle district (the 305<sup>th</sup> district out of 611).



➤ Valuation per total ADM for the majority (456 or 74.6 percent) of school districts ranged from \$ 50,000 to \$125,000.

## I. More State than Local in Basic Education

- House Bills 650 and 770 of the 122<sup>nd</sup> 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

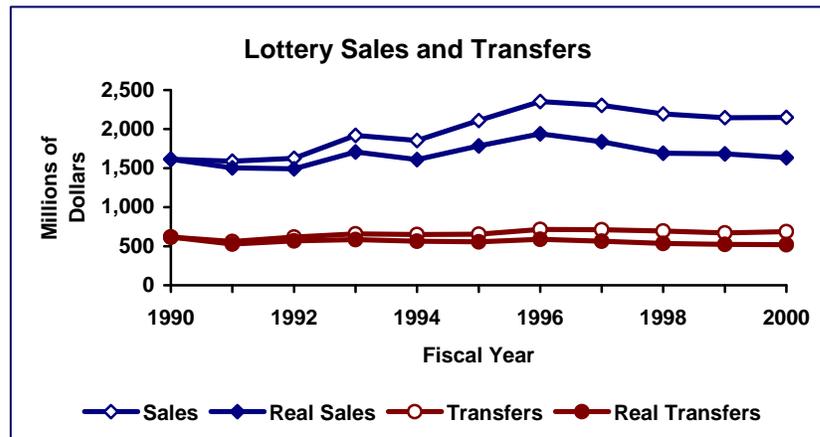


percent of the basic education cost. The state share includes the portion of the local property tax charge-off paid by the state under the property tax rollback program.

- 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.

## J. Lottery Sales and Transfer to Education Decline from 1996 Peak

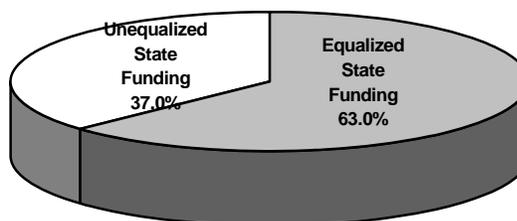
- During the 1990's, lottery sales grew from \$1.6 billion in FY 1990 to a peak of \$2.4 billion in FY 1996 before falling to \$2.1 billion in FY 2000. Although sales grew by 33 percent between FY 1990 and FY 2000, in real terms (adjusted for inflation) sales have grown by just 1 percent, from \$1.61 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.

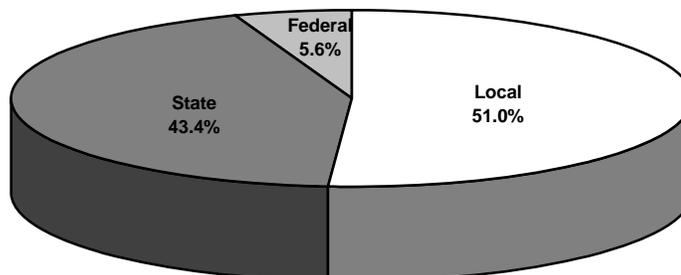
## K. Equalized vs. Unequalized State Funding – FY 2000

- Approximately 63.0 percent of the state GRF and LPEF funding for education is distributed to school districts through the equalized SF-3 foundation formula that is largely based on each district's property value.
- The following SF-3 items are equalized: base cost funding, equity aid, power equalization, as well as special and vocational education weight funding. Funding (both base cost and weight) for joint vocational school districts is equalized. The classroom facilities assistance program is also equalized.
- The state pays each district 100 percent of the Disadvantaged Pupil Impact Aid subsidy. However, the subsidy amount for each district is based on its student poverty. School districts with a higher concentration of poverty receive more funding from the state.
- Pupil transportation reimbursement rate is uniform for every district. However, the state reimbursement is based on the modeled average efficient cost instead of actual cost for each district. The state funding for the property tax rollback program and some other education programs are generally not equalized.



## L. School District Expenditures by Revenue Sources – FY 1999

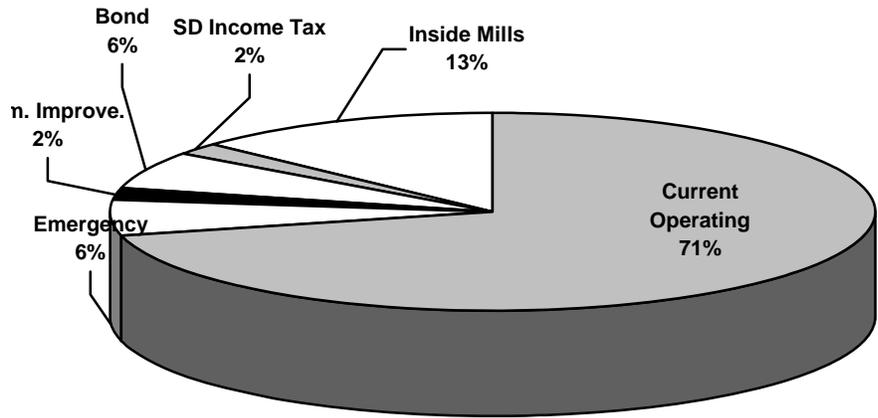
- In FY 1999, the total amount of local, state, and federal operating funds spent on education was \$11.8 billion.
- Of this amount, the proportions were approximately 51.0 percent local, 43.4 percent state, and 5.6 percent federal. However, these percentages were calculated based on the data reported by school districts. How to accurately classify some revenue sources (property tax rollback moneys, for example) has remained as an issue for many years. The state disbursement data showed that the state share should be higher than the percentage based on the district reported data.
- In addition to \$11.8 billion total operating expenditures, school districts in Ohio also spent another \$1.3 billion in capital outlay. Therefore, total operating and capital spending amounted to \$13.1 billion in FY 1999.



## M. School District Local Revenues by Levy Types – TY 1998

➤ In TY 1998, school districts (including joint vocational school districts) collected a total of \$6.7 billion taxes. Of this amount, 98 percent comes from property tax levies and the remaining two percent comes from school district income tax.

➤ Of \$6.7 billion total taxes, 92 percent (or \$6.2 billion) was for operating and the other eight percent (or \$0.5 billion) was for permanent improvements and debt service.



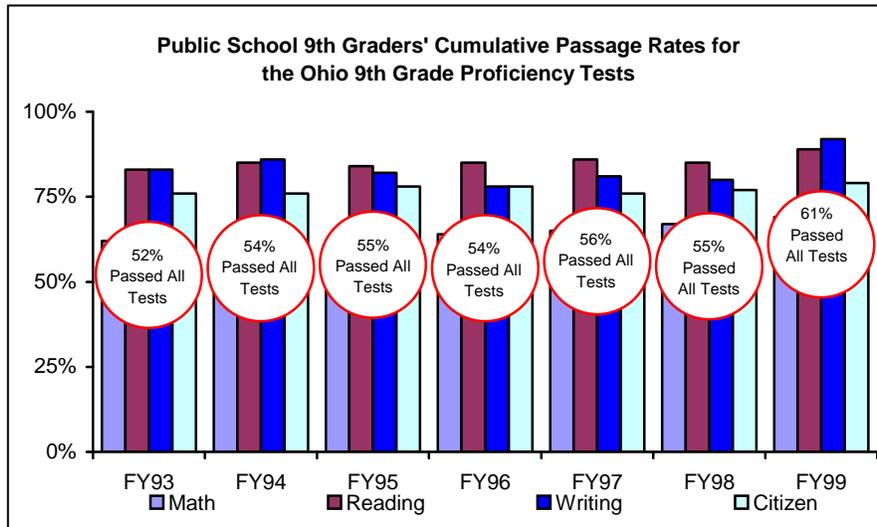
➤ The current operating levies, representing approximately 72 percent of total tax levies, were the largest component of local tax revenues. Inside millage generated another 13 percent of local taxes.

➤ Inside millage, school district income taxes, emergency levies, and bond levies are not subject to the H.B. 920 reduction factors. However, emergency and bond levies are passed to raise a set amount of dollars each year of the levy and for these levies no growth is generated by real property new construction or by increases in tangible values.

➤ Current operating levies and permanent improvement levies are subject to the H.B. 920 reduction factors. While real property inflationary increases are eliminated, levies do grow due to real property new construction and also from increases in tangible values.

➤ On average school district local revenues grow by nearly three percent per year without passing new levies. The growth is due to new construction (43%), tangible property (20%), inside millage (25%), HB 920 floor guarantee (8%), and school district income taxes (4%).

## N. Ninth Grade Proficiency Test Results Show Improvements



The percentage of Ohio public school 9<sup>th</sup> graders passing all four 9<sup>th</sup> grade proficiency tests by the end of the 9<sup>th</sup> grade increased from 52 percent in FY 1993 to 61 percent in FY 1999. Public school students have to attain the 9<sup>th</sup> 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 9<sup>th</sup> grade level on the science test in order to receive a high school diploma.

- Public school 9<sup>th</sup> graders have made improvements in all areas of the proficiency tests. Passing rates among public school 9<sup>th</sup> 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 122<sup>nd</sup> General Assembly phases out 9<sup>th</sup> grade proficiency tests and replaces them with 10<sup>th</sup> grade proficiency tests. The 10<sup>th</sup> grade proficiency tests will begin in FY 2001. However, passing all five 9<sup>th</sup> grade proficiency tests will continue to be a requirement for high school graduation until FY 2004. By FY 2005, passing all five 10<sup>th</sup> grade proficiency tests will be a requirement for graduation.

**O. FY 2001 Actual All-day and Everyday Kindergarten Percentage for 106 Eligible Districts – DPIA**

OBS	Name of School District	County	Actual All-day Kindergarten % FY99	OBS	Name of School District	County	Actual All-day Kindergarten % FY99
1	Ohio Valley Local SD	Adams	100.0	54	Clearview Local SD	Lorain	100.0
2	Lima City SD	Allen	100.0	55	Elyria City SD	Lorain	44.0
3	Perry Local SD	Allen	100.0	56	Lorain City SD	Lorain	70.0
4	Ashtabula Area City SD	Ashtabula	40.0	57	Oberlin City SD	Lorain	19.0
5	Alexander Local SD	Athens	100.0	58	Toledo City SD	Lucas	100.0
6	Athens SD	Athens	70.0	59	Campbell City SD	Mahoning	100.0
7	Federal Hocking Local SD	Athens	100.0	60	Struthers SD	Mahoning	100.0
8	Nelsonville-York City SD	Athens	100.0	61	Youngstown City SD	Mahoning	100.0
9	Trimble Local SD	Athens	100.0	62	Marion City SD	Marion	32.1
10	Bellaire City SD	Belmont	100.0	63	Eastern Local SD	Meigs	100.0
11	Bridgeport Ex Vill SD	Belmont	100.0	64	Meigs Local SD	Meigs	100.0
12	Martins Ferry City SD	Belmont	100.0	65	Southern Local SD	Meigs	100.0
13	Union Local SD	Belmont	100.0	66	Switzerland Of Ohio Local SD	Monroe	100.0
14	Hamilton City SD	Butler	100.0	67	Dayton City SD	Montgomery	97.7
15	Middletown City SD	Butler	-	68	Jefferson Township Local SD	Montgomery	100.0
16	New Miami Local SD	Butler	100.0	69	Northridge Local SD	Montgomery	100.0
17	Springfield City SD	Clark	100.0	70	Trotwood-Madison City SD	Montgomery	100.0
18	Felicity-Franklin Local SD	Clermont	100.0	71	Morgan Local SD	Morgan	100.0
19	East Liverpool City SD	Columbiana	100.0	72	Zanesville City SD	Muskingum	100.0
20	Wellsville City SD	Columbiana	100.0	73	North Bass Local SD	Ottawa	-
21	Coshocton City SD	Coshocton	100.0	74	Crooksville Ex Vill SD	Perry	-
22	Cleveland City SD	Cuyahoga	100.0	75	New Lexington City SD	Perry	-
23	Cleveland Hts-Univ Hts City SD	Cuyahoga	100.0	76	Southern Local SD	Perry	100.0
24	East Cleveland City SD	Cuyahoga	89.0	77	Eastern Local SD	Pike	100.0
25	Euclid City SD	Cuyahoga	-	78	Scioto Valley Local SD	Pike	100.0
26	Warrensville Heights City SD	Cuyahoga	100.0	79	Waverly City SD	Pike	100.0
27	Sandusky City SD	Erie	100.0	80	Western Local SD	Pike	100.0
28	Columbus City SD	Franklin	100.0	81	Windham Ex Vill SD	Portage	100.0
29	South-Western City SD	Franklin	-	82	Mansfield City SD	Richland	100.0
30	Gallia County Local SD	Gallia	100.0	83	Chillicothe City SD	Ross	96.1
31	Gallipolis City SD	Gallia	100.0	84	Huntington Local SD	Ross	100.0
32	Cambridge City SD	Guernsey	-	85	Paint Valley Local SD	Ross	100.0
33	Cincinnati City SD	Hamilton	100.0	86	Scioto Valley Local SD	Ross	100.0
34	Lockland City SD	Hamilton	100.0	87	Bloom Local SD	Scioto	75.0
35	Mount Healthy City SD	Hamilton	96.3	88	Clay Local SD	Scioto	100.0
36	Norwood City SD	Hamilton	100.0	89	Green Local SD	Scioto	100.0
37	St Bernard-Elmwood Place City SD	Hamilton	100.0	90	Minford Local SD	Scioto	100.0
38	Harrison Hills City SD	Harrison	100.0	91	New Boston Local SD	Scioto	100.0
39	Oak Hill Union Local SD	Jackson	100.0	92	Northwest Local SD	Scioto	100.0
40	Wellston City SD	Jackson	100.0	93	Portsmouth City SD	Scioto	100.0
41	Buckeye Local SD	Jefferson	100.0	94	Valley Local SD	Scioto	100.0
42	Edison Local SD	Jefferson	100.0	95	Washington Local SD	Scioto	100.0
43	Indian Creek Local SD	Jefferson	98.2	96	Wheelersburg Local SD	Scioto	100.0
44	Stuebenville City SD	Jefferson	100.0	97	Fostoria City SD	Seneca	50.0
45	Toronto City SD	Jefferson	100.0	98	Alliance City SD	Stark	46.4
46	Painesville City SD	Lake	100.0	99	Canton City SD	Stark	100.0
47	Chesapeake Union Ex Vill SD	Lawrence	100.0	100	Massillion City SD	Stark	100.0
48	Dawson-Bryant Local SD	Lawrence	100.0	101	Akron City SD	Summit	100.0
49	Fairland Local SD	Lawrence	100.0	102	Barberton City SD	Summit	100.0
50	Ironton City SD	Lawrence	100.0	103	Girard City SD	Trumbull	100.0
51	Rock Hill Local SD	Lawrence	100.0	104	Niles City SD	Trumbull	30.0
52	South Point Local SD	Lawrence	100.0	105	Warren City SD	Trumbull	100.0
53	Symmes Valley Local SD	Lawrence	100.0	106	Vinton County Local SD	Vinton	100.0

## ANALYSIS OF EXECUTIVE PROPOSAL

### Academic Performance and Technical Assistance

Program Series 1

**Purpose** This program series consists of programs supporting Ohio’s transformation to a results-oriented system of education and is comprised of programs to recruit and train teachers, develop teaching skills, and to improve student achievement.

The following table shows the line items that are used to fund this program series, as well as the Governor’s recommended funding levels.

Fund	ALI	Title	FY 2002	FY 2003
GRF	200-410	Professional Development	\$33,453,542	\$45,050,292
GRF	200-427	Academic Standards	\$8,474,999	\$8,862,500
GRF	200-431	School Improvement Initiatives	\$18,716,637	\$19,740,742
GRF	200-433	Reading/Writing Improvement	\$26,773,904	\$33,600,723
GRF	200-444	Professional Recruitment	\$2,900,000	\$2,460,000
GRF	200-445	OhioReads Admin/Volunteer Support	\$5,714,000	\$5,714,000
GRF	200-455	Community Schools	\$4,728,935	\$4,824,517
GRF	200-566	OhioReads Grants	\$28,800,000	\$28,800,000
GRF	200-570	School Improvement Incentive Grants	\$10,000,000	\$12,000,000
GRF	200-573	Character Education	\$1,050,000	\$1,050,000
4L2	200-681	Teacher Certification	\$4,684,143	\$4,856,290
452	200-638	Miscellaneous Revenue	\$1,045,000	\$1,045,000
3M1	200-678	ESEA Chapter Two	\$13,595,978	\$14,059,555
3T4	200-613	Public Charter Schools	\$4,887,260	\$5,055,185
3U2	200-662	Teacher Quality Enhancement Grants	\$1,300,501	\$1,352,000
3U3	200-665	Reading Excellence Grant Program	\$10,018,756	\$0
378	200-660	Math/Science Technology Investments	\$12,696,055	\$13,036,530
620	200-615	Educational Grants	\$1,525,000	\$1,525,000
<b>Total funding: Academic Performance and Technical Assistance</b>			<b>\$190,364,710</b>	<b>\$203,032,334</b>

Specific programs within the Academic Performance and Technical Assistance program series that this analysis will focus on include:

- **Professional Development**
- **Academic Standards - New**
- **School Improvement Initiatives**
- **Reading/Writing Improvement – New**
- **Professional Recruitment - New**
- **Community Schools**
- **Ohio Reads Administration and Grants**
- **School Improvement Incentive Grants**
- **Character Education**

**Professional Development 200-410**

This line item supports educator professional development efforts through set asides for Regional Professional Development Centers (RPCD), Local Professional Development Block Grants (LPDBG), teacher efforts to achieve National Board Certification, an Entry Year Program for superintendents, the Principal’s Leadership Academy, an Entry Year Program for Principals, rural Appalachian initiative, and the Teacher Recognition Program. In addition to the appropriations made in this line item, SchoolNet appropriates approximately \$20.6 million over the biennium for the same general purpose with a focus on using technology.

<b>Professional Development Set Asides</b>		
<b>Set Aside</b>	<b>FY 2002</b>	<b>FY 2003</b>
12 Regional Professional Development Centers	\$5,997,829	\$5,997,829
Local Professional Development Block Grants	\$9,659,713	\$9,659,713
National Board Certification – Testing Fees and Stipends	\$5,845,000	\$6,000,000
Entry Year Programs	\$8,296,000	\$19,387,750
Entry-Year programs - Superintendents	\$730,000	\$730,000
Entry Year Programs - Principals	\$1,000,000	\$1,000,000
Principals’ Leadership Academy	\$1,000,000	\$1,250,000
Rural Appalachian Initiative	\$575,000	\$575,000
Teacher Recognition Program	\$250,000	\$350,000
Ohio Teacher Education and Certification Advisory Commission	\$25,000	\$25,000
Ohio University Leadership Program	\$75,000	\$75,000
<b>Total Set Asides:</b>	<b>\$33,453,542</b>	<b>\$45,050,292</b>

*Regional Professional Development Centers (RPDC)*

The executive budget sets aside \$5,997,829 in each year of the biennium to support the awarding of grants to 12 RPDC’s statewide to provide school districts with technical assistance, training, and professional development services. The services provided by the RPDC’s would emphasize continuous improvement planning, curriculum alignment, proficiency testing, and technology. Grants to the individual RPDC’s would continue to be based on the number of teachers in the region served by the respective center, with regional funding ranging from approximately \$300,000 to \$800,000 per year.

*Local Professional Development Block Grant (LPDBG)*

The executive budget sets aside \$9,659,713 in each year of the biennium to support LPDBG’s. These grants support locally developed teacher training and professional development efforts as well as the activities of Local Professional Development Committees. These committees review the professional development activities completed by teachers for license renewal in an attempt to establish a closer link between professional development programs and student needs. Funds provided through the grants would be distributed on a per-teacher basis. School districts with less than 75% passage rate on the 4<sup>th</sup> grade reading proficiency test are required to allocate no less than 40% of their grants for professional development for teachers in elementary literacy skills.

*National Board Certification*

The executive budget sets aside \$5,845,000 in FY 2002 and \$6,000,000 in FY 2003 to support Ohio teachers in their attempts to attain a National Board Certification. As of February 2001, Ohio has a total of 935 National Board Certified teachers. Ohio currently ranks third in the nation in total number of certified teachers. The funding levels recommended by the executive budget would provide the \$2,300 test registration fee for 900 additional teachers in FY 2002 and another 550 teachers in FY 2003 and would provide \$2,500 stipends to those teachers successfully completing the process.

*Entry Year Programs – Beginning Teachers*

The executive budget sets aside \$5,845,000 in FY 2002 and \$19,387,750 in FY 2003 to support an entry year program providing mentoring services to the beginning teachers. Ohio's licensure standards require assistance and assessment of all beginning teachers. About 6,000 beginning teachers will enter the work force per year. In FY 2002, the Department of Education would select eligible beginning teachers to participate in a year-long entry year program that provide mentoring by experienced school district and university faculty. All beginning teachers participating in the program will also take the Praxis III assessment in the first year and will have up to two more opportunities in the second year of their two-year provisional licenses to pass Praxis III.

*Entry Year Programs – Superintendents*

The executive budget sets aside \$730,000 in each year of the biennium to support the continuation of the Ohio leadership academies to develop and train school district superintendents in new leadership and management practices to support high performance schools. This two-year program focuses on the development of competencies in the following leadership areas: facilitating vision, managing the organization, collaboration and community engagement, ethics and integrity, school culture and instructional program, continuous improvement planning, and performance accountability. The current program serves about 100 entry-year superintendents with an average cost of \$6,500 per participant. By this rate, the program is likely to serve about 112 new superintendents in the FY 2002-FY 2003 biennium.

*Entry Year Program - Principals*

The executive budget sets aside \$1,000,000 in each year of the biennium to continue supporting an entry year program for principals. This two-year and portfolio-based program is to assist new principals in addressing school improvement needs. Currently, 150 new principals, 225 principals, and 75 mentor principals participate in the programs in five regional sites. Under the executive budget, these five regional sites would be able to serve 1,000 new principals, 1500 principals, and 500 mentor principals.

*Principals' Leadership Academy*

The executive budget earmarks \$1,000,000 in FY 2002 and \$1,250,000 in FY 2003 to support the Ohio Principals' Leadership Academy. The intent of the set aside is to provide similar opportunities that are offered to superintendents to principals in assuming their roles in improving school performance. The program currently helps 90 principals in developing expertise in the Ohio Administrator Competencies and serves 14 principals and their teams in a leadership literacy initiative. Beginning in spring 2001, all 5,000 K-12 principals will be served through a web-based service delivery program. Under the executive budget, the program will help 180 principals in developing Ohio Administrator Competencies and serve 75 principals and their teams in the leadership literacy initiative. The service for all 5,000 principals through the web-based program will also continue.

*Rural Appalachian Initiative*

The executive budget sets aside \$575,000 in each year of the biennium to continue the Rural Appalachian Initiative that would create professional development academies for teachers, principals, and superintendents in the Appalachian region.

*Teacher Recognition Program*

The executive budget earmarks \$250,000 in FY 2002 and \$350,000 in FY 2003 to support a Teacher Recognition Program. Funds would be used to recognize exemplary performance and support the professional development of educators across the educator life cycle continuum, including the implementation of an educator-in-residence program.

*Ohio Teacher Education and Certification Advisory Commission*

The executive budget earmarks \$250,000 in each year of the biennium for the commission to carry out its responsibilities. The commission is in charged of considering all matters related to educator preparation and licensure and making recommendations to the State Board of Education.

*Ohio University Leadership Program*

The executive budget earmarks \$75,000 in each year of the biennium for the Ohio University Leadership Program.

**Academic Standards 200-427 – New**

This new line item contains funding for a number of new initiatives to implement the recommendations of the Governor’s Commission on Student Success. The executive budget proposes \$8,474,999 in FY 2002 and \$8,862,500 in FY 2003. These funds are to be used by the Department of Education to develop academic standards and curriculum models, and to fund the communication of expectations to teachers, school districts, parents, and communities.

According to the Office of Budget and Management, this line item includes \$4,765,456 in FY 2002 and \$4,827,949 in FY 2003 for developing, revising, printing, disseminating, and implementing new academic content standards and \$1,500,000 in FY 2002 and \$1,000,000 in FY 2003 for designing and distributing parent guides for the new academic contents standards, one for each content area and grade level. The line item also includes \$2,209,543 in FY 2002 and \$3,034,551 in FY 2003 for the department to add 20 new staff for the development of academic standards, curriculum models, and assessment in the areas of English, mathematics, science, and social studies. However, there is no specific earmark language for these projects in the bill.

In FY 2001, the department spends approximately \$2,000,000 for developing academic standards. Draft standards have been developed in mathematics and English Arts. Two curriculum models would be developed per year in the FY 2002-FY 2003 biennium.

**School Improvement Initiatives 200-431**

Under the executive budget, this line item receives \$18,716,637 in FY 2002 and \$19,740,742 in FY 2003 to support various initiative aiming at improve school performance. Specific projects funded by this line item are provided in below table.

<b>School Improvement Set Asides</b>		
<b>Set Aside</b>	<b>FY 2002</b>	<b>FY 2003</b>
Venture Capital Grants	\$3,700,000	\$975,000
School Report Cards	\$4,500,000	\$5,000,000
Technical Assistance	\$7,500,000	\$8,500,000
Teacher-in-Residence	\$152,998	\$156,441
Criteria for Performance Excellence	\$250,000	\$300,000
Advanced Placement Course Access	\$1,500,000	\$3,500,000
School Operating Standards	\$600,000	\$780,000
Customer Response System - DOE	\$513,639	\$529,301
<b>Total Set Asides:</b>	<b>\$18,716,637</b>	<b>\$19,740,742</b>

*Venture Capital Grants*

The executive budget sets aside \$3,700,000 in FY 2002 and \$975,000 in FY 2003 to continue previously awarded venture capital grants of \$25,000 each to 148 and 39 schools in the respective fiscal years. These grant recipients were competitively selected on the basis of demonstrating the capacity to invent or adapt school improvement initiatives. Venture school grants were first funded in 1994 and were intended to provide schools \$25,000 a year for five years.

*School Report Cards*

The executive budget sets aside \$4,500,000 in FY 2002 and \$5,000,000 in FY 2003 for the continued development and distribution of local report cards. The department now publishes local report cards for every Ohio school district, school building, and for the state as a whole. Community school report cards on community schools that have been in operation for two years will be published for the first time in 2001.

*Technical Assistance*

The executive budget sets aside \$7,500,000 in FY 2002 and \$8,500,000 in FY 2003 to provide technical assistance to school districts that are declared to be in a state of academic watch or academic emergency to develop and implement their continuous improvement plans.

The number of academic emergency districts decreases from 69 in FY 2000 to 35 in FY 2001, a decrease of 49.3 percent. The number of academic watch districts also decreases from 131 in FY 2000 to 112 in FY 2001, a decrease of 14.6 percent.

*Teacher-in-Residence*

The executive budget earmarks \$152,998 in FY 2002 and \$156,441 in FY 2003 to support a teacher in residence at the Governor's office and related support staff, travel expenses, and administrative overhead costs.

*Criteria for Performance Excellence*

The executive budget sets aside \$250,000 in FY 2002 and \$300,000 in FY 2003 to implement the Criteria for Performance Excellence. Funds include 100 district grants of \$2,250 each in FY 2002 and \$2,700 each

in FY 2003. Up to \$25,000 in FY 2002 and \$30,000 in FY 2003 are allocated for evaluation and administration.

*Advanced Placement Course Access – Internet*

The executive budget earmarks \$1,500,000 in FY 2002 and \$3,500,000 in FY 2003 to support initiatives related to increasing access to advanced placement courses on the Internet.

*School Operating Standards*

The executive budget earmarks \$600,000 in FY 2002 and \$780,000 in FY 2003 to support initiatives related to developing and communicating school operation standards.

*Customer Response System – DOE*

The executive budget earmarks \$513,639 in FY 2002 and \$529,301 in FY 2003 to support the Department of Education’s customer response system.

**Reading/Writing Improvement 200-433 – New**

This new line item receives \$26,773,904 in FY 2002 and \$33,600,723 in FY 2003 for various new and continuing literacy improvement projects, including the Summer Institutes for Reading Intervention, placing literacy specialists in eligible elementary school buildings, and providing training to these literacy specialists.

<b>Reading/Writing Improvement Set Asides</b>			<b>FY 2002</b>	<b>FY 2003</b>
<b>Set Aside</b>				
Summer Institutes for Reading Intervention			\$12,396,970	\$12,396,970
Half-time Literacy Specialists			\$6,500,000	\$13,000,000
Reading Recovery Training Network			\$1,780,268	\$1,815,874
<b>Total Set Aside</b>			<b>\$20,677,238</b>	<b>\$27,212,844</b>

*Summer Institutes for Reading Intervention (SIRI)*

The executive budget earmarks \$12,396,970 in each fiscal year of the biennium to support the Summer Institutes for Reading Intervention. Each year the program would focus on serving 24,000 at-risk third and fourth graders and over 17,000 elementary school teachers. Summer institutes first began in the summer of 1999 with 1,200 teachers participating in the programs. In the summer of 2000, institutes enrolled 17,000 teachers and 75 percent of these participants teach children in grades K-3. The FY 2001 appropriation for summer institutes is \$9,634,287.

*Half-time Literacy Specialists*

The executive budget earmarks \$6,500,000 in FY 2002 and \$13,000,000 in FY 2003 to support half-time literacy specialists in elementary school buildings. These funds would be equalized for eligible districts based on guidelines established by the Department of Education. The estimated cost of a half-time literacy specialist is \$30,000. The executive budget would fund reading specialists in approximately 900 elementary schools over the biennium. The goal is to eventually place a half-time reading specialist in

each of 2,296 elementary schools statewide. The total cost would be approximately \$34.4 million by using the estimated cost of \$30,000 per half-time reading specialist.

In addition, the line item includes \$1,212,121 in FY 2002 and \$1,939,970 in FY 2003 for Higher Education Field Faculty to support hiring six faculty members per year to train these literacy specialists.

*Reading Recovery Training Network*

The executive budget earmarks \$1,780,268 in FY 2002 and \$1,815,874 in FY 2003 to support the Reading Recovery Training Network. These funds are used to cover the cost of release time for the teacher trainers and to provide grants to districts to implement other reading improvement programs on a pilot basis. These moneys would also be used for the evaluation of the effectiveness of programs.

The remaining appropriations - \$4,884,545 in FY 2002 and \$4,447,909 in FY 2003 - would be used by the Department of Education to develop and support reading and writing improvement programs by providing a common assessment/profile instrument for elementary school buildings and incentives for teachers to complete professional development programs.

**Professional Recruitment 200-444 – New**

This new line item receives \$2,900,000 in FY 2002 and \$2,460,000 in FY 2003 to fund various new and continuing professional recruitment initiatives.

Professional Recruitment Set Asides		
Set Aside	FY 2002	FY 2003
Minority Teacher Recruitment	\$1,300,000	\$1,300,000
<b>Total Set Aside</b>	<b>\$1,300,000</b>	<b>\$1,300,000</b>

The executive budget earmarks \$1,300,000 in each year of the biennium to establish a program targeting at recruiting under-represented populations into teaching profession. The remaining appropriations would be used for recruitment programs targeting at special needs areas. According to the Office of Budget and Management, the line item includes funding for the following projects: \$250,000 in each year for recruiting prospective math and science teachers from industry and related fields to education; \$500,000 in each year for recruiting current teachers to become special educators; \$500,000 in FY 2002 and \$60,000 in FY 2003 for developing and maintaining a web-based educator placement bureau; \$100,000 in each year for establishing a pre-collegiate program to target future teachers; and \$250,000 in each year for a pilot paraeducator-to-teacher program. However, there is no specific earmark language for these projects in the bill.

**Community Schools 200-455**

Community schools are public schools that operate independently of any school district and are governed through a contract between the school’s governing authority and a sponsor. Community schools as authorized in Chapter 3314. of the Revised Code allow any person or group to propose their establishment as well as permitting school districts to convert any public school building into a community school. Funding to community schools are provided in the form of a per-pupil foundation amount, as well as special education funds, Disadvantaged Pupil Impact Aid, and other state and federal grants.

This line item provides start-up grants of up to \$150,000 each to community schools. Community schools receiving start-up grants under this line item are not eligible for federally funded grants provided under appropriation item 200-613, Public Charter Schools. The executive budget provides \$3,000,000 in each year of the biennium for start-up grants. If each community school were to receive the maximum amount of \$150,000, 20 new schools could receive start-up grants each year.

Currently, 70 community schools are in operation with a total enrollment of approximately 17,464 students, representing nearly 1 percent of total public school students in FY 2001. Among these community schools, 54 are sponsored by the State Board of Education, 11 are sponsored by the Lucas County educational Service Center, 2 are sponsored by the Cincinnati City SD, and the remaining 3 are sponsored by the Dayton City SD, the Toledo City SD, and the University of Toledo, respectively.

Community Schools Set Asides		
Set Aside	FY 2002	FY 2003
Lucas County ESC	\$100,000	\$100,000
Office of School Options	\$1,628,935	\$1,724,517
<b>Total Set Aside</b>	<b>\$1,728,935</b>	<b>\$1,824,517</b>

*Lucas County Education Service Center*

The executive budget sets aside \$100,000 in each year of the biennium for use by the Lucas County Education Service Center to support additional services and responsibilities related to community schools, subject to the reporting of expenses to the Department of Education.

*Office of School Options*

The executive budget sets aside \$1,728,935 in FY 2002 and \$1,824,517 in FY 2003 to be retained by the Office of School Options within the Department of Education for additional responsibilities created under section 3314.11 of the Revised Code.

**OhioReads Administration/Volunteer Support 200-445**

This line item would be used to fund administrative support for the OhioReads initiative, which has already attracted 27,000 volunteers as reading tutors. The executive budget proposes \$5,724,000 in each year of the biennium, an increase of 14.3 percent over the FY 2000-FY 2001 biennium. In addition to covering administrative costs within the Department of Education, funds would be used by the OhioReads Council for supporting a \$2,000 per year stipend to volunteer coordinators, for background checks of volunteers, and for evaluating the OhioReads Programs.

**OhioReads Grants 200-566**

OhioReads is Governor Taft's reading initiative to provide support to school and community organization volunteers serving as reading tutors. The program has already attracted 27,000 volunteers. The executive budget calls for \$28,800,000 in each year of the biennium to expand this initiative, an increase of 15.2 percent over the FY 2000-FY 2001 biennium. These funds are used to provide grants to school districts and community service organizations based on criteria developed by the OhioReads Council. Moneys provided via the OhioReads Grants are subsidies for the provision of service only and administrative costs accompanying the setup and administration of the program would be provided in line item 200-445

(OhioReads Administration/Volunteer Support). In the FY 2000-FY 2001 biennium, 740 elementary schools in 350 school districts and 87 counties have received classroom grants. Meanwhile, 358 community organizations have received community reading grants. The executive budget would provide reading grants to 300 additional elementary schools. Schools that currently participate in the program would continue to receive grants of \$20,000 each.

OhioReads Grants Set Asides		
Set Aside	FY 2002	FY 2003
Classroom Reading Grants	\$23,800,000	\$23,800,000
Community Reading Grants	\$5,000,000	\$5,000,000
<b>Total Set Asides:</b>	<b>\$28,800,000</b>	<b>\$28,800,000</b>

The \$23,800,000 set aside in the executive budget for Classroom Reading Grants would be used to support reading programs in the public schools and the \$5,000,000 set aside for Community Reading Grants meanwhile, would be used to support the reading improvement efforts of community service organizations.

### School Improvement Incentive Grants 200-570

The executive budget proposes \$10,000,000 in FY 2002 and \$12,000,000 in FY 2003 to provide grants to school districts that improve student performance. Examples of improved performance include significant improvement on proficiency tests, attendance rates, and graduation rates.

School Improvement Incentive Grants Set Asides		
Set Aside	FY 2002	FY 2003
Reading Performance Improvement	\$2,000,000	\$2,500,000
School Improvement	\$6,500,000	\$7,750,000
ESC/JVSD Improvement	\$500,000	\$750,000
BEST Grants	\$1,000,000	\$1,000,000
<b>Total Set Asides:</b>	<b>\$10,000,000</b>	<b>\$12,000,000</b>

#### *Reading Performance Improvement*

The executive budget sets aside \$2,000,000 in FY 2002 and \$2,500,000 in FY 2003 to provide grants of \$25,000 per building for improvements in reading performance based on selection criteria developed by the OhioReads Council. This level of funding would provide grants to 80 schools in FY 2002 and 100 schools in FY 2003.

#### *Elementary, Middle, Junior High, and High School Improvements*

The executive budget earmarks \$6,500,000 in FY 2002 and \$7,750,000 in FY 2003 to provide grants of \$25,000 each to elementary schools and \$50,000 each to middle schools, junior high schools, and high schools that demonstrate significant improvement on proficiency tests, attendance rates, and graduation rates based on standards developed by the Department of Education.

*ESC/JVSD Improvement Grants*

The executive budget earmarks \$500,000 in FY 2002 and \$750,000 in FY 2003 to support grants of \$50,000 each to education service centers and joint vocational school districts for exemplary programs that demonstrate significant improvement on proficiency tests, attendance rates, and graduation rates based on standards developed by the Department of Education.

*BEST Grants*

The executive budget earmarks \$1,000,000 in each year of the biennium to support 40 grants of \$25,000 each to schools selected for superior performance by the Building Excellent Schools for Today and the 21<sup>st</sup> Century (BEST) organization.

**Character Education 200-573**

The executive budget proposes \$1,050,000 in each year of the biennium to continue the Character Education initiative. These funds are used to provide matching grants to school districts of up to \$50,000 each to foster the development of character education programs. Currently, 57 districts have received grants under the program. There are 120 school districts offering character education programs in the state. The goal for character education is to produce a respectful and productive learning environment to ensure that all Ohio students reach high levels of academic achievement. Projects funded under the program focus on developing supportive school and community policies and practices; professional development; and integrating character education into the core curriculum.

**Technology for Teaching, Learning, and Management**

*Program Series 2*

**Purpose** This program series provides school districts with instructional technology, electronic data processing management, and statewide data collection services.

The following table shows the line items that are used to fund this program series, as well as the Governor’s recommended funding levels.

