Department of Education

Senate Finance and Financial Institutions
and Senate Education Committees

Wendy Zhan, Fiscal Supervisor
Melaney Carter, Economist

Legislative Service Commission

April 29, 2003

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LSC Redbook

for the

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Note: The estimated General Revenue Fund (GRF) spending for FY 2003 used in this LSC Redbook reflects the 2.5% reduction made as a result of the Governor's January 22, 2003 budget cut order. The executive reduction was applied across-the-board to FY 2003 GRF appropriations, subject to certain exceptions. Subsequent to such reductions (and not reflected in the Redbook), state agencies were permitted to reallocate the amount that each of their GRF appropriation line items was reduced, while still absorbing the 2.5% budget cut within the total amount of their GRF appropriations.

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Department of Education

- Implementing the H.B. 94 level of per pupil base cost funding of $5,088 in FY 2004
- Creating the Governor's Blue Ribbon Task Force on Financing Student Success to recommend a financing method for K-12 education in FY 2005

I. Overview

With a staff of approximately 660 FTEs and a total budget of approximately $9 billion in FY 2003, the Ohio Department of Education oversees an education system consisting of 612 public school districts, 49 joint vocational school districts, and 132 public community schools. The combined state and local expenditures of the system totaled more than $17 billion in FY 2002. In addition, the Department monitors 60 county educational service centers, head start programs, and other school related entities. Furthermore, the executive budget proposes to transfer the SchoolNet Commission back to the Department beginning in FY 2005. The Department also oversees 984 state-chartered nonpublic schools.

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 21st 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 core work of the Department is aligned closely with the goals and strategies of its strategic plan to address the critical issues facing education in Ohio, including closing the achievement gap that exists between student groups and improving the performance of Ohio's education system and its students. The Department's strategic plan consists of four goals and nine strategies as follows:

- Set high expectations for what all students should know and be able to do.
  - Clarify and communicate Ohio's expectations for what all students should know and be able to do.
  - Align what is expected from the students with what is taught in every classroom.
- Provide leadership, support, and build capacity.
  - Assure a system that provides a competent and caring teacher in every classroom.
  - Promote innovation and best practices.
  - Advocate for adequate resources to achieve high expectations.
  - Encourage and support the development of stakeholder engagement strategies by districts and schools.
  - Provide support to school districts, particularly to those needing it the most.
- Build a credible accountability system that holds educators and students responsible for high academic achievement.
  - Align and improve the accountability system that assigns responsibility, reports results, and rewards successes.

- Become a high performing organization that effectively and efficiently supports the Department's customers.
  - Implement quality management principles within the Department.

A. Appropriation Overview

The executive budget largely continues the implementation of H.B. 94 of the 124th General Assembly in FY 2004, with a per pupil base cost formula amount of $5,088. It then proposes the creation of the Governor's Blue Ribbon Task Force on Financing Student Success to recommend a financing methodology for K-12 education in Ohio beginning in FY 2005. The executive budget provides a total appropriation of $9,418.7 million in FY 2004 and $9,829.6 million in FY 2005 for the Department of Education. With the exception of two property tax relief line items (200-901, Property Tax Allocation, and 200-906, Tangible Tax Exemptions-Education), all FY 2005 General Revenue Fund (GRF) appropriation ($6,710.0 million) is recommended for line item 200-406, Primary and Secondary Education Funding. The distribution of this recommended funding will depend on the recommendations of the proposed Blue Ribbon Task Force. The table below details the Department's appropriations by fund group.[1]

Fund	FY 2003 (estimate)	FY 2004	% Change, FY 2003-2004	FY 2005	% Change, FY 2004-2005
GRF	$7,073,449,036	$7,189,736,722	1.6%	$7,504,029,774	4.4%
General Services	$22,293,419	$32,606,401	46.3%	$33,049,227	1.4%
State Special Revenue	$18,762,930	$121,796,171	549.1%	$124,344,695	2.1%
Revenue Distribution	$115,911,593	$115,911,593	0.0%	$115,911,593	0.0%
Lottery	$673,522,600	$637,900,000	-5.3%	$637,900,000	0.0%
Federal Special Revenue	$1,272,190,701	$1,320,704,193	3.8%	$1,414,331,626	7.1%
Grand Totals	***$9,176,130,279***	***$9,418,655080***	***2.6%***	***$9,829,566,915***	***4.4%***
GRF + Lottery	*$7,746,971,636*	*$7,827,636,722*	*1.0%*	*$8,141,929,774*	*4.0%*

It can be seen from the table that the executive proposal would increase the GRF appropriations by 1.6% in FY 2004 and by 4.4% in FY 2005. The Lottery Profits Education Fund (LPEF) appropriations would experience a 5.3% decrease in FY 2004 and stay flat in FY 2005. Total GRF and Lottery appropriations would increase by 1.0% in FY 2004 and 4.0 % in FY 2005.

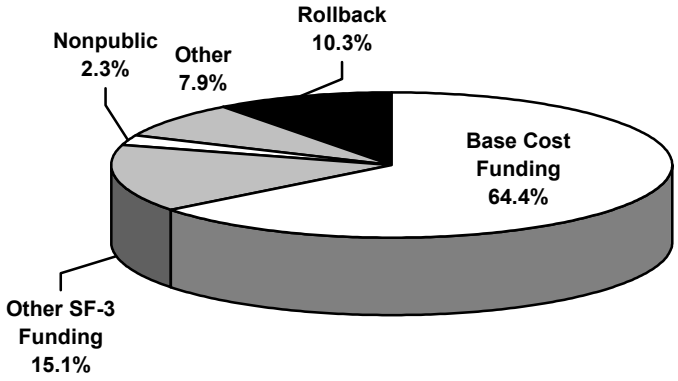
However, it should be noted that the GRF growth rate is understated in the above table. Head Start (200-406) and Student Intervention Services (200-513) are partially supported by TANF dollars in FY 2003. The FY 2003 estimate shown in the table includes approximately $119.1 million in TANF reimbursement for these two programs. Under the executive budget, the Student Intervention Services item will be supported by GRF dollars. The TANF reimbursement for Head Start Plus/Head Start will be deposited into a new State Special Revenue Fund Group line item 200-663, Head Start Plus/Head Start (Fund 5W2). Removing the TANF reimbursement in FY 2003 shows a more appropriate GRF percentage increase of

[1] Funding for property tax relief programs (items 200-901, Property Tax Allocation, and 200-906, Tangible Tax Exemption-Education) is included in this table. The executive budget excludes these two line items in its GRF funding increase analysis. For this reason, GRF increase percentages cited in this analysis are different than that shown in the executive budget.

3.4% (instead of 1.6%) in FY 2004 and a GRF and Lottery percentage increase of 2.6% (instead of 1.0%) in FY 2004.

The significant increase in the General Services Fund appropriation in FY 2004 reflects the fact that the FY 2003 appropriation for line item 200-687, School District Solvency Assistance, significantly exceeds disbursements by an estimated $16 million. A 549.1% increase in FY 2004 in the State Special Revenue Fund appropriation is mainly due to the newly created line item 200-663, Head Start Plus/Head Start, which is supported by TANF dollars and receives a recommended funding of $101.2 million in FY 2004.

Chart 1: GRF and LPEF Appropriations by Spending Area, FY 2004



The bulk 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 area in FY 2004. It is clear that the SF-3 base cost funding, representing approximately 64.4% 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 79.5% of the Department's total GRF and LPEF budget.

According to the Office of Budget and Management (OBM), the Department retains approximately $91.8 million (or 1.5%) of its total GRF spending in FY 2003 at the state level for personal service, purchased service, maintenance, and equipment spending. The Office of Budget and Management estimates this number will increase to $104.0 million in FY 2004 (an increase of 13.2%), representing 1.6% of total recommended GRF funding for FY 2004. Including all funds, the Department retains approximately $175.4 million (or 2.1%) of its total budget in FY 2003 for personal service, purchased service, maintenance, and equipment spending. In FY 2004, OBM estimates that approximately $185.7 million (an increase of 5.8%) will be retained at the state level, representing approximately 2.2% of the Department's total budget.

B. A Different Theme for Each Year of the Biennium

The executive budget centers on a different theme for each year of the biennium. In FY 2004, the executive budget largely continues funding formulas set forth in H.B. 94 of the 124th General Assembly (except for the disadvantaged pupil impact aid program) and the implementation of Am. S.B. 1 of the 124th General Assembly. In FY 2005, all GRF funding (with the exception of two property tax relief items) for the Department of Education is appropriated in one line item 200-405, Primary and Secondary Education. The distribution of this funding will depend on the recommendations of the proposed Governor's Blue Ribbon Task Force on Financing Student Success.

a. Blue Ribbon Task Force on Financing Student Success

The Blue Ribbon Task Force on Financing Student Success, to be comprised of representatives from the education community, government, and business community, will be working under the following principles to recommend a financing methodology for K-12 education in Ohio. The new system should:

- Provide predictable and stable financing for school districts;
- Allocate resources with a view toward helping every child achieve academic success;
- Support other policy initiatives geared toward helping every child succeed;
- Be affordable within the context of the state's economy and the overall financial obligation should grow in a predictable manner; and
- Ensure the resources are spent efficiently and appropriately.

Under these guiding principles, the Task Force will consider the financial resources necessary to influence student success, the cost of educating Ohio's school children, the financing methodology, and issues of accountability for student performance outcomes. The recommendations from the Task Force will be used to create an improved system of school funding in Ohio beginning in FY 2005.

b. Provides funding for school formulas set forth in H.B. 94 of the 124th General Assembly

Base Cost Funding and Parity Aid. The executive budget continues various school funding formulas set forth in H.B. 94 of the 124th General Assembly in FY 2004. Funding is provided to increase the base cost formula amount from $4,949 in FY 2003 to $5,088 per pupil in FY 2004. $327.3 million is recommended to phase in the parity aid funding percentage from 40% in FY 2003 to 60% in FY 2004. Parity aid makes up the difference between what 9.5 mills raise in the 80th percentile district and what 9.5 mills raise in a less wealthy district. Parity aid is designed to address disparities that occur in spending above the basic education level largely due to the existence of unequalized local enhancement revenue.

Special Education Weight Funding. House Bill 94 adopted a six-weight system to provide additional funding above the base cost for special education. The system is currently funded at the 87.5% level in FY 2003. The executive budget proposes to fully fund the six-weight system with the combination of state, local, and federal funds. To this end, approximately $335.7 million is set aside in FY 2004 for the state share of special education weights. The needed balance above both state and local shares to reach the full implementation of the six-weight system will come from federal special education funds.

Disadvantaged Pupil Impact Aid (DPIA). House Bill 94 adopted a new poverty indicator to further stabilize DPIA funding for individual school districts beginning in FY 2004. Instead of using the single measure of the number of students whose families participate in Ohio Works First (OWF), the new indicator uses the unduplicated count of children whose families receive Medicaid, food stamps, disability assistance, and those whose families participate in OWF and the children's health insurance program. The executive budget proposes to postpone the implementation of the new poverty indicator by one year. Instead of following DPIA allocation formulas specified in section 3317.029 of the Revised Code, the executive budget proposes to give each district that receives a DPIA funding in FY 2003 a uniform 2% increase in FY 2004 over what it receives in FY 2003. $367.3 million is recommended for DPIA in FY 2004.

c. Continues the implementation of Am. S.B. 1 of the 124th General Assembly

Am. S.B. 1 of the 124th General Assembly – Ohio's first-ever student success legislation – largely implemented the recommendations of the Governor's Commission on Student Success from December 2001. House Bill 94 provided substantial funding to start the implementation of Am. S.B. 1, which in turn won Ohio early approval from the U.S. Department of Education for its accountability plan. Ohio was one of only five states recognized as complying with the federal No Child Left Behind (NCLB) legislation. The executive budget continues the implementation of Am. S.B. 1 and Ohio's accountability plan in FY 2004.

Academic Standards. Am. S.B. 1 directed the State Board of Education to develop academic content standards and curriculum models in seven subject areas with specific timelines for completion. Academic Standards (200-427) receives approximately $10.2 million in FY 2004 (an increase of 31.2%) to continue to stay on the schedule. Content standards for English, mathematics, science, and social studies have been completed so far. Standards for foreign language, arts, and technology are on pace to be completed by December 2003. Model curricula in these subject areas are also on schedule to be completed. Within Academic Standards, up to $731,250 is provided in FY 2004 to start a new Teacher on Loan program to train lead teachers in the new academic content standards and curriculum models, and then deploy them into school districts to train other teachers.

Student Assessment. Student Assessment (200-437) receives approximately $43.4 million in FY 2004, an increase of 30.1%. The increased funding will mainly be used to develop and implement new achievement, graduation, and diagnostic tests as well as continue to administer the phase-out of the 4th, 6th, and 9th grade proficiency tests. New federal guidelines are currently taken into account in the process of developing questions for the new achievement, graduation, and diagnostic tests. The Department believes that Ohio is currently on pace to meet all new testing requirements mandated by NCLB. Line item 200-690 (Fund 3Z2), State Assessments, contains approximately $11.9 million in FY 2004 and $12.5 million in FY 2005 in federal funds to assist the state's effort in meeting the new federal testing requirements.

Accountability/Report Cards. A new Accountability/Report Cards line item (200-439) is created and receives a recommended funding of $4.4 million in FY 2004. (Report cards are currently funded through a set-aside within line item 200-431, School Improvement Initiatives.) The Department of Education is required to annually develop and disseminate district and school level report cards based on at least 17 performance standards. Currently Ohio has 22 standards, including 20 proficiency test passage rates at various grade levels as well as the attendance rate and the graduation rate.

Districts are ranked on report cards into one of five categories depending on the number of standards met. The recently released 2003 Local Report Card shows 109 excellent districts (meeting 21 to 22 standards), 191 effective districts (meeting 17 to 20 standards), 257 continuous improvement districts (meeting 11 to 16 standards), 33 academic watch districts (meeting 7 to 10 standards), and 18 academic emergency districts (meeting 6 or fewer standards). The total number of excellent and effective districts increased from 207 in the 2002 Local Report Card to 300 in the 2003 Local Report Card, an increase of 93 districts.

NCLB has become the driving force nationwide for accountability policy. The standard set by NCLB is known as adequate yearly progress. This standard will focus on an individual student's improvement from one year to the next. Districts will receive a performance index and then receive credit for improvement. If students fail to progress after a designated period, parents must be given a number of options, including sending the child to a higher performing school. $1.6 million is provided in FY 2004

to continue the deployment of the student level identification system that will allow individual student progress to be tracked and enable Ohio to meet this new federal mandate.

Intervention Services. $10.5 million is provided in FY 2004 (an increase of 40.8%) within line item 200-431, School Improvement Initiatives, for technical assistance to academic watch and academic emergency districts, and to school buildings not meeting state and federal accountability requirements. These intervention services include teams of professionals going into low performing school buildings and working with educators to identify areas of improvement and provide professional development. $35.0 million is provided in FY 2004 (an increase of 2.5%) for line item 200-513, Student Intervention Services. This funding is used to partially reimburse school districts for their general fund expenditures on student intervention services specified in section 3313.608 of the Revised Code, including summer and regular school year interventions for 3rd graders reading below grade level as well as 4th, 6th, and 9th graders who failed three or more of the five proficiency tests for their respective grade level.

d. Supports teacher quality and teaching success initiatives

On November 16, 2001, the Governor's Commission on Teaching Success was asked to make recommendations in the four major areas: teacher recruitment and preparation; teacher induction, support, and retention; professional development; and school leadership to support quality teaching. The recommendations were not available at the time when the executive budget was prepared. (The Commission made its recommendations on February 20, 2003.) While waiting for the Commission's final recommendations, the executive budget provides $1.7 million in FY 2004 for a newly proposed line item, 200-452, Teaching Success Commission Initiatives, to begin investment in additional teaching success initiatives. Meanwhile, the executive budget contains funding for a variety of initiatives to continue its support for teacher quality and teaching success.

Recruitment and Preparation. $2.1 million is provided in FY 2004 (an increase of 46.0%) for line item 200-444, Professional Recruitment, including almost $1.2 million for recruiting persons from underrepresented populations into the teaching field, $0.6 million for a new program to recruit high school students and second-career or mid-career individuals into the teaching profession, and new funding of $144,588 for the development of supply and demand reports that will show the availability and quality of educators and the critical educator shortage areas in Ohio.

The newly created line item 200-448, Educator Preparation, receives a recommended funding of $609,375 in FY 2004. Funding is used to collaborate with the Interstate New Teacher Assessment and Support Consortium and to begin to align Ohio's current teaching standards to the newly created academic standards. Funding is also used to provide competitive grants to school district and university partnerships for the development of professional development schools within school districts or groups of school districts based on standards established by the National Council for Accreditation of Teacher Education.

Retention of Quality Teachers. $7.2 million is provided in FY 2004 to pay the application fee for approximately 500 additional teachers pursuing National Board Certification and to pay stipends of $2,500 each to approximately 1,797 certified teachers. Ohio currently ranks fifth among states for the number of certified teachers. New funding of about $188,000 is provided in FY 2004 to make grants to districts to support their efforts of developing performance-based compensation systems.

Professional Development. $19.4 million is provided in FY 2004 to continue the entry year program, which provides a year-long growth experience to beginning teachers through training, mentoring, and assessments. $12.7 million is provided in FY 2004 for the Summer Institute for Reading Intervention, which provides job-embedded professional development to an estimated 20,000 teachers and

simultaneously provides reading intervention to 500,000 children each summer. $3.1 million is recommended in FY 2004 to start the Governor's new initiative Math Rules, a similar summer professional development initiative for mathematics teachers.

School Leadership. Funding is provided for a number of initiatives supporting the professional development of school administrators. The main goal of these initiatives is to ensure that administrator preparation programs closely reflect the challenges educators face in today's classrooms. $676,260 is recommended to continue the Ohio Principal Leadership Academy and $546,000 is recommended to continue Ohio leadership academies for superintendents in FY 2004.

SchoolNet Transfer. Under the executive budget, the Ohio SchoolNet Commission will be transferred back to the Department of Education beginning in FY 2005. (The Commission became an independent agency in 1997.) $23 million in GRF funding for the Commission in FY 2005 is appropriated for line item 911-416, Educational Technology, of the Controlling Board. The Ohio Technology Integration Task Force, created in the executive budget, is to submit a transition plan for approval of the Controlling Board. The transfer of SchoolNet does not provide additional funding for K-12 education. However, it could provide better integration of technology and classroom learning, including various professional development activities.

e. Community Schools and Cleveland Voucher Program

In addition, the executive budget also funds a variety of other initiatives. It provides approximately $4.3 million in FY 2004 to support the start-up grants to new public community schools. Federal funds provide another $23.3 million in FY 2004 for the similar start-up grants. Nearly 2% (32,756) of total public school students are currently enrolled in 132 community schools. $194.7 million in funding has followed these students to community schools in FY 2003. House Bill 364 of the 124th General Assembly eliminated the State Board of Education's authority to sponsor new community schools and made the Department responsible for the oversight of sponsors of community schools and for providing technical assistance to community schools.

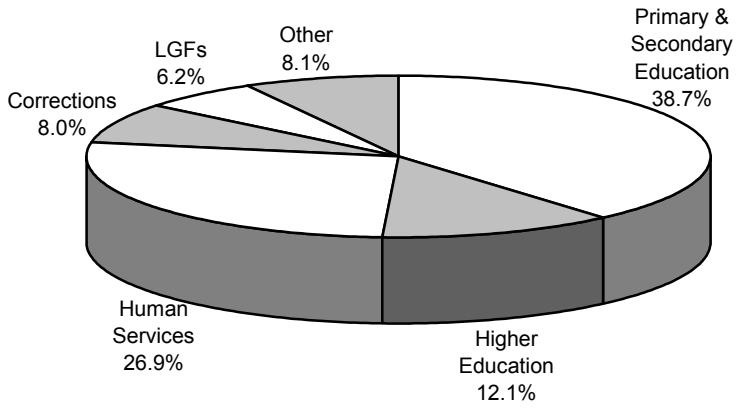
The executive budget also proposes to set aside $11.9 million in FY 2004 of the moneys distributed to the Cleveland City School District under the DPIA program to provide scholarships to Cleveland public school low-income students who wish to attend nonpublic schools in the area. The funding recommendation will support scholarships to approximately 5,000 K-8 students who are currently enrolled in the program, tutoring grants to about 2,500 students, and the opportunity for additional K-8 students to enroll in the program

II. EDUCATION FUNDING ENVIRONMENT IN THE STATE BUDGET[2]

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

The executive budget proposes a total spending of $42.1 billion in the FY 2004-2005 biennium. Primary and Secondary Education continues to be the largest spending area in the state budget (see Chart 2). Approximately 38.7% of the state biennium budget is allocated to Primary and Secondary Education. The proportions for the other major spending areas are: 12.1% for Higher Education, 26.9% for Human Services, 8.0% for Corrections, 6.2% for Local Government Funds, and 8.1% for Other.

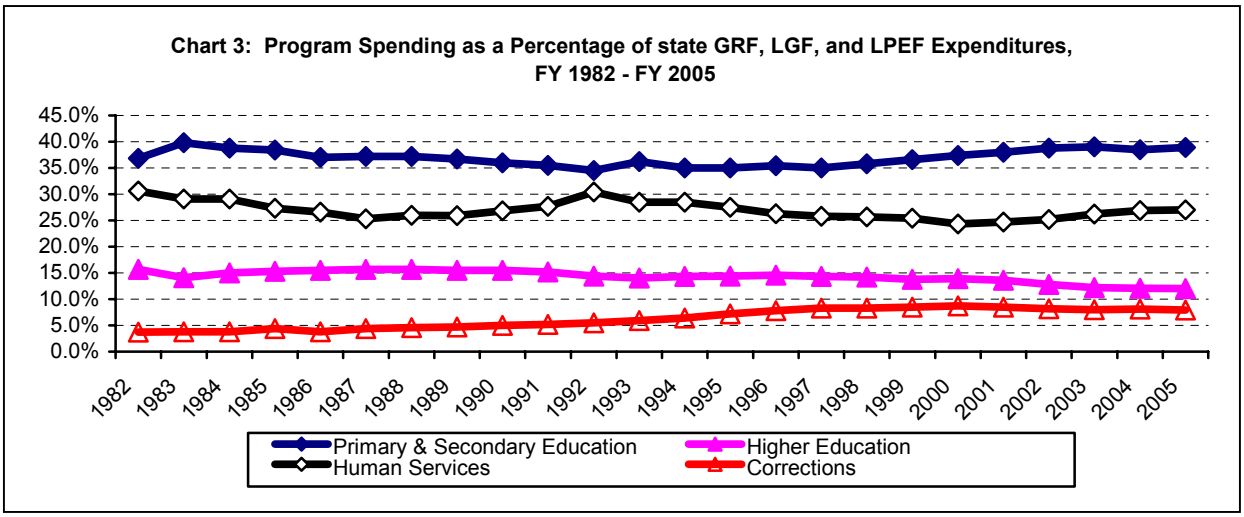
Chart 2: Spending as a Percent of the FYs 2004-2005 State Budget



B. Primary and Secondary Education's Share of the State Budget has Increased Since the Mid-1990s

In the early 1980s, the Primary and Secondary Education's share of the state budget was equal to approximately 40%. K-12 education's proportion of the state budget pie gradually decreased in the 1980s, remained steady at between 35% to 36% in the early 1990s, and then has consistently increased since the mid-1990s. Approximately 35.0% of total state spending occurred in K-12 education in FY 1997. An estimated 38.9% of the state budget will be spent in K-12 education in FY 2005. While the rest of state government experienced several rounds of spending reductions in the last two years, these spending reductions have largely not affected Primary and Secondary Education as of February 19, 2003. In fact, funding for Primary and Secondary Education increased approximately 5.3% per year during the period from FY 2001 to FY 2003. The potential $136 million in spending reductions, representing approximately 1.7% of total primary and secondary education spending in FY 2003, would lower this average increase from 5.3% to 4.4% per year.