Fund	ALI	Title	FY 2002	FY 2003
GRF	200-420	Technical Systems Development	\$6,000,000	\$6,500,000
GRF	200-426	Ohio Educational Computer Network	\$42,845,336	\$44,886,075
GRF	200-446	Education Management Information System	\$15,479,636	\$17,673,430
138	200-606	Computer Services	\$6,629,469	\$6,761,034
<b>Total funding: Technology for Teaching, Learning, and Management</b>			<b>\$70,954,441</b>	<b>\$75,820,539</b>

Specific programs within the Technology for Teaching Learning, and Management program series that this analysis will focus on include:

- **Technical Systems Development**
- **Ohio Educational Computer Network**
- **Management Information System**

**Technical Systems Development 200-420**

The executive budget proposes \$6,000,000 in FY 2002 and \$6,500,000 in FY 2003. These funds are used to support the development and implementation of information technology solutions designed to improve the customer service of the Department of Education. The line item includes \$3,450,000 in FY 2002 and \$3,950,000 in FY 2003 for the development and operations of such information technology solutions. It also includes earmarks for three projects listed in below table.

Technical Systems Development Set Asides		
Set Aside	FY 2002	FY 2003
EMIS conversion	\$2,000,000	\$2,000,000
Annual Maintenance Contract - DOE	\$350,000	\$350,000
Data Warehouse Project	\$200,000	\$200,000
<b>Total Set Asides:</b>	<b>\$2,550,000</b>	<b>\$2,550,000</b>

**Ohio Educational Computer Network 200-426**

The executive budget proposes \$41,645,336 in FY 2002 and \$43,686,075 in FY 2003, an increase of 9.1 and 4.9 percent, respectively. This line item is used by the Department of Education to maintain a system of information technology throughout the state and to provide technical assistance for such a system in support of the State Education Technology Plan pursuant to section 3301.07 of the Revised Code.

Ohio Educational Computer Network Set Asides		
Set Aside	FY 2002	FY 2003
School Connectivity - Public	\$20,571,198	\$21,188,334
InfOhio Network – Union Catalog	\$2,043,938	\$2,095,037
School Connectivity – Nonpublic	\$4,590,000	\$4,727,700
Network Coordination	\$250,000	\$250,000
Interactive Parenting – RISE, Inc.	\$1,200,000	\$1,200,000
<b>Total Set Asides:</b>	<b>\$28,655,136</b>	<b>\$29,461,071</b>

*Public School Connectivity*

The executive budget sets aside of \$20,571,198 in FY 2002 and \$21,188,334 in FY 2003 to support connections of all public school buildings to the State of Ohio’s education network, to each other, and to the Internet. These moneys are provided to help data acquisition sites or school districts in meeting the operational costs associated with this connectivity and would be allocated under a formula developed by the Department of Education. The funding level is equivalent to over \$10 per student each year.

*INFOhio*

The executive budget sets aside \$2,043,938 in FY 2002 and \$2,095,037 in FY 2003 to manage and develop a statewide union catalog and INFOhio Network. INFOhio is a statewide cooperative school library and information network that applies the use of technology to enhance school curriculum. INFOhio links schools with a statewide union catalog as well as various electronic resources. A union catalog is an electronic catalog of library resources held by K-12 schools statewide.

*Nonpublic School Connectivity*

The executive budget sets aside \$4,500,000 in FY 2002 and \$4,727,700 in FY 2003 to assist designated data acquisition sites with operational costs associated with increased use of the State of Ohio’s education network by the chartered nonpublic schools.

*Interactive Parenting – RISE, Inc.*

The executive budget sets aside \$1,200,000 in each fiscal year to fund a grant to RISE, Inc. as support to train preschool staff members and parents. This project is currently funded through a line item within the SchoolNet Commission (228-559). The project is to provide an interactive instructional program to be distributed to program participants at up to 26 locations statewide. The program is to enhance the professional development, training, and performance of professional staff members; the education and care-giving skills of the parents of preschool children; and the preparation of preschool-aged children for learning.

The remainder of appropriation is used to support the development, maintenance, and operations of a network of uniform and compatible computer based information instructional systems. \$11,740,200 in FY 2002 and \$12,689,775 in FY 2003 are distributed to data acquisition sites on a per pupil basis to subsidize their operation costs (about \$7 per pupil per year).

**Educational Management Information System 200-446**

This line item provides subsidy payments to school districts to implement local automated information systems, and to develop, improve, and employ EMIS as required by state law. The executive budget proposes \$15,479,636 in FY 2002 and \$21,566,753 in FY 2003, an increase of 17.0 and 14.2 percent respectively. The recommendation would support the creation of a relational database to improve data management capabilities and improve data accuracy. Data collection processes would also be overhauled to take advantage of new school administration software and new database technology.

Educational Management Information System Set Asides		
Set Aside	FY 2002	FY 2003
Common Student Record System Software	\$0	\$1,100,000
EMIS Subsidies - Data Acquisition Sites	\$2,213,639	\$1,476,760
EMIS Subsidies - School Districts	\$7,763,297	\$8,999,708
<b>Total Set Asides:</b>	<b>\$9,976,936</b>	<b>\$11,576,468</b>

*Implementing the Common Student Management Record System*

The executive budget sets aside \$1,100,000 in FY 2003 to assist data acquisition sites or school districts with deployment and implementation of the common student management record system software.

*EMIS Subsidies – Data Acquisition Sites*

The executive budget sets aside \$2,213,639 in FY 2002 and \$1,476,760 in FY 2003 to partially subsidize designated data acquisition sites for costs associated with the processing, storing, and transfer of data for the effective use of the EMIS.

*EMIS Subsidies – School Districts*

The executive budget sets aside \$7,763,297 in FY 2002 and \$8,999,708 in FY 2003 to partially fund school districts, public community schools established under Chapter 3314. of the Revised Code, and joint vocational school districts for costs related to the development and operation of local EMIS. These moneys are distributed on a per pupil basis.

The remaining appropriation - \$5,502,700 in FY 2002 and \$6,097,962 in FY 2003 - is used to support the development of a student level ID system and the operation of EMIS at the state level.

**Early Childhood**

*Program Series 3*

**Purpose** This program series consists of programs designed to promote the development and expansion of quality preschool education programs in public schools and to identify and coordinate services for preschool children in collaboration with state agencies.

The following table shows the line items that are used to fund this program series, as well as the Governor’s recommended funding levels.

Fund	ALI	Title	FY 2002	FY 2003
GRF	200-406	Head Start	\$102,860,702	\$104,917,916
GRF	200-408	Public Preschool	\$19,896,330	\$20,294,257
GRF	200-411	Family and Children First	\$13,890,000	\$13,940,000
GRF	200-442	Child Care Licensing	\$1,548,726	\$1,579,701
3C5	200-661	Federal Dependent Care Programs	\$18,189,907	\$18,233,488
3H9	200-605	Head Start Collaboration Project	\$250,000	\$250,000
<b>Total funding: Early Childhood</b>			<b>\$156,635,665</b>	<b>\$159,215,362</b>

Specific programs within the Early Childhood program series that this analysis will focus on include:

- **Head Start**
- **Public Preschool**
- **Ohio Family and Children First**
- **Child Care Licensing**

**Head Start 200-406**

Head Start is a *federal* program first funded in 1965 as a component of the Head Start Act. *State* funding for Head Start was first provided in Amended Substitute House Bill 111 of the 118<sup>th</sup> General Assembly in 1989. Funding is largely controlled by temporary law in the budget bill. The Head Start program provides comprehensive developmental services to low-income preschool children ages three to five, through local community action organizations, schools, and single purpose agencies. The population served under Head Start is comprised of three to five year old children from families with incomes below the federal poverty level. The state program provides services to 22,000 children. When combined with the number of children served under the federal program, the program in Ohio has in essence succeeded in providing services to the entire eligible population.

The line item funds state-supported Head Start with moneys distributed as grants to service providers. The executive budget proposes \$102,860,702 in FY 2002 and \$104,917,916 in FY 2003, an increase of 2.0 percent per year. Approximately 3.5 percent of the appropriation per year would be used for administration and program development costs and to provide professional development activities for Head Start staff, especially as it relates to the development of literacy specialists. The state Head Start currently serves 22,000 children at per child cost of \$4,400.

In federal fiscal year 2001, Ohio received a total of \$184.6 million in federal Head Start funding. These moneys go to local Head Start grantees directly. Federal Head Start currently serves 35,000 children in Ohio with an average per child cost of \$5,500. However, there will be a 3.5 percent of cost of living adjustment and other incentives for teacher qualifications and other pay increases added into grantees' base funding in state fiscal year 2002. Therefore, per child cost will increase in FY 2002. A 4.0 percent increase will bring per child funding to \$5,720 in FY 2002 under federal Head Start.

<b>Head Start Set Asides</b>		
<b>Set Aside</b>	<b>FY 2002</b>	<b>FY 2003</b>
Administration and Overhead	Up to \$2,057,214	Up to \$2,098,398
Literacy Specialists	\$1,530,000	\$1,560,600
<b>Total Set Asides:</b>	<b>\$3,587,214</b>	<b>\$3,658,998</b>

*Administrative and Program Capacity Development Set Aside*

Up to 2 percent of the total appropriation in each year may be used by the Department for administrative costs and for developing program capacity and assisting programs with facilities planning, construction, renovation, or lease agreements.

*Head Start Literacy Initiative*

This item would set aside \$1,530,000 in FY 2002 and \$1,560,000 in FY 2003 to provide training for Head Start classroom teachers to assist in the effort to develop pre-reading skills in children prior to their entering school and in support of the OhioReads initiative.

**Public Preschool 200-408**

This line item provides state funds for the development and continuation of preschool programs for approximately 7,700 three and four-year old children and their low income families (families earning less than 185 percent of the federal poverty level) through public schools. Public preschool programs are required to meet the federal Head Start performance standards, therefore components of the program include education, health services, nutrition, and parent involvement. At least 51 percent of the children being served by the program must come from families earning less than 185 percent of the federal poverty level; children from families with incomes above 100 percent of the federal poverty level must pay a fee based on a sliding scale.

The executive budget proposes \$19,896,330 in FY 2002 and \$20,294,257 in FY 2003, an increase of 2.0 percent per year. Up to two percent of total appropriation in each year may be used by the department for administrative costs. Approximately 7,700 children are currently being served under the program with an average per child cost of \$2,483.

<b>Public Preschool Set Asides</b>		
<b>Set Aside</b>	<b>FY 2002</b>	<b>FY 2003</b>
Administrative Costs	Up to \$397,927	Up to \$405,885
<b>Total Set Asides:</b>	<b>\$397,927</b>	<b>\$405,885</b>

**Family and Children First 200-411**

This line item provides grants to assist multi-needs children that come to the attention of the Family and Children First Cabinet Council, by supporting direct services to children and families jointly managed by two or more county systems, as well as to fund urban school readiness resource centers. The executive budget provides \$13,890,000 in FY 2002 and \$13,940,000 in FY 2003, an increase of 30.5 and 0.4 percent respectively. In addition to the projects listed below in the table, the line item includes \$150,000 in FY 2002 and \$200,000 in FY 2003 to provide additional support from the department to assist with the operating expenses for the Ohio Family and Children First Cabinet Council.

<b>Family and Children First Set Asides</b>		
<b>Set Aside</b>	<b>FY 2002</b>	<b>FY 2003</b>
MR/DD Transfer	\$5,000,000	\$5,000,000
County FCFC Grants	\$3,550,000	\$3,550,000
School Readiness Resource Centers	\$5,190,000	\$5,190,000
<b>Total Set Asides:</b>	<b>\$13,740,000</b>	<b>\$13,740,000</b>

*MR/DD Transfer*

The executive budget sets aside \$5,000,000 in each year of the biennium (or 35.9 percent increase over the FY 2000-FY 2001 biennium) for transfer to the Department of Mental Retardation and Developmental Disabilities (MR/DD) for grants to county family and children first councils as partial support and reimbursement for treatment of multi-need children.

*County FCFC Grants*

The executive budget sets aside \$3,550,000 in each year of the biennium (or 100 percent increase over the FY 2000-FY 2001 biennium) for administrative grants to county family and children first councils to support the salary and benefits of county coordinators, as well as administrative support, training, and parental involvement. The total initial grant received by a council can not exceed \$40,000.

*School Readiness Resource Centers (SRRC)*

The executive budget sets aside \$5,190,999 in each year of the biennium to continue support for school-based or school-linked SRRC's in school districts experiencing a concentration of risk factors to school readiness and success. These risk factors include poverty, health, and family stability. The earmark contains funding for three SRRC's in each of twenty-one urban school districts, with each urban school district receiving \$240,000. Additionally, the recommendation earmarks \$50,000 and \$100,0000 in each year of the biennium to support an evaluation of the effectiveness of the SRRC's and to provide technical assistance for their implementation.

**Child Care Licensing 200-442**

This line item is used by the Department of Education to license and inspect preschool and school-aged child care programs pursuant to sections of 3301.52 and 3301.59 of the Revised Code. The executive recommendation would provide \$1,548,726 in FY 2002 and \$1,579,701 in FY 2003, an increase of 2.0 percent per year.

**Special and Gifted Enhancements**

*Program Series 4*

**Purpose** The special and gifted enhancements program series consists of programs that support gifted education, preschool special education, and special education service for school aged students provided by county MR/DD boards. This series also contains the federal special education program.

The following table shows the line items that are used to fund this program series, as well as the Governor’s recommended funding levels.

Fund	ALI	Title	FY 2002	FY 2003
GRF	200-441	American Sign Language	\$241,743	\$246,578
GRF	200-521	Gifted Pupil Program	\$45,930,131	\$47,893,138
GRF	200-540	Special Education Enhancements	\$144,006,701	\$146,950,428
GRF	200-552	County MR/DD Boards Bus Purchase	\$1,666,204	\$1,666,204
GRF	200-553	County MR/DD Boards Transportation	\$9,575,910	\$9,575,910
3D2	200-667	Honors Scholarship Program	\$2,454,688	\$2,540,602
3M2	200-680	Individual with Disability Education Act	\$186,000,000	\$206,000,000
370	200-624	Educate All Handicapped Children	\$1,364,246	\$1,410,908
374	200-647	ESEA Consolidated Grants	\$110,094	\$110,094
<b>Total funding: Special and Gifted Enhancements</b>			<b>\$391,349,717</b>	<b>\$416,393,862</b>

Specific programs within the Special and Gifted Enhancements program series that this analysis will focus on include:

- **American Sign language**
- **Gifted Pupil Program**
- **Special Education Enhancements**
- **County MR/DD Boards Bus Purchase**
- **County MR/DD Boards Transportation**
- **Individual with Disability Education Act (Federal)**

**American Sign Language 200-441**

American Sign language Set Asides		
Set Aside	FY 2002	FY 2003
Integration of Deaf Language	\$153,000	\$156,060
<b>Total Set-aside</b>	<b>\$153,000</b>	<b>\$156,060</b>

These funds are used to by the Department to provide supervision and consultation to school districts in dealing with parents of handicapped children who are deaf or hard of hearing, in interpreting American Sing Language as a foreign language, and in obtaining interpreters and improving their skills.

**Gifted Pupil Program 200-521**

Under the executive budget, this line item receives funding of \$45,930,131 in FY 2002 and \$47,893,138 in FY 2003, an increase of 4.2% and 4.3%, respectively. The bulk of the appropriation for this line item is distributed to school districts and educational service centers through unit funding. The executive budget increases the number of state funded units from 1,000 in FY 2001 to 1,050 in FY 2002 and to 1,100 in FY 2003. The estimated funding per unit is approximately \$36,744 in FY 2001. This unit funding reimbursement rate would largely remain unchanged at the FY 2001 level for FY 2002 and FY 2003 under the executive recommendation. About 25 percent of gifted units are located in educational service centers. (Please see section The Foundation SF-3 Formula for more information on the gifted unit funding formula.) This line item also includes an earmark of \$5,000,000 per year to provide supplemental funding to school districts for gifted student identification.

<b>Gifted Pupil Program Set Asides</b>		
<b>Set Aside</b>	<b>FY 2002</b>	<b>FY 2003</b>
Research and Demonstration Projects	\$600,000	\$600,000
Summer School for the Gifted	\$70,000	\$70,000
Summer Honors Institute for Gifted	\$1,000,000	\$1,000,000
Gifted Student Identification Supplement	\$5,000,000	\$5,000,000
<b>Total Set-aside</b>	<b>\$6,670,000</b>	<b>\$6,670,000</b>

**Special Education Enhancements 200-540**

These moneys are mainly used to fund special education services provided by county MR/DD boards for school-aged students, to fund preschool special education services provided by school districts, educational service centers, and county MR/DD boards, and to fund some other programs. (Special education student base cost funding and additional weight funding is provided under line item 200-501, Base Cost Funding.)

<b>Special Education Enhancements Set Asides</b>		
<b>Set Aside</b>	<b>FY 2002</b>	<b>FY 2003</b>
County MR/DD Boards	\$50,295,000	\$52,809,750
Institutions Units	\$2,500,000	\$2,500,000
Preschool Handicapped	\$78,623,506	\$78,623,506
Home Instruction	\$3,293,959	\$3,425,717
Parent Mentoring Programs	\$1,500,000	\$1,500,000
School Psychology Interns	\$2,744,966	\$2,854,764
Special Education Aides	\$3,852,160	\$4,006,246
K-4 Reading Mentoring	\$808,081	\$832,323
Autistic Children Pilot Program	\$86,000	\$86,000
Language and Literacy Intervention	\$303,030	\$312,121
<b>Total Set-asides</b>	<b>\$144,006,701</b>	<b>\$146,950,428</b>

*County MR/DD Boards*

The executive budget proposes \$50,295,000 in FY 2002 and \$52,809,7500 in FY 2003, representing an increase of 9.6 and 5.0 percent respectively. These funds are used to fund the same number of school-aged children served by county MR/DD boards in FY 1998. School-aged children served by county MR/DD boards are weighted on the same basis as other school-aged special education students served by school districts. Each student is funded with the base cost adjusted by CODBF of the student's resident district and the state share of the weight cost for the student's resident school district. Most school-aged children served by MR/DD boards are category two or three students. Each county MR/DD board is guaranteed to receive at least the same per pupil amount it received in FY 1998 under the unit funding system. In FY 1998, county MR/DD boards served 4,001 school-aged students and received \$32,851,121 (including both classroom and related service unit funding) from the state with an average per pupil funding of \$8,211. Payments to a county MR/DD board are not deducted from a student resident school district's state aid, unless the district places with a board more school-aged students than it had placed in FY 1998. For every school-aged student exceeding the number placed in FY 1998, payments will be deducted from the student resident district' state aid.

The appropriation for school-aged special education students served by county MR/DD boards is \$41.5 million in FY 2000 and \$45.9 million in FY 2001. In FY 2000, actual disbursements were \$39.9 million, \$1.6 million under the appropriation. The FY 2001 disbursements are likely to be \$41.0 million, \$4.9 million under the appropriation. Therefore, while the FY 2002 appropriation represents 9.6 percent increase over the FY 2001 appropriation level, it represents about 22.7 percent increase over the estimated FY 2001 spending level.

*Preschool Special Education*

The executive budget proposes \$78,623,506 in each fiscal year of the biennium to continue the preschool special education program. Funding for preschool special education and related services provided by school districts, educational service centers, and county MR/DD boards continues to be distributed on a unit basis. The preschool special education program currently serves about 14,127 children aged three through five. In FY 2001 the estimated average reimbursement rate is \$42,754 for classroom units and is \$33,783 for related service units. These unit reimbursements would largely remained the same for FY 2002 and FY 2003 under the executive budget.

*Other Programs*

The home instruction program provides funds to reimburse school districts for services provided to children with disabilities who are unable to attend school because of their disabilities. (Disabilities here include temporary ones and episodes of significant illness.) Home instruction is provided one hour per day. The school psychology intern program is a collaborative effort of the training institutions and schools. The funding recommendations will serve about 90 school psychology interns per year. The parent mentor program will support 70 parent mentor projects serving 112 school districts in FY 2002 and 86 projects serving 192 districts in FY 2003. These projects provide services to school district staff and parents of children with disabilities. Special education aides usually team up with regular classroom teachers to serve children with disabilities in a regular classroom environment. The recommended funding will fund 1,870 aides with an average of per aide reimbursement of approximately \$2,000.

**County MR/DD Boards Bus Purchase 200-552**

This line item provides financial assistance to county MR/DD boards for the purchase of school buses to transport students with disabilities. County MR/DD boards receive 100 percent of reimbursements for the costs of bus purchases from the state. The reimbursement priority primarily depends on mileage.

**County MR/DD Boards Transportation 200-553**

These moneys are used to provide financial assistance to county MR/DD boards for operating costs of transporting students with disabilities to and from school. Most of such students require door-to-door transportation service. The executive budget proposes \$9,575,910 in each year of the biennium to reimburse county MR/DD boards for pupil transportation costs.

**Individual with Disability Education Act 200-680 (Federal)**

This line item provides federal funding to state and local education agencies, including county boards of MR/DD, in meeting the needs of children with disabilities. The federal funding for special education has been increasing rapidly in the last few years and is expected to continue to grow in the future (14.8 percent in FY 2002 and 10.8 percent in FY 2003). At least 75 percent of IDEA funds go directly to local educational agencies. Approximately 15 percent of the funds are used for sixteen special education regional resource centers for multi-district special education services. Resource centers assist school districts with the initiation and expansion of services for children with disabilities, provide local school districts with resources designed to improve the quality of instruction, and train school personnel and parents. Grants are also used to provide professional development training for teachers, administrators, and parents, and to support special educational services for primary and secondary education.

**Basic Support**

*Program Series 5*

**Purpose** The basic support program series consists of programs that provide the main financial assistance to school districts for their locally administered adequate education services. Of this series, the base cost funding program receives the most funding.

The following table shows the line items that are used to fund this program series, as well as the Governor’s recommended funding levels.

<b>Fund</b>	<b>ALI</b>	<b>Title</b>	<b>FY 2002</b>	<b>FY 2003</b>
GRF	200-500	School Finance Equity	\$22,661,968	\$0
GRF	200-501	Base Cost Funding	\$3,983,645,394	\$4,237,604,123
GRF	200-502	Pupil Transportation	\$304,355,027	\$323,222,648
GRF	200-503	Bus Purchase Allowance	\$39,828,415	\$40,624,984
GRF	200-505	School Lunch Match	\$9,639,000	\$9,831,780
GRF	200-520	DPIA	\$375,053,686	\$404,513,876
GRF	200-546	Charge-Off Supplement	\$18,944,145	\$22,774,635
GRF	200-547	Power Equalization	\$43,009,250	\$44,098,359
GRF	200-558	Emergency Loan Interest Subsidy	\$4,500,000	\$3,300,000
GRF	200-901	Property tax Allocation –Education	\$707,700,000	\$743,000,000
GRF	200-906	Tangible Tax Exemption – Education	\$73,500,000	\$75,700,000
017	200-612	Base Cost Funding	\$615,700,000	\$640,000,000
5H3	200-687	School District Solvency Assistance	\$24,000,000	\$24,000,000
3L6	200-617	Federal School Lunch	\$175,274,000	\$180,181,672
3L7	200-618	Federal School Breakfast	\$45,746,000	\$47,026,888
3L8	200-619	Child and Adult Care Programs	\$60,257,639	\$61,966,125
3T6	200-611	Class Size Reduction	\$32,289,281	33,903,747
3U6	200-675	Provisions 2 & 3 Grant	\$191,050	\$0
367	200-607	School Food Services	\$10,089,884	\$10,408,199
455	200-608	Commodity Foods	\$10,000,000	\$11,000,000
<b>Total funding: Basic Support</b>			<b>\$6,556,384,739</b>	<b>\$6,913,157,036</b>

Specific programs within the Basic Support program series that this analysis will focus on include:

- **School Finance Equity**
- **Base Cost Funding**
- **Pupil Transportation**
- **Bus Purchase Allowance**
- **School Lunch Match**
- **DPIA**
- **Charge-off Supplement**
- **Power Equalization**
- **Emergency Loan Interest Subsidy**
- **Property Tax Allocation – Education**

- **Tangible Tax Exemption – Education**
- **School District Solvency Assistance**
- **Child and Adult Care Program (Federal)**

**School Finance Equity 200-500**

Equity aid was first created in fiscal year 1993 as a mechanism to target more state aid to the lowest wealth school districts in the state for the second tier education enhancement. The program was established against the backdrop of the *DeRolph* case. The 122<sup>nd</sup> General Assembly overhauled the education funding system. Now there is a defined adequate education cost model. The state is committed to bringing every district up to the same adequate education level. The 122<sup>nd</sup> General Assembly began to phase out equity aid in fiscal year 1999. FY 2002 will be the last year in which the state would provide funding for equity aid. For more information for the equity aid formula, please see The Foundation SF-3 Formula section of this publication.

**Base Cost Funding 200-501; Base Cost Funding 200-612 (017)**

<b>Base Cost Funding (200-501) Set Asides</b>		
<b>Set Aside</b>	<b>FY 2002</b>	<b>FY 2003</b>
Court Payment	\$425,000	\$425,000
Tangible Property Tax Dependence Supplement	\$0	\$10,000,000
ORC 3317.026, 3317.027 and 3317.028 (estimate)	\$15,000,000	\$15,000,000
Additional Aid for Special Education Students	\$14,000,000	\$14,000,000
Youth Services Tuition Payments	\$2,000,000	\$2,000,000
Educational Service Centers	\$52,000,000	\$52,000,000
Private Treatment facility Pilot Project	\$1,000,000	\$1,000,000
<b>Total Set-asides</b>	<b>\$84,425,000</b>	<b>\$94,425,000</b>

These two line items (GRF and Lottery) provide the main sources of state foundation payments to local school districts and joint vocational school districts. Allocations are based on the school foundation (SF-3) formula which is administered by the State Board of Education with the approval of the Controlling Board. The per pupil base cost funding (state and local) amount is \$4,490 in FY 2002 and \$4,670 in FY 2003 under the executive budget. In addition to the base cost funding, moneys in these two line items are also used for special education weight cost funding, per pupil payments to educational service centers, extended service subsidies, foundation aid guarantee, additional aid for category three special education students, and various other purposes. For more information on foundation subsidies, please see The Foundation SF-3 Formula section of this publication.

*Educational Service Centers.*

Sixty-four educational service centers (ESCs) currently serve 560 (or 92 percent) of 611 school districts in Ohio. These districts represent almost 70 percent of all pupils. The state funding for ESCs is distributed on a per pupil basis. The per pupil subsidy amount is \$40.52 for an ESC serving three counties or more and is \$37 for all the other ESCs in FY 2001. The executive budget maintains the same per pupil funding levels for ESCs in both fiscal years and earmarks \$52,000,000 in each year of the biennium for educational service centers.

*Tangible Personal Property Dependence Supplement – New*

The executive budget earmarks \$10,000,000 in FY 2003 to provide a supplemental funding to school districts with an exceptionally high dependence on inventory generated tangible personal property tax revenues based on criteria and a formula developed by the Office of Budget and Management and the Department of Taxation. However, neither criteria nor the formula is specified in the executive budget. H.B. 283 of the 123<sup>rd</sup> General Assembly began to phase out inventory taxes beginning in CY 2002 by reducing the inventory assessment rate by one percent per year for 25 years. For the first 23 mills of taxes, in all but a few cases inventory loss is automatically made up by the base cost funding formula.

*Additional Special Education Cost Supplement*

The executive budget continues to earmark \$14,000,000 in each year of the biennium to provide additional special education cost supplement to school districts when the cost of serving a special education student exceeds \$25,000. Under current law, only three categories (autism, traumatic brain injury, and both visually and hearing disabled) of special education students are eligible for this funding and funding is equalized based on each district’s state share percentage of the base cost funding. School districts need to submit bills to apply for this subsidy. The program was first created in FY 1999. Disbursements in FY 1999 and FY 2000 were much lower than appropriations (\$14,000,000 per year) for the program. In FY 1999, the department only received 64 applications and disbursed \$361,554. Again, the department only disbursed \$531,279 to 76 school districts in FY 2000. It is not very clear what the program’s impediments are at this time.

The executive budget proposes to expand the subsidy eligibility to all categories of special education students. It also proposes that the state pay 50 percent of the cost exceeding \$25,000 per student plus the state share of the other 50 percent of cost exceeding \$25,000 per student. For an average wealth district, it would receive funding for 50 percent of the cost exceeding \$25,000 per student under current law. Under executive proposal, the district would receive 75 percent of the cost exceeding \$25,000 per student.

**Pupil Transportation 200-502**

<b>Pupil Transportation Set Asides</b>		
<b>Set Aside</b>	<b>FY 2002</b>	<b>FY 2003</b>
Department of Education – for training prospective and experienced school bus drivers	\$800,000	\$822,400
<b>Total Set-asides</b>	<b>\$800,000</b>	<b>\$822,400</b>

These funds are used to reimburse school districts for the operating costs of transporting public and nonpublic school pupils to and from school. Beginning in FY 1999, the bulk of the funding for transporting regular students is distributed based on the analysis of a statistical regression model to improve transportation efficiency. The state reimbursement is based on the model cost instead of each district’s actual transportation expenditures. The state reimbursement rate will increase from 55 percent in FY 2001 to 57.5 percent in FY 2002 and will fully phase in to 60 percent beginning in FY 2003. an additional rough road supplement is provided to school districts with a low pupil density and a high rough road percentage. For further information on the transportation funding formulas, please see The Foundation SF-3 Formula section of this publication.

Funding for handicapped transportation continues to be distributed pursuant to rules and formulas adopted by the State Board of Education. The reimbursement rate will be the same as that for regular transportation. Funding for special education transportation has historically been based on actual costs and is made outside the SF-3 foundation formula.

**Bus Purchase Allowance 200-503**

These funds are used to assist school districts and educational service centers with bus purchase or bus service contracts. Up to 25 percent of appropriation may be used to reimburse school districts and educational service centers for the purchase of buses to transport handicapped and non-public school students. Buses purchased and identified as “non-public or handicapped” are fully reimbursed by the state assuming they have met the state’s mileage requirement for that year, with the priority for reimbursement funding starting with school districts and educational service centers with the highest mileage buses.

The remaining 75 percent of the funding are distributed to school districts for “regular” bus purchase or bus service contracts based on a complex formula that includes a per pupil or per mile base reimbursement, a rough road factor, and an equalization component.

**School Lunch Match 200-505**

These funds are used to provide matching funds to obtain federal funds for the school lunch program.

**Disadvantaged Pupil Impact Aid 200-520**

DPIA Set Asides		
Set Aside	FY 2002	FY 2003
School Breakfast Program	\$3,200,000	\$3,300,000
Dropout Recovery Programs and Job’s for Ohio’s Graduates Program	\$1,000,000	\$1,000,000
<b>Total Set-asides</b>	<b>\$4,200,000</b>	<b>\$4,300,000</b>
Pilot School Choice Program*	\$14,903,943	\$18,066,820

\*This set-aside comes from the moneys distributed to the Cleveland City school District under the DPIA program.

The bulk of the appropriation for this line item are used to compensate school districts with a high concentration of student poverty for their higher costs of providing an adequate education service. The 122<sup>nd</sup> General Assembly completely restructured the DPIA program. The funding is now distributed based on each district’s DPIA index that measures a district’s relative concentration of poverty to the state average poverty concentration. The program includes funding for all-day and every-day kindergarten, K-3 class size reduction, and safety and remediation programs.

The executive budget expands funding for all-day kindergarten in FY 2003 by lowering the eligibility from having an index of at least one to having an index of at least 0.6. School districts that are eligible for all-day and every day kindergarten funding need to actually provide this service to their kindergarten students in order to receive funding. In FY 2002 and FY 2003, all eligible districts that actually provide all-day and every day kindergarten service in a preceding fiscal year are guaranteed to receive this funding. The cost of hiring a new teacher is estimated at \$42,469 in FY 2002 and \$43,658 in FY 2003 for purpose of determining K-3 class size reduction funding. The per pupil subsidy amount for safety and remediation funding is \$230 per ADC/OWF student for districts with a below one DPIA index and is \$230 with the DPIA index adjustment per ADC/OWF student for districts with an above one DPIA index.

For example, the per pupil subsidy amount is \$460 for a district with an index of two. For more information on the DPIA formula, please see The Foundation SF-3 Formula section of this publication.

#### *Pilot School Choice Program*

Of the Cleveland City School District's DPIA moneys, \$14,903,943 million in FY 2002 and \$18,066,820 million in FY 2003 are proposed to be set aside to fund the pilot school choice voucher program in the Cleveland City School District. The funding recommendation will support 3,885 K-8 students who are currently enrolled in the program and provide the opportunity for additional K-8 students to enroll in the program in each year of the biennium. Funding is also used to provide tutorial services to children from low-income families.

#### **Charge-off Supplement 200-546**

The program was created by Am. Sub. H.B. 650 of the 122<sup>nd</sup> General Assembly. It pays a school district the difference between its local share assumed by the foundation formula and the amount of revenue the district actually collected in property taxes and school district income taxes for current operating expenses. As under current law, the executive budget includes the 23-mill charge-off in the base cost funding and local share of special and vocational education weight cost funding in the calculation. As indicated earlier, the state reimbursement rate for transportation is 60 percent of each district's model cost. The remaining 40 percent of the model cost is assigned to local districts. The local share of the transportation model cost is not included in the charge-off supplement calculations under current law or the executive budget. The joint committee recommendation would expand the program to include the local share of the transportation model cost in the calculation. For more information on the formula, please see The Foundation SF-3 Formula section of this publication.

#### **Power Equalization 200-547**

The program was created by Am. Sub. H.B. 650 of the 122<sup>nd</sup> General Assembly. It provides an incentive and rewards low property wealth school districts for their local effort to provide second tier education enhancements. Under the program, if a district has levied more than 23 mills in the combination of Class I effective operating tax rate and school district income tax equivalent operating tax rate, the state will equalize a maximum of two additional mills up to the state average valuation per pupil level. That is, these two mills are guaranteed to generate the state average property revenue per pupil. Based on the current available data, these two mills would generate approximately \$240 per pupil in FY 2002 and \$250 per pupil in FY 2003 in the combination of state and local revenue. The state reimbursement rate fully phases in to 100 percent in beginning in FY 2002 and thereafter. For more information on the formula, please see The Foundation SF-3 Formula section of this publication.

#### **Emergency Loan Interest Subsidy Program 200-558**

Under Sub. H.B. 412 of the 122<sup>nd</sup> General Assembly, the state is prohibited from approving loans under the preexisting emergency school loan law after March 1, 1998. The state's preexisting school emergency loan law was among those held unconstitutional in the Ohio Supreme Court's DeRolph decision. Among other things, the 122<sup>nd</sup> General Assembly created the emergency loan interest subsidy program to distribute a subsidy to every district that is obligated to pay interest on an existing emergency loan in excess of two percent simple interest.

### **Property Tax Allocation – Education 200-901**

This appropriation is the school district's portion of the 10 percent rollback and the additional 2.5 percent rollback for homeowners. Thus, if voters in any district pass a levy, the state pays 12.5 percent of the additional tax for homeowners, and pays 10 percent of the additional tax for all other property owners.

### **Tangible Tax Allocation – Education 200-906**

This line item reimburses school districts for revenues "losses" incurred by the creation of the \$10,000 tangible property tax exemption for both incorporated and unincorporated businesses. Part of the program appropriation was transferred from the Department of Taxation to the Department of Education under Am. Sub. H.B. 215 of the 122<sup>nd</sup> General Assembly.

### **School District Solvency Assistance 200-687**

Substituted House Bill 412 of the 122<sup>nd</sup> General Assembly prohibited the state from approving loans under the preexisting emergency school loan law after March 1, 1998 and created the School District Solvency Assistance Fund. The state's preexisting emergency school loan law was among those held unconstitutional by the Ohio Supreme Court in its *DeRolph* decision in March 1997. The program was first appropriated \$30 million in FY 1998 by Am. Sub. H.B. 650 of the 122<sup>nd</sup> General Assembly. Funds from this line item are used to provide advancements to school districts to pay unforeseeable expenses of a temporary or emergency nature that they would be unable to pay from their existing revenue sources. Such an advancement would be required to be repaid no later than the end of the second year following the fiscal year in which it was made.

In FY 1999, Switzerland-of-Ohio (Monroe County), Olmsted Falls City (Cuyahoga County), Vermillion Local (Erie County), Brooklyn City (Cuyahoga County), Jackson-Milton Local (Mahoning County) and Youngstown City (Mahoning County) received a total of \$12.1 million in solvency advancements.

In FY 2000, Southern Local (Meigs County), Massillon City (Starks County), Springfield Local (Summit County), Northridge Local (Licking County), and Switzerland-of-Ohio (Monroe County) received a total of \$8.7 million in solvency advancements.

As of the end of January 2001, the department expected Lordstown Local (Trumbull County), Trimble Local (Athens County), and Southern Local (Meigs County) might need to access the solvency fund at a total amount of \$2.6 million. In addition, Portsmouth City (Scioto County), Bellevue City (Huron County), and Williamsburg Local (Clermont County) are currently being evaluated for having potential deficits in FY 2001.

S.B. 345 of the 123<sup>rd</sup> General Assembly restructures the solvency fund and creates two separate accounts within the fund: the school district shared resource account and the catastrophic expenditures account. The shared resource account would operate the same like the current solvency fund program. The catastrophic account would be used to generally make grants to school districts for unforeseen catastrophic events. The executive budget proposes \$12,000,000 for each account in each year to provides advancements or grants to enable school districts to remain solvent pursuant to section 3316.20 of the Revised Code.

**Class Size Reduction 200-611 (Federal)**

The executive recommendation for this line item is \$32,289,281 in FY 2002 and \$33,903,747. This is a relative new federal program which began in FY 2000. The program has so far received \$50,000,776 in federal funding for reducing class size in elementary schools. Schools with teacher/student ratios of 18:1 to higher in grades 1-3 are eligible for this funding. All 611 school districts and 29 community schools have received this funding. Schools may use 72 percent of funding for hiring new teacher; 3 percent for administration; and up to 25 percent for teacher professional development.

**Child and Adult Care Program 200-619 (Federal)**

The program provides federal funds to reimburse qualifying child care centers, outside-school-hours centers, family day care homes, and adult day care centers for nutritious meals served to enrolled participants who receive organized child care services. The meals must meet the requirements established by the United States Department of Agriculture. The program primarily serves children under the age of 13 and adults who are functionally impaired or over the age of sixty who are unable to care for themselves.

**Prevention and Intervention**

*Program Series 6*

**Purpose** The prevention and intervention program series consists of programs designed to raise student awareness of the potentially negative outcomes of not mastering basic skills and competencies and to provide alternative or supplemental actions to reinforce student learning and support the behaviors necessary to complete schooling.

The following table shows the line items that are used to fund this program series, as well as the Governor’s recommended funding levels.

Fund	ALI	Title	FY 2002	FY 2003
GRF	200-421	Alternative Education Programs	\$22,336,697	\$25,511,384
GRF	200-425	Tech Prep Administration	\$2,479,632	\$2,529,225
GRF	200-432	School Conflict Management	\$652,600	\$685,230
GRF	200-438	Safe Schools	\$2,050,000	\$2,050,000
GRF	200-513	Student Intervention Services	\$31,900,000	\$38,280,000
GRF	200-524	Educational Excellence and Competency	\$2,699,500	\$2,960,900
GRF	200-574	Substance Abuse Prevention	\$2,420,000	\$2,420,000
4D1	200-602	Ohio Prevention/Ed Resource Center	\$345,000	\$345,000
3D1	200-664	Drug Free Schools	\$20,621,375	\$20,660,570
3M0	200-623	ESEA Chapter One	\$320,505,063	\$330,172,277
309	200-601	Educationally Disadvantaged	\$20,759,222	\$21,425,345
<b>Total funding: Prevention and Intervention</b>			<b>\$426,769,089</b>	<b>\$447,039,931</b>

Specific programs within the Prevention and Intervention program series that this analysis will focus on include:

- **Alternative Education Programs**
- **Tech Prep Administration - New**
- **School Conflict Management**
- **Safe Schools**
- **Student Intervention Services**
- **Educational Excellence and Competency**
- **Substance Abuse Prevention**
- **ESEA Chapter One (Federal)**

**Alternative Education Programs 200-421**

The executive budget for Alternative Education Programs proposes \$22,236,697 in FY 2002 and \$25,511,384 in FY 2003, an increase of 11.7 and 14.2 percent, respectively. The program earmarks up to \$536,697 in FY 2002 and \$576,384 in FY 2003 for program administration and \$350,000 in each year for contracting with the Center for Learning Excellence at the Ohio State University for technical support and for the completion of informative and summative evaluation of the grants. The line item also includes an earmark of \$900,000 per year for Amer-I-Can.

The bulk of the appropriation would be used for the renewal of successful implementation grants and for competitive matching grants to school districts. Specifically, the executive budget earmarks \$10,275,000 in FY 2002 and \$11,842,500 in FY 2003 for providing grants to the urban 21 school districts (see below) and another \$10,275,000 in FY 2002 and \$11,842,500 in FY 2003 for providing grants to rural and suburban districts. Programs focus on youth in one or more of the following categories: those who have been expelled, suspended, at risk of dropping out of school, habitually truant or disruptive, and on probation or on parole from a Department of Youth Service's facility.

**21 Urban School Districts**  
 Akron, Canton, Cleveland, Columbus, Cincinnati, Dayton, Toledo, Youngstown, Lima, Hamilton, Middletown, Springfield, East Cleveland, Euclid, Parma, South-Western, Elyria, Lorain, Mansfield, Warren, Cleveland Heights

<b>Alternative Education Set Asides</b>		
<b>Set Aside</b>	<b>FY 2002</b>	<b>FY 2003</b>
Urban 21 Alternative Education Grants	\$10,275,000	\$11,842,500
Rural and Suburban Alternative Education Grants	\$10,275,000	\$11,842,500
Program Administration	\$536,697	\$576,384
Technical Support and Evaluation – OSU	\$350,000	\$350,000
Amer-I-Can	\$900,000	\$900,000
<b>Total Set-aside</b>	<b>\$23,236,697</b>	<b>\$25,511,384</b>

**Tech Prep Administration 200-425 -New**

This line item is used by the Department of Education to support state level activities designed to support, promote, and expand Tech Prep programs. Activities funded by this line item include administration of grants, program evaluation, professional development, communications, and statewide coordination of Tech Prep consortia. Funding for this item is currently included in the appropriation for item 200-545, Vocational Education Enhancement. Funding for tech prep consortia competitive grants continues to be included in item 200-545, Vocational Education Enhancement.

**School Conflict Management 200-432**

The executive budget provides \$652,600 in FY 2002 and \$685,230 in FY 2003, an increase of 5.0 percent per year. These funds are used to provide dispute resolution and conflict management training, consultation, and materials for school districts and for the purpose of providing competitive school conflict management grants to school districts..

**Safe Schools 200-438**

<b>Safe Schools Set Asides</b>		
<b>Set Aside</b>	<b>FY 2002</b>	<b>FY 2003</b>
Safe Schools Center	\$250,000	\$250,000
Safe-School Help Line	\$1,800,000	\$1,800,000
<b>Total Set-aside</b>	<b>\$2,050,000</b>	<b>\$2,050,000</b>

The executive budget continues the funding for the Safe Schools Center at \$250,000 in each year. The Department of Education oversees the center and serves as a coordinating entity to assist school district personnel, parents, juvenile justice representatives, and law enforcement in identifying effective strategies

and services for improving school safety. The Safe Schools Center is currently funded through an earmark within item 200-431, School Improvement Initiatives.

The executive budget also continues the funding for a safe-school help line program for students, parents, and the community to report threats to the safety of students and school personnel. The participation of the program is voluntary. The safe-school help line is currently funded through an earmark within item 200-431, School Improvement Initiatives. Currently 504 districts and 20 joint vocational school districts participate in the safe-school help line.

**Student Intervention Services 200-513**

The executive budget proposes \$31,900,000 in FY 2002 and \$38,280,000 in FY 2003, an increase of 10.0 percent and 20.0 percent, respectively. The program provides funds to school districts for providing the student intervention services specified in section 3313.608 of the Revised Code. These funds are used to provide extended learning opportunities for young children most at-risk of not passing the 4<sup>th</sup> grade proficiency reading test. Moneys are to be targeted to provide more time for learning including extended day, extended year, after school, Saturday school, and summer school and professional development for teachers in reading intervention strategies.

School districts with at least 10 percent of their children falling below the 4<sup>th</sup> grade reading proficient level are eligible for this funding. Based on the spring 1999 test result, 17,488 children in 365 districts are eligible for this funding in FY 2001. Funding increases in FY 2002 and FY 2003 will allow the program expansion. K-3 students in academic watch and academic emergency districts will be given the first priority. In FY 2003 the program will expand to include to all districts. Districts will be reimbursed a per child amount based on actual services provided.

**Educational Excellence and Competency 200-524**

The educational excellence and competency program supports a wide range of education initiatives. No specific temporary language guides the distribution of this line item except for the set asides listed below.

Educational Excellence and Competency Set Asides		
Set Aside	FY 2002	FY 2003
Aid for College Opportunities	\$125,000	\$125,000
"I Know I Can"	\$25,000	\$25,000
Columbus City District's "I Know I Can"	\$645,000	\$645,000
Dayton-Montgomery County Scholarship Program	\$645,000	\$780,450
Cleveland Scholarship program	\$550,000	\$605,000
Cincinnati Scholarship Foundation	\$709,500	\$780,450
<b>Total Set Asides:</b>	<b>\$2,699,500</b>	<b>\$2,960,900</b>

**Substance Abuse Prevention 200-574**

The executive budget proposes \$2,420,000 in each year the biennium to continue the substance abuse prevention program. Of this amount, \$2,120,000 in each year is earmarked for the Safe and Drug Free Schools Coordinators Programs. The program currently supports 62 coordinators in 102 entities, including 48 districts and 10 consortiums of districts. Funding per coordinator ranges from \$5,000 to \$45,000.

The line item also includes an earmark of \$300,000 per year to support grants of up to \$50,000 per year for up to six school districts for the Substance Abuse Prevention Student Assistance Programs.

<b>Substance Abuse Prevention Set Asides</b>		
<b>Set Aside</b>	<b>FY 2002</b>	<b>FY 2003</b>
Safe and Drug Free Coordinators	\$2,120,000	\$2,120,000
Student Assistance Programs	\$300,000	\$300,000
<b>Total Set Asides:</b>	<b>\$2,420,000</b>	<b>\$2,420,000</b>

**ESEA Chapter One 200-623 (Federal)**

The Elementary and Secondary Education Act (ESEA) of 1965 is a federal program supporting grants to school districts to improve student performance, aid family literacy, support migrant education, and assist neglected or delinquent children and youth. These programs are targeted at schools with large numbers of low-income students and nonpublic students are eligible to receive the services provided. Chapter One also provides funding to support comprehensive school reform grants of \$50,000 each.

The executive budget proposes \$320,505,063 in Chapter One funding in FY 2002 and \$330,172,277 in FY 2003, an increase of 6.8 and 3.0 percent, respectively. The reauthorization of ESEA will be debated by U.S. Congress this year. The actual funding level for this program therefore depends on the reauthorization of ESEA. Funded activities include the following: 1) supplemental basic and advanced instruction in reading, language arts, and mathematics; 2) educational services to migratory children; 3) Even Start; 4) educational services for homeless children and youth; and 5) services for educationally disadvantaged children in institutions of the Ohio Department of Youth Services and the Ohio Department of Rehabilitation and Correction.

**Workforce Readiness**

*Program Series 7*

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**Purpose** This program series assists school districts and other training organizations in the preparation of Ohio’s youth and adults for productive employment.

The following table shows the line items that are used to fund this program series, as well as the Governor’s recommended funding levels.

<b>Fund</b>	<b>ALI</b>	<b>Title</b>	<b>FY 2002</b>	<b>FY 2003</b>
GRF	200-416	Vocational Education Match	\$2,429,373	\$2,477,960
GRF	200-447	GED Test/Adult HS	\$2,123,623	\$2,166,095
GRF	200-509	Adult Literacy Education	\$9,778,384	\$9,973,952
GRF	200-514	Post Secondary Adult Vocational Education	\$25,730,243	\$25,730,243
GRF	200-545	Vocational Education Enhancements	\$37,397,564	\$41,347,564
596	200-656	Ohio Career Information System	\$743,217	\$769,230
3L9	200-621	Vocational Education Basic Grants	\$43,613,582	\$45,142,330
366	200-604	Adult Basic Education	\$17,527,286	\$18,140,740
368	200-614	Veterans' Training	\$648,514	\$671,212
369	200-616	Vocational Education	\$8,000,000	\$8,000,000
4V7	200-633	Interagency Vocational Support	\$695,197	\$731,674
<b>Total funding: Workforce Readiness</b>			<b>\$148,686,983</b>	<b>\$155,151,000</b>

Specific programs within the Workforce Readiness program series that this analysis will focus on include:

- **Vocational Education Match 200-416**
- **GED Test/Adult HS 200-447**
- **Adult Literacy Education 200-509**
- **Post Secondary Adult Vocational Education 200-514**
- **Vocational Education Enhancements 200-545**

**Vocational Education Match 200-416**

The executive budget provides \$2,429,373 in FY 2002 and \$2,477,960 in FY 2003, an increase of 2.0 percent per year. This line item provides school districts with the state share of the federally required fifty-fifty matching funds for the administration of federal vocational programs. In addition to providing matching moneys, the line item supports administrative costs and expenses for vocational student organization state leadership.

**GED Test/Adult High School 200-447**

The executive budget proposes \$2,123,623 in FY 2002 and \$2,166,095 in FY 2003, an increase of 2.0 percent per year. The GED program provides a test for Ohio residents without a high school diploma to obtain an equivalent degree. The test is given free of charge to all eligible applicants under the program. GED test sites include school districts, joint vocational school districts, community colleges, and correctional institutions. The adult high school programs helps to reimburse school districts for high school credit courses offered to adults. The testing fee is \$42 per applicant.

**Adult Literacy Education 200-509**

The executive budget proposes \$9,778,384 in FY 2002 and \$9,973,952 in FY 2003, an increase of 2.0 percent per year. These funds provide educational opportunities for adults lacking basic literacy skills necessary for further education and productive employment. The item provides support for the Adult Basic and Literacy Education (ABLE) Program for basic foundation literacy skills, secondary completion, English language acquisition, and citizenship preparation. Each year approximately 100,000 adults are served under the program. The program is used to satisfy legal matching and maintenance of effort requirements for federal Adult Education Act grant awards. State funds from this appropriation are used to provide local program subsidies.

Adult Literacy Education Set Asides		
Set Aside	FY 2002	FY 2003
State Literacy Resource Center	\$543,150	\$554,013
<b>Total Set Asides:</b>	<b>\$543,150</b>	<b>\$554,013</b>

*State Literacy Resource Center/State Advisory Council*

The executive budget sets aside \$543,150 in FY 2002 and \$554,013 in FY 2003 to support the operations and activities of the State Literacy Resource Center and the State Advisory Council on Adult Education and Literacy.

**Post Secondary Adult Vocational Education 200-514**

The executive budget proposes \$25,730,243 in each year of the biennium for this line item, an increase of 10.8 percent in FY 2002 and flat in FY 2003. The post-secondary adult vocational education program provides funding for full-time and part-time adult vocational training assistance for persons who have completed secondary education and have entered the job market. These individuals are experienced but in need of short-term technical skill upgrading. School districts, joint vocational school districts, and other educational institutions are eligible for funding. Programs and services offered include full-time occupational preparatory training, part-time supplemental training, customized training for business and industry, career assessment, vocational counseling, and job placement. Payments are made to districts and institutions to provide partial reimbursement for the costs of operating these programs.

Post-Secondary/Adult Vocational Education Set Asides		
Set Aside	FY 2002	FY 2003
Ohio Career Information System	\$500,000	\$500,000
Ohio Young Farmers	\$30,000	\$30,000
Local EnterpriseOhio Network Campus/Adult Workforce Education Center Partnerships	\$2,500,000	\$2,500,000
<b>Total Set Asides:</b>	<b>\$3,030,000</b>	<b>\$3,030,000</b>

*Ohio Career Information System*

The executive budget sets aside \$500,000 in each year of the biennium for the Ohio Career Information System and for the dissemination of career information data to public schools, libraries, rehabilitation centers, colleges and universities, and other governmental units.

*Ohio Young Farmers*

The executive budget sets aside \$30,000 in each year of the biennium to coordinate and support the activities of the Ohio Young Farmers.

*Local EnterpriseOhio Network Campus/Adult Workforce Education Center Partnership - New*

The executive budget sets aside \$2,500,000 in each year of the biennium to support Local EnterpriseOhio Network Campus/Adult Workforce Education Center Partnership. The purpose of the partnership is to promote and deliver coordinated and comprehensive training to local employers. Funds would be used to provide grants to eligible companies. The funding is designed to match a similar appropriation in the Board of Regents' line item 235-415, Jobs Challenge.

**Vocational Education Enhancements 200-545**

The executive budget proposes \$37,397,564 in FY 2002 and \$41,347,564 in FY 2003, an increase of 23.7 percent and 10.6 percent, respectively. The funding is earmarked for the following various vocational education related programs.

<b>Vocational Education Enhancements Set Asides</b>		
<b>Set Aside</b>	<b>FY 2002</b>	<b>FY 2003</b>
Jobs for Ohio Graduates (JOG)	\$10,972,500	\$10,972,500
Tech Prep Consortia Competitive Grants	\$5,250,000	\$6,000,000
Institution Units	\$2,616,001	\$2,616,001
Career Plans	\$6,451,490	\$6,451,490
Essential Equipment – Replacement	\$5,707,573	\$5,707,573
High Schools That Work (HSTW)	\$6,400,000	\$9,600,000
<b>Total Set Asides:</b>	<b>\$37,397,564</b>	<b>\$41,347,564</b>

*Jobs for Ohio Graduates*

The executive budget sets aside \$10,972,500 in each year of the biennium for the Jobs for Ohio Graduates (JOG) program.

*Tech Prep Consortia Competitive Grants*

The executive budget sets aside \$5,250,000 in FY 2002 and \$6,000,000 in FY 2003 to fund competitive grants to tech prep consortia that expand the number of students enrolled in tech prep programs. Funds would be used to support expanded tech prep programs provided to students enrolled in school districts, including joint vocational school districts and affiliated higher education institutions.

*Vocational Units at Institutions*

The executive budget sets aside \$2,616,001 in each year of the biennium to fund vocational education units at institutions.

*Career Plans*

The executive budget sets aside \$6,451,490 in each year of the biennium to support students in the development of career plans. Specifically, the moneys would be used locally to identify initial educational and career goals, and to develop a career passport which provides a clear understanding of the student's knowledge, skills, and credentials to present to future employers, universities, and other training institutes.

*Essential Equipment Replacement*

The executive budget sets aside \$5,707,573 in each year of the biennium to provide each eligible school district with support in replacing or updating essential equipment for the instruction of students in job skills taught as part of a vocational program. The vocational priority index gives preference to districts with a large percentage of disadvantaged students.

*High Schools That Work (HSTW)*

The executive budget sets aside \$6,400,000 in FY 2002 and \$9,600,000 in FY 2003 to support existing HSTW sites and developing new sites. The HSTW initiative combines challenging academic courses and modern vocational and technical studies to raise the academic achievement of students.

**Non-Public Subsidies**

*Program Series 8*

**Purpose** The nonpublic subsidies program series provides secular materials, health and safety assistance, and certain administrative cost reimbursement to state chartered nonpublic schools.

The following table shows the line items that are used to fund this program series, as well as the Governor’s recommended funding levels.

Fund	ALI	Title	FY 2002	FY 2003
GRF	200-511	Auxiliary Services	\$122,782,475	\$127,650,709
GRF	200-532	Nonpublic Admin Cost Reimbursement	\$53,533,703	\$55,675,051
598	200-659	Auxiliary Services Mobile Units	\$1,328,910	\$1,328,910
<b>Total funding: Non-Public Subsidies</b>			<b>\$177,645,088</b>	<b>\$184,654,670</b>

Specific programs within the Non-Public Subsidies program series that this analysis will focus on include:

- **Auxiliary Services**
- **Nonpublic Administration Cost Reimbursement**

**Auxiliary Services 200-511**

The auxiliary services program provides specific secular services and materials to state chartered nonpublic schools. The funds can be used to purchase secular, neutral, and non-ideological textbooks, materials, and equipment for mathematics and science for nonpublic students. Other services provided by the program include diagnostic health services; therapeutic health; remedial and counseling services; special education, gifted and standardized tests; and test scoring. Under the executive budget, the funds can also be used to purchase electronic textbooks, site-licensing, digital video on demand, wide area connectivity, and related technology as it pertains to internet access, instructional materials, and school library materials that are in general use in public schools.

The executive budget proposes \$122,782,475 in FY 2002 and \$127,650,709 in FY 2003, an increase of 4 percent per year. The bulk of funds are distributed on a per-pupil basis. The FY 2001 per-pupil subsidy amount is estimated at \$490. A total of 238,931 nonpublic student are funded through the program. The department generally makes payments twice per year. The first payment is usually based on the prior year’s average daily membership count and the second payment reflects each chartered nonpublic school’s actual October count for that fiscal year. Public school districts where chartered nonpublic schools are located are the fiscal agents for the program.

The line item also includes an earmark for the post-secondary enrollment options for nonpublic students. In FY 2000, 538 nonpublic students received approximately \$0.5 million from this program.

<b>Auxiliary Services Set Asides</b>		
<b>Set Aside</b>	<b>FY 2002</b>	<b>FY 2003</b>
Post-Secondary Enrollment Options	\$1,250,000	\$1,500,000
<b>Total Set Asides</b>	<b>\$1,250,000</b>	<b>\$1,500,000</b>

**Nonpublic Administration Cost Reimbursement 200-532**

The executive budget proposes \$53,533,703 in FY 2002 and \$55,675,051 in FY 2003, an increase of 4.0 percent each year. These funds are used to reimburse chartered nonpublic schools for mandated administrative and clerical costs incurred for such things as filing reports and maintaining records. Section 3317.063 of the Revised Code specifies that the maximum reimbursement rate is \$250 per pupil enrolled in a chartered nonpublic school. The reimbursement amount for each chartered nonpublic school is based on its prior year's actual cost with a maximum reimbursement rate of \$250 per pupil. Total statewide reimbursement amount is subject to the appropriation limitation. In FY 2001, the state reimbursed chartered nonpublic schools approximately 97.27 percent of the total amount determined by the formula.

**Equal Education Opportunity**

*Program Series 9*

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**Purpose** This program series is designed to ensure that all students have equal access to quality programs and services within the public schools system.

The following table shows the line items that are used to fund this program series, as well as the Governor’s recommended funding levels.

Fund	ALI	Title	FY 2002	FY 2003
GRF	200-534	Desegregation Costs	\$500,000	\$500,000
371	200-631	EEO Title IV	\$1,155,361	\$1,213,894
<b>Total funding: Equal Education Opportunity</b>			<b>\$1,655,361</b>	<b>\$1,713,894</b>

Specific programs within the Equal Education Opportunity program series that this analysis will focus on include:

■ **Desegregation Costs**

**Desegregation Costs 200-534**

The executive budget proposes \$500,000 in each year of the biennium the legal fees associated with desegregation cases brought against the state. In December 2000, the Controlling Board approved \$30 million funding transfer into this line item to cover the state’s obligation for desegregation costs in anticipation of a settlement agreement between the Ohio Department of Education and the Dayton City Board of Education. With this settlement, the state would no longer have on-going court-ordered desegregation cost obligation.

**Support Services to School Districts**

*Program Series 10*

**Purpose** The support services to school districts program series provide special services to assist school district operations. The programs in the series receiving the most funding are student proficiency testing and school management assistance.

The following table shows the line items that are used to fund this program series, as well as the Governor’s recommended funding levels.

Fund	ALI	Title	FY 2002	FY 2003
GRF	200-422	School Management Assistance	\$1,515,995	\$1,603,285
GRF	200-424	Policy Analysis	\$1,669,538	\$1,703,015
GRF	200-437	Student Proficiency	\$23,692,045	\$25,942,045
454	200-610	Guidance and Testing	\$940,636	\$956,761
<b>Total funding: Support Services to School Districts</b>			<b>\$27,818,214</b>	<b>\$30,205,106</b>

Specific programs within the Support Services to School Districts program series that this analysis will focus on include:

- **School Management Assistance**
- **Policy Analysis**
- **Student Assessment**

**School Management Assistance 200-422**

S.B. 345 of the 123<sup>rd</sup> General Assembly requires the Department of Education to step up its assistance to school districts to more proactively prevent school districts from falling into a financial crisis. In addition to categories of “fiscal watch” and “fiscal emergency,” it establishes a new category of “fiscal caution” districts. The executive budget proposes \$1,515,995 in FY 2002 and \$1,603,285 in FY 2003, an increase of 5.2 and 5.8 percent, respectively. These funds are used by the Department of Education to provide technical assistance to school districts placed under fiscal caution, fiscal watch, and fiscal emergency pursuant to Chapter 3316. of the Revised Code.

**Policy Analysis 200-424**

The department staff supported by this line item is responsible for administering the development of reports, analyses, and briefings to inform education policy makers of current trends in educational practices, efficient and effective use of resources, and evaluations of programs to improve education results. The executive budget for Policy analysis proposes \$1,669,583 in FY 2002 and \$1,703,015 in FY 2003, an increase of 161.8 percent and 2.0 percent, respectively. However, increases are earmarked for the cost of an independent evaluation of programs that would be identified by the Department of Education in consultation with the Office of Budget and Management.

Policy Analysis Set Asides				
Set Aside			FY 2002	FY 2003
Independent Service	Evaluation	Contracting	\$1,000,000	\$1,000,000
<b>Total Set Asides:</b>			<b>\$1,000,000</b>	<b>\$1,000,000</b>

### Student Assessment 200-437

The executive budget for Student Assessment proposes \$23,692,045 in FY 2002 and \$25,942,045 in FY 2003, an increase of 37.8% and 9.5%, respectively. This level of funding supports the development and operations (printing, distributing, collecting, scoring, and reporting) of the current 4<sup>th</sup>, 6<sup>th</sup>, and 9<sup>th</sup> grade proficient tests and the New High School Graduation Qualifying Exams. The 9<sup>th</sup> grade tests are being phased out and the new high school graduation exam will be administered in March 2002.

Among other things, the Governor's Commission on Student Success calls for replacing the current 4<sup>th</sup>, 6<sup>th</sup>, and 9<sup>th</sup> grade proficiency tests with the 3<sup>rd</sup>, 4<sup>th</sup>, 5<sup>th</sup>, 7<sup>th</sup>, and 8<sup>th</sup> grade achievement tests. It also calls for developing diagnostic tests for grade K-8. In addition to funding the current assessment program, the executive budget contains funding for 14 new positions for the Department of Education to begin the implementation of these recommendations. The funding would enable the department to begin developing these new achievement tests and diagnostic tests. The department estimates the cost of developing achievement tests is approximately \$500,000 per test per grade over the biennium.

**Administration**

*Program Series 11*

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**Purpose** To support personnel, maintenance, and equipment expenditures of the Department of Education including funding of costs related to the Department’s upcoming relocation.

The following table shows the line items that are used to fund this program series, as well as the Governor’s recommended funding levels.

Fund	ALI	Title	FY 2002	FY 2003
GRF	200-100	Personal Services	\$12,061,049	\$12,361,049
GRF	200-320	Maintenance and Equipment	\$5,155,986	\$5,290,868
4R7	200-695	Indirect Cost Recovery	\$3,942,779	\$4,168,947
<b>Total funding: Administration</b>			<b>\$21,159,814</b>	<b>\$21,820,864</b>

Specific programs within the Administration program series that this analysis will focus on include:

- **Personal Services 200-100**
- **Maintenance and Equipment 200-320**

**Personal Services 200-100**

The executive budget for Personal Services proposes \$12,061,049 in FY 2002 and \$12,361,049 in FY 2003, a decrease of 6.4 percent in FY 2002 and an increase of 2.5 percent in FY 2003. In addition to this line item, department staff is also supported by GRF appropriations for 400’s line items. In FY 2001, the department has about 600 staff and about 50% or 300 of these staff are funded by GRF. Over the biennium, the executive budget includes GRF funding for more than 30 new positions for developing model curriculums as well as achievement tests and diagnostic tests (items 200-427, Academic Standards and 200-437, Student Assessment).

**Maintenance and Equipment 200-320**

This line item represents a consolidation of funding previously contained in the Maintenance (200-200) and Equipment (200-300) line items. The executive budget appropriates \$5,155,985 in FY 2002 and \$5,290,868 in FY 2003, a decrease of 40.2 percent in FY 2002 and an increase of 2.6 percent in FY 2003. The FY 2002 decrease is due to the fact that a one-time appropriation of \$4,000,000 earmarked for the relocation of the Department of Education was included in the FY 2001 appropriation. This line item includes earmark of \$25,000 per year for the State Board of Education out-of-state travel.

<b>Maintenance and Equipment Set Asides</b>		
Set Aside	FY 2002	FY 2003
State Board of Education Out-of-State Travel	\$25,000	\$25,000
<b>Total Set Asides:</b>	<b>\$25,000</b>	<b>\$25,000</b>

## PERMANENT AND TEMPORARY LAW

This section describes permanent and temporary law provisions contained in the executive budget that will affect the department's activities and spending decisions during the next biennium.

### Permanent Law Provisions

#### The Cost of an Adequate Education – ORC 3317.012

The bill redefines the methodology used to determine the cost of an adequate education. The method is largely based on the State Board of Education's "Resources and Accountability Model." To be included in the model used to determine the statewide base cost formula amount, districts must meet the following criteria:

- Meeting at least 20 out of 27 performance standards (25 proficiency tests, attendance rate, and graduation rate) currently included in the local report cards;
- Having at least 80 percent of teachers with five or more years of experience;
- Offering at least one advanced placement course;
- Having a district average K-12 regular student-teacher ratio of 21:1 or less;
- Not in the top and bottom 5 percent of all districts in property value per pupil or school district median income per tax return.

The final model includes 43 selected high performance districts. The statewide base cost of an adequate education, which is \$4,885 in FY 2002, is determined by using the district average of these 43 districts' base expenditures in FY 1999 with the inflationary adjustment. In addition, the bill includes additional funding (\$24 per pupil in FY 2002) to account for the cost of implementing the graduation credit requirement imposed by S.B. 55 of the 122<sup>nd</sup> General Assembly. As a result, the bill specifies that the base cost of an adequate education is \$4,909 in FY 2002. For FYs 2002-2007, the base cost reflects an annual inflationary increase of 2.8 percent. This model is phased in over a five year period under the executive budget. The bill specifies that the base cost formula amount is \$4,490 in FY 2002 and \$4,670 in FY 2003 (see section "School Funding Model and Formulas" of this publication for further information).

#### Per Pupil Funding for Educational Service Centers – ORC 3317.11

This bill establishes per pupil funding levels for educational service centers for FY 2002 and FY 2003. Funding will be \$40.52 per pupil in each year for multicounty educational service centers serving at least three counties and \$37 per pupil in each year for all other educational service centers. These are same per pupil funding levels for educational service centers in FY 2001. The executive budget set aside \$52.0 million in each year within item 200-501, Base Cost Funding, for this purpose.

#### Disadvantaged Pupil Impact Aid – ORC 3317.029

The bill increases the teacher salary allowance that is used to calculate each district's DPIA funding for K-3 class size reduction by 2.8 percent per year, from \$41,312 in FY 2001 to \$42,469 in FY 2002 and to

\$43,658 in FY 2003. This would increase state aid for those districts having a DPIA index of 0.6 or above. These districts are eligible for K-3 class size reduction funding.

The bill changes the criterion to be eligible for all-day and every day kindergarten funding in FY 2003. As under current law, in FY 2002 school districts will be eligible for all-day kindergarten funding if they have a DPIA index of one or above or have at least 17,500 three-year average formula ADM. The bill specifies that in FY 2003 a school district is eligible for all-day kindergarten funding if the district's DPIA index is at least 0.6 or the district's three-year average formula ADM is at least 17,500. This provision will increase the number of districts eligible for all-day kindergarten funding in FY 2003. The cost is estimated at \$30 million.

The bill also requires at least 20 percent of state funding for safety and remediation measures to be used to provide intervention services for at-risk students beginning in FY 2003.

#### **State Share of the Special Education Weight Cost Funding - ORC 3317.022**

The bill increases the state share of special education weight cost funding by uniform 5 percentage points in FY 2003. It effectively reduces each district's local share by uniform 5 percentage points. It costs the state approximately \$30 million in FY 2003 and reduces school district shares by the same amount. This provision does not apply to joint vocational school districts.

#### **Special Education "Catastrophic" Cost Funding - ORC 3314.08, ORC 3317.022 & 3317.16**

Currently, category three special education students are eligible for additional state funding for the cost exceeding \$25,000 per pupil. This "catastrophic" cost funding is equalized based on each district's state share percentage. The bill expands the funding eligibility to all categories of special education students. It also increases the state share of the catastrophic cost funding. Under the bill, the state pays each district for 50 percent of the cost exceeding \$25,000 per pupil and the other 50 percent of the cost exceeding \$25,000 per pupil is equalized based on a district's state share percentage. For an average wealth district, the state share of the catastrophic special education cost will increase from current 50 percent to 75 percent. The executive budget provides \$14.0 million in each year for this purpose.

#### **Student Intervention Services – ORC 3313.608**

In addition to assessing students in grades one to three, the bill also requires school districts to annually assess kindergarten students to identify students who are reading below their grade level for intervention purposes. The bill also allows school districts to offer intervention services during the school year in addition to summer schools. School districts receiving state funding under this section are required to assess students who receive the intervention services and use the intervention methods based on reliable educational research. Item 200-513, Student Intervention Services, provides \$31.9 million in FY 2002 and \$38.3 million in FY 2003 for targeted school districts for the intervention services.

#### **Boards of County Commissioners and Educational Service Center Office Space – ORC 3319.19**

The bill phases out responsibilities of the boards of county commissioners for providing office space for educational service centers. The bill directs the boards of county commissioners and educational service centers to develop agreed-upon estimates of the costs associated with educational service center office space. The boards of county commissioners are required to pay 75 percent, 50 percent, and 25 percent of the estimated costs in FY 2003, FY 2004, and FY 2005, respectively. Beginning in FY 2006, the boards of county commissioners will no longer have any obligation for providing office space for educational

service centers. The Fiscal Note for H.B. 799 of the 122<sup>nd</sup> General Assembly indicated that the statewide cost of educational service center office space was approximately \$4.2 million pursuant to the formula specified in section 307.031 of the Revised Code. There is some belief that the amount provided by the formula does not fully account for the cost of educational service center office space. The County Commissioners Association estimated the statewide cost to be \$6 to 8 million.

## **Temporary Law Provisions**

### **Ohio Educational Computer Network (Section 4.06)**

The bill defines a “public school building” to include a school building of any city, local exempted village, or joint vocational school district, or nay community school established under Chapter 3314. of the Revised Code, or any educational service center building which is used for instructional purposes. As a result of this definition, community schools are eligible for state funding for connecting to the State of Ohio’s education network.

### **Education Information Management Information (Section 4.08)**

The bill includes community schools established under Chapter 3314. of the Revised Code to be eligible for receiving per pupil state funding for costs associated with the development and operation of EMIS.

<p><b>For more information on temporary law provisions regarding each program, please see the Analysis of Executive Proposal section of this publication.</b></p>
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## REQUESTS NOT FUNDED

Summary of FY 2002-FY 2003 Requests and Recommendations						
Fund Group	FY 2002 Requested	FY 2002 Recommended	Difference	FY 2003 Requested	FY 2003 Recommended	Difference
GRF	\$6,942,190,438	\$6,490,298,728	(\$451,891,710)	\$7,646,321,959	\$6,869,755,391	(\$776,566,568)
GSF	\$43,926,829	\$37,446,829	(\$6,480,000)	\$44,256,554	\$37,776,654	(\$6,480,000)
Fed	\$1,007,545,742	\$1,007,545,742	\$0	\$1,040,961,361	\$1,040,961,361	\$0
SSR	\$18,432,522	\$18,432,522	\$0	\$19,711,292	\$19,711,292	\$0
LPEF	\$660,467,000	\$664,722,000	(\$15,744,900)	\$660,467,000	\$665,722,600	\$5,255,600
<b>Total</b>	<b>\$8,672,562,531</b>	<b>\$8,198,445,921</b>	<b>(\$474,116,610)</b>	<b>\$9,411,718,166</b>	<b>\$8,633,927,198</b>	<b>(\$777,790,968)</b>
GRF + LPEF	\$7,602,657,438	\$7,155,020,728	(\$447,636,710)	\$8,306,788,959	\$7,535,477,991	(\$771,310,968)

The above table shows a summary of FY 2002-FY 2003 budget requests and recommendations for the Department of Education. While some items requested by the Department of Education are not funded or not fully funded by the executive budget, the executive recommendations also contain funding for initiatives that were not requested by the Department. The differences between the Department's requests and the executive recommendations mainly occur in the following areas.

### Base Cost Formula Amount

The State Board of Education recommended a three-year phased-in implementation of the "Resources and Accountability Model." It recommended a base cost formula amount of \$4,583 (6.7 percent above FY 2001) in FY 2002 and \$4,873 (6.3 percent above FY 2002) in FY 2003. While the executive budget adds funding for the graduation requirement increase imposed by S.B. 55 of the 122<sup>nd</sup> General Assembly, it proposes phasing in the State Board of Education's Model over a five-year period. The base cost formula amount is \$4,490 (4.6 percent above FY 2001) in FY 2002 and \$4,670 (4.0 percent above FY 2002) in FY 2003. The base cost formula amounts for differences of an estimated \$186 million in FY 2002 and \$409 million in FY 2003 of GRF between requests and recommendations.

### Special Education

In addition to funding for special education weights, the State Board of Education requested \$47.7 million in FY 2002 and \$120.6 million in FY 2003 for special education related services. The executive budget increases funding for special education by approximately \$30 million in FY 2003 by reducing each district's local share by uniform 5 percent points. It did not specifically fund the department's special education related service request. Therefore, special education accounts differences of \$47.7 million in FY 2002 and \$90.6 million in FY 2003 between requests and recommendations. Current weights for special education students include funding for related services.

### The Cap Provision

The Department requested to remove the cap on the amount of annual state funding increase each district can receive beginning in FY 2002. The executive budget follows the cap provision outlined in current law and maintains the cap in FY 2002. That is, each district's SF-3 funding is capped at the greater of an 12 percent increase in total SF-3 funding or a 10 percent increase in per pupil SF-3 funding in FY 2002. This accounts for another approximately \$40 million difference between requests and recommendations.

### **Access to Books**

The department requested \$24.8 million in each year to provide library books for K-6 students. The executive budget did not fund this request. Currently, school districts are generally required to set aside 3 percent of the base cost formula amount to meet every student's need for textbook and instructional materials, including library books.

### **Comprehensive Family Literacy Programs**

The department requested \$14.5 million in FY 2002 and \$27.6 million in FY 2003 for comprehensive family literacy programs modeled after federal Even Start. Funding was requested to offer 75 programs in the first year and another 75 programs in the second year. This requested was not funded.

### **Math/Science teachers Recruitment**

The department requested \$10 million in each year to encourage current teachers to become mathematics and science teachers by offering them one-time bonuses of \$10,000 each and encourage National Board Certified mathematics and science teachers to teach in urban and rural areas by offering one-time bonus of \$10,000 each. The executive budget did not fund this request.

### **Vocational Education**

The department requested \$6.0 million in each year to support approximately 2,000 teacher externships, 9,000 student internships, and various business advisory committee special projects related to improving business-education partnerships. This requested was not funded under the executive budget.

The department requested \$20.0 million in FY 2002 and \$25 million in FY 2003 for expanding regional initiatives of High School That Work (HSTW). HSTW is a school reform model at the high school level that combines challenging academic courses and modern vocational and technical studies to raise the academic achievement of students. This request was not fully funded by the executive budget. The executive budget provides \$6.4 million in FY 2002 and \$9.6 million in FY 2003, which allows funding for existing sites and the development of new sites.

### **Pupil Transportation**

The department requested \$12.5 million in each year to provide transportation operating and bus purchase funding directly to community schools to enable community schools to offer their own pupil transportation service. This request was not funded under the executive budget. Community school students are currently included in their resident districts to qualify for state funding for pupil transportation.

The department also requested \$15.5 million in FY 2002 and \$11.1 million in FY 2003 to retire pre-1983 school buses. This request was not funded by the executive budget.