[2] For this section, the state budget base includes the state General Revenue Fund (GRF), distribution to the Local Government Funds (LGFs), and lottery disbursements.

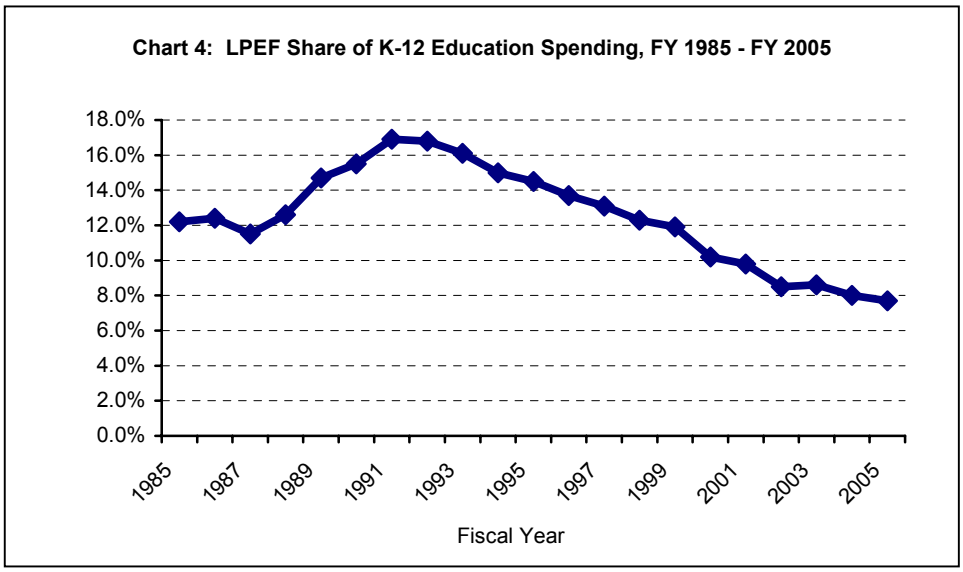


The economy has a significant impact in state spending in Human Services. Due to economic recessions, in the early 1980s and again in the early 1990s, Human Services spending absorbed more state resources and its share of the state budget increased. Due to the strong economy in the mid- and late-1990s, the growth in Human Services spending had slowed considerably. The portion of the state budget devoted to Human Services declined from 30.4% in FY 1992 to 24.3% 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 27.0% of the state budget will be devoted to Human Services in FY 2005.

Approximately 16% 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% in the 1990s. The Higher Education share has again decreased in recent years due to the economic slowdown and state spending reductions. Corrections is the only major spending area that has largely 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% in FY 1982 to 7.9% in FY 2005. Corrections is also affected by recent state government spending reductions.

C. LPEF Share of Education Spending has Decreased since FY 1991

Chart 4 shows the LPEF education share as a percentage of total GRF and LPEF spending for Primary and Secondary Education since the mid-1980s. There has been virtually no growth in Lottery education spending since FY 1991. As a result, the LPEF share of primary and secondary education spending decreased from the peak of 16.9% in FY 1991 to approximately 8.6% in FY 2003, and to an estimated 7.7% in FY 2005. As the LPEF source of education funding has leveled and even declined in some years, the GRF appropriations have been making up the difference.



The sluggish and sometimes declining LPEF education spending in recent years is mainly due to increased competition in the gaming industry. This competition comes from riverboats in Indiana and Kentucky, casinos in Michigan, New York, and Canada, enhanced racetracks in West Virginia, multi-state lotteries with huge prizes, and Internet gaming. In May 2002, the Ohio Lottery entered the multi-state game Mega Millions, which provides players the opportunity to play for huge prizes and hoping to recapture some sales previously lost to other states. At this point, there is no evidence of a significant increase in lottery profits as a result of entering the multi-state game.

III. Federal Education Funding and The No Child Left Behind Act

A. Summary of Federal Education Funding

Federal education funding mainly targets children from low-income families and children with disabilities. Federal funds have historically accounted for about 6% to 7% of the overall education spending in Ohio. Federal education funds generally do not support the basic operations of schools. Instead, they mainly target children from low-income families and children with disabilities. Federal law and rule drive state policy in several key areas, including special education, free and reduced lunch and breakfast programs, Head Start, compensatory programs for students from low-income families (such as Title I), accountability, and teacher quality. The last two areas result from enactment of the No Child Left Behind Act of 2001 (NCLB).

The federal education funding has increased rapidly in recent years. Federal education funding for Ohio increased by 14% (or $121 million) from federal fiscal year (FFY) 2001 to FFY 2002 (the federal government is currently operating at the FFY 2002 level through a continuing resolution in the absence of enacted FFY 2003 appropriations). Federal Fiscal Year 2002 funds begin to flow to Ohio in July 2002 – state fiscal year (SFY) 2003. Most federal grants may be spent over a period of 27 months. For example, federal funding awarded in FFY 2002 may be spent in SFYs 2003, 2004, and 2005. Total federal education spending in Ohio amounts to approximately $1,272.2 million in FY 2003. The executive budget recommends a spending authority of $1,320.7 million (an increase of 3.8%) in FY 2004 and $1,414.3 million (an increase of 7.1%) in FY 2005.

Federal education entitlement grants account for 81% of all federal support for education in Ohio. There are two major classifications of federal education grant programs administered by the Department of Education – entitlement grants and discretionary grants. Entitlement grants are formula driven subsidy payments to school districts and other local education agencies. According to the Department of Education, entitlement grants account for about 81% of all federal education funds. Discretionary spending defines as the funds the Department of Education has some control over how moneys are distributed. The degree of control varies from grant to grant.

Approximately 2.0% to 2.5% of all federal support for education in Ohio is retained at the state level for administrative activities. There are three different types of discretionary spending: competitive grants, state-level activities, and state administration.

- Competitive grants are generally awarded to eligible school districts and other local education agencies based on application criteria established within the federal grant guidelines. Competitive grants account for approximately 10% of all federal support for education in Ohio.
- State-level activities include technical assistance, professional development, program evaluation, and program improvements. The majority of these funds (about 7% of all federal education support in Ohio) are distributed to educational partners outside of the Department.
- State administrative funds are used by the Department of Education to manage grants, including awarding grants, monitoring recipients, accounting, auditing, data systems, facilities, etc. Allowable state administration expenses for the federal programs range from 1% to 8% of the total grant amounts. The Department indicates that, on average, its administrative expenses are approximately 2% of all federal education grants.

In FY 2003 about 190 (or 29%) of 660 FTEs of the Department are supported by federal funds. According to the Office of Budget and Management's estimate, the Department of Education spends approximately 2.7% (or $33.8 million) of total federal education spending ($1,272.2 million) in FY 2003 for personal services, purchased service, maintenance, and equipment.

B. NCLB and Major Federal Education Programs[3]

The No Child Left Behind Act (NCLB), or the Reauthorization of Elementary and Secondary Education Act (ESEA), was enacted on January 8, 2002. The No Child Left Behind Act significantly changes federal requirements and federal funding for primary and secondary education. While Ohio has its own accountability system specified in Am. S.B. 1 of the 124th General Assembly, NCLB is now the driving force nationwide behind accountability policy. It requires achievement tests in math and reading in grades three through eight. The No Child Left Behind Act also requires the creation of a single, statewide accountability system that will be applied to all public school buildings and districts. The federal accountability standard is adequate yearly progress (AYP) that will ensure all school buildings and districts reach 100% of proficiency in reading and math by 2012. All public school buildings and districts will be accountable for the performance of student subgroups – including major racial/ethnic subgroups, students with disabilities, limited English proficient students, and economically disadvantaged students – through the AYP determination. As indicated earlier, the implementation of Am. S.B. 1 has won Ohio recognition as one of only five states that comply with NCLB. The Department believes that Ohio is currently on pace to meet all new testing requirements mandated by NCLB.

The major federal education programs that are restructured along the requirements of NCLB are as follows:

Title I, Part A. Title I, Part A is the largest federal program supporting primary and secondary education. These funds pass through the state and are distributed to school districts based on federal formulas that target districts with high concentrations of students from low-income families. No Child Left Behind holds districts that receive these funds accountable for progress in student achievement through the AYP determination. Districts that fail to obtain AYP for a certain number of years must spend up to 20% their Title IA allocations on school choice and supplemental services. Total Title IA funds (200-623) received by Ohio increased by 15.5% from $285.9 million in FY 2002 to $330.2 million in FY 2003. The executive budget recommends an 8.0% increase in this line item's spending authority in each year of the biennium for a total of $365.5 million in FY 2004 and $385.0 million in FY 2005.

Reading First. This is a new program established by NCLB. It provides competitive grants to school districts with a priority given to school districts that have at least 15% of students from families with incomes below the federal poverty level. The program targets K-3 children and is designed to help school districts use scientifically-based reading research and proven instructional strategies and tests to ensure that all children can read at or above grade level by the end of third grade. Ohio receives $26.9 million in FY 2003, the first year of the program. Over a six-year period, the program will provide Ohio approximately $175.8 million in federal reading grants. The executive budget recommends a spending authority of $29.9 million in FY 2004 (an increase of 11.1%) and $33.2 million in FY 2005 (an increase of 11.0%). The goal of both Reading First and OhioReads is to improve reading skills of young readers, but the programs have different focuses. Reading First is a classroom and teacher based program, while

[3] See the section of this publication entitled "Analysis of Executive Proposal" for further information on major federal education programs.

OhioReads uses volunteer tutors. Also, Reading First is available only for high-poverty schools while OhioReads is available to all school districts.

Improving Teacher Quality. No Child Left Behind combined the former Eisenhower Professional Development and Class Size Reduction programs into a new grant program for various activities aiming at improving teacher quality (200-635). No Child Left Behind requires that beginning in FY 2003 all Title I teachers in core academic subjects must be "high qualified." Ohio receives $103.5 million in FY 2003, the first year of the program. The executive budget recommends a spending authority of $103.7 million in FY 2004 and $104.1 million in FY 2005. About 95% of funds are distributed to school districts based on a federal formula that takes into account the school-aged population and the number of children in poverty in each district.

21st Century Community Learning Centers. This program (200-688) provides funds to support academically focused after-school programs. Formerly the grants were made directly to local education agencies. Beginning in FY 2003, funds will be awarded by the state through a competitive process. In addition to school districts, community- and faith-based organizations are also eligible for grants. Ohio receives $9.8 million in FY 2003. The executive budget recommends a spending authority of $17.1 million in FY 2004 and $18.5 million in FY 2005, increases of 75.5% and 7.9%, respectively.

English Language Acquisition. No Child Left Behind holds the state accountable for the achievement of limited English proficient students as a distinct subgroup of the student population. This new program (200-689) provides funds to school districts that have experienced significant increases in the number or percentage of immigrant students. Ohio receives $4.3 million in FY 2003, the first year of the program. The executive budget recommends a spending authority of $4.9 million in FY 2004 (an increase of 13.8%) and $5.5 million in FY 2005 (an increase of 13.0%).

State Assessments. Line item 200-690, State Assessments, provides federal supplement for the testing requirements enacted in NCLB. Ohio receives $11.3 million in FY 2003. The executive budget recommends a spending authority of $11.9 million in FY 2004 (an increase of 5.1%) and $12.5 million in FY 2005 (an increase 5.0%). The state funding for testing is contained in line item 200-437, Student Assessment.

Total spending for these NCLB related programs amounts to approximately $485.9 million in FY 2003, representing about 38.2% of total federal education support in Ohio. Other major federal education programs include special education (200-680), school lunch (200-617), school breakfast (200-618), child/adult food programs (200-619), and career-technical education basic grants (200-621). Total spending for these five programs amounts to approximately $573.8 million in FY 2003, representing another 45.1% of total federal education spending in Ohio.

Special Education (200-680). Special education, Part B funds are governed by the Individuals with Disabilities Education Act, which was last reauthorized in 1997. The purpose of Part B (also referred to as flow-thru) funds is to help pay for the additional costs of providing special education and related services to children with disabilities. Part B funds are distributed to school districts and other local education agencies based on a formula prescribed by the U.S. Department of Education, including a base amount for each local education agency plus additional population and poverty allocations.

Total federal special education spending in Ohio increased from $176.8 million in FY 2002 to $239.5 million in FY 2003, an increase of 35.4%. Funding per special education child increased from approximately $650 in FY 2002 to $868 in FY 2003, an increase of 33.5%. The executive budget recommends a spending authority of $288.5 million in FY 2004 and $331.4 million in FY 2005, representing increases of 20.5% and 14.9%, respectively.

School Funding – Theory, Method, Model, & Formulas

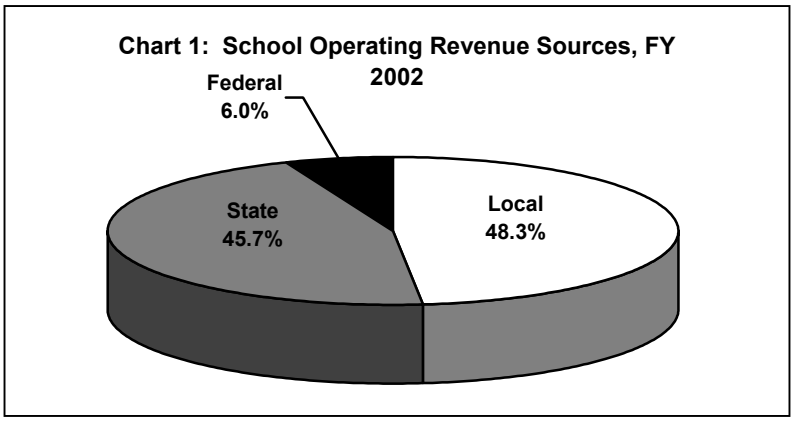
- Neither property wealth nor income wealth has an impact on a district's modeled cost of a basic education
- Equalized SF-3 formulas ensures a similar basic education funding for every district

In its December 11, 2002 ruling (*DeRolph VI*), the Ohio Supreme Court vacated its September 6, 2001 decision (*DeRolph III*) and declared that "*DeRolph I* and *II* are the law of the case, and the current school funding system is unconstitutional." However, *DeRolph VI* did not order any specific remedy and did not include continuing jurisdiction over the case. Instead, it "directs the General Assembly to enact a school-funding scheme that is thorough and efficient as explained in *DeRolph I* and *II*, and the accompanying concurrences."

The current school funding model and formulas enacted in H.B. 94 of the 124th General Assembly contain most of the General Assembly's responses to *DeRolph I* and *II*. As indicated in the Overview section, the executive budget essentially proposes the continuation of H.B. 94 funding level in FY 2004 and then establishes the Governor's Commission on Financing Student Success to recommend an improved school funding system for FY 2005 and future years. A brief summary of funding sources for school operations will be discussed first in this section, followed by discussions of the current school funding model for basic education, the SF-3 formulas used to distribute the state share of the basic education model cost, funding model and formulas for education beyond basic, and local funding for schools.

I. Summary of Funding Sources for School Operations

Total operating revenues for the 612 school districts amounted to $13.9 billion in FY 2002. Of this amount, the proportions were approximately 45.7% state, 48.3% local, and 6.0% federal (see Chart 1). Obviously, funding for school operations is mainly a partnership between the state and local school districts. In fact, federal education funding generally does not support basic operations of schools. Instead, federal education funding targets specific student groups, mainly those children from low-income

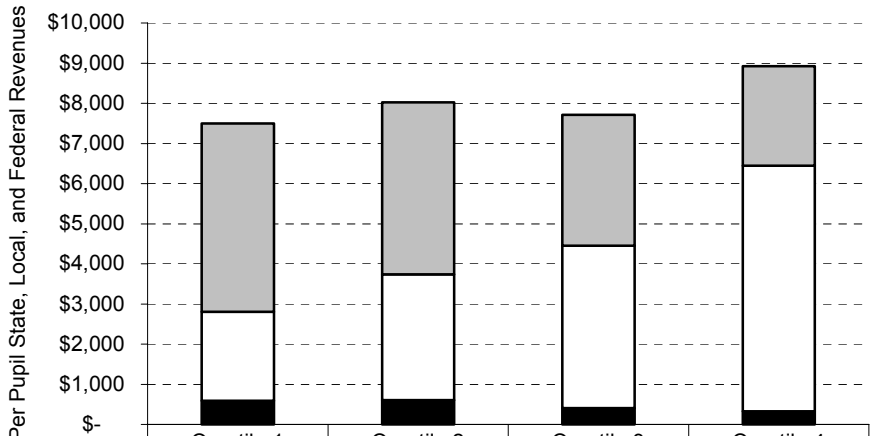


families and students with disabilities. The basic school operations are supported by the combination of state and local funds.

The primary local funding source is locally voted property tax levies (98%), supplemented by the school district income tax levies (2%) in some school districts. The bulk of state education aid is equalized based on each district's property wealth with more state aid being distributed to low wealth school districts. The main goal of equalized state education aid is to lessen the effect of uneven distribution of taxable property value across school districts on educational services provided by school districts.

Per pupil total operating revenues ranged from less than $6,000 in five districts to more than $10,000 in 32 other districts with a statewide average of $8,039 in FY 2002 (5.7% increase over the FY 2001 average). The statewide median was $7,161 in FY 2002. Chart 2 shows per pupil state, local, and federal operating revenues by wealth based quartile. To construct these quartiles, school districts are first ranked from low to high based on their per pupil valuations. School districts are then grouped so that each quartile includes approximately 25% of statewide total ADM. Quartile 1 has the lowest average value per pupil of $69,779 and quartile 4 has the highest average value per pupil of $185,579. Valuations per pupil for quartiles 2 and 3 are $95,197 and $125,020, respectively.

Chart 2: Per Pupil State, Local, and Federal Operating Revenues by Wealth Based Quartile, FY 2002



	Quartile 1	Quartile 2	Quartile 3	Quartile 4
State	$4,694	$4,284	$3,258	$2,477
Local	$2,213	$3,137	$4,043	$6,124
Federal	$590	$604	$409	$323

It can be seen from Chart 2 that on average, there are no significant disparities in per pupil total (state, local, and federal) operating revenues among the first three quartiles of school districts (or 75% of all school districts). Per pupil total operating revenues for quartiles 1 to 3 are $7,497, $8,025, and $7,709, respectively. Per pupil local revenue gradually increases and per pupil state revenue accordingly decreases from quartile 1 to quartile 3 districts. Quartile 4 districts (or the wealthiest 20% of all school districts), on the other hand, have a much higher amount of per pupil operating revenues ($8,924) primarily due to the fact that its local revenue per pupil ($6,124) is so much higher than that for quartile 1 ($2,213), quartile 2 ($3,137), and quartile 3 ($4,043) districts. Lower state and federal funds narrow quartile 4's local revenue advantage somewhat.

Currently, there is no limit on the amounts of taxes local residents can approve for their schools. The uneven distribution of property wealth and income wealth affects individual school districts' abilities in raising local revenues. To address the disparity issue, the state divides education spending into two components: basic education spending and spending above the basic education level. Funding for a sound basic education is guaranteed for every district through the combination of state and local funds. The state provides additional funding above the basic education level to narrow disparities in local revenue above basic. Funding models and formulas for basic education spending and spending above the basic education level are discussed in the following sections.

II. The Current School Funding Model for a Basic Education

Theory and Method

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 the function of the following three factors:

- A uniform base cost for providing a core general education for all students in regular classes
- Variable costs of providing comparable core education services due to uncontrollable cost factors facing individual districts
- Additional spending due to local preference for a "premium" education

To ensure a sound basic education for all school children, in addition to funding the uniform base cost, the state needs to compensate a school district for its higher cost of providing a similar basic education due to uncontrollable cost factors, such as a higher concentration of low-income, special education, or career-technical education students or a higher labor market cost. In other words, the cost of a sound basic education for an individual district includes a uniform base cost and variable costs that reflect the district's unique circumstances. The state has a responsibility to ensure funding for a sound basic education for all students regardless of the wealth and location of school districts.

Obviously, there exists more than one rational method to determine the cost of a sound basic education. In response to the directive of *DeRolph I*, the 122nd General Assembly adopted a performance-based method with an input supplement. 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 factors faced by individual districts. Meanwhile, the performance-based model maximizes local control. It also allows the state to institute a statewide accountability system and to intervene when it is necessary.

In preparing the response to *DeRolph II*, several legislative 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 *DeRolph II*. In its final report, the Joint Committee largely affirmed the legislative policy choice of using the performance-based method to determine the cost of a sound basic education. This method was enacted in H.B. 94 of the 124th General Assembly.

Basic Education Cost Model

The performance-based model adopted by the General Assembly is a total state and local education cost model. The model includes the base cost – the cornerstone of the model, various adjustments for special needs programs to reflect uncontrollable cost factors facing individual school districts, and the pupil transportation funding based on a statistical regression analysis. The discussion of individual elements of the current school funding model follows. 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 career-technical education programs, and the labor market cost 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 grants outside the foundation program, and local revenues for general education from the first 23 mills of property tax levies and beyond (local enhancement funding).

Table 1: Base Cost Calculation

A District's Total Operating Expenditures

Minus all of the following:

-- Special education expenditures

-- Career-technical education expenditures

-- State DPIA Funding

-- Transportation expenditures

-- Federal revenues

-- Deflated by the 7.5% range of the cost of doing business factor

= BASE COST

b. How to determine a statewide base cost formula amount?

The model adopted by the 122nd General Assembly (H.B. 650 model) was based on the analysis of the FY 1996 performance and base cost data of all school districts. The 124th General Assembly updated the model to utilize the then most recent available FY 1999 performance and base cost data (H.B. 94 model). Specifically, the H.B. 94 model used 27 indicators (25 proficiency test results, attendance rate, and graduation rate) to measure each school district's performance. The evaluation of school district performance produced 170 (28.0% of all districts) high performing school districts that met at least 20 out of 27 performance indicators.[4] A total of 43 non-representative high performing districts were removed from the model based on high (in the top 5% of all districts) or low (in the bottom 5% of all districts) property wealth or income wealth. The remaining 127 representative high performing districts formed the model used to determine the statewide base cost formula amount of a sound basic education.