## LSC Budget Spreadsheet by Line Item, FY 2002 - FY 2003

<i>Fund</i>	<i>ALI</i>	<i>ALI Title</i>	<b>Revised Estimated 2001</b>	<b>As Introduced 2002</b>	<b>House Sub Bill 2002</b>	<b>% Change Est. 2001 to House 2002</b>	<b>As Introduced 2003</b>	<b>House Sub Bill 2003</b>	<b>% Change House 2002 to House 2003</b>
<b>EDU Education, Department of</b>									
GRF	200-100	Personal Services	\$12,883,985	\$ 12,061,049	\$ 11,819,828	-8.3%	\$ 12,361,049	\$ 12,113,828	2.5%
GRF	200-200	Maintenance	\$0	\$ 0	\$ 0	N/A	\$ 0	\$ 0	N/A
GRF	200-300	Equipment	\$0	\$ 0	\$ 0	N/A	\$ 0	\$ 0	N/A
GRF	200-320	Maintenance and Equipment	\$8,618,979	\$ 5,155,986	\$ 5,052,866	-41.4%	\$ 5,290,868	\$ 5,185,051	2.6%
GRF	200-406	Head Start	\$100,843,825	\$ 102,860,702	\$ 98,843,825	-2.0%	\$ 104,917,916	\$ 98,843,825	0.0%
GRF	200-408	Public Preschool	\$19,506,206	\$ 19,896,330	\$ 19,506,206	0.0%	\$ 20,294,257	\$ 19,506,206	0.0%
GRF	200-410	Professional Development	\$29,608,834	\$ 33,453,542	\$ 23,463,829	-20.8%	\$ 45,050,292	\$ 34,810,579	48.4%
GRF	200-411	Family and Children First	\$10,642,188	\$ 13,890,000	\$ 10,642,188	0.0%	\$ 13,940,000	\$ 10,642,188	0.0%
GRF	200-412	Driver Education Admin	\$0	\$ 0	\$ 0	N/A	\$ 0	\$ 0	N/A
GRF	200-415	Consumer Education	\$0	\$ 0	\$ 0	N/A	\$ 0	\$ 0	N/A
GRF	200-416	Vocational Education Match	\$2,381,738	\$ 2,429,373	\$ 2,381,738	0.0%	\$ 2,477,960	\$ 2,381,738	0.0%
GRF	200-420	Technical Systems Development	\$6,933,944	\$ 6,000,000	\$ 6,000,000	-13.5%	\$ 6,500,000	\$ 6,500,000	8.3%
GRF	200-421	Alternative Education Programs	\$20,000,000	\$ 22,336,697	\$ 20,000,000	0.0%	\$ 25,511,384	\$ 20,000,000	0.0%
GRF	200-422	School Management Assistance	\$1,440,836	\$ 1,515,995	\$ 1,485,675	3.1%	\$ 1,603,285	\$ 1,571,219	5.8%
GRF	200-424	Policy Analysis	\$637,655	\$ 1,669,538	\$ 642,756	0.8%	\$ 1,703,015	\$ 674,894	5.0%
GRF	200-425	Tech Prep Administration	\$2,431,012	\$ 2,479,632	\$ 2,431,012	0.0%	\$ 2,529,225	\$ 2,431,012	0.0%
GRF	200-426	Ohio Educational Computer Network	\$38,171,927	\$ 42,845,336	\$ 39,871,927	4.5%	\$ 44,886,075	\$ 39,871,927	0.0%
GRF	200-427	Academic Standards	\$1,067,734	\$ 8,474,999	\$ 8,474,999	693.7%	\$ 8,862,500	\$ 8,862,500	4.6%
GRF	200-431	School Improvement Initiatives	\$29,933,031	\$ 18,716,637	\$ 15,850,000	-47.0%	\$ 19,740,742	\$ 14,625,000	-7.7%
GRF	200-432	School Conflict Management	\$621,524	\$ 652,600	\$ 626,496	0.8%	\$ 685,230	\$ 657,821	5.0%
GRF	200-433	Reading/Writing Improvement	\$0	\$ 26,773,904	\$ 18,962,948	N/A	\$ 33,600,723	\$ 19,276,694	1.7%
GRF	200-437	Student Assessment	\$17,192,045	\$ 23,692,045	\$ 23,692,045	37.8%	\$ 25,942,045	\$ 25,942,045	9.5%
GRF	200-438	Safe Schools	\$0	\$ 2,050,000	\$ 2,050,000	N/A	\$ 2,050,000	\$ 2,050,000	0.0%
GRF	200-441	American Sign Language	\$237,003	\$ 241,743	\$ 232,073	-2.1%	\$ 246,578	\$ 236,715	2.0%
GRF	200-442	Child Care Licensing	\$1,518,359	\$ 1,548,726	\$ 1,517,751	0.0%	\$ 1,579,701	\$ 1,548,107	2.0%
GRF	200-443	DeRolph Litigation Expenses	\$0	\$ 0	\$ 0	N/A	\$ 0	\$ 0	N/A
GRF	200-444	Professional Recruitment	\$0	\$ 2,900,000	\$ 1,917,000	N/A	\$ 2,460,000	\$ 1,705,800	-11.0%

## LSC Budget Spreadsheet by Line Item, FY 2002 - FY 2003

<i>Fund</i>	<i>ALI</i>	<i>ALI Title</i>	<b>Revised Estimated 2001</b>	<b>As Introduced 2002</b>	<b>House Sub Bill 2002</b>	<b>% Change Est. 2001 to House 2002</b>	<b>As Introduced 2003</b>	<b>House Sub Bill 2003</b>	<b>% Change House 2002 to House 2003</b>
<b>EDU Education, Department of</b>									
GRF	200-445	OhioReads Admin/Volunteer Support	\$5,000,000	\$ 5,714,000	\$ 5,485,440	9.7%	\$ 5,714,000	\$ 5,485,440	0.0%
GRF	200-446	Educ Mgt Information System	\$14,931,518	\$ 15,479,636	\$ 16,579,636	11.0%	\$ 17,673,430	\$ 16,573,430	0.0%
GRF	200-447	GED Testing/Adult H.S.	\$2,081,983	\$ 2,123,623	\$ 2,038,678	-2.1%	\$ 2,166,095	\$ 2,079,451	2.0%
GRF	200-450	Summer Inst./Reading Intervention	\$0	\$ 0	\$ 0	N/A	\$ 0	\$ 0	N/A
GRF	200-455	Community Schools	\$4,645,000	\$ 4,728,935	\$ 4,728,935	1.8%	\$ 4,824,517	\$ 4,824,517	2.0%
GRF	200-500	School Finance Equity	\$33,756,194	\$ 22,661,968	\$ 23,560,125	-30.2%	\$ 0	\$ 19,975,864	-15.2%
GRF	200-501	Base Cost Funding	\$3,794,843,963	\$ 3,983,645,394	\$ 4,263,404,768	12.3%	\$ 4,237,604,123	\$ 4,432,102,815	4.0%
GRF	200-502	Pupil Transportation	\$292,982,101	\$ 304,355,027	\$ 334,183,786	14.1%	\$ 323,222,648	\$ 377,305,465	12.9%
GRF	200-503	Bus Purchase Allowance	\$39,047,466	\$ 39,828,415	\$ 36,735,279	-5.9%	\$ 40,624,984	\$ 36,799,984	0.2%
GRF	200-505	School Lunch Match	\$9,450,000	\$ 9,639,000	\$ 9,639,000	2.0%	\$ 9,831,780	\$ 9,831,780	2.0%
GRF	200-509	Adult Literacy Education	\$9,586,651	\$ 9,778,384	\$ 7,387,249	-22.9%	\$ 9,973,952	\$ 7,574,994	2.5%
GRF	200-511	Auxiliary Services	\$118,083,309	\$ 122,782,475	\$ 122,782,475	4.0%	\$ 127,650,709	\$ 127,650,709	4.0%
GRF	200-512	Driver Education	\$0	\$ 0	\$ 0	N/A	\$ 0	\$ 0	N/A
GRF	200-513	Student Intervention Services	\$29,000,000	\$ 31,900,000	\$ 31,900,000	10.0%	\$ 38,280,000	\$ 38,280,000	20.0%
GRF	200-514	Post Secondary Adult Career-Technical Ed	\$23,230,243	\$ 25,730,243	\$ 23,230,243	0.0%	\$ 25,730,243	\$ 23,230,243	0.0%
GRF	200-520	Disadvantaged Pupil Impact Aid	\$372,039,783	\$ 375,053,686	\$ 360,149,743	-3.2%	\$ 404,513,876	\$ 360,149,743	0.0%
GRF	200-521	Gifted Pupil Program	\$44,060,601	\$ 45,930,131	\$ 45,930,131	4.2%	\$ 47,893,138	\$ 47,983,321	4.5%
GRF	200-524	Ed. Excellence and Competency	\$11,934,667	\$ 2,699,500	\$ 0	-100.0%	\$ 2,960,900	\$ 0	N/A
GRF	200-525	Parity Aid	---	---	\$ 95,263,845	N/A	---	\$ 200,123,870	110.1%
GRF	200-526	Voc Ed Equip Replacement	\$0	\$ 0	\$ 0	N/A	\$ 0	\$ 0	N/A
GRF	200-532	Nonpublic Admin Cost Reimbursement	\$51,474,714	\$ 53,533,703	\$ 53,533,703	4.0%	\$ 55,675,051	\$ 55,675,051	4.0%
GRF	200-533	School Age Child Care	\$1,371,417	\$ 0	\$ 0	-100.0%	\$ 0	\$ 0	N/A
GRF	200-534	Desegregation Costs	\$11,700,000	\$ 500,000	\$ 500,000	-95.7%	\$ 500,000	\$ 500,000	0.0%
GRF	200-540	Special Education Enhancements	\$141,220,164	\$ 144,006,701	\$ 139,006,701	-1.6%	\$ 146,950,428	\$ 141,950,428	2.1%
GRF	200-545	Career-Technical Educ Enhancements	\$30,231,095	\$ 37,397,564	\$ 20,070,157	-33.6%	\$ 41,347,564	\$ 24,762,969	23.4%
GRF	200-546	Charge-Off Supplement	\$14,000,000	\$ 18,944,145	\$ 39,191,433	179.9%	\$ 22,774,635	\$ 28,684,104	-26.8%
GRF	200-547	Power Equalization	\$34,700,000	\$ 43,009,250	\$ 0	-100.0%	\$ 44,098,359	\$ 0	N/A

## LSC Budget Spreadsheet by Line Item, FY 2002 - FY 2003

<i>Fund ALI ALI Title</i>	<i>Revised Estimated 2001</i>	<i>As Introduced 2002</i>	<i>House Sub Bill 2002</i>	<i>% Change Est. 2001 to House 2002</i>	<i>As Introduced 2003</i>	<i>House Sub Bill 2003</i>	<i>% Change House 2002 to House 2003</i>
<b>EDU Education, Department of</b>							
GRF 200-551 Reading Improvement	\$1,745,361	\$ 0	\$ 0	-100.0%	\$ 0	\$ 0	N/A
GRF 200-552 Cnty MR/DD Bds Bus Purchase	\$1,666,204	\$ 1,666,204	\$ 1,666,204	0.0%	\$ 1,666,204	\$ 1,666,204	0.0%
GRF 200-553 Cnty MR/DD Bds Transportation	\$9,575,910	\$ 9,575,910	\$ 9,575,910	0.0%	\$ 9,575,910	\$ 9,575,910	0.0%
GRF 200-558 Emerg Loan Interest Subsidy	\$5,470,150	\$ 4,500,000	\$ 4,500,000	-17.7%	\$ 3,300,000	\$ 3,300,000	-26.7%
GRF 200-566 OhioReads Grants	\$25,044,986	\$ 28,800,000	\$ 27,148,000	8.4%	\$ 28,800,000	\$ 27,148,000	0.0%
GRF 200-570 School Imprvmt Incentv Grants	\$10,000,000	\$ 10,000,000	\$ 1,000,000	-90.0%	\$ 12,000,000	\$ 1,000,000	0.0%
GRF 200-572 Teacher Incentive Grants	\$4,890,000	\$ 0	\$ 0	-100.0%	\$ 0	\$ 0	N/A
GRF 200-573 Character Education	\$1,050,000	\$ 1,050,000	\$ 0	-100.0%	\$ 1,050,000	\$ 0	N/A
GRF 200-574 Substance Abuse Prevention	\$2,420,000	\$ 2,420,000	\$ 2,323,200	-4.0%	\$ 2,420,000	\$ 2,323,200	0.0%
GRF 200-580 Bethel School Clean-Up	\$0	\$ 0	\$ 0	N/A	\$ 0	\$ 0	N/A
GRF 200-901 Property Tax Allocation - EDU	\$674,000,000	\$ 707,700,000	\$ 707,700,000	5.0%	\$ 743,000,000	\$ 743,000,000	5.0%
GRF 200-906 Tangible Tax Exemption - EDU	\$71,000,000	\$ 73,500,000	\$ 73,500,000	3.5%	\$ 75,700,000	\$ 75,700,000	3.0%
<b>General Revenue Fund Total</b>	<b>\$ 6,200,904,305</b>	<b>\$ 6,490,298,728</b>	<b>\$ 6,778,179,803</b>	<b>9.3%</b>	<b>\$ 6,869,755,391</b>	<b>\$ 7,154,694,641</b>	<b>5.6%</b>
138 200-606 Computer Services	\$4,374,209	\$ 6,629,469	\$ 6,629,469	51.6%	\$ 6,761,034	\$ 6,761,034	2.0%
452 200-638 Miscellaneous Revenue	\$1,045,000	\$ 1,045,000	\$ 1,045,000	0.0%	\$ 1,045,000	\$ 1,045,000	0.0%
4D1 200-602 Ohio Prevention/Ed Resource Ctr	\$325,000	\$ 345,000	\$ 345,000	6.2%	\$ 345,000	\$ 345,000	0.0%
4L2 200-681 Teacher Certification	\$6,008,049	\$ 4,684,143	\$ 4,684,143	-22.0%	\$ 4,856,290	\$ 4,856,290	3.7%
596 200-656 Ohio Career Information System	\$718,084	\$ 743,217	\$ 743,217	3.5%	\$ 769,230	\$ 769,230	3.5%
5B1 200-651 Child Nutrition Services	\$100,000	\$ 0	\$ 0	-100.0%	\$ 0	\$ 0	N/A
5H3 200-687 School Dist Solvency Assistance	\$5,000,000	\$ 24,000,000	\$ 24,000,000	380.0%	\$ 24,000,000	\$ 24,000,000	0.0%
<b>General Services Fund Group Total</b>	<b>\$ 17,570,342</b>	<b>\$ 37,446,829</b>	<b>\$ 37,446,829</b>	<b>113.1%</b>	<b>\$ 37,776,554</b>	<b>\$ 37,776,554</b>	<b>0.9%</b>
309 200-601 Educationally Disadvantaged	\$20,116,921	\$ 20,759,222	\$ 20,759,222	3.2%	\$ 21,425,345	\$ 21,425,345	3.2%
366 200-604 Adult Basic Education	\$16,934,576	\$ 17,527,286	\$ 17,527,286	3.5%	\$ 18,140,740	\$ 18,140,740	3.5%
367 200-607 School Food Services	\$9,783,000	\$ 10,089,884	\$ 10,089,884	3.1%	\$ 10,408,199	\$ 10,408,199	3.2%
368 200-614 Veterans' Training	\$626,584	\$ 648,514	\$ 648,514	3.5%	\$ 671,212	\$ 671,212	3.5%
369 200-616 Vocational Education	\$8,000,000	\$ 8,000,000	\$ 8,000,000	0.0%	\$ 8,000,000	\$ 8,000,000	0.0%
370 200-624 Educ All Handicapped Children	\$1,847,090	\$ 1,364,246	\$ 1,364,246	-26.1%	\$ 1,410,908	\$ 1,410,908	3.4%

## LSC Budget Spreadsheet by Line Item, FY 2002 - FY 2003

<i>Fund</i>	<i>ALI</i>	<i>ALI Title</i>	<i>Revised Estimated 2001</i>	<i>As Introduced 2002</i>	<i>House Sub Bill 2002</i>	<i>% Change Est. 2001 to House 2002</i>	<i>As Introduced 2003</i>	<i>House Sub Bill 2003</i>	<i>% Change House 2002 to House 2003</i>
<b><i>EDU Education, Department of</i></b>									
371	200-631	EEO Title IV	\$1,015,108	\$ 1,155,361	\$ 1,155,361	13.8%	\$ 1,213,894	\$ 1,213,894	5.1%
374	200-647	ESEA Consolidated Grants	\$110,094	\$ 110,094	\$ 110,094	0.0%	\$ 110,094	\$ 110,094	0.0%
376	200-653	J.T.P.A.	\$5,266,819	\$ 0	\$ 0	-100.0%	\$ 0	\$ 0	N/A
378	200-660	Math/Science Technology Investments	\$12,271,273	\$ 12,696,055	\$ 12,696,055	3.5%	\$ 13,036,530	\$ 13,036,530	2.7%
3C5	200-661	Federal Dependent Care Programs	\$17,996,709	\$ 18,189,907	\$ 18,189,907	1.1%	\$ 18,233,488	\$ 18,233,488	0.2%
3D1	200-664	Drug Free Schools	\$20,587,242	\$ 20,621,375	\$ 20,621,375	0.2%	\$ 20,660,570	\$ 20,660,570	0.2%
3D2	200-667	Honors Scholarship Program	\$2,371,680	\$ 2,454,688	\$ 2,454,688	3.5%	\$ 2,540,602	\$ 2,540,602	3.5%
3E2	200-668	AIDS Education Project	\$0	\$ 0	\$ 0	N/A	\$ 0	\$ 0	N/A
3H9	200-605	Head Start Collaboration Proj	\$250,000	\$ 250,000	\$ 250,000	0.0%	\$ 250,000	\$ 250,000	0.0%
3L6	200-617	Federal School Lunch	\$170,500,000	\$ 175,274,000	\$ 175,274,000	2.8%	\$ 180,181,672	\$ 180,181,672	2.8%
3L7	200-618	Federal School Breakfast	\$44,500,000	\$ 45,746,000	\$ 45,746,000	2.8%	\$ 47,026,888	\$ 47,026,888	2.8%
3L8	200-619	Child and Adult Care Programs	\$58,600,000	\$ 60,257,639	\$ 60,257,639	2.8%	\$ 61,966,125	\$ 61,966,125	2.8%
3L9	200-621	Vocational Educ Basic Grant	\$42,850,000	\$ 43,613,582	\$ 43,613,582	1.8%	\$ 45,142,330	\$ 45,142,330	3.5%
3M0	200-623	ESEA Chapter One	\$300,000,000	\$ 320,505,063	\$ 320,505,063	6.8%	\$ 330,172,277	\$ 330,172,277	3.0%
3M1	200-678	ESEA Chapter Two	\$16,591,501	\$ 13,595,978	\$ 13,595,978	-18.1%	\$ 14,059,555	\$ 14,059,555	3.4%
3M2	200-680	Ind with Disab Education Act	\$162,000,000	\$ 186,000,000	\$ 186,000,000	14.8%	\$ 206,000,000	\$ 206,000,000	10.8%
3N7	200-627	School-To-Work	\$14,252,706	\$ 0	\$ 0	-100.0%	\$ 0	\$ 0	N/A
3P9	200-686	SRRC/FRC Evaluation Project	\$52,788	\$ 0	\$ 0	-100.0%	\$ 0	\$ 0	N/A
3R3	200-654	Goals 2000	\$20,425,651	\$ 0	\$ 0	-100.0%	\$ 0	\$ 0	N/A
3S2	200-641	Tech Literacy Transfer	\$15,918,779	\$ 0	\$ 15,183,430	-4.6%	\$ 0	\$ 15,183,430	0.0%
3S7	200-673	Child Care School Age	\$0	\$ 0	\$ 0	N/A	\$ 0	\$ 0	N/A
3T4	200-613	Public Charter Schools	\$4,725,000	\$ 4,887,260	\$ 4,887,260	3.4%	\$ 5,055,185	\$ 5,055,185	3.4%
3T5	200-625	Coordinated School Health	\$0	\$ 0	\$ 0	N/A	\$ 0	\$ 0	N/A
3T6	200-611	Class Size Reduction	\$30,751,698	\$ 32,289,281	\$ 32,289,281	5.0%	\$ 33,903,747	\$ 33,903,747	5.0%
3U2	200-662	Teacher Quality Enhancement Grants	\$1,200,501	\$ 1,300,501	\$ 1,300,501	8.3%	\$ 1,352,000	\$ 1,352,000	4.0%
3U3	200-665	Reading Excellence Grant Program	\$27,565,860	\$ 10,018,756	\$ 10,018,756	-63.7%	\$ 0	\$ 0	-100.0%
3U6	200-675	Provision 2 & 3 Grant	\$191,050	\$ 191,050	\$ 191,050	0.0%	\$ 0	\$ 0	-100.0%

## LSC Budget Spreadsheet by Line Item, FY 2002 - FY 2003

<i>Fund ALI ALI Title</i>	Revised Estimated 2001	As Introduced 2002	House Sub Bill 2002	% Change Est. 2001 to House 2002	As Introduced 2003	House Sub Bill 2003	% Change House 2002 to House 2003
<b>EDU Education, Department of</b>							
<b>Federal Special Revenue Fund Group Total</b>	<b>\$ 1,027,302,630</b>	<b>\$ 1,007,545,742</b>	<b>\$ 1,022,729,172</b>	<b>-0.4%</b>	<b>\$ 1,040,961,361</b>	<b>\$ 1,056,144,791</b>	<b>3.3%</b>
053 200-900 School District Property Tax Replacement		----	\$ 102,000,000	N/A	----	\$ 120,605,324	18.2%
454 200-610 Guidance & Testing	\$886,484	\$ 940,636	\$ 940,636	6.1%	\$ 956,761	\$ 956,761	1.7%
455 200-608 Commodity Foods	\$8,000,000	\$ 10,000,000	\$ 10,000,000	25.0%	\$ 11,000,000	\$ 11,000,000	10.0%
4M4 200-637 Emerg Svc Telecomm Training	\$99,886	\$ 0	\$ 0	-100.0%	\$ 0	\$ 0	N/A
4R7 200-695 Indirect Cost Recovery	\$3,648,881	\$ 3,942,779	\$ 3,942,779	8.1%	\$ 4,168,947	\$ 4,168,947	5.7%
4V7 200-633 Interagency Vocational Support	\$663,429	\$ 695,197	\$ 695,197	4.8%	\$ 731,674	\$ 731,674	5.2%
598 200-659 Auxiliary Services Mobile Units	\$1,328,910	\$ 1,328,910	\$ 1,328,910	0.0%	\$ 1,328,910	\$ 1,328,910	0.0%
620 200-615 Educational Grants	\$1,500,000	\$ 1,525,000	\$ 1,525,000	1.7%	\$ 1,525,000	\$ 1,525,000	0.0%
<b>State Special Revenue Fund Group Total</b>	<b>\$ 16,127,590</b>	<b>\$ 18,432,522</b>	<b>\$ 120,432,522</b>	<b>646.7%</b>	<b>\$ 19,711,292</b>	<b>\$ 140,316,616</b>	<b>16.5%</b>
017 200-612 Base Cost Funding	\$640,467,000	\$ 615,000,000	\$ 604,000,000	-5.7%	\$ 640,000,000	\$ 596,000,000	-1.3%
017 200-682 Lease Rental Pmts Reimbursement	\$29,733,000	\$ 29,722,100	\$ 29,722,100	0.0%	\$ 25,722,600	\$ 25,722,600	-13.5%
017 200-694 Bus Purchase One Time Supplement	\$0	\$ 0	\$ 0	N/A	\$ 0	\$ 0	N/A
020 200-620 Voc School Bldg Assistance	\$1,650,000	\$ 0	\$ 0	-100.0%	\$ 0	\$ 0	N/A
<b>Lottery Profits/Education Fund Group Total</b>	<b>\$ 671,850,000</b>	<b>\$ 644,722,100</b>	<b>\$ 633,722,100</b>	<b>-5.7%</b>	<b>\$ 665,722,600</b>	<b>\$ 621,722,600</b>	<b>-1.9%</b>
<hr/>							
<b>Total All Budget Fund Groups</b>	<b>\$ 7,933,754,867</b>	<b>\$ 8,198,445,921</b>	<b>\$ 8,592,510,426</b>	<b>8.3%</b>	<b>\$ 8,633,927,198</b>	<b>\$ 9,010,655,202</b>	<b>4.9%</b>

## General Revenue Fund

### GRF 200-100 Personal Services

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$10,338,197	\$11,001,037	\$11,781,860	\$12,883,985	\$12,061,049	\$12,361,049
	6.4%	7.1%	9.4%	-6.4%	2.5%

**Source:** GRF

**Legal Basis:** ORC 3301

**Purpose:** This line item provides for payroll and fringe benefits for employees of the Department of Education; funds may also be used for personal service contracts.

### GRF 200-200 Maintenance

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$3,155,090	\$4,188,278	\$384,050	\$0	\$0	\$0
	32.7%	-90.8%	-100.0%	N/A	N/A

**Source:** GRF

**Legal Basis:** ORC 3301

**Purpose:** This line item provided for maintenance for the Department of Education. Since FY 2000, maintenance has been funded through line item 200-320, Maintenance and Equipment.

### GRF 200-300 Equipment

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$151,853	\$553,616	\$74,582	\$0	\$0	\$0
	264.6%	-86.5%	-100.0%	N/A	N/A

**Source:** GRF

**Legal Basis:** ORC 3301

**Purpose:** This line item provided for equipment for the Department of Education. Since FY 2000, equipment has been funded through line item 200-320, Maintenance and Equipment.

### GRF 200-320 Maintenance and Equipment

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$0	\$0	\$4,422,558	\$8,618,979	\$5,155,986	\$5,290,868
	N/A	N/A	94.9%	-40.2%	2.6%

**Source:** GRF

**Legal Basis:** Established by Am. Sub. H.B. 282 of the 123rd General Assembly

**Purpose:** This line item provides funds for maintenance and equipment for the Department of Education. Line items 200-200, Maintenance, and 200-300, Equipment, were collapsed into this line in FY 2000.

**GRF 200-406 Head Start**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$90,556,329	\$92,845,074	\$96,818,680	\$100,843,825	<b>\$102,860,702</b>	<b>\$104,917,916</b>
	2.5%	4.3%	4.2%	<b>2.0%</b>	<b>2.0%</b>

**Source:** GRF

**Legal Basis:** ORC 3301.31

**Purpose:** Am. Sub. H.B. 111 of the 118th General Assembly began to appropriate the General Revenue Fund (GRF) moneys to the Education Improvement Fund line item 200-807, Head Start. All moneys from this line item were transferred to the GRF line item 200-406, Head Start, by the Controlling Board in October 1989. These funds are used for the expansion of the federal Head Start program. The program provides comprehensive development services (including education, health, parental involvement, and social services) for low-income preschool children three to five years of age through local community action organizations, schools, and single purpose agencies and their delegates.

**GRF 200-408 Public Preschool**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$17,879,379	\$17,743,923	\$19,145,553	\$19,506,206	<b>\$19,896,330</b>	<b>\$20,294,257</b>
	-0.8%	7.9%	1.9%	<b>2.0%</b>	<b>2.0%</b>

**Source:** GRF

**Legal Basis:** ORC 3313.646(A)

**Purpose:** This line item is used to provide funds to help school districts finance preschool programs for three- and four-year olds. The programs are designed to provide comprehensive developmental services (including education, health, parental involvement, and social services) in accordance with the federal Head Start program standards. The programs are directed at those families with an income level at or below 185 percent of the federal poverty level. Families with incomes above the federal Head Start eligibility level pay fees on a sliding scale to participate in these programs.

**GRF 200-410 Professional Development**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$0	\$27,259,072	\$30,119,793	\$29,608,834	<b>\$33,453,542</b>	<b>\$45,050,292</b>
	N/A	10.5%	-1.7%	<b>13.0%</b>	<b>34.7%</b>

**Source:** GRF

**Legal Basis:** ORC 3319.071

**Purpose:** This line item collapsed six previously existing line items: 200-417, Professional Development; 200-423, Teacher Recruitment; 200-429, Local Professional Development Block Grants; 200-541, Peer Review; 200-542, National Board Certification; and 200-543, Entry Year Program. Funds from this line item are used to fund a variety of professional development programs for school teachers and administrators. Funds are used to support 12 regional professional development centers, local professional development block grants, entry-year programs for beginning teachers, new principals, and superintendents, rural Appalachian initiative, and the Teacher Recognition Program, etc.

**GRF 200-411 Family and Children First**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$8,501,274	\$10,370,527	\$10,600,591	\$10,642,188	<b>\$13,890,000</b>	<b>\$13,940,000</b>
	22.0%	2.2%	0.4%	<b>30.5%</b>	<b>0.4%</b>

**Source:** GRF

**Legal Basis:** ORC 121.37

**Purpose:** This line item was created in Am. Sub. H.B. 152 of the 120th General Assembly. A portion of the funds are used for grants to treat multi-need children through the Department of Mental Retardation and Development Disability. The remainder of the funds are used to provide direct services to children and families jointly managed by two or more county systems and to fund school readiness centers in 21 urban school districts.

**GRF 200-412 Driver Education Admin**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$134,347	\$176,845	\$919	\$0	<b>\$0</b>	<b>\$0</b>
	31.6%	-99.5%	-100.0%	<b>N/A</b>	<b>N/A</b>

**Source:** GRF

**Legal Basis:** ORC 3301.17

**Purpose:** Funds in this line item were used to administer the driver education program, which was funded through line item 200-512, Driver Education. Moneys were used to annually review and approve driver education programs. The state funding for Driver Education was eliminated by Am. Sub. H.B. 282 of the 123rd General Assembly.

**GRF 200-415 Consumer Education**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$474,345	\$504,278	\$79,663	\$0	\$0	\$0
	6.3%	-84.2%	-100.0%	N/A	N/A

*Source:* GRF

*Legal Basis:* Established by Am. Sub. H.B. 475 of the 109th General Assembly

*Purpose:* Funds in this line item were used to promote the teaching of consumer and economic education through the following activities: statewide conferences; resource assistance for teachers through consumer education coordinators; and the development, dissemination and implementation of comprehensive consumer education curriculum materials.

**GRF 200-416 Vocational Education Match**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$2,330,508	\$2,570,425	\$2,362,272	\$2,381,738	\$2,429,373	\$2,477,960
	10.3%	-8.1%	0.8%	2.0%	2.0%

*Source:* GRF

*Legal Basis:* Established by Am. Sub. H.B. 191 of the 112th General Assembly

*Purpose:* Moneys in this line item support the Division of Vocational Education, which initiates, reviews, and approves vocational education programs; maintains standards for these programs; and maintains statistical, fiscal, and descriptive reports required by state and federal authorities. All of these funds are used to match federal funds for vocational education programs (deposited in Fund 369 line item 200-616).

**GRF 200-417 Professional Development**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$14,192,093	\$436	\$0	\$0	\$0	\$0
	-100.0%	-100.0%	N/A	N/A	N/A

*Source:* GRF

*Legal Basis:* ORC 3319.071

*Purpose:* This line item was created in Am. Sub. H.B. 298 of the 119th General Assembly. Funds were used to provide professional development training programs at regional training centers. Funds were also used for leadership academies to train administrators and school board members. This line item was eliminated in Am. Sub. H.B. 650 of the 122nd General Assembly. Funding for this program is now contained in line item 200-410, Professional Development.

**GRF 200-420 Technical Systems Development**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$0	\$0	\$1,751,412	\$6,933,944	<b>\$6,000,000</b>	<b>\$6,500,000</b>
	N/A	N/A	295.9%	-13.5%	8.3%

**Source:** GRF

**Legal Basis:** Established by Am. Sub. H.B. 282 of the 123rd General Assembly

**Purpose:** These moneys support the Department of Education's internal information management system.

**GRF 200-421 Alternative Education Programs**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$0	\$0	\$0	\$20,000,000	<b>\$22,336,697</b>	<b>\$25,511,384</b>
	N/A	N/A	N/A	11.7%	14.2%

**Source:** GRF

**Legal Basis:** Established by Am. Sub. H.B. 640 of the 123rd General Assembly

**Purpose:** These money provide alternative education program grants to urban, rural, and suburban districts. Programs focus on youth in one or more of the following categories: those who have been expelled, suspended, at risk or dropping out of school, habitually truant or disruptive, and on probation or on parole from a Department of Youth Service's facility.

**GRF 200-422 School Management Assistance**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$1,021,993	\$1,009,209	\$1,114,865	\$1,440,836	<b>\$1,515,995</b>	<b>\$1,603,285</b>
	-1.3%	10.5%	29.2%	5.2%	5.8%

**Source:** GRF

**Legal Basis:** ORC 3301.073 and ORC 3316

**Purpose:** This line item was originally created by Am. H.B. 1285 of the 112th General Assembly. These moneys are used by the Department of Education to provide fiscal assistance and in-service education for school district management personnel and to administer, monitor, and implement the fiscal caution, fiscal watch, and fiscal emergency provisions under Chapter 3316. of the Revised Code.

**GRF 200-423 Teacher Recruitment**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$1,285,622	\$0	\$0	\$0	\$0	\$0
	-100.0%	N/A	N/A	N/A	N/A

*Source:* GRF

*Legal Basis:* Established by Am. Sub. HB 117 of the 121st General Assembly

*Purpose:* These funds were used to establish programs targeted at recruiting under-represented populations into the teaching profession by providing alternative certification. This line item was eliminated in Am. Sub. H.B. 650 of the 122nd General Assembly. Funding for this program is now contained in line item 200-410, Professional Development.

**GRF 200-424 Policy Analysis**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$462,617	\$417,312	\$494,104	\$637,655	\$1,669,538	\$1,703,015
	-9.8%	18.4%	29.1%	161.8%	2.0%

*Source:* GRF

*Legal Basis:* Established by Am. Sub. H.B. 204 of the 113th General Assembly

*Purpose:* These funds are used by the Department of Education to develop and maintain a system of administrative, statistical, and legislative education information to be used for policy analysis. The Department can also use these funds to contract for services that will assist in the provision and analysis of policy-related information.

**GRF 200-425 Tech Prep Administration**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$0	\$0	\$0	\$2,431,012	\$2,479,632	\$2,529,225
	N/A	N/A	N/A	2.0%	2.0%

*Source:* GRF

*Legal Basis:* Proposed by the executive budget

*Purpose:* These funds are used for the administrative costs of the Tech Prep program.

**GRF 200-426 Ohio Educational Computer Network**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$21,669,326	\$21,562,402	\$24,584,939	\$38,171,927	<b>\$42,845,336</b>	<b>\$44,886,075</b>
	-0.5%	14.0%	55.3%	<b>12.2%</b>	<b>4.8%</b>

**Source:** GRF

**Legal Basis:** ORC 3301.07

**Purpose:** These funds are used to maintain a system of information technology throughout Ohio to provide technical assistance for such a system in support the State Education Technology Plan pursuant to section 3301.07 of the Revised Code. The bulk of funds from this line item are distributed to 24 data acquisition sites (also known as "A-sites") that provide computer services to member school districts on a regional basis. Funds are also used to support connecting public and state-chartered nonpublic schools to the state's education network and to develop the statewide union catalog of library services.

**GRF 200-427 Academic Standards**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$0	\$0	\$0	\$1,067,734	<b>\$8,474,999</b>	<b>\$8,862,500</b>
	N/A	N/A	N/A	<b>693.7%</b>	<b>4.6%</b>

**Source:** GRF

**Legal Basis:** Proposed by the executive budget

**Purpose:** This line item contains a number of new initiatives that respond to the recommendations of the Governor's Commission on Student Success. This funding will be used to develop and disseminate academic standards, create curriculum models and communicate these standards and curriculum models to parents and the community.

**GRF 200-429 Local Prof Develop Block Grant**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$9,259,713	\$0	\$0	\$0	<b>\$0</b>	<b>\$0</b>
	-100.0%	N/A	N/A	<b>N/A</b>	<b>N/A</b>

**Source:** GRF

**Legal Basis:** Established by Am. Sub. H.B. 117 of the 121st General Assembly

**Purpose:** Funds from this line item were distributed to school districts and joint vocational school districts for locally developed teacher training and professional development and for the establishment of local professional development committees. This line item was eliminated in Am. Sub. H.B. 650 of the 122nd General Assembly. Funding for this program is now contained in line item 200-410, Professional Development.

**GRF 200-431 School Improvement Initiatives**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$16,135,341	\$11,066,804	\$24,838,650	\$29,933,031	<b>\$18,716,637</b>	<b>\$19,740,742</b>
	-31.4%	124.4%	20.5%	<b>-37.5%</b>	<b>5.5%</b>

*Source:* GRF

*Legal Basis:* Established by Am. Sub. H.B. 111 of the 118th General Assembly

*Purpose:* These funds are used to provide competitive grants to school districts that demonstrate the capacity to invent or adopt school improvement models. The program provides funds for an array of research-based school improvement models to help school districts design their own individualized improvement plans. Funds are also used to cover the Department's administrative expenses of the program and some other projects. In the upcoming biennium, funding is also included to implement Quality Management Principals and for the development and implementation of school operating standards.

**GRF 200-432 School Conflict Management**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$307,933	\$394,431	\$500,172	\$621,524	<b>\$652,600</b>	<b>\$685,230</b>
	28.1%	26.8%	24.3%	<b>5.0%</b>	<b>5.0%</b>

*Source:* GRF

*Legal Basis:* Established by Sub. H.B. 715 of the 120th General Assembly

*Purpose:* Funds are used in conjunction with the Commission on Dispute Resolution to support the teaching and practice of conflict management principles in Ohio's schools. The Department can make grants to school districts to be used to train teachers and administrators in conflict management techniques.

**GRF 200-433 Reading/Writing Improvement**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$0	\$0	\$0	\$0	<b>\$26,773,904</b>	<b>\$33,600,723</b>
	N/A	N/A	N/A	<b>N/A</b>	<b>25.5%</b>

*Source:* GRF

*Legal Basis:* Proposed by the executive budget

*Purpose:* This line item contains funding for various initiatives aimed at improving literacy. Projects funded by this line item include summer institutes for reading intervention, placing half-time literacy specialists in elementary schools, and other literacy initiatives.