In the process of updating the base cost model, it was recognized that without some adjustments the state would end up funding similar spending twice. Under the H.B. 650 model, expenditures associated with

[4]The H.B. 650 model used 18 indicators (16 proficiency test results, attendance rate, and graduation/dropout rate) to measure each school district's performance due to the fact that the 6th grade proficiency tests (5) and science tests in all other grades (4) were relatively new at that time. The evaluation of school district performance in FY 1996 initially produced 169 (27.8% of all districts) high performing districts that met at least 17 out of 18 performance indicators. While the H.B. 94 model and the H.B. 650 model used different numbers of performance indicators, both models produced similar numbers of high performing districts. In other words, the standards used by these two models were comparable.

uncontrollable factors (special education, career-technical education, DPIA, and the cost of doing business factor) as well as pupil transportation and federal revenues were subtracted from a school district's total operating expenditures to give the district's base cost figure. State grants programs (for example, professional development grants and technology grants) and local enhancement revenue (above the 23 mills of local property tax levies) were not backed out, however. In other words, the statewide base cost that was calculated based on the FY 1996 data included this additional state and local spending above the basic foundation program. Meanwhile, these same programs were funded again outside of the foundation program under the H.B. 650 model since the base cost charge-off rate remained at the 23 mills and the state continued to fund many grant programs as separate line items. In fact, state grant programs totaled more than $90 million and local enhancement revenue amounted to approximately $1.8 billion in FY 1999. With the potential of funding such a significant amount of spending twice, without any adjustment it could result in base expenditures that would be higher than necessary for some school districts to maintain their high performing district status.

To address the phenomenon of funding similar spending twice, or the "echo effect," the 124th General Assembly made further adjustments to the 127 model districts' base expenditures before calculating the statewide base cost formula amount. If a H.B. 94 model district also met the H.B. 650 model performance standards, the H.B. 94 model used the district's inflationary (2.8% per year) adjusted FY 1996 base cost figure or its FY 1999 base cost figure, whichever was less. For H.B. 94 model districts that did not meet the H.B. 650 model performance standards, the H.B. 94 model used their actual FY 1999 base cost figures to ensure that additional expenditures these districts incurred in order to meet the standards imposed by the H.B. 94 model are included in the calculation. The final calculation of the statewide base cost formula amount was based on the district average of the 127 model districts' adjusted base expenditures. This calculation resulted in a statewide base cost formula amount of $4,420 in FY 1999, which was higher than the average base cost of $4,133 for the 436 districts meeting less than 20 performance indicators in FY 1999.

With an inflationary (2.8% per year) adjustment, the updated statewide base cost formula amount is determined at $4,814 in FY 2002, including $12 per pupil for increasing the high school minimum graduation credit requirement to 20 units.[5] The base cost formula amount is $4,949 in FY 2003 and $5,088 in FY 2004 by applying the same annual inflationary factor of 2.8% to the formula amount of $4,814 in FY 2002.

B. Various Adjustments to the Base Cost

The uniform base cost is the cornerstone of the current funding model. However, any sound school funding model needs to recognize the fact that students and school districts are not all the same. A flat per pupil base cost funding will not ensure a similar sound basic education opportunity for every student in every district. A rational school funding model should provide additional funds above the base cost to compensate individual districts for higher costs they may have to incur in order to provide a similar basic education to all students. Both H.B. 650 and H.B. 94 models include a series of adjustments to the base cost to account for individual districts' unique characteristics. These adjustments mainly include the

[5]In its final report, the Joint Committee determined that it would cost $85 in per pupil base cost to fund an additional 1.4 credits in FY 2002 (please see "Final Report of the Joint Committee to Re-Examine the Cost of an Adequate Education," December 31, 2000, for the detailed formula behind this determination). Based on survey information, the 127 model districts had an average minimum graduation requirement of 19.8 credits in FY 1999. House Bill 94 established a minimum graduation requirement of 20 credits. The cost of funding the additional 0.2 credits is therefore $12 [(0.2/1.4) x $85] per pupil in FY 2002.

regional labor market difference, special education, career-technical education, student poverty, and pupil transportation. Through these adjustments, all expenditures (see Table 1) that were previously excluded from a district's base cost were added back to level the playing field for every district. Federal revenues also continue to flow to school districts outside of the model. The list of adjustments to the base cost used by Ohio is well accepted in education finance literature as being the basic theoretical adjustments required for a sound school finance system.

a. The cost of doing business factor (CDBF)

As shown in Table 1, each district's base cost used in the model was deflated by its countywide CDBF within a 7.5% range in order 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 upward by the same 7.5% range of countywide CDBF, 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 a similar basic education. Without this adjustment, school districts in counties with a high labor cost may be forced to hire fewer teachers, resulting in a larger 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% of a school district's operating budget is for salaries and fringe benefits.

It should also be noted that the base cost formula amount and CDBF are interdependent. With the same group of model districts' base expenditures, the base cost formula amount would be higher if they were deflated by a smaller range of CDBF. Conversely, deflating the same base expenditures by a larger range of CDBF would produce a lower base cost formula amount. While the 7.5% range of CDBF produces a statewide base cost formula amount of $4,814 in FY 2002, the CDBF method used by the H.B. 650 model (an 18% range) would have produced a statewide base cost formula amount of $4,559 in FY 2002 based on the same 127 model districts' adjusted base expenditures. The method enacted in H.B. 94 results in a flatter distribution of modeled costs (less disparities) and almost the same overall cost to the state.

b. Special education

In addition to the base cost, H.B. 94 established a six-weight system for special education largely based on the recommendation of the Ohio Coalition for the Education of Children with Disabilities. Special education students are grouped into six categories and assigned additional weights to reflect higher costs required by special education services (Table 2). This six-weight system is phased in at the 87.5% level in FY 2003. The state funding for special education additional weight costs is equalized based on property wealth of school districts.

Table 2: Special Education Total Weight Categories

Category One:	**1 + 0.2892 = 1.2892** – Speech only
Category Two:	**1 + 0.3691 = 1.3691** – Specific learning disabled, developmentally handicapped, other health – minor
Category Three:	**1 + 1.7695 = 2.7695** – Hearing impaired, vision impaired, severe behavior handicapped
Category Four:	**1 + 2.3646 = 3.3646** – Orthopedically handicapped, other health – major
Category Five:	**1 + 3.1129 = 4.1129** – Multihandicapped
Category Six:	**1 + 4.7342 = 5.7342** – Autism, traumatic brain injury, both visually and hearing disabled

c. Career-technical education

Just like special education students, career-technical education students enrolled in comprehensive high schools and joint vocational school districts are assigned additional weights above the base cost to cover higher costs of career-technical education services. The additional weight is 0.57 for a career-technical FTE student enrolled in the workforce development program and 0.28 for a career-technical FTE student enrolled in all other career-technical education programs. Every career-technical FTE student also receives a weight of 0.05 for associated services (Table 3). The state funding for career-technical education weights is also equalized based on each district's wealth.

Table 3: Career-Technical Education Total Weight Categories
Workforce Development Program Weight: 1 + 0.57 = 1.57
Non-Workforce Development Program Weight: 1 + 0.28 = 1.28
0.05 – All Career-Technical Education Program Associated Service Weight

Prior to H.B. 94, career-technical education weights were 0.6 and 0.3 for the workforce development program and the non-workforce development program, respectively. House Bill 94 adjusted these weights to reflect the impact of the cost of doing business factor application policy change on the base cost formula amount. As indicated earlier, if the H.B. 650 model's CDBF method were retained, the base cost formula amount would be $4,559 in FY 2002. Career-technical education weights of 0.6 and 0.3 would generate an additional $2,735 ($4,559 x 0.6) and $1,368 ($4,559 x 0.3) in per FTE funding for workforce development and non-workforce development students, respectively. The policy change in the CDBF application resulted in a higher base cost formula amount of $4,814 in FY 2002. To maintain the same intended additional funding dollar goal for career-technical education students, these weights need to be adjusted. These adjustments produced weights of 0.57 ($2,735/$4,814) for a workforce development FTE student and 0.28 ($1,368/$4,814) for a non-workforce development FTE student. Due to the conventional rounding method, the weight of 0.05 for the career-technical education associated service remained unchanged.

Unlike special education students who are assigned weights based on their disability categories, the weight for a career-technical education student is based on the time the student spends in career-technical education programs (career-technical education FTE). A career-technical student generally does not spend all of his/her time in career-technical programs. There are other academic course requirements for career-technical students too. Typically, a student enrolled in workforce development programs spends about 40% to 60% of his/her time in career-technical education courses. This student is counted as 0.4 or 0.6 FTEs for purpose of the weight calculation. It takes approximately two workforce development students to form one career-technical education FTE with an assigned weight of 0.57 (the weight for each workforce development student is approximately 0.285). A student enrolled in non-workforce development programs generally spends less than 50% of their time in career-technical education courses. It may take two, three, or four non-workforce development program students to form one career-technical education FTE for purpose of the weight calculation.

d. Disadvantaged pupil impact aid (DPIA)

It is widely recognized that school districts with a high concentration of students from low-income families often have to incur higher spending to provide similar education services. House Bill 94 continues the 100% state funded DPIA program to level the playing field for school districts with a high concentration of poverty. The program provides funding for all-day and every day kindergarten, increasing instructional attention or reducing class size in grades K-3, and safety and remediation measures.

Disadvantaged pupil impact aid funding is distributed based on each district's DPIA index, which compares a district's low-income student percentage to the statewide average low-income student percentage. School districts with a DPIA index equal to or greater than one or with a three-year average formula ADM of at least 17,500 are eligible for all-day and every day kindergarten funding. School districts with a DPIA index of between 0.6 and 2.5 are eligible for funding based on a sliding scale to reduce K-3 pupil/teacher ratios from 23:1 down to slightly above 15:1. Districts with an index of at least 2.5 will receive funding to reduce ratios to 15:1. School districts with a DPIA index between 0.35 and 1.0 are eligible for $230 per DPIA eligible student funding for any safety and remediation measures districts elect to implement. Districts with an index greater than one will receive $230 with the index adjustment per DPIA eligible student. For a district with an index of two, per DPIA eligible student funding amount is $460 ($230 x 2).

The creation of a DPIA index has lessened the impact of the decline of the welfare caseload on the amounts of DPIA funding for individual districts. House Bill 94 adopted a new poverty indicator to further stabilize DPIA funding beginning in FY 2004 based on the recommendations of the Legislative Office of Education Oversight. Instead of using the single measure of the number of students whose families participate in Ohio Works First (OWF), the new indicator uses the unduplicated count of children whose families receive Medicaid, food stamps, disability assistance, and those who participate in OWF and the children's health insurance program.

C. A Statistical Pupil Transportation Funding Model

To promote transportation efficiency, H.B. 94 continues to use a multiple regression model with a rough road subsidy to fund pupil transportation. The model uses an algebraic equation to predict each district's transportation cost based on each district's daily bus mileage per ADM and its percentage of pupils transported. The state funding is based on the transportation model cost instead of actual transportation expenditures. The state reimbursement rate is 60% or the district's state share percentage of the base cost funding, whichever is greater, beginning in FY 2003. The additional rough road supplement is provided to mainly sparse rural districts in counties with a high percentage of rough roads as defined by the Department of Transportation.

D. Summary of the Current School Funding Model for a Basic Education

In summary, the current school funding model for a sound basic education includes three main components: (1) base cost; (2) adjustments to the base cost to account for uncontrollable cost factors individual districts face in providing a similar basic education (including the regional labor market cost, special education, career-technical education, and DPIA); and (3) a statistical pupil transportation model. Federal revenues that are beyond the control of state and local school districts will continue to flow independently of the model. (Most of the federal dollars are distributed based on poverty.) The basic education cost model includes both state and local costs. The total cost of a sound basic education for an individual district is determined by the model that takes into account the characteristics of the district and

its students. Once total model cost of a sound basic education is determined for a school district, the SF-3 foundation formulas are used to determine an equitable way of sharing the district's total model cost between the state and the district (see the next section for detailed information).

Just like Ohio, approximately 40 other states also use foundation formulas to distribute the bulk of state education aid. The foundation formulas often include a minimum per pupil funding guarantee (the foundation level or the base cost formula amount). However, what this base funding number represents oftentimes is very different from one state to another. While most states provide additional funding above the base funding to account for higher costs of special education, their decisions of whether, and in what manner, to provide additional funding (above the base funding) for other cost factors, such as the labor market cost difference, a higher concentration of students from low-income families or career-technical education students, or a higher need for pupil transportation, vary widely from state to state. The base funding number tends to be higher in states with fewer adjustments to the base number, and vice versa. Ohio has a highly diversified school system. Especially with Ohio's many small school districts, circumstances facing individual districts vary significantly. To take into account the unique characteristics of an individual district and its students, Ohio's school funding model includes a relatively high level of adjustments to the base cost. As a result, it produces a lower base cost number than a model that includes fewer adjustments. It is generally not very appropriate to draw conclusions by simply comparing two state's base funding figures as these two numbers are oftentimes not comparable to each other.

III. Funding Formulas for Distributing the State Share of the Basic Education Model Cost

As indicated earlier, each individual district's total model cost of a sound basic education is based on a 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 model. Once the total basic education model cost is determined for the district, the foundation SF-3 formulas are used to determine an equitable way to share each district's total basic education model cost between the state and the district based on the district's wealth. Gap aid is also an essential part of the formulas since it provides subsidies to eligible school districts to ensure they receive the full amount of state and local revenues to fund the basic education model cost. These various formulas are discussed in the following sections.

Base Cost Funding Formula

The purpose of the base cost funding formula is to guarantee every student receives the same per pupil base cost funding – $5,088 in FY 2004 – with the CDBF adjustment from the combination of state and local revenues at 23 mills of local property tax levies. The formula neutralizes the effect of different levels of property wealth on school districts' abilities in funding the base cost. The expression of the base cost funding formula can be seen in Table 4. The discussion of various formula variables follows.

Table 4: Base Cost Funding Formula
Total Base Cost = Local Share + State Share
Total Base Cost = Base Cost Formula Amount x CDBF x Formula ADM
Local Share = Total Recognized Valuation x 0.023
State Share = Total Base Cost – Local Share

A. Base Cost Formula Amount

As indicated earlier, the executive budget proposes to continue the base cost formula amount specified in H.B. 94. With a formula amount of $5,088 and a 7.5% range of CDBF in FY 2004, the base cost funding formula equalizes per pupil valuation up to a range of $221,217 ($5,088/0.023) to $237,809 [($5,088 x 1.075)/0.023] depending on each district's countywide CDBF. This per pupil valuation range is called the equalization level, which represents the 96th percentile ranking in valuation per pupil in the state. School districts with valuations per pupil above the equalization level (approximately 22 districts or 3.6% of all districts) would not receive any state base cost funding from the formula calculation alone.

B. The Cost of Doing Business Factor

The countywide-based cost of doing business factor has been in place in the base cost formula since 1980. It is based on the weighted average weekly wage data for all workers within a county, and for workers in all of its contiguous counties reported by the Ohio Bureau of Employment Services. To compensate school districts for the higher costs they may have to incur to provide similar education services due to the county-by-county systematic differences in the regional labor markets, the formula amount is adjusted by

the countywide-based CDBF. House Bill 94 permanently froze the range of CDBF at 7.5%[6] with the lowest factor of one for Galia County and the highest factor of 1.075 for Hamilton County. The adjusted formula amount of $5,470 ($5,088 x 1.075) in FY 2004 for school districts in Hamilton County is viewed as equivalent to the formula amount of $5,088 in Galia County. In other words, to ensure a similar ability to provide a comparable basic education, the formula provides 7.5% more in the base cost funding to districts in Hamilton County than it provides to districts in Galia County. The cost of the CDBF adjustment totals approximately $367 million in FY 2003. However, if the base cost formula amount is determined from the beginning with no CDBF adjustment, the base cost formula amount would be higher and the overall costs of the resulting system and the current system would be approximately the same.

Ten Highest CDBF Counties	Ten Lowest CDBF Counties
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 career-technical education students are included, but kindergarten students are counted at the 50% level and joint vocational school (JVS) students are counted at the 25% level. (JVS students are funded through separate, yet parallel SF-3 foundation formulas.)

Formula ADM = Kindergarten ADM @ 50% + Grades 1-12 ADM – 75% JVS ADM

The growth of public school student enrollment in the 1990s reached its peak in FY 1998. From FY 1998 to FY 2001, public school student enrollment decreased by 2.0% statewide. However, public school student enrollment appeared to level off beginning in FY 2002. The preliminary FY 2003 October count data shows a 0.1% of increase in statewide public school student enrollment.

As one of the several measures to minimize the fluctuation in state aid due to declining enrollments, the greater of current year or three-year average formula ADM is used in the base cost funding formula. As a result, the state funds approximately 14,197 students who are not enrolled in any school in FY 2003 with a cost of approximately $71.5 million in the base cost funding based on the February no. 2 payment file calculated by the Department of Education. (The guarantee provision would somewhat reduce the net effect of using the current year formula ADM and the greater of current year or three-year average formula ADM.)

Proposed formula ADM definition change. Under current law, students are generally included in their resident districts' formula ADM counts for purpose of state education aid calculations. Funding is then deducted from a resident district's state aid amount and transferred to another school district or a public community school where the student is enrolled. The executive budget continues to include community school and open enrollment students in their resident districts' formula ADM counts. However, it

[6]This is a misnomer since more than 40% is the full spread of county cost factors. By shrinking the original variation to about one-fifth its original size, the 7.5% range is obtained.

proposes to include students attending school other than their resident districts pursuant to a cooperative education agreement, contract, or compact between the two districts in the formula ADM counts of the districts where students attend school. This will essentially create a system that counts the majority of students in their resident districts and a sub-group of students in their attending districts. It could affect some districts' FY 1998 fundamental aid guarantee amount calculations, which are based on the districts of residence. It could also require some adjustments to certain districts' historical formula ADM calculations in order to make them comparable from one year to another. Most students attending school under a cooperative education agreement, contract, or compact between the two districts are special and career-technical education students. Weight funding for these special and career-technical education students would be affected by this proposed change. Before H.B. 650 of the 122nd General Assembly, students were generally included in the ADM counts of the districts where students attended school.

D. Recognized 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 to as real property.

Real property is updated every three years and reappraised every six years in Ohio. School districts generally will experience significant increases in real property value 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 levies (see the Local Funding for Schools section of this analysis for further information). For example, a school district may have a 15% increase in real property valuation in a reappraisal year and end up with only 3% growth in revenue from real property. However, the previous base aid formula used the full growth value and assigned a 15% 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 formula amount, a district's state aid would sometimes decrease by a significant percentage in that year. The state funding fluctuated along the reappraisal/update cycles. (This was never a fair comparison because a three-year increase in value was matched against an annual increase in the formula amount.)

To minimize the fluctuation in state funding due to reappraisal/update cycles, Am. Sub. H.B. 215 of the 122nd 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% inflationary increase in real property in a reappraisal year, the base cost formula only recognizes a 5% increase in that year, 10% increase in the following year, and the full 15% 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 tax year (TY) 2002, its real property inflationary increase from TY 2001 to TY 2002 was $6,000,000, its total assessed value is $120,000,000 in TY 2002. The following method will be used to calculate the recognized value used in the base cost formula for FY 2004.

FY 2004 Recognized Valuation = $120,000,000 – $6,000,000 x (2/3) = $116,000,000

It is clear that the recognized valuation lowers District A's charge-off by $92,000 ($4,000,000 x 0.023) in FY 2004. The state base cost funding for District A accordingly increases by $92,000 in FY 2004. The

funding stability also increases. On average, the recognized valuation provision lowers the charge-off by approximately $125 million statewide per year. The reappraisal guarantee provision continues under the current foundation formula. However, the cost of the reappraisal guarantee decreased significantly. It costs approximately $1.6 million in FY 2003.

E. Charge-off Millage Rate

The executive budget does not alter the 23-mill charge-off millage rate in the base cost funding formula, which has been in place since FY 1997. The statewide average school district operating millage rate (including school district income tax) was approximately 33.3 mills in TY 2001. At the 23-mill charge-off, the base cost formula equalizes about 69.1% (23/33.3) of local operating tax levies. Additional millage is equalized through the special and career-technical education weight cost funding. Parity aid further equalizes additional 9.5 mills above the basic education level.

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 to 23 mills in FY 1997. Increasing the charge-off mills improves the overall inter-district equalization since a greater portion of local revenue is subject to the formula equalization. Several legislative study committees in the early 1990s had recommended phasing in the charge-off millage rate into 25 mills to help improve overall equity.

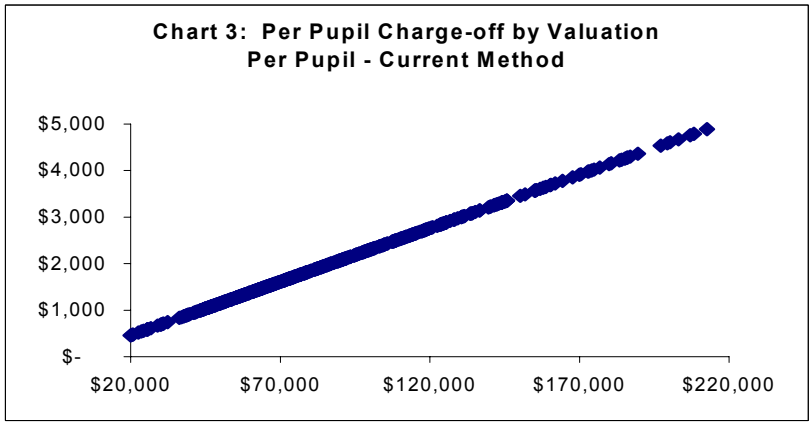
Generally speaking, raising the charge-off millage rate benefits low wealth districts more than simply increasing the formula amount. However, some districts have complained about the increase in the charge-off millage rate because of the problem of so-called phantom revenue, as discussed later. While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

F. Local Share of the Base Cost Funding – 23 Mill Charge-off

Each district's local share (charge-off) of the base cost funding is a uniform 23 mills of local property tax levies as follows:

Charge-off = Total Recognized Valuation x 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. 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. That is, a school district with a higher per pupil valuation will also have a higher per pupil charge-off (see Chart 3). This method is closely connected to each district's actual property wealth.

G. State Base Cost Funding - How Does the Base Cost Funding Formula Work?

To determine the amount of state base cost funding for each individual district, the formula first calculates total base cost for a given number of students enrolled in the district. The formula then calculates the district's share (or charge-off), which is a fixed amount of local revenue generated by 23 mills of property tax levies. The difference between a district's total base cost and its charge-off amount is deemed as the state base cost funding by the formula.

State Base Cost Funding = District's Total Base Cost – District's 23 Mill 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 23-mill charge-off requirements, the state is required to provide an equalized funding to ensure all students receive the same base cost funding with the CDBF adjustment from the combination of state and local revenues at 23 mills. Table 5 shows the equalization effect of the base cost funding formula.