**GRF 200-437 Student Assessment**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$9,313,730	\$10,461,338	\$12,387,999	\$17,192,045	<b>\$23,692,045</b>	<b>\$25,942,045</b>
	12.3%	18.4%	38.8%	<b>37.8%</b>	<b>9.5%</b>

**Source:** GRF

**Legal Basis:** ORC 3301.0710 and ORC 3301.0711

**Purpose:** These funds are used to develop, test, score, and report results from statewide student proficiency testing. The line item was created in Am. Sub. H.B. 111 of the 118th General Assembly. Tests covered include the 4th, 6th, 9th, and 12th grade proficiency tests. Subject areas at each grade tested include reading, writing, mathematics, citizenship, and sciences. This line item also supports the new High School Graduation Qualifying Exams. The 9th grade tests are being phased out and the new high school graduation exam will be administered in March 2002. This funding also enables the department to begin developing new achievement tests and diagnostic tests.

**GRF 200-438 Safe Schools**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$0	\$0	\$0	\$0	<b>\$2,050,000</b>	<b>\$2,050,000</b>
	N/A	N/A	N/A	<b>N/A</b>	<b>0.0%</b>

**Source:** GRF

**Legal Basis:** Proposed by the executive budget

**Purpose:** This line item contains funding for the development and operation of a Safe Schools Center. The center serves as a coordinating entity to assist school district personnel, parents, juvenile justice representatives, and law enforcement in identifying strategies and services for improving school safety. This line item also contains funding for a safe-school help line program for students, parents, and the community.

**GRF 200-441 American Sign Language**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$157,848	\$281,657	\$221,299	\$237,003	<b>\$241,743</b>	<b>\$246,578</b>
	78.4%	-21.4%	7.1%	<b>2.0%</b>	<b>2.0%</b>

**Source:** GRF

**Legal Basis:** ORC 3323.17

**Purpose:** Funds in this line item are used to provide supervision and consultation to school districts in dealing with parents of handicapped children who are deaf or hard of hearing, in integrating American Sign Language as a foreign language, and in obtaining interpreters and improving their skills. The line item was created in Am. Sub. H.B. 111 of the 118th General Assembly

**GRF 200-442 Child Care Licensing**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$1,322,035	\$1,511,264	\$1,467,703	\$1,518,359	<b>\$1,548,726</b>	<b>\$1,579,701</b>
	14.3%	-2.9%	3.5%	<b>2.0%</b>	<b>2.0%</b>

*Source:* GRF

*Legal Basis:* ORC 3301.52 through 3301.59

*Purpose:* This line item was established by the Controlling Board on October 16, 1995. Funds in this line item are used by the Department of Education to license and inspect preschool and school-age child care programs in accordance with sections 3301.52 to 3301.59 of the Revised Code.

**GRF 200-443 DeRolph Litigation Expenses**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$0	\$1,311,730	\$300,000	\$0	<b>\$0</b>	<b>\$0</b>
	N/A	-77.1%	-100.0%	<b>N/A</b>	<b>N/A</b>

*Source:* GRF

*Legal Basis:* Created by the Controlling Board, January 25, 1999

*Purpose:* This line item provided funds to satisfy a court order to pay the plaintiff's legal fees incurred in the case of DeRolph v. the State of Ohio.

**GRF 200-444 Professional Recruitment**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$0	\$0	\$0	\$0	<b>\$2,900,000</b>	<b>\$2,460,000</b>
	N/A	N/A	N/A	<b>N/A</b>	<b>-15.2%</b>

*Source:* GRF

*Legal Basis:* Proposed by the executive budget

*Purpose:* Funds in this line item are to be used by the department to establish programs targeted at recruiting underrepresented populations into the teaching profession. Funds would also be used for recruitment programs targeting special needs areas (e.g., math/science teachers, special education teachers, etc.).

**GRF 200-445 OhioReads Admin/Volunteer Support**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$0	\$0	\$3,755,709	\$5,000,000	<b>\$5,714,000</b>	<b>\$5,714,000</b>
	N/A	N/A	33.1%	<b>14.3%</b>	<b>0.0%</b>

*Source:* GRF

*Legal Basis:* Established by Am. Sub. H.B. 282 of the 123rd General Assembly

*Purpose:* This line item provides administrative support incurred by the Department of Education in developing and implementing the OhioReads initiative.

**GRF 200-446 Educ Mgt Information System**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$11,471,518	\$11,922,195	\$13,460,017	\$14,931,518	<b>\$15,479,636</b>	<b>\$17,673,430</b>
	3.9%	12.9%	10.9%	<b>3.7%</b>	<b>14.2%</b>

*Source:* GRF

*Legal Basis:* ORC 3307.0714

*Purpose:* These funds are used to provide school districts with the means to implement local automated information systems and to implement, develop, and improve the Education Management Information System. These funds support the collection and reporting of aggregated student participation and performance, staff, and financial information data. The bulk of the funding from this line item are distributed to school districts on a per pupil basis.

**GRF 200-447 GED Testing/Adult H.S.**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$1,314,312	\$1,427,707	\$1,117,066	\$2,081,983	<b>\$2,123,623</b>	<b>\$2,166,095</b>
	8.6%	-21.8%	86.4%	<b>2.0%</b>	<b>2.0%</b>

*Source:* GRF

*Legal Basis:* ORC 3313.531

*Purpose:* This line item was created by the Controlling Board on January 8, 1990. Funds are used to provide General Educational Development (GED) testing at no cost to applicants, reimburse expenses incurred by testing centers, and to pay the operating expenses of the Department of Education for test administration. Am. Sub. H.B. 152 of the 120th General Assembly combined funds and responsibilities from the former Adult High School (200-515) with this line item. Adult High School funds subsidized school districts for providing organized instruction to persons 16 years of age and older who are not enrolled in a high school for which the State Board of Education sets standards, pursuant to section 3301.07 of the Revised Code. Section 3313.531 of the Revised Code authorizes school districts to offer such adult education programs, and limits state reimbursement to \$10.00 per instructional hour.

**GRF 200-450 Summer Inst./Reading Intervention**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$0	\$0	\$688,048	\$0	<b>\$0</b>	<b>\$0</b>
	N/A	N/A	-100.0%	<b>N/A</b>	<b>N/A</b>

*Source:* GRF

*Legal Basis:* Established by Controlling Board action on May 12, 2000

*Purpose:* This line item provided funding for Summer Institutes and Reading Intervention programs. The activities for this line item are now contained in line item 200-433, Reading/Writing Improvement.

**GRF 200-455 Community Schools**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$1,200,000	\$2,300,000	\$1,654,046	\$4,645,000	<b>\$4,728,935</b>	<b>\$4,824,517</b>
	91.7%	-28.1%	180.8%	<b>1.8%</b>	<b>2.0%</b>

**Source:** GRF

**Legal Basis:** ORC 3314.08

**Purpose:** This line item was established by Am. Sub. H.B. 215 of the 122nd General Assembly. These moneys are mainly used for planning and start-up grants for community schools established under Chapter 3314. of the Revised Code.

**GRF 200-500 School Finance Equity**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$109,405,982	\$67,854,112	\$47,323,630	\$33,756,194	<b>\$22,661,968</b>	<b>\$0</b>
	-38.0%	-30.3%	-28.7%	<b>-32.9%</b>	<b>-100.0%</b>

**Source:** GRF

**Legal Basis:** ORC 3317.0213

**Purpose:** This line item provides funds to distribute a subsidy to low wealth and small districts as first authorized in Sub. H.B. 671 of the 119th General Assembly Beginning in FY 1993, an equity formula was developed to distribute the funds to the poorest school districts as measured by school districts' property value with the income adjustment. Distribution formulas are given in sections 3317.0213 of the Revised Code. As a result of school funding reform, H.B. 650 of the 122nd General Assembly began to phase out equity aid in FY 1999. Equity aid will be completely phased out in FY 2003.

**GRF 200-501 Base Cost Funding**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$2,211,059,883	\$3,035,363,396	\$3,458,196,651	\$3,794,843,963	<b>\$3,983,645,394</b>	<b>\$4,237,604,123</b>
	37.3%	13.9%	9.7%	<b>5.0%</b>	<b>6.4%</b>

**Source:** GRF

**Legal Basis:** ORC 3317

**Purpose:** Am. Sub. H.B. 650 of the 122nd General Assembly changed the line item's name from School Foundation-Basic Allowance to Base Cost Funding. This line item provides the main source of state foundation payments to all school districts in the state. Allocations are based on the school foundation (SF-3) formula, and are administered by the State Board of Education, with the approval of the Controlling Board. The amounts paid to each eligible district are determined under guidelines contained in section 3317.022 of the Revised Code and temporary law in the biennial budget bill. In addition to the base cost funding for all school children, moneys in this line item are also used for special education weight cost funding, extended service allowance payments, per-pupil payments to educational service centers, foundation aid guarantee, small district aid, and various other purposes. Starting in FY 1988, under Am. Sub. H.B. 789 of the 117th General Assembly, the Base Cost Funding was explicitly supplemented with funds from the Lottery Profits Education Fund (LPEF). See the descriptions for the LPEF line item 200-612, Base Cost Funding.

**GRF 200-502 Pupil Transportation**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$179,060,602	\$225,814,316	\$274,110,665	\$292,982,101	<b>\$304,355,027</b>	<b>\$323,222,648</b>
	26.1%	21.4%	6.9%	<b>3.9%</b>	<b>6.2%</b>

**Source:** GRF

**Legal Basis:** ORC 3317.022 (D) and ORC 3317.02 (J) and (K)

**Purpose:** These moneys are used to reimburse school districts for the operating costs of transporting public and nonpublic school pupils to and from school. Beginning in FY 1999, the bulk of the funding for transporting regular students is distributed based on the analysis of a statistical regression model. The state reimbursement rate for every district will increase from 50 percent of the modeled cost in FY 1999 to 60 percent in FY 2003. Funding for special needs transportation continues to be distributed pursuant to rules and formulas adopted by the State Board of Education and approved by the Controlling Board. The reimbursement rate for special education is that same as that for regular transportation.

**GRF 200-503 Bus Purchase Allowance**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$41,462,426	\$31,762,132	\$33,761,278	\$39,047,466	<b>\$39,828,415</b>	<b>\$40,624,984</b>
	-23.4%	6.3%	15.7%	<b>2.0%</b>	<b>2.0%</b>

**Source:** GRF

**Legal Basis:** ORC 3317.07

**Purpose:** These moneys assist school districts and educational service centers in purchasing new buses under guidelines developed by the State Board of Education pursuant to section 3317.07 of the Revised Code. The state reimburses school districts and educational service centers for full costs of buses used for transporting handicapped and nonpublic students assuming that these buses have met the state’s mileage requirement, with the priority for reimbursement funding starting with school districts and educational service centers having the highest mileage buses. About 25 percent of the appropriation for this line item is earmarked for “handicapped and nonpublic” buses. The remaining funding is distributed to school districts to purchase buses used to transport regular students through a complex formula that includes a per pupil or per mile base reimbursement, a rough road factor, and an equalization component.

**GRF 200-504 Special Education**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$523,472,723	\$8,816,421	\$0	\$0	<b>\$0</b>	<b>\$0</b>
	-98.3%	-100.0%	N/A	<b>N/A</b>	<b>N/A</b>

**Source:** GRF

**Legal Basis:** ORC 3317.05 (B), (C), and (D); ORC 3317.20; and ORC 3317.161

**Purpose:** These moneys were used to provide “free and appropriate educational services” to all handicapped children between five and 21 years of age. The funding was distributed to school districts, educational service centers, county MR/DD boards, joint vocational school districts, and institutions through unit formulas authorized by law. This line item was supplemented with funds from the Lottery Profits Education Fund (LPEF) line item 200-671, Special Education. Both line items were eliminated by Am. Sub. H.B. 650 of the 122nd General Assembly. Unit funding for special education services in school districts, educational service centers, and county MR/DD boards has been replaced by a pupil weighting system. The special education funding is now contained in the General Revenue Fund line items 200-501, Base Cost Funding, and 200-540, Special Education Enhancements. The special education funding also continues to be supplemented by the LPEF line item 200-612, Base Cost Funding. Funding for preschool special education, which continues to be distributed on a unit basis, is now contained in item 200-540, Special Education Enhancements.

**GRF 200-505 School Lunch Match**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$9,192,761	\$8,642,209	\$9,991,216	\$9,450,000	<b>\$9,639,000</b>	<b>\$9,831,780</b>
	-6.0%	15.6%	-5.4%	<b>2.0%</b>	<b>2.0%</b>

**Source:** GRF

**Legal Basis:** ORC 3313.81; ORC 3317.024(K)

**Purpose:** This line item is used to match federal funds deposited in line item 200-607, School Food Services. School districts use the funds for food service operations, in an effort to lower the cost of lunches provided to students. Under section 3313.81 of the Revised Code, the State Board of Education must assist school districts in providing school lunches.

**GRF 200-507 Vocational Education**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$297,003,718	\$2,047,762	\$0	\$0	<b>\$0</b>	<b>\$0</b>
	-99.3%	-100.0%	N/A	<b>N/A</b>	<b>N/A</b>

**Source:** GRF

**Legal Basis:** ORC 3317.16; ORC 3317.05(A)

**Purpose:** This line item was used to assist school districts, joint vocational school districts, and institutions in providing vocational education programs. The funding was distributed through a unit formula specified by law. This line item was supplemented with funds from the Lottery Profits Education Fund (LPEF) line item 200-672, Vocational Education. Both line items were eliminated by Am. Sub. H.B. 650 of the 122nd General Assembly. The state has changed the funding for vocational education programs from unit funding to a pupil weighting system. The state funding for vocational education programs is now contained in the General Revenue Fund line items 200-501, Base Cost Funding, and 200-545, Vocational Education Enhancements. The vocational education funding also continues to be supplemented by the LPEF line item 200-612, Base Cost Funding. Funding for vocational education at institutions, which continues to be distributed on a unit basis, is now contained in item 200-545, Vocational Education Enhancements.

**GRF 200-509 Adult Literacy Education**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$9,236,868	\$8,970,230	\$8,817,898	\$9,586,651	<b>\$9,778,384</b>	<b>\$9,973,952</b>
	-2.9%	-1.7%	8.7%	<b>2.0%</b>	<b>2.0%</b>

**Source:** GRF

**Legal Basis:** ORC 3313.52; ORC 3313.531; ORC 3317.024(H)

**Purpose:** These funds support adult education programs in reading, language development, and mathematics. The program was established in 1969. Payments to school districts participating in programs are authorized in section 3317.024(H) of the Revised Code. Payment amounts are based on standards adopted by the State Board of Education.

**GRF 200-511 Auxiliary Services**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$95,613,027	\$101,532,774	\$110,135,741	\$118,083,309	<b>\$122,782,475</b>	<b>\$127,650,709</b>
	6.2%	8.5%	7.2%	<b>4.0%</b>	<b>4.0%</b>

*Source:* GRF

*Legal Basis:* ORC 3317.024(L) and ORC 3317.06

*Purpose:* This line item provides assistance to chartered nonpublic elementary and secondary schools. These moneys may be used for purposes enumerated in sections 3317.06 and 3317.064 of the Revised Code, including the purchase of secular textbooks, health services, programs for the handicapped, and transportation to services offered off-site. Moneys may not be expended for any religious activities. Funds are distributed on a per pupil basis.

**GRF 200-512 Driver Education**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$5,777,650	\$6,464,450	\$361,552	\$0	<b>\$0</b>	<b>\$0</b>
	11.9%	-94.4%	-100.0%	<b>N/A</b>	<b>N/A</b>

*Source:* GRF

*Legal Basis:* ORC 3301.17, 3317.024(I)

*Purpose:* These moneys were used to subsidize school districts for the cost of providing driver education courses for which the State Board of Education prescribed minimum standards and for students attending commercial driver schools licensed under Chapter 4508. of the Revised Code. Per pupil subsidy amount remained at \$50 for a number of years. This subsidy was eliminated by Am. Sub. H.B. 282 of the 123rd General Assembly.

**GRF 200-513 Student Intervention Services**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$0	\$0	\$15,445,934	\$29,000,000	<b>\$31,900,000</b>	<b>\$38,280,000</b>
	N/A	N/A	87.8%	<b>10.0%</b>	<b>20.0%</b>

*Source:* GRF

*Legal Basis:* 3313.608(E)

*Purpose:* This line item provides funds to school districts for providing the student intervention services specified in section 3313.608 of the Revised Code. These funds are used to provide extended learning opportunities for young children most at-risk of not passing the 4th grade proficiency reading test. Moneys are to be targeted to provide more time for learning, including extended day, extended year, after school, Saturday school, and summer school and professional development for teachers in reading intervention strategies. School districts with at least 10 percent of their children falling well below the 4th grade reading proficient level are eligible for this funding.

**GRF 200-514 Post Secondary Adult Voc Ed**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$19,499,745	\$20,937,141	\$22,668,510	\$23,230,243	<b>\$25,730,243</b>	<b>\$25,730,243</b>
	7.4%	8.3%	2.5%	<b>10.8%</b>	<b>0.0%</b>

*Source:* GRF

*Legal Basis:* ORC 3313.52; ORC 3313.53; and ORC 3317.16

*Purpose:* This line item provides funds for full-time and part-time adult vocational training programs for out-of-school youth and adults for employment. Funds and responsibilities from the former line item 200-523, Adult Vocational Education, were included in this line item by Am. Sub. H.B. 152 of the 120th General Assembly. School districts, joint vocational school districts, and other educational institutions are eligible for the funding, which is distributed through a unit formula.

**GRF 200-519 Pilot Scholarship Program**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$51,189	\$1,346,893	\$0	\$0	<b>\$0</b>	<b>\$0</b>
	2531.2%	-100.0%	N/A	<b>N/A</b>	<b>N/A</b>

*Source:* GRF

*Legal Basis:* Created by the Controlling Board in 1998.

*Purpose:* These funds were used to fund the Cleveland Scholarship and Tutoring program for the purpose that is now contained in line item 200-520, DPIA.

**GRF 200-520 Disadvantaged Pupil Impact Aid**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$276,764,077	\$369,053,622	\$367,072,979	\$372,039,783	<b>\$375,053,686</b>	<b>\$404,513,876</b>
	33.3%	-0.5%	1.4%	<b>0.8%</b>	<b>7.9%</b>

**Source:** GRF

**Legal Basis:** ORC 3317.029

**Purpose:** This line item is used to provide funds to school districts that incur higher educational costs due to a higher concentration of economically disadvantaged students. The program first began under the name Municipal Overburden in 1970, as a part of line item 200-501, School Foundation Basic Allowance (now called Base Cost Funding). Line item 200-520, DPIA, was created in 1976. Am. Sub. H.B. 117 of the 121st General Assembly incorporated funding for line items 200-508, Disadvantaged Pupil Program Fund, and 200-516, Urban/Rural Demonstration Projects, with this account. The DPIA program was completely restructured by Am. Sub. H.B. 650 and Am. Sub. H.B. 770 of the 122nd General Assembly Distribution of funds is now based on the DPIA Index, which measures each district's concentration of children receiving public assistance relative to the concentration of such children throughout the state. The program now includes funding for all-day and every day kindergarten, K-3 class size reduction, and safety and remediation measures. School districts will be required to spend their DPIA subsidies in these three areas after a transition period. Part of the DPIA subsidy allocation for Cleveland City School District is used to fund the Cleveland Scholarship and Tutoring Program.

**GRF 200-521 Gifted Pupil Program**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$32,589,585	\$34,912,236	\$39,529,962	\$44,060,601	<b>\$45,930,131</b>	<b>\$47,893,138</b>
	7.1%	13.2%	11.5%	<b>4.2%</b>	<b>4.3%</b>

**Source:** GRF

**Legal Basis:** ORC 3317.024(P)

**Purpose:** Funds from this line item are used to assist school districts in establishing and maintaining programs for gifted and talented pupils. Moneys have been allocated for this program since fiscal year 1975. Beginning in fiscal year 1994, Am. Sub. H.B. 152 of the 120th General Assembly included funds and responsibilities for the previous Summer Honors Institute line item (200-518) with this account. Funds are distributed to school districts and educational service centers through a unit formula prescribed by law. State law requires all school districts to identify their gifted students. The state provides a supplement for the gifted student identification. Gifted students are defined as superior in cognitive ability, specific academy ability, creative thinking ability, and visual/performing arts ability.

**GRF 200-524 Ed. Excellence and Competency**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$9,528,000	\$9,168,000	\$12,987,333	\$11,934,667	<b>\$2,699,500</b>	<b>\$2,960,900</b>
	-3.8%	41.7%	-8.1%	<b>-77.4%</b>	<b>9.7%</b>

**Source:** GRF

**Legal Basis:** Established by Am. Sub. HB 291 of the 115th General Assembly

**Purpose:** Funds from this line item are earmarked for a variety of projects that promote educational excellence and pupil competency. The moneys have been used for teacher and pupil development in mathematics, science, and for other programs involving at-risk students.

**GRF 200-526 Voc Ed Equip Replacement**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$5,500,522	\$4,770,394	\$148,009	\$0	<b>\$0</b>	<b>\$0</b>
	-13.3%	-96.9%	-100.0%	<b>N/A</b>	<b>N/A</b>

**Source:** GRF

**Legal Basis:** Established by Am. Sub. H.B. 204 of the 113th General Assembly

**Purpose:** This money is used to assist school districts in providing equipment to train youth and adults for employment, and in replacing obsolete equipment. Districts with a large percentage of disadvantaged students are given first priority in the distribution of these funds. This line item was eliminated by Am. Sub. H.B. 650 of the 122nd General Assembly. Funding for this program is now contained in line item 200-545, Vocational Education Enhancements.

**GRF 200-532 Nonpublic Admin Cost Reimbursement**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$41,833,222	\$44,413,619	\$48,059,452	\$51,474,714	<b>\$53,533,703</b>	<b>\$55,675,051</b>
	6.2%	8.2%	7.1%	<b>4.0%</b>	<b>4.0%</b>

**Source:** GRF

**Legal Basis:** ORC 3317.063

**Purpose:** This line item was originally established by Am. Sub. H.B. 694 of the 114th General Assembly. This subsidy reimburses state chartered nonpublic schools for their mandated administrative and clerical costs incurred during the preceding year. According to section 3317.063 of the Revised Code, all nonpublic schools chartered by the State Board of Education may be reimbursed for administrative and clerical costs incurred in complying with state or local laws, rules and requirements. Mandated activities include the preparation, filing and maintenance of forms, reports, or records related to state chartering or approval of the school, pupil attendance, transportation of pupils, teacher certification, and other education-related data. Currently, nonpublic schools are reimbursed for their actual costs up to \$250 per pupil.

**GRF 200-533 School Age Child Care**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$958,650	\$1,103,112	\$961,769	\$1,371,417	\$0	\$0
	15.1%	-12.8%	42.6%	-100.0%	N/A

*Source:* GRF

*Legal Basis:* ORC 3301.59

*Purpose:* This line item was created in Am. Sub. H.B. 238 of the 116th General Assembly. Moneys in this line item provide grants to school districts and educational service centers for school-age child care programs that are operated outside of regular school hours for school age children.

**GRF 200-534 Desegregation Costs**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$50,294,336	\$47,903,061	\$9,162,951	\$11,700,000	\$500,000	\$500,000
	-4.8%	-80.9%	27.7%	-95.7%	0.0%

*Source:* GRF

*Legal Basis:* ORC 3301.18

*Purpose:* Funds from this line item are used to pay the state's share of the cost of court-ordered desegregation cases and associated legal fees. Funds received by a district for this purpose are used for transportation costs and other court-directed purposes. State funds pay approximately 50 percent of the local cost of court-ordered desegregation. With the anticipated settlement between the State Board and Dayton City SD, the state would no longer have any on-going, court-ordered desegregation obligations.

**GRF 200-538 Discovery Project Match**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$160,000	\$0	\$0	\$0	\$0	\$0
	-100.0%	N/A	N/A	N/A	N/A

*Source:* GRF

*Legal Basis:* Established by Am. Sub. H.B. 298 of the 119th General Assembly

*Purpose:* The account was created to provide matching funds for the Board of Regents/Department of Education Discovery Project to improve math and science education as part of a National Science Foundation (NSF) grant.

**GRF 200-540 Special Education Enhancements**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$0	\$131,826,304	\$127,087,994	\$141,220,164	<b>\$144,006,701</b>	<b>\$146,950,428</b>
	N/A	-3.6%	11.1%	<b>2.0%</b>	<b>2.0%</b>

**Source:** GRF

**Legal Basis:** ORC 3317.20; ORC 3317.161; and ORC 3317.05 (B), (C), and (D)

**Purpose:** This line item was established by Am. Sub. H.B. 650 of the 122nd General Assembly. These funds are used to fund special education and related services at county MR/DD boards for eligible students and at institutions and to fund preschool special education and related services at school districts, educational service centers, and county MR/DD boards. These moneys are also used to fund home instruction for handicapped children, parent mentoring programs, and school psychology intern programs. (These programs were previously funded by line item 200-504, Special Education.)

**GRF 200-541 Peer Review**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$2,430,865	\$269,736	\$0	\$0	<b>\$0</b>	<b>\$0</b>
	-88.9%	-100.0%	N/A	<b>N/A</b>	<b>N/A</b>

**Source:** GRF

**Legal Basis:** Established by Am. Sub. H.B. 171 of the 117th General Assembly

**Purpose:** Am. Sub. H.B. 215 of the 122nd General Assembly changed the line item's name from Career Ladders to Peer Review. Funds from this line item are used to award grants to school districts that wish to implement peer review programs to promote the use of peer review strategies for improving teacher instructional performance. The line item was eliminated by Am. Sub. H.B. 650 of the 122nd General Assembly.

**GRF 200-542 National Board Certification**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$1,472,500	\$690,000	\$0	\$0	<b>\$0</b>	<b>\$0</b>
	-53.1%	-100.0%	N/A	<b>N/A</b>	<b>N/A</b>

**Source:** GRF

**Legal Basis:** Established by Am. Sub. H.B. 117 of the 121st General Assembly

**Purpose:** These funds are used to pay the application fee for teachers applying to the National Board for Professional Teaching Standards for professional teaching certificates or licenses that the board offers, and to provide grants to recognize and reward teachers who become certified by the board according to section 3319.26 of the Revised Code. This line item was eliminated by Am. Sub. H.B. 650 of the 122nd General Assembly. Funding for this program is now contained in line item 200-410, Professional Development.

**GRF 200-543 Entry Year Programs**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$2,025,337	\$323,781	\$0	\$0	\$0	\$0
	-84.0%	-100.0%	N/A	N/A	N/A

*Source:* GRF

*Legal Basis:* ORC 3317.024(O)

*Purpose:* This line item provided funds on a competitive proposal basis to assist school districts to provide learning experiences for beginning teachers with the assistance of teacher mentors. The line item was established by Am. Sub. H.B. 111 of the 118th General Assembly, and was originally funded through the Education Improvement Fund's 200-810 account. Am. Sub. H.B. 650 of the 122nd General Assembly eliminated this line item. Funding for this program is now contained in line item 200-410, Professional Development.

**GRF 200-544 Indiv Career Plan & Passport**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$5,676,838	\$856,347	\$0	\$0	\$0	\$0
	-84.9%	-100.0%	N/A	N/A	N/A

*Source:* GRF

*Legal Basis:* Established by Am. Sub. H.B. 152 of the 120th General Assembly

*Purpose:* These funds are used to enable students to develop career plans, to identify initial educational and career goals, and to earn a career passport/profile which provides a clear understanding of the student's knowledge, skills, and credentials to present to future employers, universities, and other training institutes. This line item was eliminated by Am. Sub. H.B. 650 of the 122nd General Assembly. Funding for this program is now contained in line item 200-545, Vocational Education Enhancements.

**GRF 200-545 Vocational Educ Enhancements**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$0	\$187,724,836	\$34,168,790	\$30,231,095	\$37,397,564	\$41,347,564
	N/A	-81.8%	-11.5%	23.7%	10.6%

*Source:* GRF

*Legal Basis:* ORC 3317.16 and ORC 3317.05(A)

*Purpose:* This line item was established by Am. Sub. H.B. 650 of the 122nd General Assembly and replaces line items 200-507, Vocational Education, 200-526, Vocational Education Equipment Replacement, and 200-544, Individual Career Plan and Passport. In FY 1999 this line item provided state funding for vocational education programs. Beginning in FY 2000 base funding for vocational education was transferred to line item 200-501, Base Cost Funding. Moneys from this line item are now used to fund the vocational education equipment replacement program, Jobs for Ohio Graduates (JOG), Tech Prep consortia grants, and other items related to vocational education instruction.

**GRF 200-546 Charge-Off Supplement**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$0	\$7,303,168	\$7,416,349	\$14,000,000	\$18,944,145	\$22,774,635
	N/A	1.5%	88.8%	35.3%	20.2%

**Source:** GRF

**Legal Basis:** ORC 3317.021 and ORC 3317.0216 (A) and (B)

**Purpose:** This line item was created by Am. Sub. H.B. 650 of the 122nd General Assembly. These funds are used to provide subsidies to school districts that do not raise enough local operating revenue to cover the local share of education spending that the state foundation formula attributes to them in the base cost funding as well as special and vocational education weight cost funding.

**GRF 200-547 Power Equalization**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$0	\$10,738,996	\$21,830,412	\$34,700,000	\$43,009,250	\$44,098,359
	N/A	103.3%	59.0%	23.9%	2.5%

**Source:** GRF

**Legal Basis:** ORC 3317.0215

**Purpose:** This line item was created by Am. Sub. H.B. 650 of the 122nd General Assembly. These funds are used to provide subsidies to school districts that have below the state average valuation per pupil but have levied more than 23 mills in the combination of Class I effective operating tax rate and school district income tax equivalent operating tax rate. The program equalizes up to two additional mills above 23 mills. The state reimbursement rate is phased in over a three year period (25 percent in FY 1999, 50 percent in FY 2000, 75 percent in FY 2001, and 100 percent beginning in FY 2002).

**GRF 200-551 Reading Improvement**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$1,532,354	\$1,766,265	\$1,520,867	\$1,745,361	\$0	\$0
	15.3%	-13.9%	14.8%	-100.0%	N/A

**Source:** GRF

**Legal Basis:** Established by Am. Sub. H.B. 238 of the 116th General Assembly

**Purpose:** This line item provided funding for the establishment and implementation of a reading recovery training network program in public elementary schools. The program covers the cost of release time for the teacher trainers and provides grants to districts to implement other reading improvement programs on a pilot basis. These funds are also used to conduct a study of effective primary and elementary school reading instruction. This item is now funded in line item 200-433, Reading/Writing Improvement.

**GRF 200-552 Cnty MR/DD Bds Bus Purchase**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$2,184,003	\$194,492	\$1,697,525	\$1,666,204	<b>\$1,666,204</b>	<b>\$1,666,204</b>
	-91.1%	772.8%	-1.8%	<b>0.0%</b>	<b>0.0%</b>

*Source:* GRF

*Legal Basis:* ORC 3317.07

*Purpose:* These funds are used to provide financial assistance to county MR/DD boards for the purchase of vehicles as permitted in section 3317.07 of the Revised Code. County MR/DD boards receive 100 percent reimbursements for the costs of bus purchases.

**GRF 200-553 Cnty MR/DD Bds Transportation**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$6,866,332	\$8,955,905	\$7,746,790	\$9,575,910	<b>\$9,575,910</b>	<b>\$9,575,910</b>
	30.4%	-13.5%	23.6%	<b>0.0%</b>	<b>0.0%</b>

*Source:* GRF

*Legal Basis:* ORC 3317.024 (M)

*Purpose:* These funds are used to provide financial assistance to the county MR/DD boards for the daily operating costs of transporting county MR/DD students to and from school. Most of such students require door-to-door transportation service.

**GRF 200-558 Emerg Loan Interest Subsidy**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$0	\$8,490,374	\$7,123,596	\$5,470,150	<b>\$4,500,000</b>	<b>\$3,300,000</b>
	N/A	-16.1%	-23.2%	<b>-17.7%</b>	<b>-26.7%</b>

*Source:* GRF

*Legal Basis:* ORC 3313.484

*Purpose:* Sub. H.B. 412 of the 122nd General Assembly prohibited the state from approving loans under the preexisting emergency school loan law after March 1, 1998. The state's preexisting emergency school loan law was among those held unconstitutional in the DeRolph decision. Am. Sub. H.B. 650 of the 122nd General Assembly created this line item to provide a subsidy to every district that, during the current fiscal year, paid and obligated to pay interest on an existing state-backed emergency school loan in excess of two percent simple interest.

**GRF 200-560 Interactive Comm Info System**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$748,495	\$0	\$0	\$0	\$0	\$0
	-100.0%	N/A	N/A	N/A	N/A

*Source:* GRF

*Legal Basis:* Established by Am. Sub. S.B. 319 of the 121st General Assembly

*Purpose:* These moneys were used for two purposes. Part of the funds were used for a Microsoft Laptop computer Technology Pilot Project in four districts: New Knoxville Local (Auglaize), For Loramine Local (Shelby), Minster Local (Auglaize), and Anna Local (Shelby). The remaining funds were distributed to Trumbull County Educational Service Center to implement the county's technology plan.

**GRF 200-566 OhioReads Grants**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$0	\$0	\$24,970,547	\$25,044,986	\$28,800,000	\$28,800,000
	N/A	N/A	0.3%	15.0%	0.0%

*Source:* GRF

*Legal Basis:* Established by Am. Sub. H.B. 282 of the 123rd General Assembly

*Purpose:* OhioReads Grants include the OhioReads Classroom and Community Reading Grants that provide support for volunteer reading improvement programs. OhioReads Classroom Reading Grants support volunteer reading improvement efforts in the public schools, while OhioReads Community Reading Grants would support the reading improvement efforts of community service organizations.

**GRF 200-568 Adolescent Pregnancy Program**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$16,490	\$0	\$0	\$0	\$0	\$0
	-100.0%	N/A	N/A	N/A	N/A

*Source:* GRF

*Legal Basis:* ORC 3301.13

*Purpose:* This line item provided challenge grants to be matched with local funds to school districts, mental health, human services, job training, or private agencies to encourage the postponement of sexual activity among adolescents and to help prevent teenage pregnancies. Grant proposals were reviewed by an interdepartmental committee consisting of the directors of the Departments of Education, Health, Human Services, and Mental Health, and the Bureau of Employment Services, with awards made by a majority vote of the committee. The program was first funded by the Education Improvement Fund (006). Am. Sub. H.B. 171 of the 117th General Assembly began to fund this program with GRF moneys.

**GRF 200-570 School Imprvmnt Incentv Grants**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$0	\$0	\$9,729,800	\$10,000,000	<b>\$10,000,000</b>	<b>\$12,000,000</b>
	N/A	N/A	2.8%	<b>0.0%</b>	<b>20.0%</b>

*Source:* GRF

*Legal Basis:* Established by Am. Sub. H.B. 282 of the 123rd General Assembly

*Purpose:* These moneys are used to provide grants to school districts that improve student performance.

**GRF 200-572 Teacher Incentive Grants**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$0	\$0	\$111,000	\$4,890,000	<b>\$0</b>	<b>\$0</b>
	N/A	N/A	4305.4%	<b>-100.0%</b>	<b>N/A</b>

*Source:* GRF

*Legal Basis:* Established by Am. Sub. H.B. 282 of the 123rd General Assembly

*Purpose:* These moneys fund one-time incentives for teachers to become reading specialists and to support the enhancement of skills for math and science teachers.

**GRF 200-573 Character Education**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$0	\$0	\$1,000,000	\$1,050,000	<b>\$1,050,000</b>	<b>\$1,050,000</b>
	N/A	N/A	5.0%	<b>0.0%</b>	<b>0.0%</b>

*Source:* GRF

*Legal Basis:* Established by Am. Sub. H.B. 282 of the 123rd General Assembly

*Purpose:* These moneys provide matching grants of up to \$50,000 each to school districts to develop pilot character education programs.

**GRF 200-574 Substance Abuse Prevention**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$0	\$0	\$2,112,000	\$2,420,000	<b>\$2,420,000</b>	<b>\$2,420,000</b>
	N/A	N/A	14.6%	<b>0.0%</b>	<b>0.0%</b>

*Source:* GRF

*Legal Basis:* Established by Am. Sub. H.B. 282 of the 123rd General Assembly

*Purpose:* These moneys would support the Safe and Drug Free Schools program and the Student Assistance program.

**GRF 200-577 Preschool Special Education**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$63,317,363	\$2,204,723	\$0	\$0	\$0	\$0
	-96.5%	-100.0%	N/A	N/A	N/A

**Source:** GRF

**Legal Basis:** ORC 3317.161

**Purpose:** This line item provided funding to school districts, educational service centers, and county MR/DD boards for preschool special education units and preschool supervisory units in accordance with section 3317.161 of the Revised Code. Federal law requires that school districts identify children age three to five who have a learning disability and provide a free and appropriate public education to these children. The line item was eliminated by Am. Sub. H.B. 650 of the 122nd General Assembly. Funding for preschool special education is now contained in line item 200-540, Special Education Enhancements.

**GRF 200-580 Bethel School Clean-Up**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$0	\$0	\$350,000	\$0	\$0	\$0
	N/A	N/A	-100.0%	N/A	N/A

**Source:** GRF

**Legal Basis:** Established by Am. Sub. H.B. 282 of the 123rd General Assembly

**Purpose:** In FY 2000, these moneys were used for an environmental clean-up at River Valley High School in Marion County.

**GRF 200-589 Special Education Aides**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$1,587,531	\$1,635,155	\$0	\$0	\$0	\$0
	3.0%	-100.0%	N/A	N/A	N/A

**Source:** GRF

**Legal Basis:** ORC 3319.088

**Purpose:** This line item, created in Am. Sub. H. B. 111 of the 118th General Assembly, provides funds to support aides in multi-handicapped special class/learning centers pursuant to paragraph (A) (3) (C) (i) (b) of Rule 3301-51-04 of the Administrative Code. The line item was eliminated by Am. Sub. H.B. 650 of the 122nd General Assembly. Funding for this program is now contained in line item 200-540, Special Education Enhancements.

**GRF 200-901 Property Tax Allocation - EDU**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$568,857,561	\$591,033,893	\$622,326,432	\$674,000,000	<b>\$707,700,000</b>	<b>\$743,000,000</b>
	3.9%	5.3%	8.3%	<b>5.0%</b>	<b>5.0%</b>

*Source:* GRF

*Legal Basis:* ORC 319.301 and ORC 323.151 through 323.157

*Purpose:* This line item is used to reimburse school districts for losses incurred as a result of the 10 percent and 2.5 percent “rollback” reductions in real property taxes and as a result of the “homestead exemption” reduction in taxes.