Table 5: The Base Cost Funding Formula*

		District A	District B	District C
Line 1	ADM	1,000	1,000	1,000
Line 2	Per Pupil Base Cost (FY 2004)	$5,088	$5,088	$5,088
Line 3	CDBF	1.00	1.00	1.00
Line 4 = L1*L2*L3	Total Base Cost	$5,088,000	$5,088,000	$5,088,000
Line 5	Total Recognized Valuation	$33,182,609	$110,608,696	$188,034,783
Line 6 = L5/L1	Recognized Valuation Per Pupil	$33,183	$110,609	$188,035
Line 7 = L5*0.023	Total Local Share @ 23 Mills	$763,200	$2,544,000	$4,324,800
Line 8 = L7/L1	Per Pupil Local Share	$763.2	$2,544.0	$4,324.8
Line 9 = L4-L7	Total State Base Cost Funding	$4,324,800	$2,544,000	$763,200
Line 10 = L9/L1	Per Pupil Base Cost Funding	$4,324.8	$2,544.0	$763.2
Line 11 = L10+L8	Per Pupil State and Local Revenue @ 23 Mills	$5,088	$5,088	$5,088
Line 12 = L10/L2	State Share %	85%	50%	15%
Line 13 = L8/L2	Local Share %	15%	50%	85%

**Numbers are rounded in the table.*

In the example, Districts A, B, and C each have 1,000 students. Total base cost is therefore the same at $5,088,000 for each of these three districts assuming a CDBF of one. However, wealth levels are very different among them. Per pupil valuation is $33,183 for District A, $110,609 for District B, and $188,035 for District C. Due to different levels of property wealth, the same 23 mill levies generate $763.2 per pupil in District A, $2,544.0 in District B, and $4,324.8 in District C. However, the formula provides an equalized state base cost funding and requires the state to provide per pupil subsides of $4,324.8, $2,544.0, and $763.2 to Districts A, B, and C, respectively. With the combination of state and local revenues at 23 mills, all students in these three districts have the same per pupil base cost funding of

$5,088. The base cost funding formula effectively neutralizes the impact of different wealth levels on school districts' abilities to provide a similar basic education. To achieve this goal, the state provides 85% of the base cost funding for District A, 50% for District B, and 15% for District C. Conversely, local shares of the base cost funding for Districts A, B, and C are 15%, 50%, and 85%, respectively. As explained in the beginning of the Base Cost Funding Formula section, this same process would work for all but those 22 very wealthy districts. These 22 districts have a wealth level above the formula's equalization level of approximately $220,000 per pupil.

H. How Does the Base Cost 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 based on the district's property wealth level. When Districts A, B, and C each has 1,000 students, on average the state provides $4,324.8 per pupil to low wealth District A, $2,544.0 to average wealth District B, and $763.2 to high wealth District C. However, when adding or subtracting students from the formula ADM, 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 CDBF 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 base cost funding amount for District A could illustrate the marginal student effect.

Table 6: The Base Cost Funding Formula – District A Example
Total Local Share @ 23 Mills = $763,200
Locally Funded ADM = 150 ($763,200/$5,088) – The break-even ADM number
State Base Cost Funding @150 ADM = $5,088 x 150 - $763,200 = 0
State Base Cost Funding @ 151 ADM = $5,088 x 151 - $763,200 = $5,088
State Base Cost Funding @152 ADM = $5,088 x 152 - $763,200 = $10,176 ($5,088 x 2)
State Base Cost Funding @1,000 ADM = $5,088 x 1000 - $763,200 = $4,324,800 ($5,088 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 mills of local property tax levies. The formula first looks at how many students (or the break-even ADM number) can be supported by the local charge-off amount. If the number of students for a district is less than the number of students supported by the charge-off amount (the district is very wealthy), the district is not eligible for any state base cost funding from the formula calculation alone. For every marginal student above the break-even ADM number, the formula requires the state to pay the full formula amount with the CDBF adjustment for the district. Conversely, the district would lose the full formula amount with CDBF 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 ADM 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, a 1% change in enrollment would change its state aid by 2%. 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, the average per pupil base cost funding is an appropriate way to look at the formula's final 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 CDBF 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 CDBF. 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 CDBF plus the result of multiplying one dollar by total weights for special and career-technical education students. For FY 2003 this works out to be approximately $1.9 million for every dollar increase in the base cost formula.

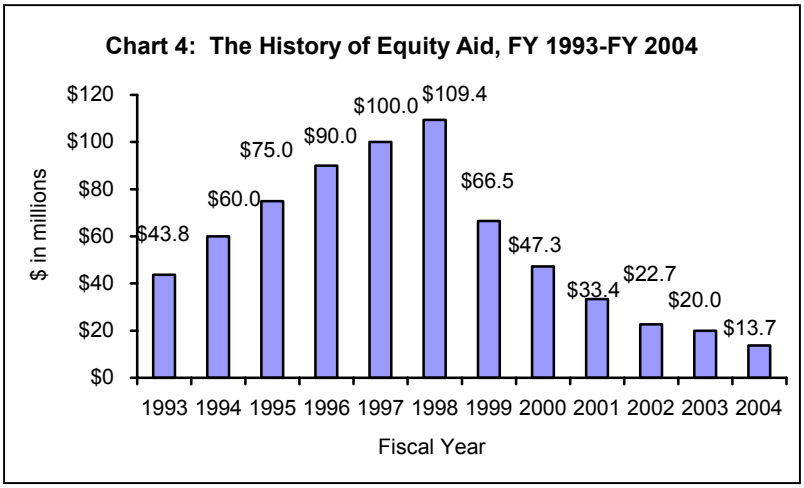
I. The State Share Percentage of the Base Cost Funding (Excluding Guarantee)

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 and career-technical education weight cost funding and a portion of gifted unit funding for each district. In FY 2003, the average state share percentage is approximately 48.0%. However, the median state share percentage is approximately 55.6% in the same year. In other words, about 306 school districts receive more than 55.6% of their base cost funding from the state. Approximately 376 (or 61.4% of all districts) school districts have state share percentages higher than 50%. Meanwhile, the state share percentage is zero for those 22 districts with wealth levels above the formula's equalization level. The state share percentage is 92.3% for the district with the lowest charge-off valuation per pupil in the state.

Equity Aid Phase-out

Equity aid was first created in FY 1993 against the backdrop of the *DeRolph* case to provide more state aid to low wealth districts. At the peak of equity aid (FY 1998), it equalized an additional 13 mills (above 23 mills) to the 48th percentile district's wealth level with no additional local effort requirement. A total of 292 low wealth districts received $109.4 million in equity aid in FY 1998; the poorest district in the state received more than $700 in per pupil equity aid. There is no local effort requirement for 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 the additional 13 mills or not.

The 122nd General Assembly began to phase out equity aid with the commitment of bringing every district to the same basic education funding level. Under H.B. 282 of the 123rd General Assembly, the 117 lowest wealth districts would be eligible for equity aid at 9 mills in FY 2002. There would be no equity aid beginning in FY 2003. The 124th General Assembly recognized the importance of equalizing local enhancement revenue in order to narrow overall spending disparities among school districts. To this



end, H.B. 94 established a better defined Parity Aid model to fund education enhancements (see the Funding Model and Formulas for Education Beyond the Basic Education Level section of this publication for more information). It also slowed down the phase-out of equity aid in recognition of the parity aid phase-in. Under H.B. 94, from FY 2002 to FY 2005 every year the 117 lowest wealth districts will be eligible for equity aid at 9 mills, but at the 100%, 75%, 50%, and 25% levels, respectively (see Table 7).

Table 7: Equity Aid =

(Threshold valuation per pupil – District's valuation per pupil) x 9 mills x Formula ADM x State Payment %

Threshold = The 118th lowest wealth district's valuation per pupil

State payment % = 100% - FY 2002; 75% - FY 2003; 50% - FY 2004; 25% - FY 2005.

The executive budget provides $13.7 million in FY 2004 for equity aid. The program's valuation threshold in FY 2004 will be the 118th 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.

Additional Funding for Special and Career-Technical Education

The 122nd General Assembly began to change the previous largely unequalized categorical unit funding to an equalized pupil weighting funding system for special and career-technical education. Special and career-technical (FTE) education 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 additional 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 first established by H.B. 650 of the 122nd General Assembly. House Bill 94 subsequently established a new

six-weight system to provide additional funding for special education. The career-technical education weighting system was originally established by H.B. 282 of the 123rd General Assembly. Those weights were also subsequently revised by H.B. 94.

A. Additional Funding for Special Education

As indicated earlier, in addition to the base cost funding, special education students are grouped into six categories and assigned additional weights (see Table 2 of this section for details) to reflect higher costs of special education services. The state share of the special education weight cost funding is equalized based on each district's state share percentage of the base cost funding (see Table 8a).

Table 8a: State Special Education Weight Funding =
Total Special Education Weights x Formula Amount x District's State Share % x State Payment %
State Payment % - 82.5% in FY 2002 and 87.5% in FY 2003.

Furthermore, a supplemental funding for one speech service personnel for every 2,000 ADM is also provided for special education. The state share of this supplemental funding is also equalized based on each district's state share percentage of the base cost funding (see Table 8b). The personnel allowance is $30,000 per year.

Table 8b: State Speech Service Funding =
(Formula ADM/2,000) x $30,000 x District's State Share %

In FY 2003, there are about 211,478 special education students, representing 11.7% of total students in the 612 school districts. Approximately $337.1 million in additional state funding for special education (including $12.4 million in speech service supplement) is distributed to the 612 school districts, according to the February no. 2 payment file calculated by the Department of Education. In FY 2002 there were about 205,567 special education students, representing about 11.5% of total students in the 612 school districts. And $298.4 million was provided for additional state funding for special education in FY 2002 (including the speech service supplement).

The executive budget proposes to fully fund the six-weight system with the combination of state, local, and federal funds. Specifically, it earmarks about $335.7 million within item 200-501, Base Cost Funding, to fund the state share of special education weights in FY 2004 (excluding the speech service supplement). The balance needed above both state and local shares to fully fund the six-weight system will come from federal funds under the executive proposal.

In addition to the base cost funding as well as weight funding and the speech service supplement, all special education students except for "speech only" students are also eligible for an additional "catastrophic cost" subsidy. The threshold was $30,000 per pupil for category six students and $25,000 per pupil for students in categories two through five in FY 2002. The threshold amounts are adjusted by an inflation factor of 2.8% in FY 2003. The executive budget extends the FY 2003 thresholds of $30,840 and $25,700, respectively, into FY 2004. The state reimburses 50% of the cost exceeding the thresholds and the state share of the other 50% of the cost exceeding the thresholds. For an average wealth district, the state pays 75% of the catastrophic costs. Prior to H.B. 94, this subsidy only provided for students identified as having autism, traumatic brain injury, or both visual and hearing impairments. All catastrophic costs above the threshold were equalized based on the district's state share percentage of the base cost funding. An average wealth district was reimbursed at 50% of the catastrophic costs. The executive budget provides $15 million in FY 2004 for the catastrophic cost subsidy.

B. Additional Funding for Career-Technical Education

Just like special education students, career-technical education students receive additional funding above the base cost funding. The additional weight is 0.57 for a career-technical FTE student enrolled in the workforce development programs and 0.28 for a career-technical FTE student enrolled in all other career-technical education programs. All career-technical education students also receive a 0.05 weight for associated services. The state career-technical education weight funding is also equalized based on each district's state share percentage (see Table 9a).

Table 9a: State Career-Technical Education Weight Funding =
Total Career-Technical Education Student Weights x Formula Amount x District's State Share %

It should be noted that the funding for associated services would eventually be transferred to lead career-technical education planning districts that actually provide these services. The same weights also apply to students enrolled in joint vocational school districts.

GRADS Teacher Grants. House Bill 94 funds equalized state grants for up to 225 full-time equivalent GRADS (Graduation, Reality, and Dual-role Skills) teachers approved by the Department. The grant funds the state share of the personnel allowance of $46,260 per GRADS teacher in FY 2003 (see Table 9b). The executive budget proposes to increase the GRADS teacher personnel allowance to $47,555 (a 2.8% increase) in FY 2004. Most GRADS teachers are currently employed by joint vocational school districts. The bulk of $6.5 million in annual GRADS teacher grant funding would therefore go to the 49 joint vocational education school districts.

Table 9b: State GRADS Teacher Grant =
$46,260 x Approved GRADS Teacher FTE(s) x District's State Share %

Approximately $43.5 million in additional career-technical education funding is distributed to the 612 school districts in FY 2003. Additional amounts are distributed to the 49 joint vocational school districts for the same purpose (see the section of this publication entitled "JVSD Foundation SF-3 Formula" for more information).

Gifted Unit Funding

Additional unit funding above the base cost funding continues for gifted education. In FY 2003, 1,100 gifted units are provided. Unit funding is largely unequalized and funds part of gifted education personnel cost based on the following formula:

Table 10: State Gifted Unit Funding =
Approved Unit Numbers x [Salary Allowance + 15% Fringe Benefits + Classroom Allowance ($2,678) + Supplemental Unit Allowance ($5,241)]

Salary allowance is based on the state minimum teacher salary schedule prescribed by law. The classroom allowance has remained steady for many years. The supplemental allowance has also remained steady in the last few years. Approximately 50% of the supplemental unit allowance is equalized based on each district's state share percentage. There is no equalization component for gifted units located in educational service centers. Approximately 20% of gifted units are currently located in

the educational service centers. The current unit reimbursement value is approximately $36,735 on average.

The executive budget proposes $48.2 million to fund up to 1,110 gifted units in FY 2004. The supplemental unit allowance remains unchanged. The average unit reimbursement would therefore largely remain unchanged at the current level in FY 2004.

Disadvantaged Pupil Impact Aid

As mentioned earlier, H.B. 94 adopted a new poverty indicator for the DPIA program beginning in FY 2004. The executive budget postpones the implementation of the new poverty indicator by one year. It recommends $367.3 million for line item 200-520, DPIA, in FY 2004 and proposes to give each district with a DPIA allocation in FY 2003 a 2% increase in FY 2004 over what each district receives in FY 2003. The DPIA formulas specified in H.B. 94 are discussed in the next few sections. Disadvantaged pupil impact aid includes funding for all-day and every day kindergarten, K-3 class size reduction, and safety and remediation measures.

A. DPIA Index

To calculate each district's DPIA index, one first calculates each district's DPIA eligible student percentage and the statewide average DPIA eligible student percentage and then compares these two percentages to arrive at each district's DPIA index.

Approximately 337 school districts are eligible for DPIA in FY 2003. Of these 337 districts, about 106 districts' indexes are between 0.35 and 0.6; 57 districts' indexes are between 0.6 and one; 97 districts' indexes are at least one or above; and the remaining 77 districts' indexes are below 0.35, but eligible for DPIA funding due to the guarantee provision.

B. All-day and Every day 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 every day 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:

Table 11a: All-day and Every Day Kindergarten Funding =
Kindergarten ADM x 50% x Formula amount x Actual all-day kindergarten percentage
(The other 50% of kindergarten ADM is 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 FY 2003, to continue to be eligible for this funding in FY 2004 regardless of their index numbers.

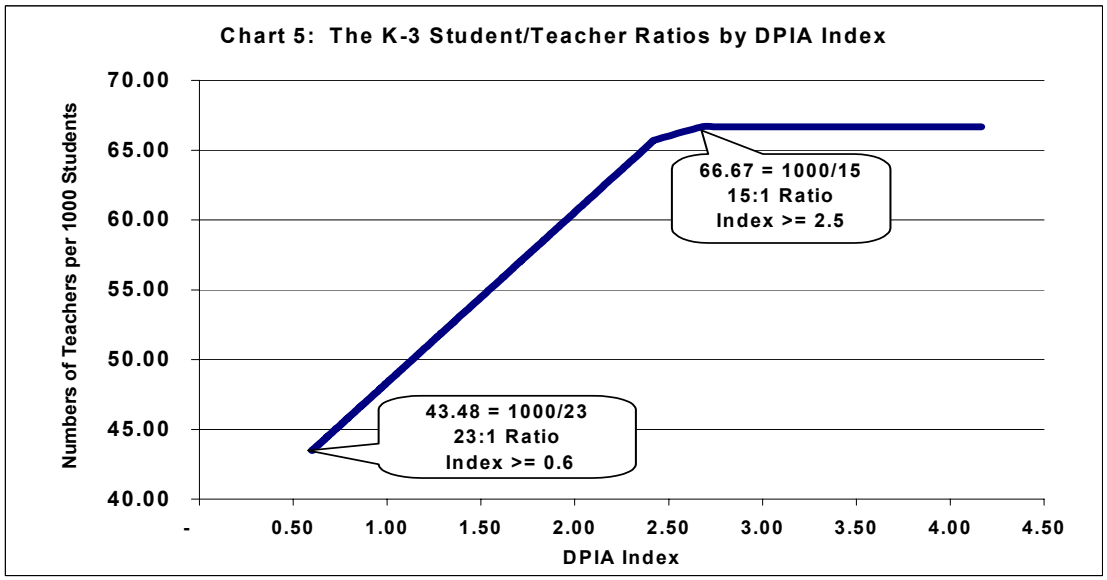
In FY 2003, approximately $108.5 million was originally made available for 108 school districts that are eligible for all-day kindergarten funding. The vast majority of eligible districts, especially major urban districts, are currently providing all-day kindergarten services (see Table 11b). Based on the January no. 2 payment file data, 106 eligible districts actually provide this service and receive a total funding of $97.8 million in all-day kindergarten funding in FY 2003. The remaining unused $10.7 million (or 9.8% of total funding) is due to the fact that some eligible districts do not provide this service to all of their kindergarten students and that two eligible districts do not provide this service at all (see FY 2003 Actual All-day and Every day Kindergarten Percentages for All 108 Eligible Districts in Additional Facts & Figures section of this publication). Overall, approximately 34.2% of statewide kindergarten students are eligible for all-day and every day kindergarten funding and about 90.2% of these eligible kindergarten students (or 30.8% of statewide kindergarten students) actually receive this funding in FY 2003.

Table 11b: DPIA All-day and Every day Kindergarten Funding for Major Urban School Districts – FY 2003

District Name	County	DPIA Index	K-ADM	Funding @ 100% of All-K	Actual All-K %	Funding @ Actual All-K %	Funding Difference
Cleveland City	Cuyahoga	4.60	6,006	$14,861,847	100.0%	$14,861,847	$0
Columbus City	Franklin	2.50	5,105	$10,632,323	99.5%	$12,569,161	$63,162
Cincinnati City	Hamilton	2.84	3,415	$8,450,418	100.0%	$8,450,418	$0
Toledo City	Lucas	3.11	2,821	$6,980,565	100.0%	$6,980,565	$0
Akron City	Summit	2.88	2,510	$6,210,995	99.9%	$6,205,405	$5,590
Dayton City	Montgomery	3.13	1,650	$4,082,925	99.8%	$4,073,943	$8,982
South-Western City	Franklin	0.71	1,525	$3,773,613	0.1%	$4,906	$3,768,707
Youngstown City	Mahoning	4.49	870	$2,152,815	99.7%	$2,146,787	$6,028
Canton City	Stark	2.24	996	$2,464,602	97.1%	$2,392,143	$72,459
Sub-total			**24,898**	**$59.6 million**	**96.8%**	**$57.7 million**	**$3.9 million**
Total (All 108 eligible districts)	**43 counties**		**43,838**	**$108.5 million**	**90.2%**	**$97.8 million**	**$10.7 million**

C. K-3 Class Size Reduction

School districts with a DPIA index of greater than or equal to 0.6 (approximately 153 districts in FY 2003) 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 5). The salary allowance for hiring a new teacher is $43,658 in FY 2003. Funding for K-3 class size reduction is approximately $137.1 million in FY 2003.



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 (see Chart 5). Specifically, the K-3 class size reduction funding amount is determined as follows:

Table 11c: DPIA K-3 Class Size Reduction Funding
Step 1: Total needed teachers for districts to have pupil/teacher ratios ranging from 15:1 to 23:1 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 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 (Where: 66.667 = 1000/15; 43.478 = 1000/23; 23.1888 = 66.667 – 43.478; 1.9 = 2.5 – 0.6)
Step 2: Total current available teachers = 43.778 x (K-3 regular ADM/1000)
Step 3: Total needed new teachers = Total needed teachers (Step 1) – Total current available teachers (Step 2)
Step 4: Total K-3 class size reduction funding = Total needed new teachers x $43,658 in FY 2003

D. Safety and Remediation Funding

School districts with a DPIA index greater than or equal to 0.35 (260 districts in FY 2003) are eligible for funding for any safety measures and remediation programs districts elect to implement at approximately $230 per DPIA eligible student. The calculation formula is as follows:

Table 11d: DPIA Safety and Remediation Funding
$230 x The number of DPIA eligible students – If the district's DPIA index is greater than or equal to 0.35 but less than one
$230 x DPIA index x The number of DPIA eligible students – If the district's DPIA index is greater than one

For example, for a district with an index of two, per DPIA eligible student subsidy amount is $460 ($230 x 2). For a district with an index of three, per DPIA eligible student subsidy amount is $690 ($230 x 3). Funding for safety and remediation measures is approximately $83.1 million in FY 2003.

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, the total amount of DPIA funding a district will receive from all-day kindergarten, K-3 class size reduction, and safety and remediation measures in a given year is guaranteed to be no less than the district's FY 1998 DPIA funding amount. This is a continuing guarantee provision. In FY 2003, the cost of the guarantee provision is approximately $10.8 million based on the January no. 2 payment file. The adoption of the new poverty indicator should reduce the DPIA guarantee cost.

Pupil Transportation

A. Multiple Regression Model

To promote efficiency, a statistical regression model is used to distribute the bulk of funding for regular pupil transportation. The model is based on a statewide analysis of each district's daily bus millage per ADM and pupil transported percentage. The latest available FY 2001 data analysis yields a simple algebraic equation that can be used to predict the expected transportation cost per ADM for each district as follows:

Table 12a: Pupil Transportation Funding Formula
Step 1: Expected Cost per ADM = 64.368158 + 174.468052 x Daily Miles per ADM + 114.729315 x Transported Pupil %
Step 2: Total Expected Cost = Expected Cost per ADM x ADM
Step 3: State Transportation Aid = Total Expected Cost x 60% or District's state share percentage, whichever is greater

Each district's expected transportation cost is the base for state reimbursement. The state reimbursement rate is the greater of 60% or the district's state share percentage of the base cost funding. For example, the modeled cost per ADM would be $321.2 (64.368158 + 174.468052 x 0.85 + 114.729315 x 0.75) for a district that transports 75% 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 and its state share percentage of the base cost funding is 50%, total modeled transportation cost is approximately $963,639 ($321.2 x 3,000). The district would receive

about $578,183 ($963,639 x 0.6) in state transportation funding. It should be noted that FY 2003 state reimbursements would be based on the analysis of FY 2002 pupil transportation expenditure data.

The pupil transportation regression model was originally adopted in H.B. 650 of the 122nd General Assembly. Prior to this, the state reimbursed school districts for approximately 30% to 35% of their transportation expenditures on average. The regression model was first used in FY 1999 to distribute state pupil transportation funding. The state reimbursement rate increased to 50% in FY 1999, 52.5% in FY 2000, 55.0% in FY 2001, and to 57.5% in FY 2002. Beginning in FY 2003, the state reimbursement rate increases to 60% or the district's state share percentage of the base cost funding, whichever is greater. Approximately 249 (or 40.7%) school districts have state share percentages higher than 60% in FY 2003. As mentioned earlier, the current reimbursements are based on the costs predicted by the model and not based on districts' actual expenditures. This promotes efficiency since a low spending district could need less local money than the predicted amount, while a high spending district would need more local money than the predicted amount.

It should also 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 minimize 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 provides targeted 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%. 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 rough road subsidy formulas can be summarized as follows:

Table 12b: Rough Road Supplement Formula		
Per rough road mile subsidy	= $0.75 – $0.75 x	(Maximum county rough road % - District's rough road %) / (Maximum county rough road % - State average rough road %)
Total rough road subsidy = Per pupil rough road mile subsidy x Total rough road miles		
Total rough road miles = Total annual miles traveled x Rough road %		
Pupil density multiplier %	= 100% - 100% x	(Maximum pupil density – District's pupil density) / (Maximum pupil density – State average pupil density)
Adjusted total rough road subsidy = Total rough road subsidy x Pupil density multiplier %		

The FY 2003 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 slightly 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 slightly over $100. Noble Local (Noble County) receives the second highest rough road subsidy of approximately $90 per total ADM.

Excess Cost Supplement

H.B. 94 established an excess cost supplement beginning in FY 2003 to limit the local formula share of special education, career-technical education, and pupil transportation model costs to a maximum of three mills of local property tax levies. If a school district's local share of model costs for these three items exceeds three mills, the state will pay for the amount above three mills. If the district's local share is less than three mills, it will not be affected by this provision.

The local share of special and career-technical education is already equalized based on a district's state share percentage of the base cost funding. For a given service need, the local required share would result in the same number of mills. 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 local property tax levies. For example, the estimated local share for transportation as well as special and career-technical education model costs ranged from less than one mill to more than seven mills with a statewide average of three mills in FY 2001.

By establishing the excess cost supplement, the formula effectively puts a cap on the maximum required local contribution (26 mills) on funding the basic education model cost. Based on the February no. 2 payment file calculated by the Department of Education, about 276 school districts are eligible for $24.5 million in the excess cost supplement in FY 2003. Per pupil benefits range from more than $100 in about 26 districts to less than $10 in another 39 districts. The average benefit is $40.9 per pupil for districts receiving the excess cost supplement.

Table 13 shows examples of estimated excess cost supplement payments for five districts. It can be seen from the table that a required higher local millage rate is primarily due to a higher need for these services. The excess cost supplement intends to ensure 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 available 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 services, however, also affects many medium and even a few high wealth suburban districts.

Table 13: Examples of Excess Cost 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)

Teacher Experience and Training Adjustment

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 this subsidy program amounts to approximately $16.1 million in FY 2003, according to the February no. 2 payment file.

SF-3 Funding Guarantee

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) career-technical education weight cost funding, (6) career-technical education GRADS teacher grant, (7) DPIA, (8) transportation funding, (9) gifted unit funding, (10) teacher training and experience adjustment, (11) excess cost supplement, and (12) parity aid. The so-called **fundamental aid** represents most components of SF-3 funding with the exception of excess cost supplement, parity aid, and pupil transportation. Stated another way, subtracting excess cost supplement, parity aid, and pupil transportation subsidies from a district's SF-3 funding is the district's fundamental aid.

A. FY 1998 Fundamental Aid Guarantee

It should be noted that guarantee funding provides subsidies above the formula calculated amounts to school districts. If a district receives guarantee funding, it means that the district receives more state and local revenues than the amount determined by the SF-3 foundation formulas. Therefore, the guarantee moneys can also be viewed as funding for education enhancements.

Under current law, each district is guaranteed to at least the same amount of its total FY 1998 fundamental aid amount. According to the February no. 2 payment file, the state pays estimated $41.7 million in fundamental aid guarantee funding to 61 districts in FY 2003. Per pupil benefits range from more than $1,000 in three districts to less than $50 in a few other districts. The average benefit for these 62 districts is $308 per pupil. Rapid increase in property value, decrease in ADM, very high property wealth, and prior basic aid guarantee amount are the main factors that determine a district's "guarantee" status. Overall, guarantee costs are less and fewer districts are involved than prior to recent state education aid increases.

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 pays about $1.5 million in FY 2003 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 the previous year.

Charge-off Supplement (or Gap Aid)

One of the most significant but least understood new features in H.B. 650 of the 122nd General Assembly is the charge-off supplement (more commonly know as gap aid) provision. Gap aid previously filled any missing local revenues for every district's formula share of the base cost funding as well as special and career-technical 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 career-technical education weight cost funding does not depend on the locally voted property tax system. Beginning in FY 2002, H.B. 94 of the 124th General Assembly extended gap aid to include the local share of transportation model cost. Gap aid is calculated as follows:

Table 14: Gap Aid =
+ Local share of the base cost funding (23 mill charge-off)
+ Local share of special education weight cost funding
+ Local share of career-technical education weight cost funding
+ Local share of transportation model cost funding
- Excess cost supplement
- Total local operating revenues (including property taxes and school district income taxes)

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 has sufficient local revenue to meet its total local share of a sound basic 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 due either to the H.B. 920 reduction factors or to the fact that districts simply do not levy these mills. However, the state provides a supplemental funding to fill the gap. Therefore, the local share of the state defined basic 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 receives both state and local shares of the basic education model cost and therefore ensures funding for a similar basic education for every district. Approximately $36.7 million is provided in gap aid to 111 eligible districts in FY 2003. Per pupil benefits range from more than $400 in a few districts to less than $30 in a few other districts. The average benefit for these 109 districts is $193.6 per pupil for districts receiving gap aid.

It should be noted that the cost of gap aid and the excess cost are 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, career-technical 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. District 1 would receive an amount of state subsidy equal to a one-mill (four mills – three mills) levy from the excess cost supplement and the equivalent of four mills (26 mills – 22 mills) from gap aid. District 2 would be eligible for an equivalent of a one-mill (four mills – three mills) levy from the excess cost supplement. If there were no excess cost supplement, District 1 would receive an amount of state subsidy equal to five mills (27 mills – 22 mills) from gap aid. District 2 would also be eligible for the equivalent of a one-mill (27 mills – 26 mills) levy from gap aid.

JVSD Foundation SF-3 Formula

There are three types of career-technical 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. Each 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. Joint vocational school district'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 the 49 joint vocational school districts. The JVSD SF-3 funding also includes the base cost funding, career-technical education weight cost funding, 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, the year prior to the start of the current JVSD foundation SF-3 formula.

All students attending a JVSD are first funded through the equalized base cost funding formula. The charge-off millage rate is 0.5 mills of local property tax levies. CDBF for each JVSD is based on the county where JVSD is primarily located. The JVSD base cost funding formula is expressed as follows:

JVSD Base Cost Funding = Formula Amount x CDBF x JVSD ADM – Total Recognized Valuation x 0.005
Note: Total recognized valuation for a JVSD is the sum of total recognized valuations for all of its associate districts.

Based on the February payment file calculated by the Department of Education, the state share percentage of the base cost funding for JVSDs ranges from zero to 90% with a statewide average of approximately 67% in FY 2003. In addition to the base cost funding, JVSD students also receive additional funding for special and career-technical education. The same weights applied to students in the 612 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 career-technical education weight cost funding, special education speech service supplement, and GRADS teacher grants.

Again, based on the February payment file, the SF-3 funding for 49 JVSDs is approximately $192 million in FY 2003. Specifically, it includes almost $123 million in base cost funding, $13 million in additional special education (including both weight and speech service) funding, $47 million in additional career-technical education (including both weight and GRADS teacher) funding, and $11 million in guarantee funding for 14 JVSDs. The primary factor behind the guarantee status is 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. Fiscal year 1999 was the last year in which JVSDs were funded by units. Many additional units were approved and funded for JVSDs in FY 1999.

Summary of the Effect of the Basic Education Cost Model and Formulas

As indicated earlier, the basic education model cost for an individual school district does not depend on property or income wealth of the district. Rather, it depends on a model that takes into account the characteristics of the district and its students. The model produces similar amounts of total costs for two districts with similar circumstances. Meanwhile, a school district with a higher need (for example, a higher concentration of poverty or special education students) will have a higher per pupil cost under the model.

Once the model cost is determined, various foundation SF-3 formulas are used to determine equitable state and local shares of the basic education model cost. These formulas ensure every district receives state and local revenues assumed by the model. There are little disparities in the basic education model level (see Chart 6).

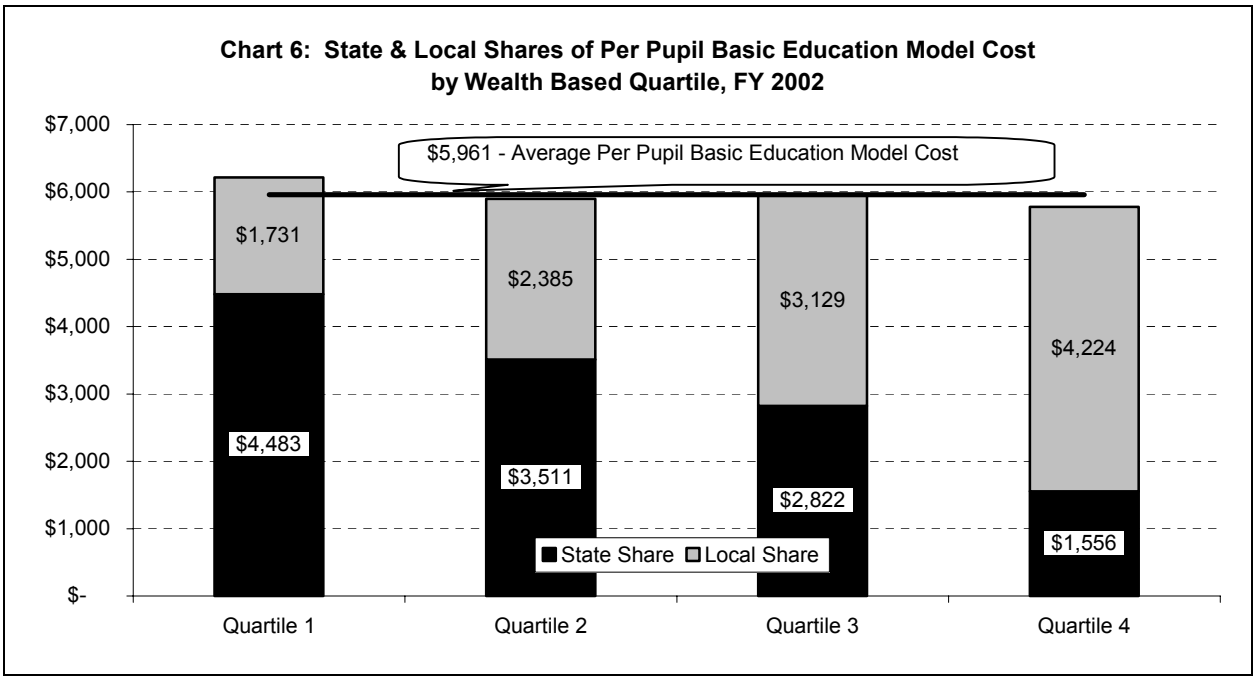
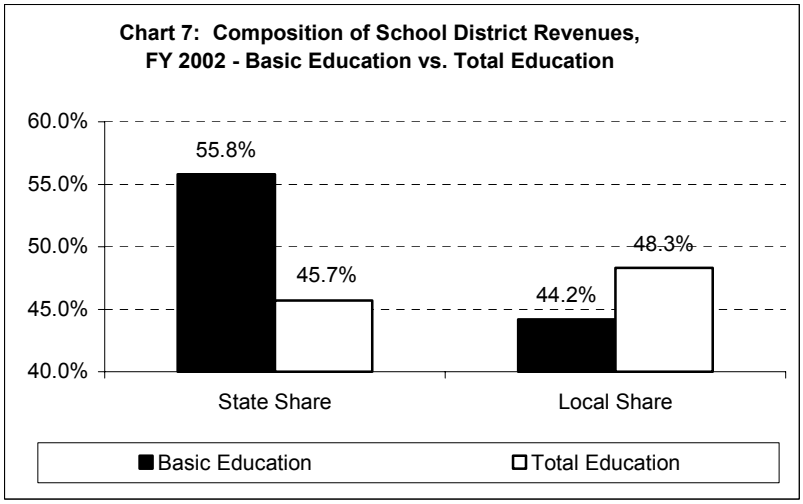


Chart 6 groups the 612 school districts into quartiles based on property wealth with quartile 1 having the lowest average per pupil recognized valuation and quartile 4 having the highest average per pupil recognized valuation. Each quartile includes approximately 25% of total students statewide. It can be seen from the chart that per pupil basic education model cost has no relationship with a district's property or income wealth. While quartile 1 has the lowest property wealth in the state, its per pupil basic education model cost is actually slightly higher than the other three quartiles and is also higher than the state average. This is due to the fact that quartile 1 districts tend to have a higher need (poverty, transportation, special education, etc.). Overall, all four quartiles have similar amounts of per pupil basic education cost under the model ($6,214, $5,896, $5,951, and $5,780, respectively). Small differences are legitimate due to differences in characteristics of students and school districts in each quartile. They are not due to the wealth level of each quartile.



Various components of foundation SF-3 formulas are used to provide equalized state aid to neutralize the impact of property wealth on districts' abilities in funding the basic education model cost. The state share percentages for quartiles 1 to 4 are 72.1%, 59.5%, 47.4%, and 26.9%, respectively. With combined state and local revenues, each district is guaranteed to receive the full funding for the state defined basic education model cost. The model and its funding formulas effectively guarantee a similar basic education for every school district in the state. Therefore, there are no disparities in the basic education service level.

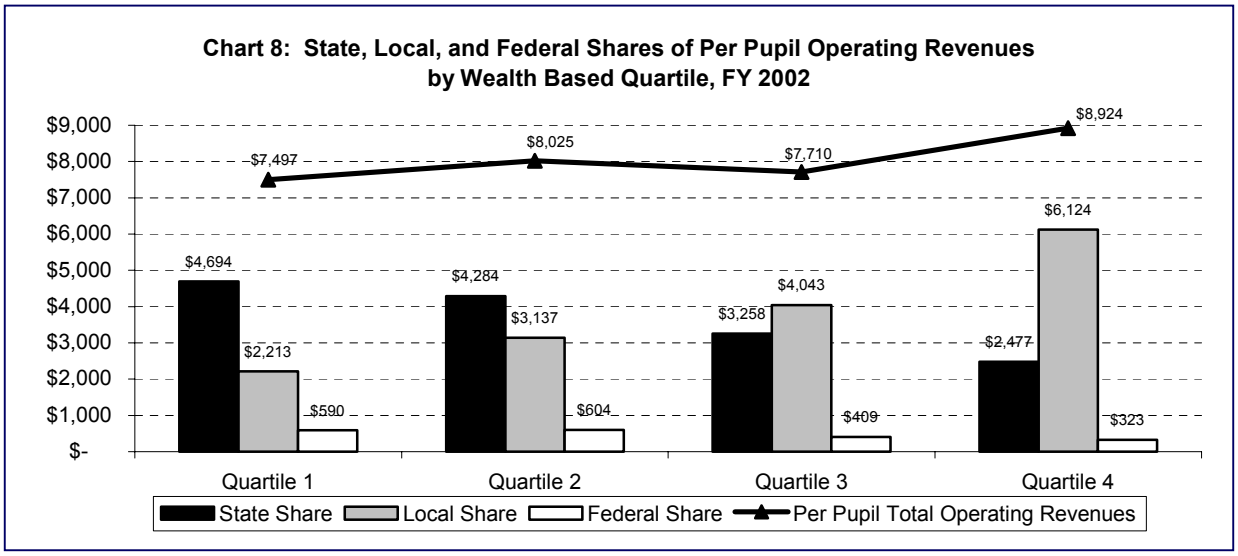
Total modeled basic education cost is shared between the state and local school districts through equalized formulas. While the state share was 45.7% for total education spending in FY 2002, the state did pay more than 50% of the basic education model cost. In fact, the state paid approximately 55.8% of the basic education model cost under the formulas in FY 2002. Local school districts paid the remaining 45.6% of the basic education model cost. The state share includes the portion of the local property tax charge-off paid by the state under the property tax relief programs. Under Ohio's school funding system, there is no limit on the amounts of taxes local residents can approve for their schools. Not all of taxes raised by school districts are equalized by funding formulas for the basic education model cost. The existence of unequalized local revenue (about $1.9 billion in FY 2002) is the main reason for a less than 50% state share in total education spending.

VI. Funding Model and Formula for Education Beyond the Basic Education level – Parity Aid

Where Are The Disparities?

There are no disparities in the basic education level as indicated earlier. Then, where are the disparities? As shown in Chart 8, spending above the basic education level is the origin of disparities. In Chart 8, school districts are grouped based on the same method used in Chart 6. While there is little difference in the four quartiles in Chart 6, in Chart 8 the average amount of per pupil total operating revenues available for quartile 4 districts is more than $900 higher than that for quartile 1 districts. Quartile 4 districts on average raise more than $3,400 per pupil in local revenue to support their higher spending. (Lower state and federal revenues reduce the total revenue advantage to the net level of $900.)

As pointed out previously, there is no limit on the amount of taxes local residents can approve for their schools under the current system. The state foundation program equalizes approximately 72% of local operating revenues and the other 28% (about $1.9 billion in FY 2002) is available for local school districts to provide education services beyond basic. The 25% of students in the wealthiest districts (about 20% of all districts) have a disproportionate share of local enhancement revenue. Without a major property tax reform, limiting school district property tax millage, or increasing the foundation program charge-off millage rate, the state would have to somewhat equalize spending beyond the basic education level if it wishes to narrow disparities in local enhancement revenue.



Funding Model for Education beyond Basic – Parity Aid

House Bill 94 established parity aid to systematically address disparities in local enhancement revenue. Parity aid equalizes an additional 9.5 mills (above the basic education level) to the 80th percentile district's wealth level. Parity aid wealth is a weighted average of property wealth (2/3) and income wealth (1/3). Property wealth is measured by per pupil property valuation and income wealth is measured by the federal adjusted gross income 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 local enhancement revenue above the basic level. The combination of property

wealth and income wealth also provides a better local tax base measure than property wealth or income wealth alone does.

The millage rate for parity aid is based on the average local enhancement mills for school districts with wealth levels between the 70th and 90th percentiles in FY 2001. The General Assembly is required to update the parity aid millage rate every time the base cost is updated under H.B. 94. The usage of the 80th percentile as the threshold helps reduce disparities in local spending above the basic level. As shown in Chart 8, the wealthiest 20% of school districts (quartile 4, including about 25% of total students) consistently have much higher per pupil revenues than the other 80% of school districts (quartiles 1 to 3, including about 75% of total students). Local property taxes are the primary factor behind the higher spending for the top 20% of school districts. Providing equalized parity aid to school districts below the 80th percentile level will help reduce this gap.

Alternatively, certain districts are eligible for parity aid at the FY 2001 income factor adjustment level. House Bill 94 eliminated the previous income factor adjustment in the base cost funding formula since the purpose of the adjustment was to provide state funding for education enhancement services. House Bill 94 established alternative parity aid to continue the income factor adjustment benefit at the FY 2001 level for certain school districts. Specifically, school districts with a cost of doing business factor greater than 1.0375, an income factor below one, and a DPIA index of greater than one are eligible for alternative parity aid.

Funding Formulas for Parity Aid

Parity aid is to be evenly phased-in over a five-year period under the H.B. 94 schedule. An individual school district's parity aid is calculated as follows:

Step 1: Standard Parity Aid = (Threshold Wealth Per Pupil – District's Wealth Per Pupil) x 0.095 x State Payment %

0.095 = 9.5 mills
Threshold = The 490th Lowest Wealth District's Wealth Per Pupil
State Payment % = 20% in FY 2002; 40% in FY 2003; 60% in FY 2004; 80% in FY 2005; and 100% beginning in FY 2006

Step 2: Alternative Parity Aid = $60,000 x (1 – District's Income Factor) x 4/15 x 0.023 x State Payment %

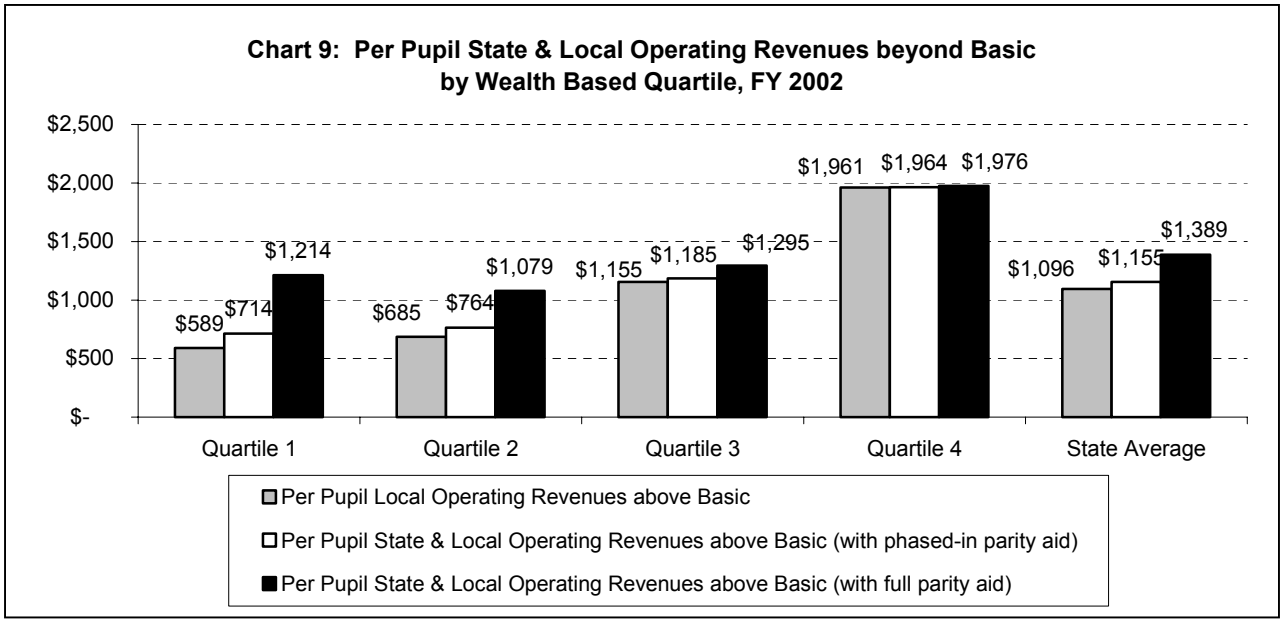
State Payment % = 50% in FY 2002 and 100% beginning in FY 2003

Step 3: Total Parity Aid = The Greater of Step 1 or Step 2 x Formula ADM

Overall, about 493 school districts are eligible for parity aid. The vast majority of these districts receive standard parity aid. Approximately $212.6 million in parity aid are distributed to these 493 districts in FY 2003. Per pupil parity aid amounts range from more than $350 in about 15 districts to less than $20 in another 13 districts. The average is $163.0 per pupil for districts receiving parity aid. The executive budget provides $327.3 million in FY 2004 to continue the phase-in of parity aid at the 60% level.

Effect of Parity Aid

As indicated earlier, one of the main goals for parity aid is to equalize local enhancement spending among school districts. Chart 9 shows the effect of parity aid in equalizing local enhancement spending in FY 2002 under phased-in parity aid and under the assumed full implementation of parity aid. These school district quartiles are constructed in the same manner as those shown in Chart 6 and Chart 8. Each quartile includes approximately 25% of total students statewide. Quartile 1 districts have the lowest average valuation per pupil and quartile 4 districts have the highest average valuation per pupil. The chart only includes local property taxes and school district income taxes for operating expenses that are beyond the basic education spending level. It does not include federal funds as well as some other state and local funding for education enhancements (such as state grant programs and local permanent improvement levies).