**GRF 200-906 Tangible Tax Exemption - EDU**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$63,932,038	\$65,047,249	\$65,068,924	\$71,000,000	<b>\$73,500,000</b>	<b>\$75,700,000</b>
	1.7%	0.0%	9.1%	<b>3.5%</b>	<b>3.0%</b>

*Source:* GRF

*Legal Basis:* ORC 5709.01

*Purpose:* This line item reimburses school districts for losses incurred by the creation of the \$10,000 tangible property tax exemption (the “small business” exemption) for both incorporated and unincorporated businesses. The \$10,000 exemption applies to the assessed value of the property, not the market value, so it is equivalent to an exemption of \$40,000 of market value. Since most businesses have more than \$10,000 of tangible assessed value, year-to-year changes in the amount of the exemption are mostly the result of changes in the number of businesses receiving it. Am. Sub. H.B. 215 of the 122nd General Assembly transferred authority of the program from the Department of Taxation to the Department of Education.

## General Services Fund Group

**138 200-606 Computer Services**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$3,078,571	\$3,690,021	\$4,034,664	\$4,374,209	<b>\$6,629,469</b>	<b>\$6,761,034</b>
	19.9%	9.3%	8.4%	<b>51.6%</b>	<b>2.0%</b>

*Source:* GSF: computer sale proceeds

*Legal Basis:* Established by Controlling Board on July 20, 1961

*Purpose:* This line item receives the proceeds from the sale of computer services to various divisions in the Department of Education. The moneys are used to collect, process and disseminate statistical information concerning schools, and to provide data-processing services to divisions within the Department of Education. Funds in this line item are also used to furnish statistical data pertaining to Ohio schools to various organizations, including government agencies.

**452 200-638 Miscellaneous Revenue**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$1,171,745	\$1,066,221	\$203,480	\$1,045,000	<b>\$1,045,000</b>	<b>\$1,045,000</b>
	-9.0%	-80.9%	413.6%	<b>0.0%</b>	<b>0.0%</b>

**Source:** GSF: registration fees for Department of Education sponsored conferences

**Legal Basis:** Established by Controlling Board on April 13, 1972; transferred to the Office of Information, Learning and Technology Services (NET) as ALI 228-640 by the Controlling Board on March 3, 1997

**Purpose:** This line item receives the registration fees paid by those participating in conferences sponsored by the Department of Education, and gifts and bequests made for specific purposes, such as environmental or consumer education. Moneys are used for materials and facilities for conferences, and for the purposes specified by gifts or bequests.

**4D1 200-602 Ohio Prevention/Ed Resource Ctr**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$277,560	\$0	\$592,440	\$325,000	<b>\$345,000</b>	<b>\$345,000</b>
	-100.0%	N/A	-45.1%	<b>6.2%</b>	<b>0.0%</b>

**Source:** GSF: transfer from the Ohio Department of Alcohol and Drug Addiction Services

**Legal Basis:** Established by Controlling Board on September 21, 1992

**Purpose:** These funds are passed through the Department of Education to operate the Ohio Prevention/Education Resource Center, located at the University of Cincinnati. The center is the state clearinghouse for information, materials, and training about tobacco, alcohol and other drugs, and violence prevention.

**4L2 200-681 Teacher Certification**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$2,956,519	\$3,101,769	\$3,377,937	\$6,008,049	<b>\$4,684,143</b>	<b>\$4,856,290</b>
	4.9%	8.9%	77.9%	<b>-22.0%</b>	<b>3.7%</b>

**Source:** GSF: teaching certificate fees

**Legal Basis:** Established by Am. Sub. H.B. 152 of the 120th General Assembly

**Purpose:** These funds will be generated from fees charged of teachers for their teaching certificates. The State Board of Education will set the fees. The funds will be used to cover the cost of administering teacher certification functions.

**596 200-656 Ohio Career Information System**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$571,501	\$412,100	\$520,759	\$718,084	\$743,217	\$769,230
	-27.9%	26.4%	37.9%	3.5%	3.5%

**Source:** GSF: service fees

**Legal Basis:** Established by Am. Sub. H.B. 238 of the 116th General Assembly

**Purpose:** This line item provides funding for a computer-based career information system. This system contains national and state information on occupations, education, and financial aid for use by elementary and secondary students and career counselors. From FY 1976 through FY 1982, OCIS was funded through the Ohio Bureau of Employment Services; from FY 1982 through FY 1985, the system was funded through the former line item 200-615 Manpower Development and Training. School districts pay for their use of the system on a fee-for-service basis, with all fee revenues deposited in this line item.

**5B1 200-651 Child Nutrition Services**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$0	\$0	\$11,108	\$100,000	\$0	\$0
	N/A	N/A	800.3%	-100.0%	N/A

**Source:** GSF: transfers from line item 400/600-411, TANF Federal Block Grant, in House Bill 283 of the 123rd General Assembly in the Department of Human Services/Department of Job and Family Services.

**Legal Basis:** Established by Am. Sub. H.B. 282 of the 123rd General Assembly

**Purpose:** These funds are to be used by the Department of Education to support 19 pilot programs to provide nutritional benefits to older children enrolled in educational or enrichment activities. These moneys may not be used to match funds. The Director of the Department of Job and Family Services and the Superintendent of Public Instruction are required to develop reporting guidelines on the use of these moneys. The Department of Education shall assure that children receiving these benefits meet TANF eligibility criteria.

**5F8 200-645 Textbooks/Instruct Materials**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$25,000,000	\$25,000,000	\$0	\$0	\$0	\$0
	0.0%	-100.0%	N/A	N/A	N/A

**Source:** GSF: For FY 1998, there was one source: the FY 1997 end-of-year GRF fund balance of \$25 million. For FY 1999, there were two sources: the FY 1997 end-of-year GRF fund balance of \$10 million; and the Lottery Profits Education Fund of \$15 million.

**Legal Basis:** Established by Am. Sub. H.B. 215, of the 122nd General Assembly (1997)

**Purpose:** The funds were distributed on a per-pupil basis to all city, exempted village and local school districts with valuations-per-pupil of less than \$200,000. School districts may use the funds for textbooks, instructional software and materials, and any other materials the districts deem to be helpful in providing appropriate instruction to students in the areas of reading, writing, mathematics, science and citizenship.

**5H3 200-687 School Dist Solvency Assistance**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$0	\$12,063,000	\$8,657,000	\$5,000,000	\$24,000,000	\$24,000,000
	N/A	-28.2%	-42.2%	380.0%	0.0%

**Source:** GSF: FY 1998 GRF ending balance transfer

**Legal Basis:** ORC 3316.20

**Purpose:** This line item was established by Am. Sub. H.B. 650 of the 122nd General Assembly. Sub. H.B. 412 of the 122nd General Assembly prohibited the state from approving loans under the preexisting emergency school loan law after March 1, 1998 and created the School Solvency Assistance Fund (Fund 5H3). The state's preexisting emergency school loan law was among those held unconstitutional in the DeRolph decision. Am. Sub. H.B. 650 of the 122nd General Assembly appropriated \$30 million from FY 1998 surplus GRF revenue to Fund 5H3 in FY 1999. These funds are used to provide advancements to school districts to enable them remain solvent and to pay unforeseeable expenses of a temporary or emergency nature that they would be unable to pay from existing resources. Such an advancement would be required to be repaid no later than the end of the second year following the fiscal year in which the loan was made. S.B. 345 of the 123rd General Assembly restructures the solvency fund and creates two separate accounts within the fund: the school district shared resource account and the catastrophic expenditures account. The shared resource account would operate the same as the current solvency fund program. The catastrophic account would be used to generally make grants to school districts for unforeseen catastrophic events. The executive budget proposes \$12,000,000 for each account in each year of the biennium to provide advancements or grants to enable school districts to remain solvent pursuant to section 3316.20 of the Revised Code.

## Federal Special Revenue Fund Group

### 309 200-601 Educationally Disadvantaged

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$11,074,555	\$10,292,033	\$13,262,734	\$20,116,921	<b>\$20,759,222</b>	<b>\$21,425,345</b>
	-7.1%	28.9%	51.7%	<b>3.2%</b>	<b>3.2%</b>

**Source:** FED: CFDA 84.011, Migrant Education; CFDA 84.013, Title 1 Program for Neglected & Delinquent Children; CFDA 84.196, Education for Homeless Children & Youth; CFDA 84.213, Even Start; CFDA 84.216, Capital Expenses (Title 1); CFDA 93.575, Child Care and Development Block Grant; 84.332, Comprehensive School Reform

**Legal Basis:** Established by Controlling Board on March 28, 1966

**Purpose:** This line item contains a grant made under Title I of the Elementary and Secondary Education Act. These moneys are used primarily to support programs in areas with large numbers of disadvantaged students (children from low-income families). These funds support the Homeless Child Youth grants, the licensure of day care facilities and Even Start family literacy.

### 366 200-604 Adult Basic Education

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$14,117,257	\$14,042,937	\$14,039,231	\$16,934,576	<b>\$17,527,286</b>	<b>\$18,140,740</b>
	-0.5%	0.0%	20.6%	<b>3.5%</b>	<b>3.5%</b>

**Source:** FED: CFDA 84.002 Adult Education - State Administration; CFDA 84.192, Adult Education - Homeless; CFDA 93.561, JOBS; CFDA 94.004, Learn and Serve America - School and Community Based Programs

**Legal Basis:** Established by Adult Education Act, Public Law 102-73; Improving America's Schools Act, Public Law 103-382; National and Community Service Trust Act of 1993

**Purpose:** This line item contains federal moneys intended to benefit persons 16 years of age or older who have completed eight years of schooling, and are not presently enrolled in an instructional program. The moneys support programs aimed at developing basic learning skills in these individuals, enhancing their future employment opportunities, and improving their self-images.

**367 200-607 School Food Services**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$9,490,845	\$8,542,551	\$8,947,635	\$9,783,000	<b>\$10,089,884</b>	<b>\$10,408,199</b>
	-10.0%	4.7%	9.3%	<b>3.1%</b>	<b>3.2%</b>

**Source:** FED: CFDA 10.550, Food Distribution; CFDA 10.556, Special Milk Program for Children; CFDA 10.559, Summer Food Service Program for Children; CFDA 10.560, State Administration Expenses for Child Nutrition; CFDA 10.564, Nutrition Education and Training Program

**Legal Basis:** Established by Controlling Board on October 27, 1967

**Purpose:** These funds support special milk and summer food programs, nutrition education and training, and administration of child nutrition programs.

**368 200-614 Veterans' Training**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$518,329	\$581,395	\$519,898	\$626,584	<b>\$648,514</b>	<b>\$671,212</b>
	12.2%	-10.6%	20.5%	<b>3.5%</b>	<b>3.5%</b>

**Source:** FED: CFDA 64.124, Veteran's Educational Assistance

**Legal Basis:** Established by Controlling Board on August 18, 1965

**Purpose:** This federal grant funds staff who determine whether proposed educational programs for training veterans meet federal requirements, and who supervise approved educational programs at all levels of institutional training.

**369 200-616 Vocational Education**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$7,716,127	\$4,903,904	\$7,333,663	\$8,000,000	<b>\$8,000,000</b>	<b>\$8,000,000</b>
	-36.4%	49.5%	9.1%	<b>0.0%</b>	<b>0.0%</b>

**Source:** FED: CFDA 84.174, Vocational Education - Community Based Organization; CFDA 84.243, Tech-Prep Education; CFDA 84.248, Integration of Academics; CFDA 84.923, Appalachian Regional Commission; CFDA 93.561 JOBS - Assessment and Tuition; CFDA 23.012, Appalachian Regional Development Act

**Legal Basis:** Established by Controlling Board on September 23, 1964

**Purpose:** These funds support consumer and homemaking programs, the State Job Coordinating Council, technology preparation, JOBS grants, Appalachian administration grant, and supplemental equipment funds.

**370 200-624 Educ All Handicapped Children**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$13,079,758	\$11,272,070	\$2,818,327	\$1,847,090	<b>\$1,364,246</b>	<b>\$1,410,908</b>
	-13.8%	-75.0%	-34.5%	<b>-26.1%</b>	<b>3.4%</b>

**Source:** FED: CFDA 84.173, SpecEd - Preschool Grants; CFDA 84.224, State Grants for Assistive Technology; CFDA 84.009, Handicapped Children; CFDA 84.029, Handicapped - Personal Development; CFDA 84.158, Project Life; CFDA 84.206, Javits Grant; CFDA 84.330, Advanced Placement - Fee Program

**Legal Basis:** Established by Controlling Board on May 9, 1968

**Purpose:** These funds support preschool handicapped student programs and technology assistance to individuals with disabilities.

**371 200-631 EEO Title IV**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$287,780	\$492,337	\$765,252	\$1,015,108	<b>\$1,155,361</b>	<b>\$1,213,894</b>
	71.1%	55.4%	32.7%	<b>13.8%</b>	<b>5.1%</b>

**Source:** FED: CFDA 84.003, Bilingual Education; CFDA 84.004, Desegregation Assistance, Civil Rights Training, and Advisory Services - National Origin; CFDA 84.162, Immigrant Education

**Legal Basis:** Established by Controlling Board on August 24, 1971

**Purpose:** The moneys in this line item finance consultant services for school districts, colleges, universities, and citizens' groups which are concerned with furthering equal educational opportunity through the development of programs to deal with school desegregation problems.

**374 200-647 ESEA Consolidated Grants**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$344,162	\$95,444	\$43,264	\$110,094	<b>\$110,094</b>	<b>\$110,094</b>
	-72.3%	-54.7%	154.5%	<b>0.0%</b>	<b>0.0%</b>

**Source:** FED: CFDA 84.206, Javits Gifted and Talented Students Education Grant Program

**Legal Basis:** Established by Controlling Board in FY 1976

**Purpose:** The funds in this line item were awarded for technical assistance in implementing effective school-wide projects which address the needs of high poverty schools, for educational innovation and support programs, and the strengthening of state educational agencies (SEAs) in the area of foreign language and gifted students.

**376 200-653 J.T.P.A.**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$2,829,333	\$3,104,937	\$3,498,129	\$5,266,819	\$0	\$0
	9.7%	12.7%	50.6%	-100.0%	N/A

**Source:** FED: CFDA 17.250, Job Training Partnership Act (JTPA)

**Legal Basis:** Established by Job Training Partnership Act of 1982, as amended; Public Law 102-367

**Purpose:** This line item receives federal moneys (passed through from the Ohio Bureau of Employment Services) to provide job training for economically disadvantaged youth and adults facing serious barriers to employment. The department subgrants moneys to the Departments of Youth Services, Mental Health, Mental Retardation and Developmental Disabilities, and Rehabilitation and Correction, and the Board of Regents. Other recipients of this subsidy include public school districts, community organizations, and private industry councils.

**378 200-660 Math/Science Technology Investments**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$10,444,524	\$12,770,717	\$12,219,294	\$12,271,273	\$12,696,055	\$13,036,530
	22.3%	-4.3%	0.4%	3.5%	2.7%

**Source:** FED: CFDA 47.076, National Science Foundation; CFDA 84.215, Fund for the Improvement of Education; CFDA 94.001, Intergenerational Initiative; CFDA 84.281, Eisenhower Professional Development; 84.215, Partnership in Charter Education; 84.190 Christa McAuliffe; CFDA 84.164, Eisenhower Math/Science Grant; CFDA 94.004, Learn and Serve America

**Legal Basis:** Established by Controlling Board on July 29, 1985

**Purpose:** Moneys in this line item are used to expand and improve in-service training and retraining of teachers in mathematics and science, as authorized by P.L. 98-377, Title II.

**3C5 200-661 Federal Dependent Care Programs**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$687,268	\$4,812,611	\$15,284,515	\$17,996,709	\$18,189,907	\$18,233,488
	600.3%	217.6%	17.7%	1.1%	0.2%

**Source:** FED: CFDA 93.673, Dependent Care Planning and Development; 93.575, Dependent Care; 84.314, Statewide Family Literacy Program; 84.213, Even Start; 84.173 Pre School Handicapped

**Legal Basis:** Established by Controlling Board on November 11, 1986

**Purpose:** Moneys in this line item are used for activities related to dependent care resource and referral and to school-age children care services, as authorized by P.L. 98-558. While most of these funds are distributed as subsidies to school districts, some are distributed to the Ohio Department of Human Services for resource and referral services.

**3D1 200-664 Drug Free Schools**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$16,458,803	\$16,606,288	\$14,167,939	\$20,587,242	<b>\$20,621,375</b>	<b>\$20,660,570</b>
	0.9%	-14.7%	45.3%	<b>0.2%</b>	<b>0.2%</b>

**Source:** FED: CFDA 84.186, Drug Free Schools & Community

**Legal Basis:** Established by Controlling Board on May 4, 1987

**Purpose:** Moneys in this line item are used to establish, operate, and improve local programs for drug abuse prevention, early intervention, rehabilitation referral, and education in elementary and secondary schools, as authorized under P.L. 99-570, The Omnibus Anti-Drug Abuse Act of 1986.

**3D2 200-667 Honors Scholarship Program**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$1,159,494	\$1,606,090	\$1,814,470	\$2,371,680	<b>\$2,454,688</b>	<b>\$2,540,602</b>
	38.5%	13.0%	30.7%	<b>3.5%</b>	<b>3.5%</b>

**Source:** FED: CFDA 84.185, Byrd Honors Scholarships

**Legal Basis:** Established by Controlling Board on April 20, 1987

**Purpose:** Moneys in this line item provide a nonrenewable \$1,500 merit scholarship for the first year of study at an institution of higher education for exceptional students. The program is authorized under the Higher Education Act of 1965, Title IV, Part A, as amended by the Higher Education amendments of 1986.

**3E2 200-668 AIDS Education Project**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$292,441	\$512,294	\$63,790	\$0	<b>\$0</b>	<b>\$0</b>
	75.2%	-87.5%	-100.0%	<b>N/A</b>	<b>N/A</b>

**Source:** FED: CFDA 93.118, AIDS Activity; CFDA 93.938, State/Local Comprehensive School Health

**Legal Basis:** Established by Controlling Board on December 7, 1987

**Purpose:** This line item was created by the Controlling Board on December 7, 1987. It receives grants from the U.S. Department of Health and Human Services to provide education about the Acquired Immunodeficiency Disease (AIDS), to determine the level of AIDS-related knowledge, and conduct regional workshops for school personnel. Federal moneys are authorized by the Public Health Service Acts (42 U.S.C. 241a and 42 U.S.C. 243b).

**3H9 200-605 Head Start Collaboration Proj**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$274,306	\$204,732	\$294,069	\$250,000	<b>\$250,000</b>	<b>\$250,000</b>
	-25.4%	43.6%	-15.0%	<b>0.0%</b>	<b>0.0%</b>

**Source:** FED: CFDA 93.600, Head Start

**Legal Basis:** Established by Human Services Amendment Act of 1994, Public Law 103-252

**Purpose:** This line item was established in order to create significant partnerships and to provide better coordination of existing programs for disadvantaged children and their families. Funds are used to facilitate and enhance the state-wide structure to support the rapid growth of Head Start in Ohio. Before FY 1994, funding for this project appeared in line item 040-603 of the Office of the Governor.

**3L6 200-617 Federal School Lunch**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$148,048,998	\$142,992,604	\$158,064,573	\$170,500,000	<b>\$175,274,000</b>	<b>\$180,181,672</b>
	-3.4%	10.5%	7.9%	<b>2.8%</b>	<b>2.8%</b>

**Source:** FED: CFDA 10.555, National School Lunch Program

**Legal Basis:** Established by Am. Sub. H.B. 152 of the 120th General Assembly

**Purpose:** This line item was formerly part of School Food Services, 200-607. However, with the passage of the federal Cash Management Improvement Act, the state is required to provide stricter accountability for federal funds; the state created this line item to account for federal funds used to provide subsidies to school districts to assist them in providing school lunch programs.

**3L7 200-618 Federal School Breakfast**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$29,656,118	\$29,217,174	\$32,191,459	\$44,500,000	<b>\$45,746,000</b>	<b>\$47,026,888</b>
	-1.5%	10.2%	38.2%	<b>2.8%</b>	<b>2.8%</b>

**Source:** FED: CFDA 10.553, School Breakfast Program

**Legal Basis:** Established by Am. Sub. H.B. 152 of the 120th General Assembly

**Purpose:** This line item was formerly part of School Food Services, 200-607. However, with the passage of the federal Cash Management Improvement Act, the state is required to provide for stricter accountability for federal funds. This line item was created to account for federal school breakfast funds.

**3L8 200-619 Child and Adult Care Programs**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$44,564,752	\$45,126,533	\$48,460,017	\$58,600,000	<b>\$60,257,639</b>	<b>\$61,966,125</b>
	1.3%	7.4%	20.9%	<b>2.8%</b>	<b>2.8%</b>

**Source:** FED: CFDA 10.558, Child and Adult Care Food Program

**Legal Basis:** Established by Am. Sub. H.B. 152 of the 120th General Assembly

**Purpose:** This line item was formerly part of School Food Services, 200-607. With the passage of the federal Cash Management Improvement Act, the state is required to provide for stricter accountability for federal funds. These funds are used to initiate, maintain, and expand nonprofit food service programs, for children in non-residential day care facilities.

**3L9 200-621 Vocational Educ Basic Grant**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$41,721,209	\$41,727,897	\$42,836,699	\$42,850,000	<b>\$43,613,582</b>	<b>\$45,142,330</b>
	0.0%	2.7%	0.0%	<b>1.8%</b>	<b>3.5%</b>

**Source:** FED: CFDA 84.048, Vocational Education - Basic Grants to States

**Legal Basis:** Established by Am. Sub. H.B. 152 of the 120th General Assembly

**Purpose:** This line item was formerly part of Vocational Education, 200-616. With the passage of the federal Cash Management Improvement Act, the state is required to provide for stricter accountability for federal funds. This line item was created to account for grants made to school districts and teacher training institutions for the development of vocational education activities and programs.

**3M0 200-623 ESEA Chapter One**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$290,182,230	\$297,852,913	\$281,047,582	\$300,000,000	<b>\$320,505,063</b>	<b>\$330,172,277</b>
	2.6%	-5.6%	6.7%	<b>6.8%</b>	<b>3.0%</b>

**Source:** FED: CFDA 84.010, Title I Grants to Local Educational Agencies

**Legal Basis:** Established by Am. Sub. H.B. 152 of the 120th General Assembly

**Purpose:** This line item was formerly part of Educationally Disadvantaged, line item 200-601. With the passage of the federal Cash Management Improvement Act, the state is required to provide for stricter accountability for federal funds. The funds come from grants made under Title I of the Elementary and Secondary Education Act, and are used primarily to support programs in areas with large numbers of students from low-income families. Title I funds are also used to develop the basic educational skills of migrant, orphaned, and neglected children.

**3M1 200-678 ESEA Chapter Two**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$13,609,882	\$12,202,996	\$45,021,139	\$16,591,501	<b>\$13,595,978</b>	<b>\$14,059,555</b>
	-10.3%	268.9%	-63.1%	<b>-18.1%</b>	<b>3.4%</b>

**Source:** FED: CFDA 84.298, Title VI Innovative Education;

**Legal Basis:** Created by Am. Sub. H.B. 152 of the 120th General Assembly; originally established by E.S.E.A., Public Law 100-297

**Purpose:** This line item was formerly part of ESEA Consolidated Grants, 200-647. With the passage of the federal Cash Management Improvement Act, the state is required to provide for stricter accountability for federal funds. Funds from this line item are awarded for three purposes: the improvement of library resources and educational equipment; educational innovation and support programs; and the strengthening of state educational agencies.

**3M2 200-680 Ind with Disab Education Act**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$96,177,352	\$111,641,545	\$125,688,156	\$162,000,000	<b>\$186,000,000</b>	<b>\$206,000,000</b>
	16.1%	12.6%	28.9%	<b>14.8%</b>	<b>10.8%</b>

**Source:** FED: CFDA 84.027, Special Education - Grants to States (Part B, Individuals with Disabilities Education Act)

**Legal Basis:** Established by I.D.E.A.; Public Laws 91-230, 93-380, 94-142, 98-199, 99-457, 100-630

**Purpose:** This line item was formerly part of Education of All Handicapped Children, 200-624. With the passage of the federal Cash Management Improvement Act, the state is required to provide for stricter accountability for federal funds. Funds from this line item are provided to schools to initiate, expand and improve programs, services and projects for the education of handicapped children at the preschool, elementary, and secondary levels. This line item was created by Am. Sub. H.B. 152 of the 120th General Assembly

**3N7 200-627 School-To-Work**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$14,885,686	\$17,825,677	\$10,869,247	\$14,252,706	<b>\$0</b>	<b>\$0</b>
	19.8%	-39.0%	31.1%	<b>-100.0%</b>	<b>N/A</b>

**Source:** FED: CFDA 17.250, Job Training Partnership Act (JTPA)

**Legal Basis:** Established by Job Training Partnership Act of 1982, as amended; Public Law 102-367

**Purpose:** These funds will be used by the Governor's Human Resource Advisory Council to do the following: coordinate and assist school to work activities throughout the state by developing linkages between appropriate state agencies; collect and disseminate information; conduct research; recommend appropriate performance measures; and provide consulting services to local program providers. This line item was created by Am. Sub. H.B. 152 of the 120th General Assembly

**3P9 200-686 SRRC/FRC Evaluation Project**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$50,000	\$24,783	\$0	\$52,788	\$0	\$0
	-50.4%	-100.0%	N/A	-100.0%	N/A

**Source:** FED: CFDA 93.590, SRRC/FRC Evaluation Project

**Legal Basis:** Created by the Controlling Board in FY 1998

**Purpose:** These funds are used for the evaluation of the effectiveness of School Readiness Resource Centers and Community-Based Family Resource Centers.

**3R3 200-654 Goals 2000**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$14,262,435	\$22,112,344	\$22,473,365	\$20,425,651	\$0	\$0
	55.0%	1.6%	-9.1%	-100.0%	N/A

**Source:** FED: federal funds awarded under CFDA 84.276A: Public Law 103–227, Title III of the Goals 2000–Educate America Act of 1994, for state and local education systemic improvement (original source: CFDA 84.004, Desegregation Assistance, Civil Rights Training, and Advisory Services–Sex Equity)

**Legal Basis:** Established by the Controlling Board on October 2, 1996

**Purpose:** The funds would be used to enhance initiatives implemented by the Department of Education. Specifically, they would be used to support Ohio’s comprehensive improvement plan and state panel, and to develop community-level coalitions for education improvement. They would also provide venture capital for a program called Venture Partners, which creates networks among Ohio’s venture schools and supports partnerships between school districts and colleges of education. Another portion of the moneys would be used for intervention grants.

**3S2 200-641 Tech Literacy Transfer**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$9,439,025	\$16,694,500	\$14,633,000	\$15,918,779	\$0	\$0
	76.9%	-12.3%	8.8%	-100.0%	N/A

**Source:** FED: CFDA 84.318; Technological Literacy Challenge

**Legal Basis:** Established by Controlling Board on June 22, 1998

**Purpose:** These moneys are part of a five-year federal grant program to assist in encouraging state, local, and private sector investment in technology for improving education. This line item was transferred from the Department of Education to the Office of Information, Learning, and Technology Services (SchoolNet).

**3S7 200-673 Child Care School Age**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$4,249,489	\$5,652,619	\$97,892	\$0	\$0	\$0
	33.0%	-98.3%	-100.0%	N/A	N/A

**Source:** FED: CFDA 93.673: Child Care Development Block Grant (CCDBG)

**Legal Basis:** Established by Controlling Board in February 1998

**Purpose:** These funds are used to increase the number of school-age child-care programs in the state's 21 urban school districts.

**3T4 200-613 Public Charter Schools**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$0	\$807,411	\$2,295,355	\$4,725,000	\$4,887,260	\$5,055,185
	N/A	184.3%	105.9%	3.4%	3.4%

**Source:** FED: CFDA 84.282; Public Charter Schools

**Legal Basis:** Established by Controlling Board on December 7, 1998

**Purpose:** This line item would assist in the creation and support for charter schools, known in Ohio as community schools. Assistance would take the form of grants for start-up costs in planning and early implementation phases of community school development.

**3T5 200-625 Coordinated School Health**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$0	\$160,383	\$382,516	\$0	\$0	\$0
	N/A	138.5%	-100.0%	N/A	N/A

**Source:** FED: CFDA 93.283, Oral Disease Prevention; CFDA 93.238, Coordinated School Health/Non Communicable Diseases

**Legal Basis:** Established by Controlling Board on January 25, 1999

**Purpose:** The line item support the efforts of the Department of Education in collaboration with the Department of Health to assess state-level resources for disease prevention and health promotion and to develop Ohio's plan for Coordinated School Health.

**3T6 200-611 Class Size Reduction**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$0	\$0	\$0	\$30,751,698	\$32,289,281	\$33,903,747
	N/A	N/A	N/A	5.0%	5.0%

**Source:** FED: CFDA 84.340: Class Size Reduction

**Legal Basis:** Established by Controlling Board on August 21, 2000

**Purpose:** This line items funds the reduction of class size, particularly in early grades, to improve achievement for regular and special needs children.

**3U2 200-662 Teacher Quality Enhancement Grants**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$0	\$0	\$638,186	\$1,200,501	<b>\$1,300,501</b>	<b>\$1,352,000</b>
	N/A	N/A	88.1%	<b>8.3%</b>	<b>4.0%</b>

**Source:** FED: CFDA 84.336: Teacher Quality Enhancement Grants

**Legal Basis:** Established by Controlling Board on July 1, 2000

**Purpose:** This line item uses funds to improve student achievement and to improve the quality of the current and future teaching force by improving the preparation of prospective teachers an enhancing professional development activities.

**3U3 200-665 Reading Excellence Grant Program**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$0	\$0	\$2,171,491	\$27,565,860	<b>\$10,018,756</b>	<b>\$0</b>
	N/A	N/A	1169.4%	<b>-63.7%</b>	<b>-100.0%</b>

**Source:** FED: CFDA 84.338; Reading Excellence

**Legal Basis:** Established by Controlling Board on June 9, 2000

**Purpose:** This line item uses funds to provide children with the readiness skills and support they need in early childhood to learn to read once they enter school; teach every child to read by the end of the third grade, and to improve the instructional practices of teachers and other instructional staff in elementary schools.

**3U6 200-675 Provision 2 & 3 Grant**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$0	\$0	\$12,187	\$191,050	<b>\$191,050</b>	<b>\$0</b>
	N/A	N/A	1467.7%	<b>0.0%</b>	<b>-100.0%</b>

**Source:** FED: CFDA 10.574; Team Nutrition Grants

**Legal Basis:** Established by Controlling Board on August 14, 2000

**Purpose:** This line item provides funding for new and innovative training programs on dietary guidelines to school and child care decision makers including teachers, school food service personnel, principals, superintendents, board members, and parents.

## State Special Revenue Fund Group

### 454 200-610 Guidance & Testing

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$375,695	\$460,194	\$580,727	\$886,484	<b>\$940,636</b>	<b>\$956,761</b>
	22.5%	26.2%	52.7%	<b>6.1%</b>	<b>1.7%</b>

**Source:** SSR: test and test service proceeds

**Legal Basis:** Originally established in 1929.

**Purpose:** This line item receives the proceeds from the sale of tests and test services to public and nonpublic schools. These moneys are used by the Division of Guidance and Testing to develop, administer, score, and report ability, achievement, and career education tests for pupils.

### 455 200-608 Commodity Foods

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$5,920,436	\$5,746,921	\$7,673,075	\$8,000,000	<b>\$10,000,000</b>	<b>\$11,000,000</b>
	-2.9%	33.5%	4.3%	<b>25.0%</b>	<b>10.0%</b>

**Source:** SSR: handling charges

**Legal Basis:** Established by Controlling Board in September 1978

**Purpose:** This line item receives the handling charges paid by recipients of food. The department obtains the food from the U.S. Department of Agriculture. The purpose of the program is to provide inexpensive, quality food to schools and charitable institutions.

### 4M4 200-637 Emerg Svc Telecomm Training

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$0	\$231,419	\$161,195	\$99,886	<b>\$0</b>	<b>\$0</b>
	N/A	-30.3%	-38.0%	<b>-100.0%</b>	<b>N/A</b>

**Source:** SSR: Controlling Board transfers provided revenues in past fiscal years.

**Legal Basis:** Created in Am. Sub. S.B. 5 of the 122nd General Assembly

**Purpose:** These moneys are used by the Department of Education for the purpose of developing an emergency service telecommunicator training program and paying the costs of training employees of emergency service providers.

### 4N5 200-639 Impact II

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$71,803	\$0	\$0	\$0	<b>\$0</b>	<b>\$0</b>
	-100.0%	N/A	N/A	<b>N/A</b>	<b>N/A</b>

**Source:** SSR: Ameritech

**Legal Basis:** Established by Am. Sub. H.B. 152 of the 120th General Assembly

**Purpose:** These moneys were used to make grants to teachers to incorporate technology into the classroom.

**4R7 200-695 Indirect Cost Recovery**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$1,357,943	\$2,174,147	\$2,560,515	\$3,648,881	<b>\$3,942,779</b>	<b>\$4,168,947</b>
	60.1%	17.8%	42.5%	<b>8.1%</b>	<b>5.7%</b>

**Source:** SSR: Indirect payment for the department's role in running federal projects (allowed by the federal government)

**Legal Basis:** Established by Controlling Board in December, 1993

**Purpose:** These moneys are used for a variety of purposes including building renovations, staff in-service training, and salaries.

**4V7 200-633 Interagency Vocational Support**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$640,630	\$595,332	\$642,612	\$663,429	<b>\$695,197</b>	<b>\$731,674</b>
	-7.1%	7.9%	3.2%	<b>4.8%</b>	<b>5.2%</b>

**Source:** SSR: funds received from the Ohio Department of Youth Services and the Ohio Department of Rehabilitation and Corrections

**Legal Basis:** Line item re-established by the Controlling Board on September 18, 1995; originally established by the Controlling Board on June 19, 1995

**Purpose:** The funds support vocational education programs. DYS and DRC each reimburse 25% of two consultant positions; these consultants work with incarcerated youth enrolled in vocational programs. The DRC reimburses 50% of several Single Parent Non-traditional Vocational programs for incarcerated women.

**4Y5 200-697 Supplemental School Assistance**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$595,400	\$0	\$0	\$0	<b>\$0</b>	<b>\$0</b>
	-100.0%	N/A	N/A	<b>N/A</b>	<b>N/A</b>

**Source:** SSR: Unobligated and unreserved ending fund balance in the General Revenue Fund for FY 1995 in excess of \$70 million

**Legal Basis:** Established by Am. Sub. H.B. 117 of the 121st General Assembly (FY 1996)

**Purpose:** These funds were used to compensate districts in both fiscal year 1996 and fiscal year 1997 for property tax losses of more than 5% as a result of the reduction of the assessment percentage on tangible property of telecommunications companies. The funds were also used to assist school districts that incurred losses of tax revenues from water transportation companies. Small amounts of similar expenditures were made in fiscal years 1994 and 1995.

**598 200-659 Auxiliary Services Mobile Units**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$1,176,149	\$895,157	\$1,396,664	\$1,328,910	<b>\$1,328,910</b>	<b>\$1,328,910</b>
	-23.9%	56.0%	-4.9%	<b>0.0%</b>	<b>0.0%</b>

**Source:** SSR: Auxiliary Services Personnel Unemployment Compensation Fund

**Legal Basis:** ORC 3317.064

**Purpose:** This line item receives moneys from the Auxiliary Services Personnel Unemployment Compensation Fund that are deemed to be in excess of the amount needed to pay unemployment claims. These moneys are used to replace and repair mobile units used in the auxiliary service programs. This line item was created in Am. Sub. H.B. 238 of the 116th General Assembly

**620 200-615 Educational Grants**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$0	\$0	\$1,110,019	\$1,500,000	<b>\$1,525,000</b>	<b>\$1,525,000</b>
	N/A	N/A	35.1%	<b>1.7%</b>	<b>0.0%</b>

**Source:** SSR: Miscellaneous education grants

**Legal Basis:** Established by Am. Sub. H.B. 282 of the 123rd General Assembly

**Purpose:** Moneys in this line item are provided from miscellaneous educational grants previously deposited in Fund 452, Fees and Grants, and are used to support materials and facilities for conferences, and for the purposes specified by gifts or bequests.

## Lottery Profits/Education Fund Group

**017 200-612 Base Cost Funding**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$0	\$666,093,028	\$656,247,000	\$640,467,000	<b>\$615,000,000</b>	<b>\$640,000,000</b>
	N/A	-1.5%	-2.4%	<b>-4.0%</b>	<b>4.1%</b>

**Source:** LPE: Lottery Profits Education Fund

**Legal Basis:** Established by Am. Sub. H.B. 650 of the 122nd General Assembly

**Purpose:** This line item collapsed three previously existing LPEF line items: 200-670, School Foundation - Basic Allowance; 200-672, Special Education; and 200-672, Vocational Education. These moneys are used in conjunction with the GRF line item 200-501, Base Cost, to fund state foundation payments to school districts and other education subsidies. Also see description for line item 200-501, Base Cost Funding.

**017 200-670 School Foundation-Basic Allowance**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$584,137,200	\$0	\$0	\$0	\$0	\$0
	-100.0%	N/A	N/A	N/A	N/A

**Source:** LPE: LPEF

**Legal Basis:** ORC 3317

**Purpose:** This line item was created by Am. Sub. H.B. 789 of the 117th General Assembly. Funds in this line item were used in conjunction with GRF line item 200-501, School Foundation Basic Allowance (now called Base Cost Funding), to fund the school foundation formula payments and other educational subsidies. This line item was eliminated by Am. Sub. H.B. 650 of the 122nd General Assembly. The LPEF's share for state foundation payments is now contained in line item 200-612, Base Cost Funding.

**017 200-671 Special Education**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$44,000,000	\$0	\$0	\$0	\$0	\$0
	-100.0%	N/A	N/A	N/A	N/A

**Source:** LPE: LPEF

**Legal Basis:** ORC 3317.161; ORC 3317.20; and ORC 3317.05 (B), (C), and (D)

**Purpose:** The line item was created in Am. Sub. H.B. 111 of the 118th General Assembly. It was used in conjunction with GRF line item 200-504, Special Education, to fund special education programs. Am. Sub. H.B. 650 of the 122nd General Assembly eliminated this line item. The Lottery Profits Education Fund' share for special education is now contained in 200-612, Base Cost Funding.