The gray bars in Chart 9 show only local per pupil operating revenue beyond the basic education level. It varies from $589 per pupil for quartile 1 to $685 per pupil for quartile 2, $1,155 per pupil for quartile 3, and $1,961 per pupil for quartile 4. Quartile 3 has almost twice and quartile 4 has more than three times the amount of per pupil enhancement revenue available for quartile 1. With phase-in parity aid at the FY 2002 level, per pupil state and local operating revenues beyond basic (the white bars) are $714, $764, $1,185, and $1,964 for quartiles 1 to 4, respectively. Obviously, the local enhancement revenue variance has been narrowed as a result of equalized state parity aid.

The black bars in Chart 9 show per pupil state and local operating revenues beyond the basic education level assuming a full implementation (no phase-in) of parity aid in FY 2002. It is quite clear that parity aid will significantly reduce disparities in local enhancement revenue once it is fully implemented. Under full parity aid, per pupil local enhancement revenues (the black bars) for quartiles 1 to 4 would be $1,214, $1,079, $1,295, and $1,976, respectively. There would be very little differences in the amounts of local enhancement revenues for the lowest three quartiles of school districts under fully implemented parity aid.

V. Local Funding for Schools

The primary local funding source for schools is locally voted property taxes, which account for approximately 98% of local revenue. The other 2% comes from the school district income taxes. In tax year 2001, school districts (including joint vocational school districts) collected a total of $7.9 billion in taxes. Of this amount, 91% (or $7.2 billion) was for operating and the other 9% (or $0.7 billion) was for permanent improvements and debt service. Locally voted property taxes, school district income taxes, and other relevant issues related to local property taxes (including H.B. 920 and reappraisal phantom revenue) are discussed in more detail in the following sections.

The Assessed or Taxable Property Value

Property value in Ohio is divided into four major categories:

- Class I (residential and agricultural real property);
- Class II (commercial, industrial, and mineral real property);
- Public utility personal tangible property; and
- Other personal tangible property.

Class I and Class II are commonly referred as real property. The property tax base is the assessed or taxable property value, which is a percentage of market value. Different categories of property have different assessed rates. Real property is generally assessed at 35% of market value. Public utility personal tangible property is assessed at rates ranging from 25% to 100% of market value. Other personal tangible property is assessed at 25% of market value.[7]

Total assessed property value amounted to approximately $208.7 billion in TY 2001, including $132.0 billion in Class I, $41.8 billion in Class II, $25.2 billion in other personal tangible property, and $9.7 billion in public utility personal tangible property. For the purpose of calculating state foundation aid, the formula generally uses the second prior year's assessed value data. Tax year 2001 assessed value data is used in making FY 2003 foundation payments. The projected TY 2002 property valuations are used in making budget appropriations for FY 2004. Tax year 2002 actual valuations will be used in making foundation payments in FY 2004.

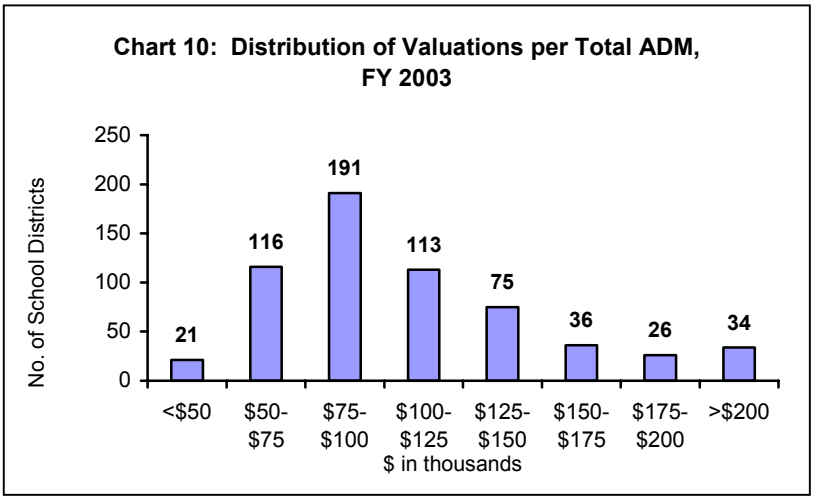
The property value composition varies significantly across school districts. A typical school district's property value composition in TY 2001 is as follows: 63.2% in Class I, 20.0% in Class II, 4.7% in public utility, and 12.1% in other personal tangible. However, the composition for each individual district varies widely across the state. Table 15 shows the maximum, minimum, and median ranges for each category.

Table 15: The Assessed Property Value Composition, TY 2001

Category	Minimum	Maximum	Median
Class I	15.6%	96.2%	70.5%
Class II	1.5%	50.6%	12.9%
Public Utility	0.9%	43.4%	4.7%
Other Personal Tangible	0.2%	60.3%	9.3%

[7] The inventory assessment rate will be phased out by reducing the assessment percentage by 1% per year beginning in tax year 2002. The phase-out process will be completed no later than 2031.

Valuation per pupil also varies widely across school districts. Valuation per pupil is the most important indicator of each district's ability to provide education services. Due to uneven distribution of taxable property, valuation per pupil varies widely across school districts. Chart 10 shows distribution of valuations per total ADM in FY 2003. It can be seen that valuations per total ADM range from less than $50,000 in 21 districts to more than $200,000 in another 34 districts. The statewide weighted average is approximately $116,302 per total ADM while the statewide median district's valuation per pupil is approximately $96,474. Valuations per total ADM for the majority (441 or 72.1%) of school districts range from $50,000 to $125,000 in FY 2003. The weighted average represents a 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 306th district out of 612).



The different composition of property value and the variation in per pupil value have little impact on the first 23 mills of property tax levies for the majority of school districts. A change in tax policy on a particular category of property would generally have an uneven impact on individual districts due to different assessment and tax rates for different categories of property. For example, changes made by S.B. 3 and S.B. 287 of the 123rd General Assembly reduce the assessment rates on certain tangible personal property of electric utilities and all tangible personal property of gas utilities from 50%, 88%, or 100% of true value to 25% of true value beginning in TY 2001. These changes have a big impact on a small number of school districts that have higher percentages of public utility tangible property value, but a relatively small impact on most districts. The variation in per pupil value obviously impacts each individual district's ability in raising local revenue. The same one mill of property tax levy generates $50 per pupil for a district with a valuation per pupil of $50,000 and $200 per pupil for a district with a valuation per pupil of $200,000. However, since the base cost formula equalizes up to the 96th percentile ($222,217 to $237,809 in FY 2004) in valuation per pupil, the different composition of property value and the variation in per pupil value have no impact on the first 23 mills of local property tax levies for the vast majority of school districts. Among the 22 districts with wealth levels that are above the formula's equalization level, some are wealthy due to residential wealth (Class I), some are due to business wealth, and some are due to both.

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 4.9% per year from FY 1998 to FY 2003, the growth rate for each year is not even (see Table 16). Growth rates are lower in FY 2000 and FY 2003 because of fewer reappraisal or update counties in these years. The low growth rate in FY 2003 is also due to S.B. 3 and S.B. 287 of the 123rd General Assembly.

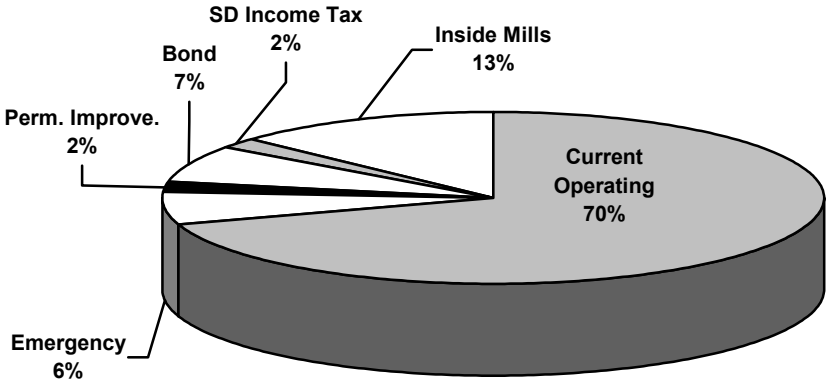
Table 16: Annual Growth Rate of Total Assessed Property Value

Fiscal Year	2000 (actual)	2001 (actual)	2002 (actual)	2003 (actual)	2004 (estimate)	2005 (estimate)
Annual growth rate	3.8%	7.5%	6.0%	1.4%	5.3%	5.6%

Public utility assessment rate reductions. Senate Bill 3 and S.B. 287 of the 123rd General Assembly, among other things, reduced the tangible personal property assessment rates to 25% for all non-transmission and non-distribution of both for-profits and rural electrics and natural gas. Before these changes, public utility property was assessed at rates ranging from 50%, 88%, to 100% of true value. These tax changes first apply to tax year 2001. Thus, they affect the property tax revenues to school districts and other local government beginning in calendar year 2002 and affect state foundation payments to school districts beginning in FY 2003. Senate Bill 3 and S.B. 287 also establish excise taxes on usage of electricity and distribution of natural gas to provide replacement revenues for all taxing districts for at least five years equal to their tax value 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 formulas. A decrease in a district's taxable value will increase the amount of state aid paid to the district under the formulas. In recognition of this formula effect, S.B. 3 and S.B. 287 divide school district replacement revenues into two parts: GRF for the state education aid offset and non-GRF for direct school district property tax replacement. In other words, school districts are to be compensated for their tax value losses in the first 23 mills from the state foundation formulas. Any millage above the foundation program is to be paid from non-GRF School District Property Tax Replacement Fund (Fund 053). On average, school districts levy 45 mills in public utility tangible taxes.

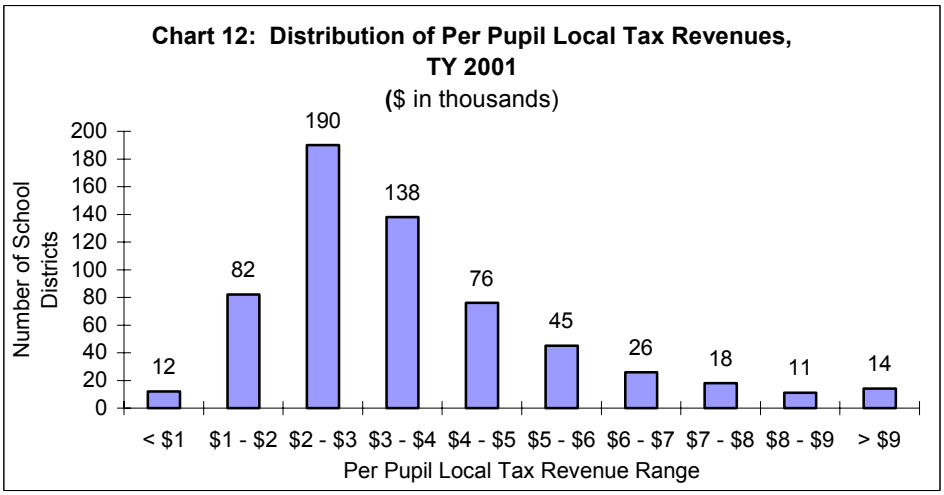
Chart 11: School District Local Tax Revenues by Levy Type, TY 2001



According to the Department of Taxation, tax value loss as a result of S.B. 3 and S.B. 287 totals approximately $4.4 billion statewide. The estimated per pupil tax value loss ranges from $152 to $129,260 with an average of $2,622 per pupil or approximately 2% of total assessed value on average. Tax value losses affect all but one district. (One district actually gains taxable value due to S.B. 3 and S.B. 287.) Total certified revenue loss due to S.B. 3 and S.B. 287 amounts to approximately $198.0 million. School districts receive approximately $91.5 million in additional state foundation aid (or state education aid offset) in FY 2003 for their tax value losses due to changes made by S.B. 3 and S.B. 287. In addition, school districts receive $106.5 million in FY 2003 from the school district property tax replacement fund (line item 200-900). In short, through the combination of the state education aid offset and direct reimbursements, school districts are guaranteed to receive assistance reflecting their certified annual tax revenue losses of approximately $198.0 million per year. The direct reimbursements generally last five years for most school districts.

Local Property Tax Revenue

The Ohio Constitution prohibits governmental units from levying property taxes that in the aggregate exceed 1% of true value unless the voters approve them. This is known as the 10-mill limitation and these unvoted 10 mills are called inside mills. Inside mills are shared by three levels of government: counties, school districts, and cities or townships. Inside mills for school districts range from less than three mills in a few districts to more than six mills in a few other districts. On average school districts have approximately 4.6 inside mills. All levies other than inside mills need to be approved by the voters and are generally subject to the H.B. 920 tax reduction factors. According to their purposes, voted levies are classified into several categories, including current operating levies, emergency levies, permanent improvement levies, and bond levies.



As indicated earlier, school districts (including joint vocational school districts) collected a total of $7.9 billion in taxes in TY 2001. Chart 11 shows school district local tax revenues by levy type. The current operating levies, representing approximately 70% of total tax levies, were the largest component of local tax revenues. Inside millage generated 13% of local tax revenues. Emergency levies account for 6% and school district income tax levies account for another 2% of local tax revenues. Bond levies and permanent improvement levies generated the remaining 7% and 2%, respectively, of local tax revenues.

In TY 2001, local operating tax revenues per total ADM (including both school district income taxes and joint vocational school district levies) range from less than $1,000 in the 12 school districts to more than $9,000 in the other 14 districts. The statewide weighted average is $4,023 per total ADM while the statewide median is $3,148 per total ADM. Chart 12 shows distribution of per pupil local operating tax revenues. It can be seen from the chart that for 404 (or 66%) school districts, per pupil local operating tax revenues range from $2,000 to $5,000 per total ADM. It should be noted that state education aid is largely equalized based on each district's wealth as measured by property value per pupil and not directly based on each district's local tax revenue per pupil. School districts have no control over their wealth levels, but they do have some control over their revenues per pupil. Two districts with the same valuation per pupil would have different revenues per pupil when they have different tax levy rates (see the next section).

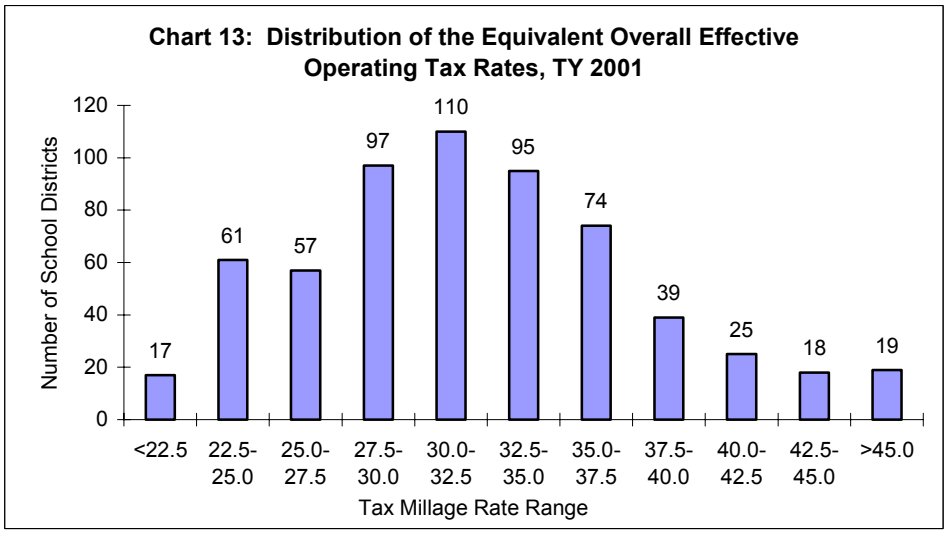
Local Tax Levy Rates

Under Ohio law, taxes on each classification of taxable property value are calculated separately. Current operating levies and permanent improvement levies on real property are subject to the H.B. 920 reduction factors. However, the reduction factor is calculated separately for each class of real property. All levies on tangible personal property are not subject to the H.B. 920 reduction factors. Table 17 shows the minimum, maximum, average, and median operating tax rates for Class I, Class II, and tangible personal property. Class I rates include school district income taxes and all rates include joint vocational school district operating levies. School districts are required to levy at least 20 mills in order to be eligible for state foundation aid.

Table 17: Operating Tax Rates, TY 2001

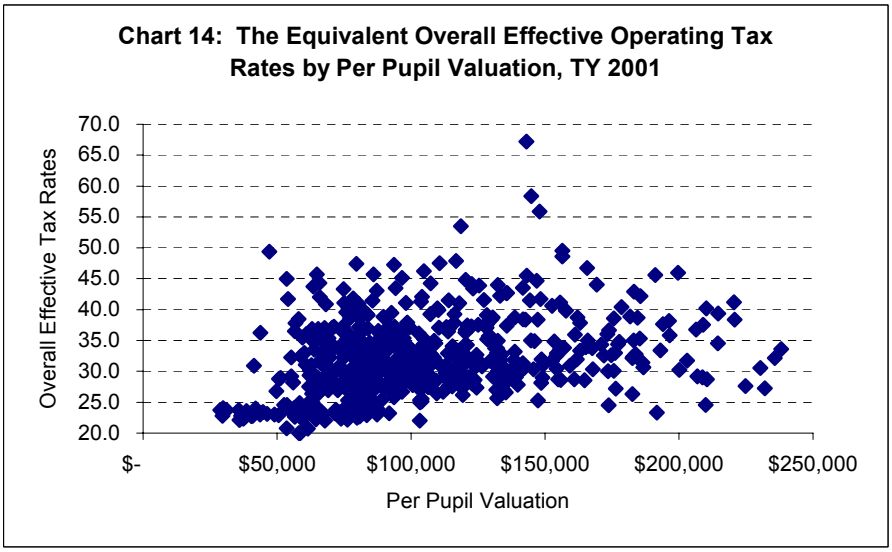
	Class I	Class II	Tangible (Voted)
Minimum	20.00	20.00	20.00
Maximum	61.96	74.75	147.13
Average	30.39	35.11	49.81
Median	28.25	29.15	43.90

The equivalent overall operating tax rates (including school district income taxes and joint vocational school district operating taxes) vary significantly across school districts. They range from 20 mills in a few districts to more than 50 mills in a few other districts in TY 2001. The Shaker Heights City SD



(Cuyahoga County), the Cleveland Height-University Height City SD (Cuyahoga County), the Bexley City SD (Franklin County), and the Warrensville Heights City SD (Cuyahoga County) have the highest overall effective operating tax rates of 67.22, 58.35, 55.86, and 53.51 mills, respectively. The statewide average was 34.59 mills and the statewide median was 31.70 mills. Chart 13 shows distribution of the equivalent overall effective operating tax rates. It can been seen from the chart that the equivalent overall effective rates for 359 (or 58.7%) school districts range from 25 to 35 mills.

Chart 14 shows the scatter plot of the equivalent overall effective operating tax rates by valuation per total ADM. It can be seen from the chart that the overall effective operating tax rates are not strongly related to individual districts' valuations per pupil. While the rates are generally low to average for school districts with low valuations per pupil ($60,000 or less, for example), the rates are also generally low to average for school districts with very high valuations per pupil ($225,000 or higher, for example). For districts with valuations per pupil between $60,000 to $225,000, the overall effective tax rates do not appear to be strongly related to their valuations per pupil. Having too many low wealth districts with high levy tax rates is generally a sign of a poorly designed school finance system. In such a situation, low wealth districts are forced to levy high millage rates to provide a sound basic education. This does not appear to be a pattern in Ohio as shown in Chart 14.



School District Income Tax

In 1989, the legislature enacted S.B. 28 to reauthorize the use of local income taxes for school districts. The school district income tax is closely tied to the state income tax, having identical tax bases. The tax is paid by residents of the district, regardless of where they work. Non-residents working in the district and corporations are not taxed. Table 18 details school district income tax information for 130 school districts with school district income tax levies in FY 2002. Taxes began on January 1st of the year indicated.

A total of $147.4 million in school district income taxes was distributed to 130 (or 21.1%) school districts in 51 counties in FY 2002. While 21.1% of all school districts collected school district income taxes in FY 2002, only 11.6% of statewide students are enrolled in these 130 districts. The average size is 1,528 students for districts with school district income taxes in comparison with the average of 2,786 students for all school districts. The average valuation per pupil is $98,504 for these 130 districts and the average for all school districts is $122,427 per pupil. The school district income tax rate varies from 0.5% to

2.0%. Per pupil school district income tax amounts range from less than $30 in a few districts to as high as $2,567 with an average of $742 per pupil for these 130 districts. (Per pupil amounts of less than $100 oftentimes indicate the beginning or ending of a tax levy.) The equivalent effective rates against all property range from less than one mill in a few districts to more than 20 mills in two districts with an average of 7.53 mills for these 130 districts. In general, school districts with income tax levies tend to have relatively low business property wealth. The average property wealth for these districts is at about the statewide median district's wealth level. Farm area communities predominate the list of school districts with income tax levies.