**017 200-672 Vocational Education**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$30,000,000	\$0	\$0	\$0	\$0	\$0
	-100.0%	N/A	N/A	N/A	N/A

**Source:** LPE: LPEF

**Legal Basis:** ORC 3317.16, and ORC 3317.05 (A)

**Purpose:** The line item was created in Am. Sub. H.B. 111 of the 118th General Assembly. It was used in conjunction with GRF line item 200-507, Vocational Education to fund vocational education programs. Am. Sub. H.B. 650 of the 122nd General Assembly eliminated this line item. The Lottery Profits Education Fund's share for vocational education is now contained in 200-612, Base Cost Funding.

**017 200-682 Lease Rental Pmts Reimbursement**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$21,105,000	\$32,780,000	\$0	\$29,733,000	<b>\$29,722,100</b>	<b>\$25,722,600</b>
	55.3%	-100.0%	N/A	<b>0.0%</b>	<b>-13.5%</b>

**Source:** LPE: LPEF

**Legal Basis:** ORC 3318.01 to 3318.20

**Purpose:** This line item was created by Am. Sub. H.B. 152 of the 120th General Assembly. These funds were transferred to the Department's General Revenue fund line item 200-413, Lease Rental, to pay any debt service incurred from issuing bonds for the classroom facilities assistance program. Am. Sub. H.B. 215 of the 122nd General Assembly created the independent School Facilities Commission (SFC) to administer the classroom facilities assistance program. Funds in this line item are now transferred to support the GRF line item 230-428, Lease Rental Payments of the SFC.

**017 200-694 Bus Purchase One Time Supplement**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$791,421	\$7,438,958	\$1,659,086	\$0	<b>\$0</b>	<b>\$0</b>
	839.9%	-77.7%	-100.0%	<b>N/A</b>	<b>N/A</b>

**Source:** LPE: LPEF

**Legal Basis:** Established by Am. Sub. H.B. 215 of the 122nd G.A

**Purpose:** These funds were distributed by the Department of Education as a one-time supplement pursuant to the provisions of law governing appropriation line item 200-503, Bus Purchase Allowance. The funds were used to replace approximately 200 school buses for public and non-public schools and MR/DD boards.

**018 200-649 Disability Access Project**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$60,000	\$0	\$0	\$0	<b>\$0</b>	<b>\$0</b>
	-100.0%	N/A	N/A	<b>N/A</b>	<b>N/A</b>

**Source:** LPE: Lottery Profits Education Reserve Fund

**Legal Basis:** Established by Am. Sub. H.B. 215, 122nd General Assembly within the Department of Education; transferred to the School Facilities Commission as line item 230-649, Disability Access Project, by Am. Sub. H.B. 650 of the 122nd General Assembly

**Purpose:** These funds are used to provide grants for disability access projects to school districts. The maximum grant amount is \$100,000. A school district that is not one of the state's 21 urban districts and that has a valuation per pupil of less than \$200,000 is eligible for the funding. The district is also required to pay a percent of the project cost equal to its valuation percentile in which the district is ranked. The authority of administering the program was transferred to the School Facilities Commission from the Department of Education by Am. Sub. H.B. 650 of the 122nd General Assembly

**018 200-669 Judgment Loan**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$5,618,561	\$0	\$0	\$0	\$0	\$0
	-100.0%	N/A	N/A	N/A	N/A

**Source:** LPE: Lottery Profits Education Reserve Funds

**Legal Basis:** Established by Am. Sub. H.B. 215 of the 122nd General Assembly

**Purpose:** These funds were used to make loans to an eligible district that, in the FY 1996-FY 1997 biennium, was the subject of one or more final, nonappealable judgements, consent judgements, or settlement agreements in a civil action for damages for injury, death, or loss of person or property, the amount of which was equal to 90 percent of the district's operating expenditures for that fiscal year in which any of the judgements or settlements were issued. For repayments of the loan, the Department is required to deduct from state aid payments for the district an amount equal to 0.2 percent of the district's total taxable valuation for 25 years or the number of years required to deduct the whole amount of the loan, whichever is less.

**020 200-620 Voc School Bldg Assistance**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$0	\$3,199,035	\$0	\$1,650,000	\$0	\$0
	N/A	-100.0%	N/A	-100.0%	N/A

**Source:** LPE: LPEF funds transferred to Fund 020 by the Controlling Board, as needed

**Legal Basis:** ORC 3317.22 and ORC 3317.23

**Purpose:** This line item provides interest-free loans to eligible school districts and joint vocational school districts, under sections 3317.22 and 3317.23 of the Revised Code, to assist in financing the construction and renovation of vocational classroom facilities or the purchase of vocational education equipment or facilities. When the Department of Education decides to lend a district a loan under this program, it must first obtain approval of the Controlling Board for transferring moneys from the Lottery Profits Education Fund to Fund 020. The Department can then lend the funds to the district. The district repays the loan directly to Fund 020. The Department makes about one to two loans per year under this line item, which began in FY 1993.

## Education Improvement Fund

**006 200-689 Hazardous Waste Removal**

1998	1999	2000	2001 Estimate	2002 Executive Proposal	2003 Executive Proposal
\$1,500,000	\$1,443,401	\$0	\$0	\$0	\$0
	-3.8%	-100.0%	N/A	N/A	N/A

**Source:** 006: excess funds in the Education Improvement Fund

**Legal Basis:** Established by Am. Sub. H.B. 215 of the 122nd General Assembly

**Purpose:** These funds are to be used to assist school district in removing hazardous waste from school laboratories.

As Introduced\*

In House Finance and Appropriations

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**Permanent Law Changes****Subject: School District Debt Ceiling for School Facilities Assistance****section: 133.06**

No provision.

Permits a school district to exceed the 9% debt limitation if the additional debt is necessary to raise the district's share of a building project under the state's School Facilities Assistance Program. The Ohio School Facilities Commission must notify the state Superintendent of Public Instruction whenever a school district exceeds the 9% limit.

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As Introduced\*

In House Finance and Appropriations

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**Permanent Law Changes****Subject: Educational Service Center Office Space and Equipment****sections: 133.07, 307.031, 3313.37, 3319.19**

Specifies that an educational service center governing board may acquire property to provide for office and classroom space.

Permits a board of county commissioners to issue securities to acquire property for an ESC as long as the ESC agrees to pay the debt charges on the securities.

Phases out by 2006 the responsibility of boards of county commissioners to provide office space for the ESCs located within their territories.

The statewide cost of educational service center office space was estimated at approximately \$4.2 million pursuant to the formula specified in section 307.031 of the Revised Code. The County Commissioners Association estimated the statewide cost to be \$6 to \$8 million.

Same as executive, but adds one year to the phase-out of the county boards' responsibility to provide office space for ESCs (to 2007).

## As Introduced\*

## In House Finance and Appropriations

## Permanent Law Changes

**Subject: Accountability**

**section: 3302.041**

No provision.

Requires each school district rated under current law as needing continuous improvement, under academic watch, or in a state of academic emergency (and accordingly required to have a three-year continuous improvement plan) to include with that plan a budget for expending the district's allocation of the bill's new parity aid supplement. A budget is required only for any year the district will receive this aid. Provides that districts currently in the middle of a three-year plan amend their plans to include a budget for the remaining years. Requires the parity aid budget to be aligned with the district's continuous improvement plan; to explain how the expenditures will improve the district's academic success; and to allocate all parity aid to one of the following categories of expenditures: (1) classroom equipment or instructional materials; (2) lowering student/teacher ratios; (3) providing additional curriculum opportunities; (4) staff professional development; (5) all-day kindergarten; (6) preschool; (7) additional programming for gifted, disadvantaged, or disabled students; (8) academic intervention. Requires that the parity aid be used only to add additional programming and not to supplant other school district funds already being expended for the purpose. Requires the Department of Education to annually assess one third of school districts (one half in the case of districts with just two years remaining on a current

## As Introduced\*

## In House Finance and Appropriations

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**Permanent Law Changes**

plan) to determine if they are following their parity aid budgets. The Department is required to withhold parity aid in the amount of any misspent funds until such year as the district complies with its expenditure plan. Permits districts to reallocate parity aid among the permitted areas of expenditure during the course of a three-year plan and to spend it totally outside the permitted areas when the Department determines this to be necessary to eliminate risks to student health and safety.

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**Subject: Vocational Education renamed "Career-Technical Education"**

**section: 3303.01**

No provision.

Provides that whenever the term "vocational education" occurs throughout the Revised Code, that term is deemed to refer to "career-technical education," except that joint vocational school districts and vocational education districts must continue to be styled as they are now.

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As Introduced\*

In House Finance and Appropriations

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**Permanent Law Changes****Subject: Educational Service Center Mergers****section: 3311.057**

No provision.

Re-opens the window of opportunity for educational service centers (ESCs) that wish to merge utilizing the option to craft a governing board with a unique make-up. This option to select the number of board members and whether to elect some or all by subdistrict is limited under current law to mergers that occur prior to July 1, 1999. The bill allows ESCs that merge (or have merged) anytime prior to July 1, 2003 to custom design their board.

**Subject: Educational Service Center Mergers****section: 3311.058**

No provision.

Permits educational service centers (ESC) that would otherwise be required to merge in order to meet any prescribed average daily membership (ADM) count not to merge if merging would cause the territory of the new ESC to consist of more than 800 square miles. Temporary law enacted in 1995 requires certain ESCs that have ADM of less than 8,000 students to merge.

As Introduced\*

In House Finance and Appropriations

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**Permanent Law Changes****Subject: Sale of School District Property to Community Schools****section: 3313.41**

No provision.

Requires that when a school district board decides to sell real property, it must first offer the property to the governing authorities of start-up community schools within the district's territory at a price not higher than the appraised fair market value of the property. If no community school governing authority accepts the offer within 60 days after the offer is made, the board may dispose of the property in the manner otherwise provided by law.

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As Introduced\*

In House Finance and Appropriations

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**Permanent Law Changes****Subject: High School Graduation Requirements****sections: 3313.603, 3317.012**

Maintains the current law requiring completion of 21 high school units to graduate from high school after September 15, 2001.

Specifies that the FY 2002 formula amount includes \$24 per pupil for the costs associated with implementing the 21-unit requirement.

Reduces the number of required units to 20 by eliminating one elective unit. (The bill retains the requirement that at least one elective unit, or two half units, be selected from among business/technology, fine arts, or foreign language.)

Specifies that the FY 2002 formula amount includes \$12 per pupil as the General Assembly's determination of the cost to implement the 20-unit requirement. The bill states the General Assembly's determination that in FY 1999 the model districts on average required a minimum of 19.8 units to graduate and that \$12 per pupil is the FY 2002 cost to fund the additional 0.2 units.

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As Introduced\*

In House Finance and Appropriations

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**Permanent Law Changes****Subject: Changes to Intervention Requirements****section: 3313.608**

Requires school districts to assess each student's reading levels at the end of kindergarten and provide intervention services to students reading below grade level. (Current law already requires reading assessments at the end of first, second, and third grades.)

Applies the current standards for state-funded summer remediation services to all intervention services conducted with any state funding (not just summer programs).

Eliminates the requirement that students receiving state-funded intervention services be "tested" and instead requires that they be "assessed."

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No change.

As Introduced\*

In House Finance and Appropriations

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**Permanent Law Changes****Subject: Homeless Children Right to Attend School****section: 3313.64**

No provision.

Amends state law to make it consistent with the state plan for service to homeless families, developed to qualify for federal funds for homeless programs. Generally, a child is entitled to attend school in the school district in which the child's parent resides. A provision of the plan (required by federal law) permits homeless children to attend school in the "school of origin" (the school they attended at the time they became homeless) as well as the "school of residence" (the school that serves the territory where they have sought temporary residence).

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## As Introduced\*

## In House Finance and Appropriations

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**Permanent Law Changes****Subject: Catastrophic Costs Subsidy****sections: 3314.08, 3317.022, 3317.16**

Expands the subsidy to cover any special education students whose costs to serve exceed \$25,000 in any year, not merely students with Category 3 disabilities (autism, traumatic brain injury, or both visual and hearing disabilities).

Increases the percentage of costs above the \$25,000 threshold that the state will reimburse school districts (community schools already are eligible for 100% reimbursement). Instead of paying simply the district's calculated state share percentage, the bill requires the state to pay the sum of:

- (1) 100% of half the costs above \$25,000; plus
- (2) The district's calculated state share percentage (plus 5% beginning in FY 2003) of the other half of the costs above \$25,000.

Earmarks \$14,000,000 in each fiscal year within the appropriation item 200-501, Base Cost Funding, for this provision.

Includes all special education students except speech-only students under this subsidy.

Same as executive, but pays the second half of the costs above \$25,000 at the state share percentage calculated in accordance with current law (i.e., not increased by 5% beginning in FY 2003).

As Introduced\*

In House Finance and Appropriations

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**Permanent Law Changes****Subject: Community School Pupil Transportation****sections: 3314.09, 3314.091**

No provision.

Permits school districts and community school governing boards to enter into agreements under which the community school will assume the responsibility for transporting its students. Community schools (often called "charter schools") are public nonprofit, nonsectarian schools that operate under contract with a public sponsor. Current law provides that the school district in which the students enrolled in a community school are entitled to attend school must generally provide transportation for such students on the same basis that it provides transportation for its own students. However, a board is not required to transport nonhandicapped students to and from a community school located in another school district if the transportation would require more than thirty minutes of direct travel time. In addition, where it is impractical to transport a pupil to and from a community school by school conveyance, a district board may, in lieu of providing the transportation, make a payment to the parent of a community school student, based on the statewide average cost of transportation per pupil. The bill permits a community school to make payments in lieu of transporting in the same manner as the district. If a community school assumes this transportation responsibility it is entitled to a payment from the state which is deducted from the state payments that otherwise would be paid to the school district in which the students enrolled in the school reside.

## As Introduced\*

## In House Finance and Appropriations

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**Permanent Law Changes**

The amount of the payment is \$450 per pupil transported in fiscal year 2002. That amount is inflated by the annual increase in the Consumer Price Index for all urban transportation in each subsequent fiscal year.

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**Subject: Base Cost Methodology****section: 3317.012**

Changes the methodology for determining the base cost of an adequate education for FY 2002 through FY 2007, resulting in increased per pupil amounts prescribed by current law. The new methodology involves analyzing the FY 1999 base-cost expenditures of school districts that, in FY 1999, met the criteria of the State Board of Education's "Resource and Accountability Model":

- (1) Met at least 20 of 27 state performance standards;
- (2) Met three "input" criteria involving pupil-teacher ratio, teacher experience, and offering of advanced placement courses; and
- (3) Were not among the top or bottom 5% of all school districts in income wealth or property valuation per pupil.

Utilizes a different methodology that also derives the base cost from analyzing the expenditures of model school districts. The model districts are those that, in FY 1999:

- (1) Met at least 20 of 27 state performance standards; and
- (2) Were not among the top or bottom 5% of all school districts in income wealth or property valuation per pupil.

If a district included in this model was not also included in the FY 1996 model currently in effect, its actual FY 1999 expenditures were included in the analysis. If a district was also in the FY 1996 model, its FY 1996 expenditures were inflated to FY 1999 levels to be used for the analysis.

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As Introduced\*

In House Finance and Appropriations

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**Permanent Law Changes****Subject: Future Base Cost Amounts****section: 3317.012**

Requires the Speaker of the House and the Senate President to appoint in 2006, and every six years thereafter, a committee to reexamine the cost of an adequate education, and requires that committee to issue its report within one year of its appointment.

Requires the Speaker and Senate President to appoint the committee in July 2005 and every six years thereafter.

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As Introduced\*

In House Finance and Appropriations

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**Permanent Law Changes****Subject: Special Education Weights**

sections: **3314.08, 3317.01, 3317.013, 3317.02, 3317.0212, 3317.022, 3317.023, 3317.03, 3317.16, 3317.2**

Continues the two weights (0.22 and 3.01) for the three categories of special education students.

Replaces the current system of two special education weights [see brackets below] for three special education categories with a system comprising six special education weights for six categories, as follows:(1) A weight of 0.2892 for students whose only identified handicap is a speech-language handicap ("speech-only" students) [no weight]; (2) A weight of 0.4240 for students identified as specific learning disabled [0.22], developmentally handicapped [0.22], or severe behavior handicapped [3.01];(3) A weight of 1.6736 for students identified as hearing impaired [3.01] or vision impaired [3.01];(4) A weight of 3.0022 for students identified as orthopedically handicapped [3.01] or "other health handicapped" [0.22]; (5) A weight of 3.7507 for students identified as multihandicapped [3.01] or as both visually or hearing disabled [3.01]; and (6) A weight of 4.7693 for students identifies as autistic [3.01] or having traumatic brain injuries [3.01]. Phases in the new weights over the biennium by directing that the 80.5% of the weights be used in FY 2002 and 85% in FY 2003.

Provides an additional \$20 million of state aid for special education weights to school districts in FY 2003.

## As Introduced\*

## In House Finance and Appropriations

**Permanent Law Changes****Subject: School District Special Education Spending**sections: *3317.013, 3317.022, 3317.16*

Maintains current law requiring districts to spend on special education related services at least the lesser of (1) the amount they spent on related services in the previous fiscal year or (2) one-eighth of the calculated state and local share of the special education weighted funding.

Replaces this requirement with a new requirement that each city, local, and exempted village school district annually spend on purposes the Department approves as special education and related services at least the amount of state and local funds calculated by the base-cost and special education formulas applied to its special education students. The Department of Education must require annual reporting by school districts, monitor their compliance with this requirement, and annually report to the Governor and General Assembly on school district special education spending.

**Subject: Vocational Education Weights**sections: *3317.014, 3317.022, 3317.16*

Continues the two weights (0.60 and 0.30) for the two categories of vocational students.

Adjusts the weights to 0.57 and 0.28 to reflect the bill's changes in the base-cost formula amount due to its revised application of the cost-of-doing-business factor. The bill states that "[t]he adjustment maintains the same weighted costs as would exist if no change were made in the cost-of-doing-business factor."

## As Introduced\*

## In House Finance and Appropriations

**Permanent Law Changes****Subject: Base Cost Amounts**sections: *3317.02, 3317.022, 3317.16*

Phases in over five fiscal years the increased per pupil base cost amounts resulting from the new methodology, plus an inflation factor, as follows:

\$4,490 for FY 2002;  
 \$4,670 for FY 2003;  
 \$4,926 for FY 2004;  
 \$5,197 for FY 2005;  
 \$5,484 for FY 2006; and  
 \$5,638 for FY 2007.

Uses no phase-ins, immediately funding the per pupil base-cost amounts derived from the analysis, increasing the amount each year by an inflation factor:

\$4,814 for FY 2002;  
 \$4,949 for FY 2003;  
 \$5,088 for FY 2004;  
 \$5,230 for FY 2005;  
 \$5,376 for FY 2006; and  
 \$5,527 for FY 2007.

**Subject: Cost-of-Doing-Business Factor**sections: *3317.02, 3317.022, 3317.16*

Updates the numerical factors for each county and retains the currently scheduled increase in the variance from the lowest to highest counties to 15.2% in FY 2002 and 16.6% in FY 2003.

Updates the numerical factors, but returns the maximum variance from lowest to highest counties to 7.5%.

## As Introduced\*

## In House Finance and Appropriations

**Permanent Law Changes****Subject: Use of Income Factor in Base Cost Formula**

**sections: 3317.02, 3317.022, 3317.0217, 3317.16,  
5727.84, 5727.85**

Retains the practice of adjusting downward the property valuation of districts that have median incomes below the statewide median. This has the effect of increasing the state share and reducing the local share of base-cost, special education, and vocational education funding in districts with below-median incomes.

Provides approximately \$44 million in the state base cost funding in each fiscal year for 50% of school districts with below -median incomes.

Eliminates the income factor adjustment in the base cost formula, instead incorporating inclusion of school district income in the calculation of the proposed new parity aid program.

**Subject: Equity Aid**

**section: 3317.0213**

Discontinues equity aid after FY 2002, as provided in current law.

Provides privately \$23 million in FY 2002 only for the 117 lowest wealth school districts.

Extends the phase-out of equity aid through FY 2005. The state equity aid payment rate is 75% in FY 2003.

Provides approximately \$ 23 million in FY 2002 and \$20 million in FY 2003 for the 117 lowest wealth school districts.

## As Introduced\*

## In House Finance and Appropriations

**Permanent Law Changes****Subject: Power Equalization****section: 3317.0215**

Continues the phase-in of the power equalization subsidy to 100% for FY 2002 and thereafter, as provided in current law.

Provides approximately \$43 million in FY 2002 and \$44 million in FY 2003 for this provision.

No provision.

Parity aid replaces power equalization.

**Subject: Inclusion of Transportation Funding Under the Charge-off Supplement ("Gap Aid")****section: 3317.0216**

Continues unchanged the policy of paying school districts the difference if their actual local tax revenues are less than their calculated local shares for base costs, special education, and vocational education. Transportation is not included within this "gap aid" subsidy.

Adds transportation funding to the "gap aid" supplement. That is, if a district's locally levied tax revenue is insufficient to cover what is attributed as its local share of transportation funding, the state will make up the difference as it currently does with base-cost, special education, and vocational education funding.

Provides approximately \$26 million in FY 2002 and \$16 million in FY 2003 in additional state charge-off supplement for eligible school districts.

As Introduced\*

In House Finance and Appropriations

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**Permanent Law Changes****Subject: Parity Aid****section: 3317.0217**

No provision.

Phases in over five years a new "parity aid" funding program that pays additional state funds to about 80% of school districts based on combined income and property wealth per pupil. The program essentially pays state funds to make up the difference between what additional 9.5 mills (above the adequate education foundation program) would raise in the 489 lowest wealth districts versus what 9.5 mills would raise in the 123rd wealthiest district (the 80th percentile). The wealthiest 123 districts are ineligible for aid. Districts need not actually levy the 9.5 mills to receive their state payment. The phased-in state payment rate is 20% in FY 2002 and 40% in FY 2003.

Provides approximately \$95 million in FY 2002 and \$200 million in FY 2003 for the 489 eligible districts. Per pupil benefit ranges from less than \$10 to approximately \$194 in FY 2002 and to \$406 in FY 2003.

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As Introduced\*

In House Finance and Appropriations

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**Permanent Law Changes**

**Subject: 3-Mill Limit on Local Shares of Special Education, Vocational Education, and Transportation**  
**sections: 3317.022, 3317.0216**

No provision.

Establishes a 3-mill limit (over and above the 23-mill base cost charge-off) on the school district share of combined funding for special education, vocational education, and transportation, beginning in FY 2003. If a district's local share, as calculated using the funding formulas for these three categories, exceeds 3 mills' worth of revenue, the state must pay the amount of the calculated local share that exceeds 3 mills.

Provides approximately \$28 million in FY 2003 for about 40% of school districts.

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As Introduced\*

In House Finance and Appropriations

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**Permanent Law Changes****Subject: State Share of Special Education Payments****sections: 3317.022, 3317.023, 3317.023**

Increases the state's percentage for special education payments for city, local, and exempted village school districts (by not joint vocational school districts) beginning in FY 2003 by requiring the state to add five percentage points to the district's calculated state share percentage. The "adjusted" state share percentage is to be applied to the following payments to these school districts:

- (1) Special education weighted payments;
- (2) Speech services payments; and
- (3) "Catastrophic costs" subsidies.

Provides \$30 million in fiscal year 2003 in appropriation item 200-502, Base Cost Funding, for this provision.

Retains the current law calculation of state and local share percentages (subject, beginning in FY 2003, to the 3-mill limit on local share).

## As Introduced\*

## In House Finance and Appropriations

**Permanent Law Changes****Subject: Speech Service Subsidies**sections: **3317.022, 3317.16**

Requires that the same personnel allowance used in FY 2001 (\$30,000) to calculate the speech services subsidy also be used in FY 2002 and FY 2003. The subsidy pays the personnel allowance for every 2,000 students.

No change.

**Subject: State Share of Transportation Funding**section: **3317.022**

Retains the current transportation funding formula and continues the phase-in of the state's share of transportation funding calculated using that formula. As provided in current law, these state percentages are:

- (1) 57.5% in FY 2002; and
- (2) 60% in FY 2003 and thereafter.

Maintains current law but adds that in FY 2003 and thereafter the state pays the greater of 60% or the district's state share percentage of the base cost funding.

Provides approximately \$11 million in additional state pupil transportation funding in FY 2003 for about 40% of school districts having state share percentages of the base cost funding greater than 60%.

As Introduced\*

In House Finance and Appropriations

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**Permanent Law Changes****Subject: Minimum Teacher Salary****sections: 3317.024, 3317.13, 3317.19, and Section  
the bill**

No provision.

Increases the minimum base salary paid to beginning teachers with a bachelor's degree from \$17,000 to \$20,000 and proportionally increases the minimum salaries for teachers with different levels of education and experience. Although school district boards set the compensation rate for the teachers they employ, state law provides a schedule for minimum salaries that must be paid to teachers based on level of education attained and years of experience. The bill also permits the Department of Education with Controlling Board approval to make a supplemental payment in FY 2002 to those school districts that must increase their teacher salaries in order to comply with the new schedule if the calculated increase in their FY 2002 state aid does not cover the cost of that compliance. (The amendment does not affect the cost of state-funded special education, vocational education, and gifted education units, which are tied to the state schedule.)

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As Introduced\*

In House Finance and Appropriations

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**Permanent Law Changes****Subject: DPIA - All-Day Kindergarten****section: 3317.029**

Qualifies more school districts for state all-day kindergarten payments, beginning in FY 2003, by lowering the eligibility threshold from a DPIA index of 1.00 to a DPIA index of 0.60.

Provides \$30 million in FY 2003 in the appropriation item 200-520, DPIA, for the proposed all-day kindergarten expansion.

Reinstates the current law eligibility for all-day kindergarten in both fiscal years.

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**Subject: DPIA - "Class-Size Reduction" Payments****section: 3317.029**

Updates the "average teacher salary," which is a component of the formula used to calculate a school district's "class-size reduction" payment under DPIA, to \$42,469 for FY 2002 and \$43,658 for FY 2003.

No change.

As Introduced\*

In House Finance and Appropriations

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**Permanent Law Changes****Subject: DPIA - Intervention Services****section: 3317.029**

Requires that districts use at least 20% of their DPIA safety and remediation payments to pay for statutorily mandated intervention services beginning in FY 2003.

No change.

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**Subject: Gifted Education Funding****sections: 3317.05, 3317.053**

Retains unit funding for gifted education programs and applies the unit amounts currently in effect for FY 2001 to FY 2002 and FY 2003.

No change.

As Introduced\*

In House Finance and Appropriations

**Permanent Law Changes****Subject: Per Pupil Payments to Educational Service Centers****section: 3317.11**

Requires that the same per pupil amounts paid by the state to educational service centers in FY 2001 also be paid in FY 2002 and FY 2003:

(1) \$37 per pupil for centers that serve fewer than three counties; and

(2) \$40.52 per pupil for centers that serve three or more counties.

Earmarks \$52 million in each fiscal year for this provision.

No change.

**Subject: County MR/DD Special Education Payments****sections: 3317.20, 3317.03, 3317.052, 3323.09, 5126.05, 5126.12**

Makes permanent the policy to calculate special education payments to county MR/DD boards using the weights instead of state-funded units. This policy is scheduled to expire at the end of FY 2001.

No change.

As Introduced\*

In House Finance and Appropriations

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**Permanent Law Changes****Subject: School Facilities Assistance - Maintenance Levy Requirements****sections: 3318.04, 3318.05, 3318.052, 3318.055,  
3318.06, 3318.06, 3318.08, 3318.081,  
3318.12, 3318.13, 3318.14, 3317.17, 3318.:  
3318.361, 3318.362, 3318.37, 3318.38**

No provision.

Repeals the requirement that a district generate any specific moneys for the maintenance of the facilities acquired under the project to acquire classroom facilities. Currently, under most of the programs providing state assistance to school districts to acquire classroom facilities, a school district must provide a calculated local share of the project costs through the issuance of bonds or dedication of other school district resources for that purpose. In addition, a district must either levy an additional 23-year half-mill tax or earmark other existing taxes in an amount equal to that tax to pay for maintenance of the facilities acquired under the district's project. The bill also permits any district for which the voters have already approved the maintenance tax to use the proceeds from such tax for the maintenance of any district classroom. These provisions apply to the Classroom Facilities Assistance Program, the Expedited Local Partnership Program, the Exceptional Needs Program, and the Accelerated Urban Program.

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As Introduced\*

In House Finance and Appropriations

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**Permanent Law Changes****Subject: Expedited Local Partnership Program****section: 3318.363**

No provision.

Requires the School Facilities Commission to calculate or recalculate a district's share by determining the percentile rank in which the district would be located if such ranking was made using the adjusted valuation per pupil applicable to the current year for districts that have experienced a 10% or greater decrease in tax valuation due to a decrease in the assessment rate of taxable property of an electric company (as provided in Am. Sub. S.B. 3 of the 123rd General Assembly). Under the School Building Assistance Expedited Local Partnership Program, school districts that are not yet eligible for state assistance are permitted to apply the expenditure of local resources on the acquisition of classroom facilities approved by the Commission toward their portion of their districtwide projects when they eventually become eligible for state assistance. Current law provides that the Commission must determine the cost of the district's total classroom facilities needs and then calculate the school district portion of that cost using a "required level of indebtedness," based on the district's debt, or its "required percentage," based on a district's percentile rank according to three-year average adjusted valuation per pupil.

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As Introduced\*

In House Finance and Appropriations

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**Permanent Law Changes****Subject: Coordinator for Gifted Education****section: 3321.01**

No provision.

Specifies that if a school district or the educational service center that serves the district employs a coordinator for gifted education, then that coordinator must serve on the district's pupil personnel services committee. The committee is responsible solely for issuing waivers allowing students to be admitted to first grade without having completed kindergarten.

**Subject: Property Tax Replacement Payments****section: 5927.84**

No provision.

Confirms the law regarding the computation of property tax replacement payments to the changes the bill makes in the computation of state aid. Property tax replacement payments compensate school districts for the loss of local property tax revenue resulting from the reduction in the assessed value of electric and natural gas company property under Am. Sub. S.B. 3 and Am. Sub. S.B. 287 of the 123rd General Assembly.

As Introduced\*

In House Finance and Appropriations

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**Temporary Law Changes****Subject: State Aid Cap****Sections: 14, 15, 16, 17, 18**

Allows the state aid cap to continue through FY 2002 and expire at the beginning of FY 2003, as provided in current law. The cap limits increases in a district's state aid in FY 2002 to the greater of 12% overall or 10% per pupil.

**Sections: 14, 15, 16, 17, 18**

Repeals the state aid cap.

Provides additional state aid to school districts that would otherwise be subject to the cap.

**Subject: Maintenance and Equipment****Section: 4.01****ALI: 200-320**

Permits up to \$25,000 to be spent each year in State Board of Education out-of-state travel.

**Section: 44.01**

No change.

## As Introduced\*

## In House Finance and Appropriations

## Temporary Law Changes

**Subject: Head Start**

**Section: 4.02**

**ALI: 200-406**

(1) Earmarks up to \$1,530,000 in FY 2002 and \$1,560,000 in FY 2003 for training in early literacy for Head Start classroom teachers and administrators to support the OhioReads initiative.

(2) Allows children from families earning up to 125 per cent of the federal poverty level to be eligible.

(3) No provision.

(4) No provision.

**Section: 44.02**

(1) No change.

(2) Raises the potential eligibility level to children whose families earn up to 185 per cent of the federal poverty level.

(3) Requires the Director of Budget and Management of transfer from Fund 3W6, TANF Education, to the General Revenue Fund, \$76,156,175 in FY 2002 and \$98,843,825 in FY 2003. These transferred funds are appropriated to GRF appropriation item 200-406, Head Start.

(4) Requires the Department of Education to comply with all TANF requirements.

As Introduced\*

In House Finance and Appropriations

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Temporary Law Changes

**Subject: Public Preschool**

**Section: 4.03**

**ALI: 200-408**

Requires the Department of Education to distribute funds to pay the costs of comprehensive preschool programs. Up to two percent of total appropriation in each year may be used by the department for administrative costs.

**Section: 44.03**

No change.

## As Introduced\*

## In House Finance and Appropriations

## Temporary Law Changes

**Subject: Professional Development****Section: 4.04****ALI: 200-410**

(1) Earmarks \$5,997,829 in each fiscal year to develop a statewide system of twelve professional development centers.

(2) Earmarks \$9,659,713 in each fiscal year to be distributed to school districts and joint vocational school districts on a per-teacher basis for locally developed teacher training and professional development, and requires that school districts with pass rates of less than 75% on the fourth grade proficiency test allocate at least 40% of their funds for development of elementary literacy skills.

(3) Earmarks \$5,845,000 in FY 2002 and \$6,000,000 if FY 2003 to assist teachers in obtaining National Board Certification.

(4) Earmarks up to \$8,296,000 in FY 2002 and up to \$19,387,750 in FY 2003 to fund entry-year programs for beginning teachers.

(5) Earmarks up to \$730,000 in each fiscal year to continue Ohio leadership academies to develop and train superintendents.

(6) Earmarks up to \$1,000,000 in FY 2002 and \$1,250,000

**Section: 44.04**

(1) No change.

(2) Removes the earmark.

(3) No change.

(4) Same as Executive, but includes chartered non-public school beginning teachers.

(5) Reduces the earmark to \$650,000 in each fiscal year.

(6) Reduces the earmark to \$850,000 in each fiscal year.

## As Introduced\*

## In House Finance and Appropriations

**Temporary Law Changes**

in FY2003 to support the Ohio Principal's Leadership Academy.

(7) Earmarks up to \$1,000,000 in each fiscal year to establish an entry-year program for principals.

(8) Earmarks up to \$575,000 in each fiscal year for the Rural Appalachian Initiative to create professional development academies in the Appalachian region.

(9) Earmarks up to \$250,000 in FY 2002 and up to \$350,000 in FY 2003 to support a Teacher Recognition Program.

(10) Earmarks up to \$25,000 in each fiscal year to support the Ohio Teacher Education and Certification Commission.

(11) Earmarks up to \$75,000 in each fiscal year to support the Ohio University Leadership Program.

(7) Reduces the earmark to \$975,000 in each fiscal year, and includes chartered non-public school principals.

(8) Reduces the earmark to \$500,000 in each fiscal year.

(9) No change.

(10) No change.

(11) No change.

## As Introduced\*

## In House Finance and Appropriations

## Temporary Law Changes

**Subject: Family and Children First****Section: 4.05****ALI: 200-411**

(1) Requires the Department of Education to transfer up to \$5,000,000 in each fiscal year, by intrastate voucher, to the Department of Mental Retardation and Developmental Disabilities to be spent on direct grants to county family and children first councils created under section 121.37 of the Revised Code. These funds will be used to develop treatment plans that include strategies to address each child's academic achievement.

(2) Earmarks up to \$3,550,000 in each fiscal year to be used as administrative grants to county family and children first councils to provide a portion of the salary and fringe benefits necessary to fund county council coordinators, administrative support, training, or parental involvement. The total initial grant to any council shall not exceed \$40,000. The Family and Children First Cabinet Council is required to use up to \$30,000 in each fiscal year for administrative costs.

(3) Sets aside up to \$5,190,000 in each fiscal year to fund school-based or school-linked school readiness resource centers in school districts where there is a concentration of risk factors to school readiness and success. Each urban school district may receive up to \$240,000 to maintain 3 school readiness resource centers. Additionally, up to \$50,000 in each fiscal year may be used by the Ohio

**Section: 44.05**

(1) Reduces the transfer to \$3,677,188.

(2) Reduces the earmark to \$1,775,000. This provision also reduces the amount of the total initial grant to any county council to \$20,000, and reduces the earmark for the Family and Children First Cabinet Council's administrative costs to \$15,000 in each fiscal year.

(3) No change.

As Introduced\*

In House Finance and Appropriations

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**Temporary Law Changes**

Family and Children First Cabinet Council for an evaluation of the effectiveness of the centers. Up to \$100,000 in each fiscal year may be used by the cabinet council to approve technical assistance and oversee the implementation of the centers.

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**Subject: Vocational Education Match****Section: 4.06****Section: 44.06****ALI: 200-416**

Requires the Department of Education to provide vocational administration matching funds pursuant to 20 U.S.C. 2311.

No change.

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As Introduced\*

In House Finance and Appropriations

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**Temporary Law Changes****Subject: Technical Systems Development****Section: 4.06****Section: 44.06****ALI: 200-420**

Permits funds to be used for personnel, maintenance, and equipment costs related to the development and implementation of technical system projects designed to improve the performance and customer service of the Department of Education.

No change.

Earmarks up to \$2,000,000 in each fiscal year for EMIS conversion.

Earmarks up to \$350,000 in each fiscal year for annual maintenance of database management software.

Earmarks up to \$200,000 in each fiscal year to support the data warehouse project.

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## As Introduced\*

## In House Finance and Appropriations

## Temporary Law Changes

**Subject: Alternative Education Programs****Section: 4.06****ALI: 200-421**

(1) Requires at least \$10,275,000 in FY 2002 and \$11,842,500 in FY 2003 be used for the renewal of successful implementation grants and for competitive matching grants to the 21 urban school districts and another \$10,275,000 in FY 2002 and \$11,842,500 in FY 2003 for providing grants to rural and suburban districts for alternative educational programs for existing and new at-risk and delinquent youth.

(2) Earmarks up to \$536,697 in FY 2002 and \$576,384 in FY 2003 for program administration , monitoring, technical assistance, support, research, and evaluation.

(3) Earmarks \$350,000 in each fiscal year to contract with the Center for Learning Excellence at The Ohio State University to provide technical support for the project.

(4) Earmarks up to \$900,000 in each fiscal year to support the Amer-I-Can program.

**Section: 44.06**

(1) Reduces the earmark to \$9,200,107 in each fiscal year for competitive matching grants to the 21 urban school districts and to \$9,200,107 in each fiscal year for providing grants to rural and suburban districts.

(2) Changes the earmark to \$480,552 in each fiscal year.

(3) Changes the earmark to \$313,386 in each fiscal year.

(4) Changes the earmark to \$805,849 in each fiscal year.

## As Introduced\*

## In House Finance and Appropriations

## Temporary Law Changes

**Subject: School Management Assistance**

**Section: 4.06**

**ALI: 200-422**

Requires the Department of Education to provide technical assistance to school districts placed under fiscal caution, fiscal watch, and fiscal emergency.

**Section: 44.06**

No change.

**Subject: Policy Analysis**

**Section: 4.06**

**ALI: 200-424**

Requires the Department of Education to maintain a policy analysis staff unit.