Table 18 – School District Income Tax, FY 2002

County	District Name	Year Tax Began	Tax Rate	Total Income Taxes	Per Pupil Income Tax	Equivalent Effective Mills
Allen	Spencerville Local SD	1993	1.00%	$756,715	$733	9.96
Ashland	Loudonville-Perrysville Ex V	1992	1.25%	$1,445,749	$1,110	10.70
Athens	Trimble Local SD	1993	1.25%	$1,223	$1	0.04
Auglaize	Wapakoneta City SD	1991	0.75%	$2,253,493	$735	8.17
Auglaize	Waynesfield-Goshen Local SD	1992	1.00%	$409,240	$729	11.54
Belmont	Barnesville Ex Vill SD	1996	0.50%	$89,567	$74	1.14
Butler	Madison Local SD	1991	0.50%	$722,260	$504	6.07
Butler	New Miami Local SD	1990	1.00%	$409,848	$570	9.14
Champaign	Mechanicsburg Ex Vill SD	1997	0.50%	$321,132	$393	5.01
Champaign	Triad Local SD	1990	1.00%	$846,184	$835	11.17
Champaign	West Liberty-Salem Local SD	1984	1.50%	$1,428,557	$1,215	15.11
Clark	Southeastern Local SD	1990	1.00%	$668,270	$879	8.02
Clermont	Clermont-Northeastern Local	1996	1.00%	$1,878,644	$1,007	8.29
Clermont	Goshen Local SD	1991	1.00%	$2,033,193	$861	12.45
Columbiana	Crestview Local SD	1990	1.00%	$820,381	$731	9.66
Columbiana	Salem City SD	1996	1.00%	$401,599	$166	1.34
Columbiana	United Local SD	1992	0.50%	$484,897	$333	4.96
Crawford	Buckeye Central Local SD	1990	1.50%	$877,460	$1,819	16.22
Darke	Ansonia Local SD	1992	0.75%	$364,981	$547	7.82
Darke	Arcanum Butler Local SD	1992	0.75%	$735,967	$663	7.87
Darke	Franklin-Monroe Local SD	1993	0.75%	$459,163	$780	8.65
Darke	Greenville City SD	1990	0.50%	$1,829,320	$524	4.38
Darke	Mississinawa Valley Local SD	1990	1.00%	$493,641	$727	9.76
Darke	Tri-Village Local SD	1991	1.50%	$922,396	$1,271	13.09
Defiance	Central Local SD	1992	0.75%	$679,394	$616	7.88
Defiance	Defiance City SD	1992	0.50%	$1,431,814	$575	6.42
Defiance	Hicksville Ex Vill SD	1992	0.75%	$569,041	$608	7.59
Delaware	Big Walnut Local SD	1995	0.75%	$2,770,462	$1,134	6.98
Delaware	Buckeye Valley Local SD	1993	1.00%	$2,673,427	$1,285	9.13
Fairfield	Bloom Carroll Local SD	1997	0.75%	$1,339,653	$987	6.61
Fairfield	Fairfield Union Local SD	1991	0.75%	$1,072,137	$625	7.29
Fairfield	Liberty Union-Thurston Local	1991	1.25%	$1,477,007	$1,114	11.68
Fairfield	Pickerington Local SD	1991	1.00%	$8,799,510	$1,157	11.74
Franklin	Canal Winchester Local SD	1991	0.75%	$1,943,619	$861	6.87
Franklin	Reynoldsburg City SD	1990	0.50%	$3,481,696	$596	6.02
Fulton	Evergreen Local SD	1990	0.75%	$885,221	$712	6.74
Fulton	Gorham Fayette Local SD	1992	1.00%	$346,851	$762	10.18
Geauga	Berkshire Local SD	1993	0.75%	$1,121,611	$871	6.47
Geauga	Ledgemont Local SD	2002	0.75%	$18,600	$28	0.26
Greene	Cedar Cliff Local SD	1991	1.00%	$585,630	$926	8.95

Table 18 – School District Income Tax, FY 2002

County	District Name	Year Tax Began	Tax Rate	Total Income Taxes	Per Pupil Income Tax	Equivalent Effective Mills
Greene	Fairborn City SD	1990	0.50%	$2,545,801	$483	5.07
Greene	Greeneview Local SD	1991	0.50%	$664,936	$462	5.19
Greene	Xenia Community City SD	1998	0.50%	$2,417,455	$506	4.97
Greene	Yellow Springs Ex Vill SD	2002	1.00%	$28,315	$52	0.32
Hamilton	Wyoming City SD	1990	1.25%	$4,814,333	$2,567	22.28
Hancock	Arlington Local SD	1984	1.25%	$742,797	$1,136	12.85
Hancock	Cory-Rawson Local SD	1992	1.00%	$609,788	$816	8.57
Hancock	Liberty Benton Local SD	1995	0.75%	$1,181,658	$912	9.17
Hancock	McComb Local SD	1984	1.00%	$554,859	$697	7.20
Hancock	Vanlue Local SD	1996	1.00%	$263,183	$859	10.31
Hardin	Ada Ex Vill SD	1993	0.75%	$583,849	$754	9.09
Hardin	Hardin Northern Local SD	1991	1.00%	$411,075	$770	9.95
Hardin	Kenton City SD	1996	1.00%	$1,580,597	$797	8.31
Hardin	Ridgemont Local SD	1991	1.00%	$419,572	$801	9.03
Hardin	Riverdale Local SD	2000	1.00%	$890,059	$843	10.88
Hardin	Upper Scioto Valley Local SD	1996	0.50%	$253,763	$327	5.20
Henry	Holgate Local SD	1992	1.00%	$401,429	$804	11.20
Henry	Liberty Center Local SD	1996	1.00%	$886,374	$825	10.05
Henry	Patrick Henry Local SD	1991	1.75%	$1,453,702	$1,328	15.00
Highland	Hillsboro City SD	1992	1.00%	$1,905,861	$713	7.94
Huron	Bellevue City SD	2002	0.50%	$72,932	$34	0.29
Huron	New London Local SD	1991	1.00%	$799,481	$745	10.16
Huron	Norwalk City SD	1992	0.50%	$1,592,360	$627	5.47
Huron	South Central Local SD	1991	1.25%	$734,987	$841	11.92
Huron	Western Reserve Local SD	1991	1.25%	$1,236,155	$1,008	13.59
Knox	Centerburg Local SD	1990	0.75%	$656,657	$642	8.62
Knox	Danville Local SD	1990	2.00%	$767,945	$1,332	18.73
Licking	Licking Valley Local SD	1994	1.00%	$1,490,774	$748	10.09
Licking	Newark City SD	1998	1.00%	$6,936,208	$1,087	10.16
Licking	Northridge Local SD	1998	1.00%	$1,399,671	$1,082	9.23
Licking	Southwest Licking Local SD	1991	0.75%	$2,756,791	$872	7.97
Logan	Riverside Local SD	1995	0.75%	$437,074	$591	8.65
Lorain	Oberlin City SD	1991	1.00%	$1,666,484	$1,665	10.74
Lorain	Wellington Ex Vill SD	1991	1.00%	$1,406,218	$945	9.06
Madison	Jefferson Local SD	1995	0.50%	$583,577	$501	4.63
Mahoning	Springfield Local SD	2000	1.00%	$1,097,633	$921	10.10
Mahoning	West Branch Local SD	1993	1.00%	$4,054	$2	0.02
Mercer	Celina City SD	1996	0.75%	$2,237,693	$735	6.93
Mercer	Coldwater Ex Vill SD	1990	0.50%	$503,570	$327	4.72
Mercer	Fort Recovery Local SD	1991	1.00%	$635,058	$660	9.15
Mercer	Parkway Local SD	1996	1.00%	$830,396	$771	9.66
Miami	Bradford Ex Vill SD	1983	1.75%	$768,975	$1,290	21.77
Miami	Covington Ex Vill SD	1994	0.50%	$385,040	$477	4.78
Miami	Miami East Local SD	1992	0.50%	$661,994	$515	4.45
Miami	Newton Local SD	1993	1.00%	$530,243	$952	10.64
Miami	Piqua City SD	1991	0.50%	$1,864,033	$537	4.40
Montgomery	New Lebanon Local SD	1998	0.75%	$751,577	$ 603	8.69
Montgomery	Valley View Local SD	1992	1.25%	$2,341,442	$1,253	14.39
Morrow	Highland Local SD	1992	0.50%	$628,850	$396	5.00

Table 18 – School District Income Tax, FY 2002

County	District Name	Year Tax Began	Tax Rate	Total Income Taxes	Per Pupil Income Tax	Equivalent Effective Mills
Morrow	Mount Gilead Ex Vill SD	1995	0.75%	$789,809	$613	7.19
Morrow	Northmor Local SD	1993	1.00%	$909,384	$732	8.52
Paulding	Antwerp Local SD	1991	0.75%	$455,154	$608	8.73
Paulding	Paulding Ex Vill SD	1991	1.00%	$1,551,659	$863	10.71
Paulding	Wayne Trace Local SD	1992	0.75%	$585,792	$562	6.92
Pickaway	Teays Valley Local SD	1992	0.75%	$1,715,121	$618	7.44
Preble	Eaton City SD	1993	0.75%	$1,622,899	$740	6.53
Preble	National Trail Local SD	1992	1.00%	$907,122	$790	9.11
Preble	Preble-Shawnee Local SD	1991	1.00%	$1,423,358	$883	11.74
Putnam	Columbus Grove Local SD	1996	0.75%	$813,574	$1,050	11.89
Putnam	Continental Local SD	1991	1.00%	$530,892	$739	12.84
Putnam	Leipsic Local SD	1992	0.75%	$403,143	$609	6.69
Putnam	Miller City-New Cleveland Lo	1993	1.25%	$396,765	$906	13.34
Putnam	Ottawa-Glandorf Local SD	1993	0.50%	$794,139	$504	4.67
Putnam	Pandora-Gilboa Local SD	1994	0.75%	$364,691	$571	6.88
Richland	Plymouth Local SD	1991	1.00%	$607,230	$663	11.81
Ross	Scioto Valley Local SD	2000	0.75%	$570,921	$568	8.82
Ross	Union Scioto Local SD	1992	0.50%	$761,519	$389	6.33
Ross	Zane Trace Local SD	1996	0.50%	$129,230	$86	0.84
Sandusky	Fremont City SD	1994	0.75%	$3,668,522	$840	6.71
Seneca	Bettsville Local SD	1994	1.00%	$184,332	$752	9.26
Seneca	New Riegel Local SD	1990	0.75%	$233,757	$532	7.76
Seneca	Seneca East Local SD	2001	1.00%	$580,371	$595	6.77
Shelby	Anna Local SD	1983	0.50%	$444,388	$397	2.38
Shelby	Fairlawn Local SD	1991	0.75%	$258,439	$648	7.68
Shelby	Fort Loramie Local SD	1995	0.75%	$586,827	$769	9.19
Shelby	Hardin-Houston Local SD	1991	0.75%	$575,366	$666	7.06
Shelby	Russia Local SD	1992	0.75%	$313,129	$859	8.59
Stark	Massillon City SD	1998	0.75%	$2,400,358	$564	5.92
Union	Fairbanks Local SD	1990	0.75%	$881,497	$995	5.85
Union	North Union Local SD	1991	1.00%	$1,161,112	$829	9.71
Vinton	Vinton County Local SD	1995	0.50%	$9,750	$4	0.07
Wayne	Northwestern Local SD	1990	1.25%	$1,335,401	$1,004	13.90
Williams	Edgerton Local SD	1992	1.00%	$725,570	$1,057	10.22
Williams	Montpelier Ex Vill SD	2000	0.75%	$628,498	$562	7.05
Williams	Stryker Local SD	1991	1.50%	$640,332	$1,154	12.05
Wood	Bowling Green City SD	1993	0.50%	$2,346,333	$780	4.63
Wood	Elmwood Local SD	1992	1.25%	$1,133,858	$970	12.64
Wood	Perrysburg Ex Vill SD	1992	0.50%	$3,782,765	$938	6.00
Wyandot	Mohawk Local SD	1996	1.00%	$1,026,498	$1,005	11.85
Wyandot	Upper Sandusky Ex Vill SD	1996	0.50%	$892,996	$507	4.08
	Total			*$147,379,332*	*$742*	*7.53*

H.B. 920 and Phantom Revenue

A. What is H.B. 920?

As a tax policy, H.B. 920 restrains the revenue growth in existing (carryover) real property. When existing real property value increases as a result of reappraisal/update, the millage rate for a levy is generally reduced to generate the same dollar amount of tax revenue the levy generated before reappraisal/update. 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 analysis. 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 Ohio 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. (All property taxes are larger than the state income tax.)

It should be noted that not all property tax levies are subject to the H.B. 920 reduction factors. Emergency and debt service levies produce a fixed dollar amount of taxes each year. Millage rates for these two types of levies are adjusted annually to yield the same dollar amount of taxes every year and the H.B. 920 reduction factors do not apply. However, these two types of levies have no revenue growth at all. In contrast, while current operating levies are subject to the H.B. 920 reduction factors, they do increase from new construction and the tangible personal property growth. Revenue from inside mills, which are on average about 4.6 mills for school districts, fully grows with the valuation increase. Meanwhile, H.B. 920 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. Contrary to the picture given of no property tax growth, these measures allow typical annual growth of nearly 3% without new levies.

B. The H.B. 920 Floor Districts

The number of H.B. 920 floor districts increased by 32.1% from TY 1996 to TY 2001. As indicated earlier, H.B. 920 guarantees a minimum of 20 effective mills on Class I and Class II real property, respectively. School districts are also required to levy at least 20 mills in order to be eligible for receiving state foundation program aid. However, only current operating levies and inside mills are included for the purpose of calculating the H.B. 920 floor guarantee. All other levies, including emergency levies, are excluded. School districts that are at the Class I and/or Class II floor benefit from the full tax revenue growth along with the growth in real property value. A total of 288 districts were at the H.B. 920 floor on at least one class of real property in TY 2001. While this indicates that approximately 47.1% of all school districts were at the floor, these 288 floor districts only represent approximately 30.8% of statewide total ADM.

The number of districts at the H.B. 920 floor increased from 218 in TY 1996 to 288 in TY 2001, an increase of 32.1%. During the same period, the number of Class I only floor districts increased from 210 to 278 (32.4% increase) and the number of Class II only floor districts increased from 124 to 130 (8.3% increase). For this analysis, a H.B. 920 floor district is defined as a district with less than 20.01 effective mills in Class I and/or Class II real property. Of the 288 floor districts in TY 2001, 120 districts were at the floor in both Class I and Class II real property, 158 districts were in Class I only, and the other 10 districts were in Class II only.

Table 19: The Number and Percentage of H.B. 920 Floor Districts by District Type, TY 2001

District Type	Description	Total No. of Districts	No. of Floor Districts	% of Floor Districts
Rural	Very low socio-economic status (SES), very high poverty	78	58	74.4%
Small Rural	Low SES, low poverty	157	89	56.7%
Rural Town	Average SES, average poverty	123	59	48.0%
Urban	Low SES, high poverty	67	33	49.3%
Large Urban	Average SES, high poverty	44	13	29.5%
Major Urban	Very high poverty	14	0	0.0%
Suburban	High SES, moderate poverty	89	27	30.3%
Suburban	Very high SES, low poverty	35	4	11.4%
Outliers	Island districts	5	5	100.0%
	Total	***612***	***288***	***47.1%***

The Department of Education grouped school districts into eight types based on their demographic characteristics for the comparison purpose. Table 19 shows the percentage of school districts at the H.B. 920 floor by district type. It can be seen from the table that the H.B. 920 floor district percentages for rural and small rural tend to be higher, at 74.4% and 56.7%, respectively. Statewide, 47.1% of all districts were at the H.B. 920 floor in at least one class of real property in TY 2001.

The average Class I effective operating tax rate (including inside mills, current operating, emergency levies, joint vocational school taxes, and school district income taxes) for the 288 floor districts was 28.51 mills in TY 2001, in comparison with 29.68 mills for the other 324 non-floor districts. The relatively small difference between the floor and non-floor districts was due to the fact that the majority of school districts that were at the H.B. 920 floor had other levies to supplement their operating mills. A large percentage of other levies occurred in the floor districts (see Table 20).

Of the 288 floor districts, 234 (or 81.5%) districts had either emergency levies, school district income taxes, or permanent improvement levies. Specifically, 12 districts had all three supplemental levies, 114 districts had at least two of three supplemental levies, 108 districts had at least one of three supplemental levies, and the remaining 54 districts did not have any operating supplement levies.

Tale 20: H.B. 920 Floor Districts' Other Levies

TY 2001	Total Number of School Districts	Total Number of Floor Districts	Floor Districts as a % of Total Districts
School District Income Tax (FY 2002)	130	73	56.2%
Emergency Levies	198	134	67.7%
Permanent Improvement Levies	341	145	42.5%

C. 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 base cost funding formula for districts with an income factor above one. This adjustment was completely eliminated by the 122nd General Assembly and this policy remains unchanged under the executive budget.

"Type I" or formula phantom revenue is referring to the difference between the formula local share and the amount of revenue 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 eliminated again.

"Type II" phantom revenue is referring to reappraisal phantom revenue as a result of H.B. 920. Neither the executive budget nor H.B. 94 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. House Bill 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 funding for the state defined basic education. The recognized valuation provision and parity aid partially address the impact of H.B. 920 on school districts' local enhancement revenue. Due to the complexity of H.B. 920, the debate on the H.B. 920 impact should occur in the context of the state's overall tax policy.

D. What is the Fundamental Policy Impact of H.B. 920 on Education?

According to LSC research, 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 25 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. The Legislative Service Commission's analysis indicated that property tax revenue grew by 7.06% per year during the period from 1975 to 1995. The growth has matched the personal income growth (7.03% per year) during this 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 (voted) millage rates. Assuming the same gross millage rates, total property taxes paid by Ohioans would have risen from $5.60 billion in 1975 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% every year on an annual basis since 1975. This is clearly not a realistic assumption.

The fundamental policy impact of H.B. 920 on education is the role of school district superintendents, principals, and some other administrators. House Bill 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.

E. What is the Fiscal Impact of H.B. 920?

The fiscal impact of H.B. 920 has been that a school district often has to shift local enhancement revenue that was over and above the local share of the basic education model cost 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 local enhancement revenue that was shifted to meet its local share of the basic education 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 the 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 rates (voted millage and effective millage) 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 school districts also needed to pass additional levies under the old system.

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

F. Provisions that Soften the Impact of H.B. 920 on Local Enhancement Revenue

Recognized Valuation. The recognized valuation provision adopted by the 122nd General Assembly lowers the base cost funding charge-off by approximately $125 million per year on average. The provision phases in the valuation growth due to reappraisal/update 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 revenue. The following is an example that shows how recognized valuation lessens the problem in fictitious District A.

Table 19: Phantom Revenue Example – District A			
	FY 2003	**FY 2004 (Total Assessed Valuation - Old Method)**	**FY 2004 (Total Recognized Valuation – Current Method)**
Tax Rate = 32 mills (5 inside mills + 27); Students = 1,000; CDBF = 1			
Formula Amount	$4,949	$5,088	$5,088
Base Cost	$4,949,000	$5,088,000	$5,088,000
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%
Growth from new construction and/or new levies is excluded in the example.			

In the example, District A has a reappraisal in FY 2004 and its carryover property value increases 15% from FY 2003. It can be seen from the example that 28% of the district's local revenue was available for education enhancements in FY 2003. This percentage would have decreased to 19% in FY 2004 due to the reappraisal if the full 15% growth of carryover property value were used in the formula as before. Since the recognized valuation only phases in a 5% growth in carryover value in the reappraisal year, 26% of local revenue is available for enhancements in FY 2004. 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 H.B. 920 impact.

Stabilization of State Share in the Base Cost and Parity Aid. House Bill 94 requires the base cost to be updated every six years. It limits the variance in the state share percentage in the base cost and parity aid for years between two updates to a 2.5% range. The stabilization of the state share percentage softens the H.B. 920 impact on local enhancement revenue. It prevents school districts collectively from having to use a significantly greater share of available local enhancement revenue before reappraisals/updates to meet their required local shares of the basic education model cost funding after reappraisals/updates.

The state share of the base cost funding and parity aid is 49% in FY 2002 – the first update year. This is the target state share percentage for FY 2003 and FY 2004. By stabilizing the state share percentage of the base cost funding, the state share of additional special and career-technical education funding is also stabilized. Disadvantaged Pupil Impact Aid is 100% state funded. The state pays the greater of 60% or

the district's state share percentage of the base cost funding for pupil transportation. It should be noted that the 49% state share in FY 2002 only includes the base cost funding and parity aid and excludes the state funding for various adjustments to the base cost. The basic education cost model includes the base cost, various adjustments to the base cost, and pupil transportation. The average state share of the basic education model cost is approximately 55.8% in FY 2002.

Gap Aid. Gap aid also softens the impact of H.B. 920 on local enhancement revenue. Under H.B. 94, gap aid fills any missing required local share (including the base cost, special education, career-technical education, and transportation) of the basic education model cost. It effectively eliminates any formula phantom revenues either due to the H.B. 920 tax reduction factors or due to a district's failure to levy sufficient mills to meet the assigned local share. Therefore, H.B. 920 has no impact on school districts' abilities in providing a similar state defined basic education.

Parity Aid. Parity aid further buffers the H.B. 920 impact on local enhancement revenue for school districts in general. Parity aid is equalized based on a school district's wealth per pupil. It particularly lessens the H.B. 920 impact on low property and/or low income wealth districts' abilities to enhance education beyond the basic level (see the Effect of Parity Aid section for more information). Parity aid does not require additional local effort. A district's overall effective tax rate may decrease as a result of reappraisal/update, but the district will continue to be eligible for parity aid based on its wealth level. Also, each district's wealth is a weighted average of property wealth (2/3) and income wealth (1/3). The reappraisal/update effect has lesser impact on this weighted wealth measure than it does on a wealth measure based solely on property wealth.

Proposals to "Solve" Reappraisal Phantom Revenue

Proposals to "solve" reappraisal phantom revenue tend to be costly since H.B. 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 revenue growth, many levies would not have been adopted.* Since a meaningful and correct amount of H.B. 920 tax credits cannot be determined for each district, it is therefore almost impossible to reimburse school districts for their so-called tax "losses." House Bill 920 property tax credits were not designed with reimbursement in mind. If the state had reimbursed school districts 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 generally 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. It does 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 over $600 million in FY 2003 compared with about $40 million in gap aid to completely eliminate formula phantom revenue in the same year.

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 district would be higher than that for a low wealth district. This is due to the fact that the per pupil charge-off under the current

method for a high wealth district is greater than that for a low wealth district. The current 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 will be equalized. Table 22 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.

Table 22: Examples of Reducing the Charge-off from 23 Mills to 20 Mills

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, special education, career-technical education, and pupil transportation.) 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% to 100% 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% of its voted mills (64 mills). The second district has effective mills equal to 80% of its voted mills (40 mills). The third district's effective mills and voted mills are the same.

Table 23: Examples of "Actual" Revenue Proposal						
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 x 0.023)] in FY 2001. 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 23 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 23. In fact, for a given percentage of effective mills as a percentage of voted mills, e.g., 50%, per pupil benefit for a school district is directly proportional to the district's valuation per pupil.

The Legislative Service Commission estimated 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 FY 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 25 years. The difference between voted mills and effective mills for districts choosing the continuing operating expense levies more often generally tends to be greater than that for districts relying more heavily on emergency levies and/or school district income taxes in recent years.

C. Phantom Revenue Adjustment of the Charge-off – State Board of Education's Recommendation

In its budget recommendations, the State Board of Education proposes a phantom revenue adjustment of the charge-off to address reappraisal phantom revenue. The proposal would replace the portion of reappraisal phantom revenue under the charge-off with state aid. It would lessen the need for school districts to ask voters' approval of new tax levies. However, the proposed charge-off adjustment will gradually move away from the current wealth based charge-off system to a system that will be based on the methods used by individual districts to raise their local revenues. Just like the voted millage rate, how to raise local revenue is not a true measure of an individual district's wealth. Nor is it a true measure of an individual district's tax effort. Ohio law allows districts to use different methods to raise their local revenues. The proposed charge-off adjustment also creates a significant long-term cost to the state. It benefits high wealth districts generally more than it does low wealth districts and might create an equity liability for the state over the long run.

The proposal has two components: variable charge-off millage rates and a different method of calculating the charge-off amount for carryover real property. The proposal creates the following variable charge-off millage rates based on each district's wealth:

102 lowest wealth school districts – 20.0 mills
102 next lowest wealth districts – 20.5 mills
102 next lowest wealth districts – 21.0 mills
102 next lowest wealth districts – 21.5 mills
102 next lowest wealth districts – 22.0 mills
102 next lowest wealth districts – 22.5 mills

It should be noted that the actual charge-off rate for an individual district will be the district's actual effective rate if the effective rate is smaller than the proposed rate. Under the State Board of Education's recommendation, the charge-off amount will be calculated in the following fashion:

Base year's charge-off amount = Total recognized value x 0.023 as under current law
Subsequent year's charge-off amount will be the sum of all of the following:
+ Previous year's charge-off amount
+ Proposed variable charge-off rates x Annual change in tangible property value
+ Proposed variable charge-off rates x Change in non-carryover real property value (new construction)
+ Inside mills or 20 mills for H.B. 920 floor districts x Annual change in carryover real property value

Under the proposal FY 2003 charge-off amount (FY 2003 total recognized valuation x 0.023) will be the base for every district in FY 2004. The calculated charge-off amounts from annual changes in tangible property value, new construction, and carryover real property value will then be added to the base amount to arrive at each district's charge-off amount in FY 2004. Each district's FY 2004 charge-off amount will become its base in FY 2005.