Earmarks up to \$1,000,000 in each fiscal year for the cost of an independent evaluation of programs that have been funded to improve public instruction.

**Section: 44.06**

Same as Executive, but deletes the \$1,000,000 earmark.

As Introduced\*

In House Finance and Appropriations

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Temporary Law Changes

**Subject: Tech Prep Administration**

**Section: 4.06**

**ALI: 200-425**

Requires the Department of Education to support state level activities designed to support, promote, and expand Tech Prep programs.

**Section: 44.06**

No change.

## As Introduced\*

## In House Finance and Appropriations

## Temporary Law Changes

**Subject: Ohio Educational Computer Network**

**Section: 4.06**

**ALI: 200-426**

Earmarks up to \$20,571,198 in FY 2002 and up to \$21,188,334 in FY 2003 to support connection of all public school buildings, including community schools and educational service centers, to the state's education network, to each other, and to the Internet.

Earmarks up to \$2,043,938 in FY 2002 and up to \$2,095,037 in FY 2003 for the Union Catalog and InfOhio Network.

Earmarks up to \$4,590,000 in FY 2002 and up to \$4,727,700 in FY 2003 to assist in the cost of connectivity of nonpublic chartered schools.

Earmarks \$1,200,000 in each fiscal year to fund a grant to RISE, Inc. to train preschool staff members and parents. Up to \$600,000 of this set aside may be used by RISE, Inc. to contract with a not-for-profit to conduct training for adult volunteers who work with adolescent youth in after school mentoring programs.

Requires that the remainder of the appropriation in each fiscal year be used to support development, maintenance, and operation of a network of uniform and compatible computer-based information and instructional systems.

**Section: 44.06**

Same as Executive, but removes the earmark of \$1,200,000 to fund a grant to RISE, Inc. to support training of preschool staff members and parents.

As Introduced\*

In House Finance and Appropriations

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Temporary Law Changes

**Subject: Academic Standards**

**Section: 4.06**

**ALI: 200-427**

Establishes new GRF appropriation item 200-427, Academic Standards, to develop and disseminate academic content standards.

**Section: 44.06**

No change.

## As Introduced\*

## In House Finance and Appropriations

## Temporary Law Changes

**Subject: School Improvement Initiatives****Section: 4.07****Section: 44.07****ALI: 200-431**

(1) Earmarks up to \$3,700,000 in FY 2002 and \$975,000 in FY 2003 to continue previously awarded capital grants.

(1) No change.

(2) Earmarks \$4,500,000 in FY 2002 and \$5,000,000 in FY 2003 for school report cards, development of core competencies for the proficiency tests and support of recommendations from Governor's Commission for Student Success.

(2) No change.

(3) Earmarks \$7,500,000 in FY 2002 and \$8,500,000 in FY 2003 to assist schools in academic watch or academic emergency.

(3) No change.

(4) Earmarks up to \$152,998 in FY 2002 and up to \$156,441 in FY 2003 to support a teacher-in-residence at the Governor's office.

(4) Reduces the earmark to \$150,000 in each fiscal year.

(5) Earmarks up to \$250,000 in FY 2002 and up to \$300,000 in FY 2003 to implement the Criteria for Performance Excellence. Up to \$25,000 in FY 2002 and up to \$30,000 in FY 2003 may be used for evaluation and administration. The rest shall be used as direct grants of up to \$2,250 in FY 2002 and up to \$2,700 in FY 2003 to school districts.

(5) Removes the earmark.

(6) Earmarks up to \$1,500,000 in FY 2002 and up to

(6) Removes the earmark.

## As Introduced\*

## In House Finance and Appropriations

**Temporary Law Changes**

\$3,500,000 in FY 2003 to support increased access to advanced placement courses on the Internet.

(7) Earmarks up to \$600,000 in FY 2002 and up to \$780,000 in FY 2003 to develop and communicate school operating standards.

(8) Earmarks up to \$513,639 in FY 2002 and up to \$529,301 in FY 2003 to support the department's customer response system.

(7) Removes the earmark.

(8) Removes the earmark.

**Subject: School Conflict Management**

**Section: 4.07**

**ALI: 200-432**

Provides funding for the purpose of providing dispute resolution and conflict management training, consultation, and materials for school districts, and for the purpose of providing competitive school conflict management grants to school districts.

**Section: 44.07**

No change.

As Introduced\*

In House Finance and Appropriations

**Temporary Law Changes****Subject: Reading/Writing Improvement****Section: 4.07****ALI: 200-433**

Earmarks up to \$12,396,970 in each fiscal year for professional development in literacy.

Earmarks up to \$6,500,000 in FY 2002 and up to \$13,000,000 in FY 2003 to support half-time literacy specialists in elementary school buildings.

Earmarks up to \$1,780,268 in FY 2002 and up to \$1,815,874 in FY 2003 to fund the Reading Recovery Training Network.

Requires that the rest of the appropriation be used to support reading and writing improvement programs.

**Section: 44.07**

Same as Executive, but removes the earmark of \$6,500,000 in fiscal year 2002 and \$13,000,000 in fiscal year 2003 to support half-time literacy specialists.

**Subject: Student Assessment****Section: 4.07****ALI: 200-437**

Requires GRF appropriation item 200-437, Student Assessment, be used to develop, field test, print, distribute, score, and report results from assessment tests.

**Section: 44.07**

No change.

As Introduced\*

In House Finance and Appropriations

**Temporary Law Changes****Subject: Safe Schools****Section: 4.07****ALI: 200-438**

Earmarks \$250,000 in each fiscal year for the development and operation of a Safe Schools Center.

Earmarks up to \$1,800,000 in each fiscal year for a safe-school help line program for students, parents, and the community to report threats to the safety of students or school personnel.

**Section: 44.07**

No change.

**Subject: American Sign Language****Section: 4.07****ALI: 200-441**

Earmarks up to \$153,000 in FY 2002 and up to \$156,060 in FY 2003 in implement pilot projects for the integration of American Sign Language in to the Kindergarten through 12th grade curriculum.

Requires that the rest of the appropriation be used to assist school districts in dealing with parents of handicapped children who are deaf or hard of hearing, in integrating ASL as a foreign language, and in obtaining interpreters.

**Section: 44.07**

No change.

## As Introduced\*

## In House Finance and Appropriations

## Temporary Law Changes

**Subject: Child Care Licensing****Section: 4.07****ALI: 200-442**

Provides funds for the department to license and inspect preschool and school-age child care programs.

**Section: 44.07**

No change.

**Subject: Professional Recruitment****Section: 4.07****ALI: 200-444**

Earmarks \$1,300,000 in each fiscal year to establish programs to recruit underrepresented populations into the teaching profession.

Requires the rest of the appropriation be used to recruit in special needs areas such as mathematics and science teachers, special educators, and principals, to develop a web-based placement bureau, to establish a pre-collegiate program to target future teachers, and to pilot paraeducators-to-teacher programs.

**Section: 44.07**

No change.

As Introduced\*

In House Finance and Appropriations

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**Temporary Law Changes****Subject: OhioReads Admin/Volunteer Support****Section: 4.07****ALI: 200-445**

Requires that the appropriation be allocated by the OhioReads Council for costs associated with volunteers in school buildings and education service centers, for operating expenses and for evaluation of the OhioReads program.

**Section: 44.07**

No change.

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As Introduced\*

In House Finance and Appropriations

**Temporary Law Changes****Subject: Education Management Information System****Section: 4.08****ALI: 200-446**

Earmarks up to \$1,100,000 in FY 2003 to assist in funding costs related to the common student management record system software, as well as to support EMIS special report activities.

Earmarks up to \$2,213,639 in FY 2002 and up to \$1,476,760 in FY 2003 to be distributed to data acquisition sites for costs relating to EMIS.

Earmarks up to \$7,763,297 in FY 2002 and up to \$8,999,708 in FY 2003 to be distributed to school districts, community schools, education service centers and joint vocational school districts on a per-pupil basis. Each school district with more than 100 students and each joint vocational school district shall receive a minimum of \$5,000 per year. Each school district or community school with less than 100 students, each education service center and each county board of MR/DD that submits data through EMIS shall receive \$3,000.

**Section: 44.08**

Same as Executive, but moves the \$1,100,000 earmark from FY 2003 to FY 2002.

As Introduced\*

In House Finance and Appropriations

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Temporary Law Changes

**Subject: GED Testing/Adult High School**

**Section: 4.08**

**ALI: 200-447**

Provides funding to provide GED testing at no cost to applicants, pursuant to rules adopted by the State Board of Education.

**Section: 44.08**

No change.

As Introduced\*

In House Finance and Appropriations

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**Temporary Law Changes****Subject: Community Schools****Section: 4.08****ALI: 200-455**

Earmarks up to \$100,000 in each fiscal year for the Lucas County Educational Service Center to pay for additional services provided to community schools.

Earmarks up to \$1,628,935 in FY 2002 and up to \$1,724,517 in FY 2003 for the Office of School Options to fund additional services and responsibilities related to community schools.

Permits the Department of Education and the Lucas County Educational Service Center to use the rest of the appropriation to make grants of up to \$50,000 to each group with a preliminary agreement to defray planning and start-up costs and to make grants of up to \$100,000 to the school to partially defray additional start-up costs.

Forbids schools awarded start-up grants from appropriation item 200-613, Public Charter Schools, to obtain grants under this section.

**Section: 44.08**

No change.

As Introduced\*

In House Finance and Appropriations

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**Temporary Law Changes****Subject: School Finance Equity****Section: 4.09****ALI: 200-500**

Requires that funds be distributed to school districts in FY 2002 based on the formula specified in Revised Code section 3317.0213. FY 2002 is the last year the state will provide funding under this formula.

**Section: 44.09**

Removes the provision that the funds will only be distributed in fiscal year 2002. The state will provide funding under this formula in both years of the biennium.

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## As Introduced\*

## In House Finance and Appropriations

## Temporary Law Changes

**Subject: Base Cost Funding****Section: 4.10****ALI: 200-501**

Earmarks up to \$425,000 in each fiscal year for court payments pursuant to Revised Code section 2151.357.

Requires an amount be available each year for the cost of the reappraisal guarantee pursuant to Revised Code section 3317.04.

Requires an amount be available each year to fund up to 225 FTE approved GRADS teacher grants pursuant to Revised Code section 3317.024.

Requires an amount be available each year to make payments to school districts pursuant to Revised Code section 3317.022 (A)(2).

Earmarks up to \$15,000,000 in each year for payment pursuant to Revised Code sections 3317.026, 3317.027, and 3317.028, except that the Controlling Board may increase the amount.

Earmarks up to \$14,000,000 in each year for special education students pursuant to Revised Code section 3317.022(C)(4).

Earmarks up to \$2,000,000 in each year for Youth Services tuition payments pursuant to Revised Code

**Section: 44.10**

Same as Executive, but removes the earmark of \$10,000,000 in fiscal year 2003 to provide temporary transitional aid to school districts with an exceptionally high dependence on inventory generated tangible personal property tax revenues. Also, "vocational" is changed to "career-technical", except in the case of joint "vocational" school districts.

## As Introduced\*

## In House Finance and Appropriations

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**Temporary Law Changes**

section 3317.024.

Earmarks up to \$52,000,000 in each year to fund the state reimbursement of educational service centers pursuant to Revised Code section 3317.11.

Earmarks up to \$10,000,000 in FY 2003 to provide temporary transitional aid to school districts with an exceptionally high dependence on inventory generated tangible personal property tax revenues.

Earmarks up to \$1,000,000 in each year for a pilot project to pay for educational services for youth assigned by a juvenile court to a facility participating in the Private Treatment Facility Pilot Project.

Requires that the rest of the appropriation be expended for the public schools of city, local, exempted village, and joint vocational school districts, including base cost funding, special education weight funding, special education speech service enhancement funding, vocational education weight funding, vocational education associated service funding, and teacher training and experience funding pursuant to Revised Code sections 3317.022, 3317.023, 3317.0212, and 3317.16.

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As Introduced\*

In House Finance and Appropriations

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**Temporary Law Changes****Subject: Base Cost Funding continued****Section: 4.10****ALI: 200-501**

No provision.

**Section: 44.10**

Includes in GRF appropriation item 200-501, Base Cost Funding, \$86,794,676 in fiscal year 2003 for the state education aid offset due to the change in public utility valuation as a result of Am. Sub. S.B. 3 and Am. Sub. S.B. 287 of the 123rd General Assembly. If the offset is more than this estimate than provides authority for the Controlling Board to increase the appropriation. If the offset is less than this estimate, authorizes the Director of Budget and Management to decrease the appropriation.

Requires an amount shall be available in fiscal year 2003 to make payments to school districts for the excess cost supplement (the 3 mill cap) pursuant to Revised Code section 3317.022 (F).

Specifies that the first priority of the following GRF appropriation items is to meet state formula obligations: 200-500, School Finance Equity, 200-501, Base Cost Funding, 200-502, Pupil Transportation, 200-520, Disadvantaged Pupil Impact Aid, 200-521, Gifted Pupil Program, 200-525, Parity Aid, and 200-546, Charge-off Supplement. Authorizes the Controlling Board to transfer funds among these GRF appropriation items to meet state formula aid obligations.

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## As Introduced\*

## In House Finance and Appropriations

## Temporary Law Changes

**Subject: Pupil Transportation****Section: 4.11****ALI: 200-502**

Earmarks up to \$800,000 in FY 2002 and up to \$822,400 in FY 2003 for training prospective and experienced school bus drivers.

Requires an amount be available for special education transportation reimbursements based on Revised Code section 3317.022(D).

Requires that the rest of the appropriation be used for the reimbursement of school districts' transportation costs.

**Section: 44.12**

Same as Executive, but permanent law increases the state payment percentage to the greater of 60% or the district's state share percentage of the base cost funding beginning in FY 2003. This change applies to both "regular" pupil transportation funding and special education transportation funding.

**Subject: Bus Purchase Allowance****Section: 4.11****ALI: 200-503**

Earmarks up to 25% of the amount appropriated to reimburse school districts and educational service centers for the purchase of buses to transport handicapped and nonpublic school students.

Requires that the remaining 75% of the appropriation be distributed for "regular" bus purchase based on a formula adopted under Revised Code section 3317.07.

**Section: 44.12**

No change.

## As Introduced\*

## In House Finance and Appropriations

## Temporary Law Changes

**Subject: School Lunch**

**Section: 4.11**

**ALI: 200-505**

Requires the appropriation be used to provide matching funds to obtain federal funds for the school lunch program.

**Section: 44.12**

No change.

**Subject: Adult Literacy Education**

**Section: 4.12**

**ALI: 200-509**

Earmarks up to \$543,150 in FY 2002 and \$554,013 in FY 2003 for the support and operation of the State Literacy Resource Center.

**Section: 44.13**

No change.

As Introduced\*

In House Finance and Appropriations

**Temporary Law Changes****Subject: Auxiliary Services****Section: 4.12****ALI: 200-511**

Requires appropriation be used by the State Board of Education for implementing Revised Code section 3317.06, providing secular services and materials to state chartered nonpublic schools.

Earmarks up to \$1,250,000 in FY 2002 and up to \$1,500,000 in FY 2003 for payment of the Post-Secondary Enrollment Options Program for nonpublic students pursuant to Revised Code section 3365.10.

**Section: 44.13**

No change.

**Subject: Student Intervention Services****Section: 4.12****ALI: 200-513**

Provides funding to assist districts providing the intervention services specified in section 3313.608 of the Revised Code.

**Section: 44.13**

Same as Executive, but requires the Director of Budget and Management to transfer \$35,000,000 from Fund 3W6, TANF Education, to the General Revenue Fund and appropriates those funds to GRF appropriation item 200-513, Student Intervention Services. Also, requires the Department of Education to comply with TANF requirements.

As Introduced\*

In House Finance and Appropriations

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**Temporary Law Changes****Subject: Post-secondary/Adult Career-Technical Education****Section: 4.12****ALI: 200-514**

Earmarks up to \$500,000 in each fiscal year for the Ohio Career Information System.

Earmarks up to \$30,000 in each fiscal year for the statewide coordination of the activities of the Ohio Young Farmers.

Earmarks \$2,500,000 in each fiscal year to be used as an incentive to support local EnterpriseOhio Network Campus/Adult Workforce Education Center Partnerships.

**Section: 44.13**

Same as Executive, but removes the \$2,500,000 earmark. Also, changes "vocational" to "career-technical".

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## As Introduced\*

## In House Finance and Appropriations

## Temporary Law Changes

**Subject: Disadvantaged Pupil Impact Aid**

**Section: 4.12**

**ALI: 200-520**

Requires that the appropriation be distributed according to Revised Code section 3317.029.

Provides money for all-day kindergarten to any school district with a three-year average ADM of greater than 17,500 or a DPIA index of at least 1.00 in FY 2002 or 0.6 in FY 2003, or that qualified for and provided the service in the preceding fiscal year. This expands kindergarten eligibility in FY 2003.

Provides that all-day kindergarten in community schools be funded if the school district in which the student is entitled to attend school is eligible but does not receive a payment for all-day kindergarten.

Earmarks up to \$3,200,000 in FY 2002 and up to \$3,300,000 in FY 2003 for school breakfast programs. Of these amounts, sets aside up to \$500,000 in each year to provide start-up grants to rural school districts and those with less than 1,500 ADM to start school breakfast programs.

Earmarks up to \$14,903,943 in FY 2002 and \$18,066,820 in FY 2003 of the portion of DPIA funds distributed to the Cleveland City School District to operate the pilot school choice program.

**Section: 44.13**

Same as Executive, but removes the kindergarten expansion under DPIA in FY 2003.

As Introduced\*

In House Finance and Appropriations

**Temporary Law Changes**

Earmarks \$1,000,000 in each year to support dropout recovery programs administered by Jobs for Ohio's Graduates.

**Subject: Gifted Pupil Program****Section: 4.13****ALI: 200-521**

Provides unit funding of up to 1,050 units in FY 2002 and 1,100 units in FY 2003 for gifted education. Funding per unit is approximately \$36,744. In FY 2001 there were 1,000 units provided.

Earmarks up to \$5,000,000 in each year as an additional supplement for gifted student identification.

Earmarks up to \$1,000,000 each year for the Summer Honors Institute for gifted freshman and sophomore high school students.

Earmarks up to \$600,000 in each year for research and demonstration projects.

Earmarks up to \$70,000 in each year for the Ohio Summer School for the Gifted.

**Section: 44.14**

Same as Executive, but requires the Department of Education to research and evaluate the effectiveness of gifted education programs in Ohio.

As Introduced\*

In House Finance and Appropriations

**Temporary Law Changes****Subject: Educational Excellence and Competency****Section: 4.14****ALI: 200-524**

Earmarks up to \$125,000 in each fiscal year to support the Aid for College Opportunities Program.

Earmarks \$25,000 in each fiscal year to support the purchase of the "I Know I Can" book and supporting materials for second grade students in school districts in which at least 50% of elementary school students receive free or reduced lunch.

Earmarks up to \$645,000 in each fiscal year to support the Columbus City School District's "I Know I Can" Program.

Earmarks up to \$645,000 in FY 2002 and \$780,450 in FY 2003 to support the Dayton-Montgomery County Scholarship Program.

Earmarks up to \$550,000 in FY 2002 and \$605,000 in FY 2003 to support the Cleveland Scholarship Program.

Earmarks up to \$709,500 in FY 2002 and \$780,450 in FY 2003 to support the Cincinnati Scholarship Foundation.

**Section: 44.14**

No provision.

## As Introduced\*

## In House Finance and Appropriations

## Temporary Law Changes

**Subject: Parity Aid****Section: 4.14****ALI: 200-525**

No provision.

**Section: 44.15**

Requires that GRF appropriation item 200-525, Parity Aid, be distributed to school districts based on a formula specified in Revised Code section 3317.0217.

**Subject: Nonpublic Administrative Cost Reimbursement****Section: 4.14****ALI: 200-532**

Requires appropriation be used to implement Revised Code section 3317.063 to reimburse nonpublic schools for mandated administrative and clerical costs.

**Section: 44.15**

No change.

As Introduced\*

In House Finance and Appropriations

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Temporary Law Changes

**Subject: Desegregation Costs**

**Section: 4.14**

**ALI: 200-534**

Provides funds to pay the legal fees associated with desegregation cases brought against the state.

**Section: 44.15**

No change.

## As Introduced\*

## In House Finance and Appropriations

## Temporary Law Changes

**Subject: Special Education Enhancements****Section: 4.15****ALI: 200-540**

Earmarks up to \$50,295,000 in FY 2002 and up to \$52,809,750 in FY 2003 to fund special education and related services provided to school age children by county boards of MR/DD.

Earmarks up to \$2,500,000 in each year to fund up to 57 special education units at institutions.

Earmarks up to \$3,293,959 in FY 2002 and up to \$3,425,717 in FY 2003 for home instruction of handicapped children.

Earmarks up to \$1,500,000 in each year for parent mentoring programs.

Earmarks up to \$2,744,966 in FY 2002 and up to \$2,854,764 in FY 2003 for school psychology interns.

Earmarks up to \$3,852,160 in FY 2002 and up to \$4,006,246 in FY 2003 to assist in the funding of special education aides.

Earmarks \$78,623,506 in each year for funding of preschool special education and preschool supervisory units. Allows the Controlling Board to approve transfer of unallocated funds between GRF appropriation item 200-

**Section: 44.16**

Same as Executive, but reduces the earmark from \$50,295,000 to \$45,295,000 in fiscal year 2002 and from \$52,809,750 to \$47,809,750 in fiscal year 2003 to fund special education and related services at county boards of mental retardation and developmental disabilities.

## As Introduced\*

## In House Finance and Appropriations

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**Temporary Law Changes**

501, Base Cost Funding, and GRF appropriation item 200-540, Special Education Enhancements, to fully fund special education units and special education weight cost funding as necessary. Requires documentation of child progress and the adoption of rules addressing the use of screening and assessment data.

Earmarks up to \$808,081 in FY 2002 and up to \$832,323 in FY 2003 for reading mentoring programs for students with disabilities in kindergarten through fourth grade.

Earmarks up to \$86,000 in each year to conduct a collaborative pilot program to provide educational services and develop best educational practices for autistic children in Wood County.

Earmarks up to \$303,030 in FY 2002 and up to \$312,121 in FY 2003 to conduct a demonstration project involving language and literacy intervention teams to improve language and literacy of at-risk learners.

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## As Introduced\*

## In House Finance and Appropriations

## Temporary Law Changes

**Subject: Career-Technical Education Enhancements****Section: 4.16****ALI: 200-545**

- (1) Earmarks up to \$2,616,001 in each fiscal year to fund vocational education units at institutions.
- (2) Earmarks up to \$10,972,500 in each fiscal year to fund the Jobs for Ohio Graduates Program.
- (3) Earmarks up to \$5,250,000 in FY 2002 and \$6,000,000 in FY 2003 to fund competitive grants to tech prep consortia that expand the number of students enrolled tech prep programs.
- (4) Earmarks \$6,451,490 in each fiscal year to enable students to develop career plans, to identify initial educational and career goals, and to develop a career passport.
- (5) Earmarks \$5,707,573 in each fiscal year to provide an amount to each eligible school district for the replacement or updating of equipment essential for the instruction of students in job skills taught as part of a vocational program or programs approved for such instruction by the State Board of Education.
- (6) Earmarks up to \$6,400,000 in FY 2002 and \$9,600,000

**Section: 44.17**

- Changes "vocational" to "career-technical."
- (1) No change.
- (2) Changes the earmark to \$2,596,583 in FY 2002 and \$6,539,395 in FY 2003.
- (3) No change.
- (4) Removes the \$6,451,490 earmark.
- (5) No change.
- (6) Changes the earmark to \$3,900,000 in each fiscal year.

As Introduced\*

In House Finance and Appropriations

**Temporary Law Changes**

in FY 2003 to support existing High Schools That Work sites, develop new sites, fund technical assistance, and support regional centers and middle school programs.

**Subject: Power Equalization****Section: 4.17****ALI: 200-547**

Authorizes the Department of Education to make payments pursuant to Revised Code section 3317.0215. If a district has levied more than 23 mills on class 1 real property, the state will equalize a maximum of two additional mills up to the state average valuation per pupil level.

**Section: 44.17**

No provision.

**Subject: Charge-off Supplement****Section: 4.17****ALI: 200-546**

Authorizes the Department of Education to pay to school districts the difference between their local share assumed by the foundation formula and the amount of revenue the districts actually collected, pursuant to Revised Code section 3317.0216. Local share includes base cost funding, and special education and vocational education weight cost funding.

**Section: 44.18**

Same as Executive, but permanent law expands the local share calculation to include the local share of transportation model costs.

As Introduced\*

In House Finance and Appropriations

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**Temporary Law Changes**
**Subject: County MR/DD Boards - Vehicle Purchases****Section: 4.17****ALI: 200-552**

Authorizes use of funds to provide financial assistance to MR/DD Boards for the purchase of school buses to transport students with disabilities.

**Section: 44.18**

No change.

**Subject: County MR/DD Boards - Transportation****Section: 4.17****ALI: 200-553**

Requires this appropriation be used to assist MR/DD boards with transportation costs pursuant to Revised Code section 3317.024(M).

**Section: 44.18**

No change.

## As Introduced\*

## In House Finance and Appropriations

## Temporary Law Changes

**Subject: Emergency Loan Interest Subsidy**

**Section: 4.17**

**ALI: 200-558**

Requires that this appropriation be used to provide a subsidy to school districts receiving emergency loans to pay the difference between the amount of interest the school district is paying and what they would be paying if the interest rate was 2%.

**Section: 44.18**

No change.

**Subject: OhioReads Grants**

**Section: 4.18**

**ALI: 200-566**

Earmarks \$23,800,000 each year to provide classroom grants to public schools, community schools and educational service centers serving K-4 grades.

Earmarks \$5,000,000 each year to provide community matching grants to community organizations for tutoring, tutor recruitment and training, and parental involvement.

**Section: 44.19**

Same as Executive, but reduces the earmark from \$23,800,000 to \$22,148,000 in each fiscal year for classroom grants.

## As Introduced\*

## In House Finance and Appropriations

## Temporary Law Changes

**Subject: School Improvement Incentive Grants****Section: 4.18****ALI: 200-570**

(1) Earmarks \$2,000,000 in FY 2002 and \$2,500,000 in FY 2003 to provide grants of \$25,000 per building for improvements in reading performance.

(2) Earmarks \$6,500,000 in FY 2002 and \$7,750,000 in FY 2003 to provide grants of \$25,000 each to elementary schools and \$50,000 each to middle schools, junior high schools, and high schools that demonstrate significant improvement on proficiency tests, attendance rates and graduation rates.

(3) Earmarks \$500,000 in FY 2002 and \$750,000 in FY 2003 to provide grants of \$50,000 each to educational service centers and joint vocational school districts that demonstrate significant improvement.

(4) Earmarks \$1,000,000 in each year to provide grants of up to \$50,000 each to educational best practices award winners.

**Section: 44.19**

(1) Removes the earmark.

(2) Removes the earmark.

(3) Removes the earmark.

(4) No change.

## As Introduced\*

## In House Finance and Appropriations

## Temporary Law Changes

**Subject: Character Education**

**Section: 4.18**

**ALI: 200-573**

Requires the appropriation be used to provide matching grants of up to \$50,000 each to school districts to develop pilot character education programs

**Section: 44.19**

No provision.

**Subject: Substance Abuse Prevention**

**Section: 4.18**

**ALI: 200-574**

Earmarks up to \$2,120,000 in each fiscal year for the Safe and Drug Free Schools Coordinators Program.

Earmarks up to \$300,000 in each fiscal year for the Substance Abuse Prevention Student Assistance Program.

**Section: 44.19**

Changes the earmark for the Safe and Drug Free Schools Coordinators Program to \$2,035,200 in each fiscal year.

Changes the earmark for the Substance Abuse Prevention Student Assistance Program to \$288,000 in each fiscal year.

As Introduced\*

In House Finance and Appropriations

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**Temporary Law Changes****Subject: Auxiliary Services Mobile Repair****Section: 4.18**

Requires the Treasurer of State to transfer \$1,500,000 in FY 2002 within 30 days after the effective date of this section and \$1,500,000 in FY 2003 by August 1, 2002 from Auxiliary Services Personnel Unemployment Compensation Fund to the Department of Education's Auxiliary Services Mobile Repair Fund (Fund 598).

**Section: 44.19**

No change.

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**Subject: Lottery Profits Transfers****Section: 4.19**

Requires the Director of Budget and Management to determine if lottery profits transfers meet the appropriation amounts from the Lottery Profits Education Fund. If they do not, requires the Director to follow the procedure in the "Reallocation of Funds" section of the bill.

**Section: 44.20**

No change.

As Introduced\*

In House Finance and Appropriations

**Temporary Law Changes****Subject: Lottery Profits Education Fund****Section: 4.19****ALIs: 200-612, 200-501**

Requires Lottery Profits/Education Fund Group appropriation item 200-612, Base Cost Funding, to be used in conjunction with GRF appropriation item 200-612, Base Cost Funding to provide payments to school districts.

Requires that \$25,000,000 in each fiscal year be used from the funds transferred from the Unclaimed Prizes Trust Fund.

**Section: 44.20**

No change.

**Subject: Transfers from the Unclaimed Prizes Fund****Section: 4.19**

Requires the Director of Budget and Management to transfer \$25,000,000 from the State Lottery Commission's Unclaimed Prizes Fund to the Lottery Profits Education Fund in each fiscal year.

**Section: 44.20**

No change.

As Introduced\*

In House Finance and Appropriations

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**Temporary Law Changes****Subject: Teacher Certification and Licensure****Section: 4.19****ALI: 200-601**

Requires that Federal Special Revenue Fund Group appropriation item 200-681, Teacher Certification and Licensure, be used to administer certification and licensure functions of the Department of Education.

**Section: 44.20**

No change.

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## As Introduced\*

## In House Finance and Appropriations

## Temporary Law Changes

**Subject: Lottery Profits****Section: 4.20**

Prohibits the amount in the Lottery Profits Education Reserve Fund (Fund 018) from exceeding \$75,000,000.

Requires the Director of Budget and Management to determine the amount the transfers to the Lottery Profits Education Fund exceeded \$665,200,000 in fiscal year 2001. This amount shall be distributed in fiscal year 2002.

Requires the Director of Budget and Management to determine the amount the aforementioned transfers exceeded \$619,722,100 in fiscal year 2002. This amount shall be distributed in fiscal year 2003.

Appropriates any moneys approved for release by the Controlling Board for reallocation according to the paragraph titled "Reallocation of Funds."

Requires any remaining amounts, not reallocated and not kept in the Lottery Profits Education Reserve Fund to be transferred to the Public School Building Fund (Fund 021). Appropriates this amount to appropriation item CAP-622, Public School Buildings, in the School Facilities Commission.

**Section: 44.21**

Same as Executive, but reduces the maximum amount of lottery profit transfers received by the Lottery Profits Education Fund for fiscal year 2002 from \$619,722,100 to \$608,722,100. This change is made due to the elimination of the proposed multi-state lottery game.

## As Introduced\*

## In House Finance and Appropriations

## Temporary Law Changes

**Subject: Property Tax Allocation****Section: 4.21****ALI: 200-901**

Prohibits the transfer of funds from GRF appropriation item 200-901, Property Tax Allocation-Education, to any other appropriation item.

**Section: 44.22**

No change.

**Subject: School District Solvency Assistance****Section: 4.21****ALI: 200-687**

Requires that of General Services Fund Group appropriation item 200-687, School District Solvency Assistance, \$12,000,000 in each fiscal year be allocated to the School District Shared Resource Account and \$12,000,000 in each fiscal year be allocated to the Catastrophic Expenditures Account.

**Section: 44.22**

No change.

Requires that these funds be used, subject to the approval of the Controlling Board, to assist school districts in remaining solvent.

As Introduced\*

In House Finance and Appropriations

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**Temporary Law Changes****Subject: School District Property Tax Replacement****Sections: 4.21, 4.10****ALI: 200-900**

Provides \$102,000,000 in FY 2002 and \$207,400,000 in FY 2003 for the Revenue Distribution Fund appropriation item (Fund 053) 200-900, School District Property Tax Replacement.

**Section: 44.22**

Moves the appropriation item from the Revenue Distribution Fund to the Department of Education's State Special Revenue Fund Group. The FY 2003 appropriation is reduced by \$86,794,676. The reduced amount is to be transferred into GRF and included in the GRF appropriation item 200-501, Base Cost Funding, to pay for state education aid offset due to the change in public utility valuation as a result of SB 3 and SB 287, both of the 123rd General Assembly. Temporary law requires appropriations for item 200-900, School District Property Tax Replacement, to be distributed to school districts and joint vocational school districts pursuant to section 5727.85 of the Revised Code.

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As Introduced\*

In House Finance and Appropriations

**Temporary Law Changes****Subject: Property Tax Allocation - Education****Section: 4.22****ALIs: 200-901, 200-906**

Appropriates GRF appropriation item 200-901, Property Tax Allocation - Education, to pay for the state's cost incurred due to the homestead exemption and the property tax rollback.

Appropriates GRF appropriation item 200-906, Tangible Tax Exemption - Education, to pay for the state's costs incurred due to the tangible personal property tax exemption.

Describes the distribution of these funds and appropriates any additional funds necessary.

**Section: 44.23**

No change.

**Subject: Distribution Formulas****Section: 4.23**

Requires the Department of Education to report the following to the Director of Budget and Management, the Legislative Office of Education Oversight, and the Legislative Service Commission: changes in formulas for distributing state aid, discretionary changes in formulas for distributing federal appropriations, and federally mandated changes in formulas for distributing federal appropriations.

**Section: 44.24**

No change.

As Introduced\*

In House Finance and Appropriations

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**Temporary Law Changes****Subject: Distribution - School District Subsidy Payments****Section: 4.24****Section: 44.25**

Requires that this section not be put into effect unless the Director of Budget and Management so orders.

No change.

Describes the monthly distribution of payments to school districts and educational service centers.

Requires that the payments for the first six months of each fiscal year shall equal, as nearly as possible, six and two-thirds per cent of the estimate of the amounts payable for each fiscal year, and the payments for the last six months ten percent of the final calculation of the amounts payable.

Establishes procedures for school districts to borrow funds based on the anticipated receipts.

Establishes procedures for deduction of state aid payments in accordance with certifications made pursuant to Revised Code sections 3307.56 and 3309.51.

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As Introduced\*

In House Finance and Appropriations

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**Temporary Law Changes****Subject: Reallocation of Funds****Section: 4.25**

Describes the reallocation of funds in the case that the Governor issues an order to reduce expenditures and incurred obligations or if lottery profits transfers are not sufficient to meet the amounts appropriated from the Lottery Profits Education Fund for base cost funding.

**Section: 44.26**

No change.

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**Subject: Educational Service Centers Funding****Section: 4.26**

Describes the provision of funds to educational service centers.

**Section: 44.27**

No change.

As Introduced\*

In House Finance and Appropriations

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**Temporary Law Changes****Subject: Waiver of Pupil Teacher Ratio****Section: 4.27**

Authorizes the waiver of the teacher to pupil ratio in kindergarten through fourth grade required by the Administrative Code, in certain instances.

**Section: 44.28**

No change.

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**Subject: Private Treatment Facility Pilot Project****Section: 4.28**

Establishes procedures by which tuition is paid and reimbursed for children placed in certain private residential treatment facilities.

**Section: 44.29**

No change.

As Introduced\*

In House Finance and Appropriations

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**Temporary Law Changes****Subject: School District Participation in National Assessment of Education Progress****Section: 4.29****Section: 44.30**

Requires the Superintendent of Public Instruction to provide for school district participation in the administration of the National Assessment of Education Progress in fiscal years 2002 and 2003.

No change.

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**Subject: School Facilities Commission Provision****Section: 4.30****Section: 44.31**

Makes provisions for school district compliance with Revised Code Chapter 3318.

No change.

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As Introduced\*

In House Finance and Appropriations

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**Temporary Law Changes****Subject: Evaluation of the Cleveland Scholarship Program****Section: 4.31**

Requires the Superintendent of Public Instruction to contract with an independent research entity to evaluate the Cleveland Scholarship Program.

**Section: 44.32**

No change.

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**Subject: Pilot Project Scholarship Program****Section: 4.32**

Allows new students to enter the Cleveland Pilot Project Scholarship Program in grades K to 8, rather than K to 3 only. (Although the program is intended to serve grades K to 8, codified law has always stipulated that new students may join the program only in grades K to 3; students in higher grades who withdraw could not be replaced. But since FY 1998, biennial appropriations acts have permitted students to join in higher grades as well.

**Section: 44.33**

No change.

As Introduced\*

In House Finance and Appropriations

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**Temporary Law Changes****Subject: Teacher Provision for the Community School Pilot Project****Section: 4.33****Section: 44.34**

Allows teachers in the community school pilot project area to return to teach in the school district after taking a leave of absence to teach at a community school.

No change.

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**Subject: LOEO Study of Community Schools****Section: 4.34****Section: 44.35**

Requires the Legislative Office of Education Oversight to complete by June 1, 2003 its final report on community schools.

No change.

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As Introduced\*

In House Finance and Appropriations

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**Temporary Law Changes****Subject: LOEO Study of Gifted Education****Section: 166**

No provision.

Requires the Legislative Office of Education Oversight (LOEO) to review and evaluate school districts' plans for the identification of gifted students and to issue a report by November 30, 2002, that (1) summarizes the results of the evaluations and (2) recommends reasonable methods of funding educational services for gifted students.

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**Subject: Relocation of Gifted Education Staff****Section: 167**

No provision.

Requires the Department of Education to consider the feasibility and desirability of relocating its staff responsible for gifted education from the Center for Students, Families, and Communities to the Center for Curriculum and Assessment.

As Introduced\*

In House Finance and Appropriations

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Temporary Law Changes

Subject: Special Education Study

Section: 168

No provision.

Requires the Department of Education to conduct the following analyses and report its findings and recommendations to the General Assembly by June 30, 2002:(1) A cost-based analysis of state and federal laws that mandate special education services in addition to the mandates of Chapter 3301-51 of the Ohio Administrative Code, commonly known as the "Blue Book";(2) An analysis of the manner in which federal special education funds may be spent, including an examination of whether and how federal funds may be used to fund the increased costs of state and federal special education mandates;(3) An analysis of the costs to school districts of complying with the mandate to provide the least restrictive environment to special education students through mainstreaming.

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