The proposal would create significant long-term cost obligations to the state. It would substantially limit the state's ability in raising the base cost formula amounts in the future. Assuming the proposal was implemented in FY 1999, it would have cost the state an additional $950 million over this five-year period (FY 1999-FY 2003) to maintain the same base cost formula amounts during this period (see Table 24 for annual cost estimates).

Table 24: Estimated Annual Cost of Phantom Revenue Adjustment of the Charge-off					
FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	Total
$55 million	$133 million	$148 million	$248 million	$366 million	$950 million

Under current law, charge-off amounts grew at an average rate of 5.0% per year during the period from FY 1998 to FY 2003. The proposal would have reduced the growth rate to 3.3% per year, a 34% reduction per year. The future costs of the proposal would generally follow the same pattern and are fairly predictable.

The proposal's costs mainly come from the proposed carryover real property charge-off calculations. Proposed sliding charge-off rates are based on the wealth of school districts. However, these rate reductions only apply to changes in tangible property and non-carryover real property, which account for about 2% to 3% of total assessed value. The cost of this component is relatively small, ranging from approximately $5 million to $22 million per year depending on reappraisal/update cycles. Of the estimated $950 million in total cost, only $70 million was due to this component. Therefore, this component's benefits to low wealth districts are also relatively small, especially in the short-run.

The center of the proposal is using a different method in calculating the charge-off amount for changes in carryover real property. *The proposal would essentially reduce the charge-off millage rate for all cumulative changes in real property since the base year from the current 23 mills to inside mills (4.6 mills on average for school districts) or to 20 mills for those H.B. 920 floor districts.* This component reduces the charge-off rate for all cumulative changes in carryover real property by 18 mills on average for non-floor districts and by three mills for H.B. 920 floor districts. This component's cumulative effect adds significant long-term costs to the state.

The proposal generally benefits high wealth districts more than it does low wealth districts. As indicated earlier, the main component of the proposal is to reduce the charge-off rate for changes in carryover real property. A reduction in a district's charge-off would increase state aid for the district. Therefore, it is fairly easy to predict "winners" by analyzing each district's per pupil change in carryover real property.

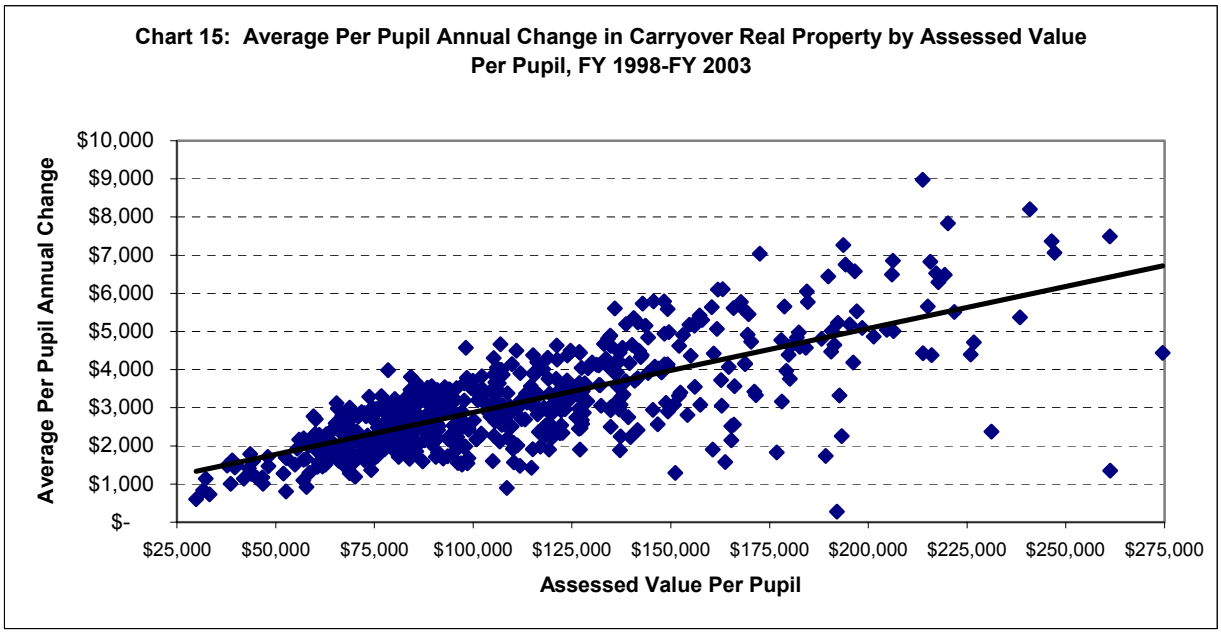


Chart 15 shows the average per pupil annual change in carryover real property value from FY 1998 to FY 2003 by assessed value per pupil. It can be seen from Chart 15 that per pupil annual change in carryover real property is generally higher for a high wealth district than that for a low wealth district. The per pupil charge-off reduction for a high wealth district is therefore greater than that for a low wealth district. More state aid would then go to wealthy districts as a result of proposed phantom revenue adjustment of the charge-off.

In addition to benefiting generally wealthy districts, the proposal particularly benefits districts with a higher concentration of residential property. School districts with above average industrial or commercial property generally benefit less (Class I has a higher inflationary increase rate than Class II). While the average reduction in the charge-off growth would be about 34%, this would be much higher in districts like Upper Arlington, Grandview Heights, and Bexley, and lower than the average in Whitehall using central Ohio districts as examples.

While low wealth districts generally do not benefit as much as high wealth districts do, the proposal does not benefit H.B. 920 floor districts much. The majority of floor districts have relative low to moderate property wealth. Again, assuming the proposal were implemented in FY 1999, by the fifth year (FY 2003) floor districts would have an average charge-off rate of 21.77 mills compared with 20.21 mills for non-floor districts, a difference of 1.6 mills. There are about 288 districts at the floor on at least one class of real property in TY 2001. About 76% of these floor districts have valuations per pupil below the statewide average. Meanwhile, the overall effective rates (including school district income taxes, emergency levies, and permanent improvement levies) on Class I for floor districts and non-floor districts are about the same at approximately 29 mills.

One of the main goals of the state funding formulas is to neutralize the impact of disparities in property and income wealth on districts' abilities to provide a similar basic education to all students. With this goal, the current charge-off method assumes 23 effective mills against all property and has an upward linear straight-line relationship with each district's valuation per pupil. That is, a district with a higher per pupil valuation also has a higher per pupil charge-off amount. This method is closely connected to each district's actual property wealth and results in a rational and equitable statewide charge-off system.

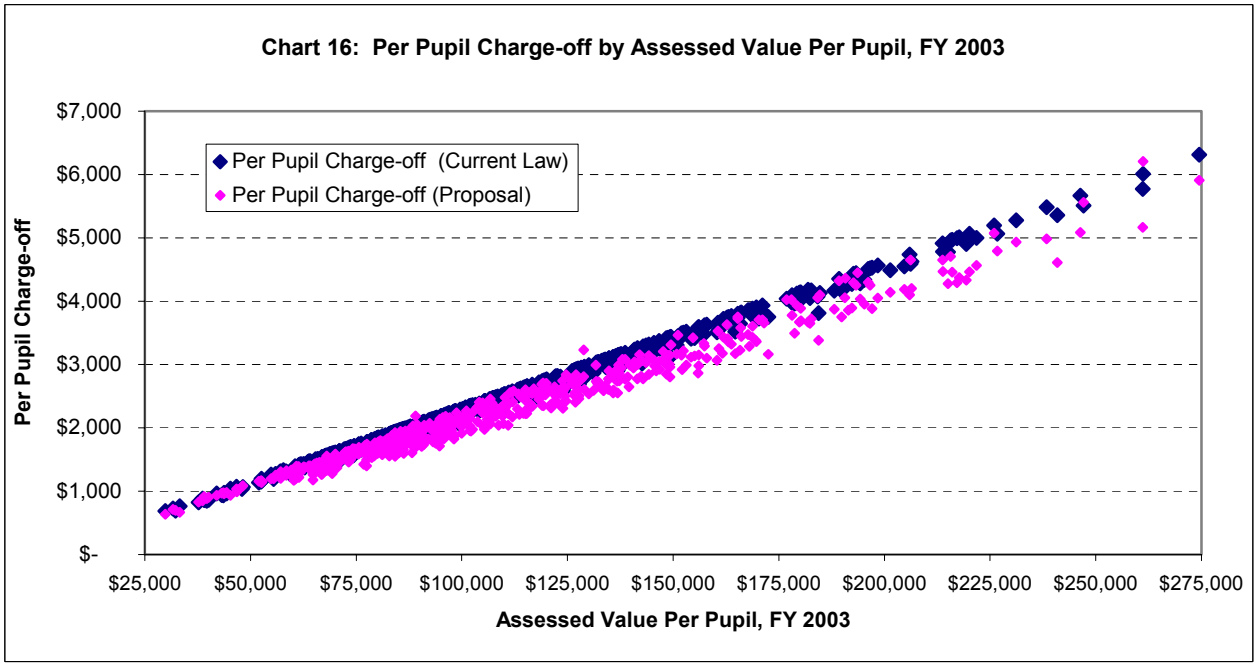
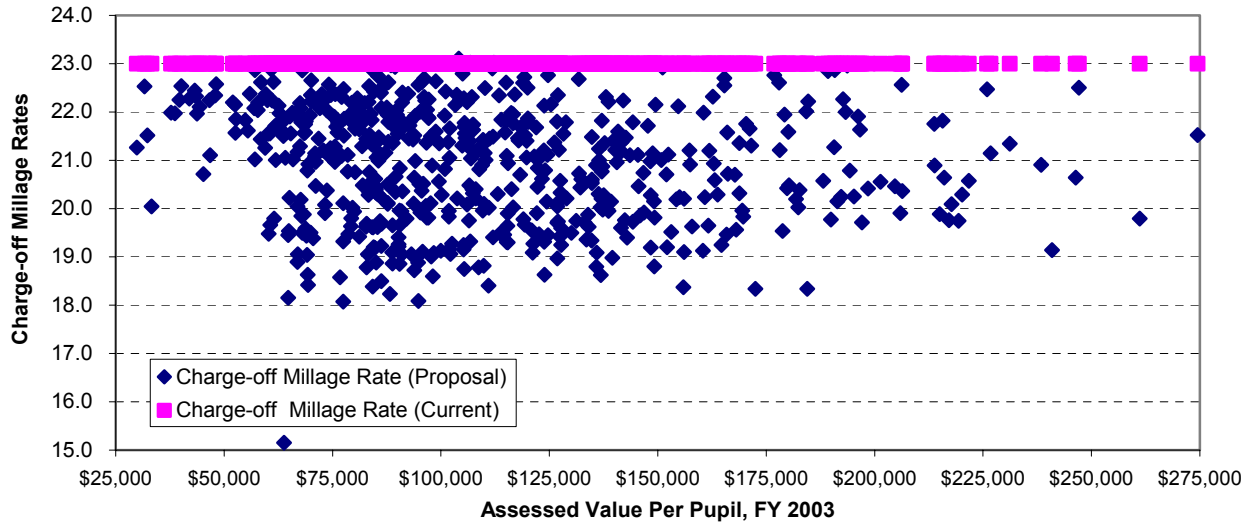


Chart 16 show per pupil charge-off amount under the current method and under the proposal by assessed value per pupil. It can be seen from Chart 16 that the per pupil charge-off amount under the proposal no longer has an upward linear relationship with each district's valuation per pupil. Under the proposal, the per pupil charge-off amount for a lower wealth district could be higher than that for a district with 10% higher wealth in just a few years. Two districts with similar valuations per pupil could end up with having very different per pupil charge-off amounts and state aid amounts. The dispersion from having an upward linear line would become wider and wider over time under the proposed phantom revenue adjustment of the charge-off.

Another way to look at this issue is to compare each district's charge-off millage rate. Under the current method, the charge-off millage rate is a uniform 23 effective mills, which results in an equalized per pupil charge-off system. Under the proposal (see Chart 17), the charge-off millage rates for individual districts would gradually move away from uniform 23 mills. The reduction rates for low wealth districts are generally lower than that for high wealth districts. Under the proposal, the charge-off millage rate for a low wealth district could be higher than that for a high wealth district. Two districts with similar valuations per pupil could end up having very different charge-off millage rates, resulting in very different amounts of state aid. Again, using central Ohio districts as examples, Upper Arlington's charge-off millage rate would be reduced to approximately 19.91 mills in about five to six years while Whitehall's charge-off millage rate would only be reduced to approximately 21.45 mills, a difference of 1.54 mills. However, Upper Arlington's valuation per pupil is more than twice higher than Whitehall's valuation per pupil. It might be difficult to justify the rationale behind such a statewide charge-off system.

Chart 17: Charge-off Millage Rates by Assessed Value Per Pupil - Current Law vs. Alternative Charge-off Proposal (Six-year Cumulative Effect)



ANALYSIS OF EXECUTIVE PROPOSAL

Academic Standards and Student Assessments — Program Series 1

Purpose: This program series consists of programs that set the standards for what students should know and be able to do and assess students' progress towards meeting those standards.

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 2004	FY 2005
GRF	200-427	Academic Standards	$10,200,592	$0
GRF	200-437	Student Assessment	$43,353,391	$0
GRF	200-447	GED Testing/Adult H.S.	$1,829,106	$0
3Z2	200-690	State Assessments	$11,894,315	$12,489,031
454	200-610	Guidance and Testing	$956,761	$956,761
Total funding: Academic Standards and Student Assessments			**$68,234,165**	**$13,445,792**

The executive proposal for this program series reflects an increase in funding for FY 2004 of approximately 24.2%. The federal No Child Left Behind Act of 2001 (NCLB) increases the state's testing requirements, but Am. Sub. S.B. 1 of the 124th General Assembly includes many of the other requirements of NCLB. The Department will continue its work on standards, model curricula, achievement tests, and diagnostic assessments during the 2004-2005 biennium.

Academic Standards 200-427

Amended Substitute Senate Bill 1 of the 124th General Assembly requires the Department to develop and disseminate academic standards and model curricula in English language arts, mathematics, science, social studies, technology, the arts, and foreign languages. The executive budget proposes $10,200,592 in FY 2004 for these activities, an increase of 31.2%. The Office of Budget and Management estimates that approximately 49% of these funds may be spent on purchased services. As of January 2003, in FY 2003, 162 contracts were completed with an average contract amount of $7,000. The amounts of most of these contracts were between $1,000 and $3,000 and were given to individuals who worked on the teams that developed the standards and model curricula.

Academic standards are statements of what Ohio expects each student to know and be able to do at the end of each year of his or her education. Model curricula are guides for school districts in developing local courses of study that are aligned with the state academic standards. Standards for four subject areas have already been adopted; each of these was adopted on schedule. The schedule for completion of the standards and curricula is given below.

Subject Area	Academic Standards	Model Curriculum
English Language Arts	*Adopted December 2001*	June 2003
Mathematics	*Adopted December 2001*	June 2003
Science	*Adopted December 2002*	June 2004
Social Studies	*Adopted December 2002*	June 2004
Foreign Language	December 2003	June 2005
Arts	December 2003	June 2005
Technology	December 2003	June 2005

Once adopted, these standards and curricula are communicated to schools, parents, businesses, and other interested community members.

Academic Standards Set Asides	
Set Aside	**FY 2004**
Teachers-on-Loan Program	$731,250
Total Set Asides:	**$731,250**

Teachers-on-Loan Program - New

The executive budget sets aside $731,250 in FY 2004 for this new program. This program will compensate school districts for the costs of "lending" teachers to work with the Department for one to two years. These teachers will receive intensive training in using the new academic content standards and model curricula. They will then go out, working through the 12 Regional Professional Development Centers, to assist districts throughout Ohio in implementing the standards and curricula.

Student Assessment 200-437 and State Assessments 200-690 (Federal)

Amended Substitute Senate Bill 1 also requires that the Department replace the current state proficiency tests with achievement tests and develop and implement diagnostic assessments to be used when an achievement test is not administered. The executive budget proposes $43,353,391 in FY 2004 for activities related to the state testing program, an increase of 30%. In addition, the federal government has provided Ohio with a grant to develop and administer federally mandated tests. The executive budget appropriates $11,894,315 in FY 2004 and $12,489,031 in FY 2005 of federal funds for this purpose from item 200-690, State Assessments (Fund 3Z2). This represents an increase of 5.1% over FY 2003, the first year of the grant, and an increase of 5.0% from FY 2004 to FY 2005. Approximately 89% of item 200-437 and 100% of 200-690 will be spent on outside contractors. These contractors are responsible for developing and scoring the assessments. In FY 2003, three main contractors were used: American Institutes for Research, Measurement Incorporated, and NCS Pearson.

The federal No Child Left Behind Act (NCLB) of 2001 requires that states annually test all students in 3rd through 8th grade and in 10th grade in reading and mathematics, as well as testing students in science three times, once in 3rd through 5th grades, once in 6th through 9th grades, and once in 10th through 12th grades. Legislation has been introduced in both houses of the current General Assembly to reconcile the federal and state assessment mandates. The cost estimates given here are based on the Department's proposal and could change depending on the legislation that is enacted.

Currently, proficiency tests in reading, writing, mathematics, science, and social studies are administered in 4th, 6th, and 9th grades. The 4th and 6th grade tests assess student knowledge and indicate if a student needs intervention. The 9th grade test assures that all Ohio high school graduates have demonstrated at least a 9th grade level of proficiency. The Department estimates that in FY 2004, 1.6 million proficiency tests will be distributed, administered, collected, scored, and reported, at a cost of approximately $15.3 million.

These proficiency tests are being phased out as new achievement tests are developed. Amended Substitute Senate Bill 1 requires development of achievement tests in reading for 3rd grade; writing and mathematics for 4th grade; science and social studies for 5th grade; reading, writing, and mathematics for 7th grade; and science and social studies for 8th grade. Amended Substitute Senate Bill 1 also requires development and implementation of the Ohio Graduation Test. This test will measure achievement at a 10th grade level. Students graduating in 2007 will be required to pass this test. In addition to the new achievement tests, Am. Sub. S.B. 1 requires the development of diagnostic assessments in reading, writing, and mathematics for kindergarten through 2nd grade and in reading, writing, mathematics, science, and social studies for 3rd through 8th grade. Except that a diagnostic assessment is not to be developed for any subject and grade for which there is an achievement test. Whereas the achievement tests are scored and reported by the state, the diagnostic assessments are scored by the school district and only the results of the kindergarten assessment are reported to the state. The Ohio Graduation Tests in reading and mathematics will be administered for the first time in March 2003. According to the Department, diagnostic assessments in reading, writing, and mathematics for kindergarten, 1st, and 2nd grade, as well as the 3rd grade reading achievement test will start to be administered in FY 2004. The contract for the development, administration, scoring, and reporting of new assessments is estimated to total approximately $29.7 million in FY 2004.

In addition to the contracted costs associated with the assessments, the Department estimates an additional cost of $5.4 million in FY 2004 for office expenses and miscellaneous contracts.

Of the cost estimates given here, approximately $18.0 million, or 36%, are costs for the federally mandated assessments. These costs exceed the federal grant by about $6.1 million.

GED Testing/Adult High School 200-447

The executive budget proposes $1,829,106 in FY 2004 for this item, an increase of 0.2%. The General Equivalency Diploma (GED) is given to people without a high school diploma who pass the GED test. The GED test is given free of charge to all eligible applicants in Ohio. There are 81 GED test centers in Ohio, which include school districts, joint vocational school districts, community colleges, and correctional institutions. According to the Department, about 30,000 applications are processed, 26,000 tests are taken, and 6,000 transcripts are requested each year. In addition, passing the GED is verified for employers 400 times per month.

Two other programs, Operation Extend and Adult High School, are funded through this appropriation item. Operation Extend reimburses districts for the cost of providing summer proficiency intervention programs for students from the current 12th grade class who did not graduate because of their inability to pass the 9th grade proficiency tests. Adult High School reimburses districts for the cost of conducting high school credit classes for adults taking the GED test.

Guidance and Testing 200-610

This state special revenue fund (Fund 454) receives the proceeds from the sale of various tests and test services to public and nonpublic schools. These funds are used by the Department to develop, administer, score, and report various tests for Ohio students. The executive budget proposes $956,761 for this item in both years of the biennium, an increase of 36.7% over FY 2003 estimated spending.

Early Childhood — Program Series 2

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 2004	FY 2005
GRF	200-408	Public Preschool	$19,018,551	$0
GRF	200-442	Child Care Licensing	$1,385,633	$0
GRF	200-449	Head Start Plus Start Up	$16,000,000	$0
3C5	200-661	Early Childhood Education	$21,508,746	$21,508,746
3H9	200-605	Head Start Collaboration Project	$275,000	$275,000
5W2	200-663	Head Start Plus/Head Start	101,200,000	103,184,000
Total funding: Early Childhood			**$159,387,930**	**$124,967,746**

The executive proposal for this program series reflects an increase in funding for FY 2004 of approximately 18.7%. Most of this increase is due to the new Head Start Plus Initiative. This initiative would combine state Head Start services with childcare services to produce a full-day, year-around Head Start program. The number of children receiving state administered Head Start services would decline from approximately 17,000 in FY 2003 to 14,000 in FY 2004, under the executive proposal. Of the 14,000 children served in FY 2004, 10,000 would receive full-day, full-year services and 4,000 would remain in the traditional half-day, nine-month Head Start program.

Public Preschool 200-408

This program funds preschool programs for three and four year old children from low-income families. 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. Children from families with incomes below the federal poverty level attend these programs tuition free. Children from families with incomes below 185% of the federal poverty level attend on a prorated tuition basis. Programs may only enroll children from families with incomes above 185% of the federal poverty level if all their funded positions have been filled and there is space available. These families must pay full tuition. Currently, 8,029 children are served through these programs. The executive budget proposes $19,018,551 in FY 2004, which is equal to the estimated spending in FY 2003.

Public Preschool Set Asides	
Set Aside	**FY 2004**
Program Support and Technical Assistance	$380,371
Total Set Asides:	**$380,371**

Program Support and Technical Assistance. Up to 2% of the total appropriation may be used by the Department for program support and technical assistance. This is the same as the set aside for FY 2003.

Child Care Licensing 200-442

The executive budget proposes $1,385,633 in FY 2004 for this item, an increase of 2.0%. These funds are used by the Department to license and inspect preschool and school-age child care programs operated by school districts, chartered nonpublic schools, Head Start agencies, and county boards of mental retardation and developmental disabilities.

Early Childhood Education 200-661 (Federal)

The executive budget recommends $21,508,746 in both years of the biennium for this item, an increase of 24.3% over FY 2003. Four federal programs are funded through this line item.

Preschool Special Education Grants. The federal grant for this program for each fiscal year is estimated to be $13.3 million, an increase of 3.1%. Approximately 70% of these funds are distributed to school districts through a formula that depends on the number of preschool students with disabilities, the total preschool population in the district, and the level of poverty in the district. Districts use these funds to provide special education and related services to children with disabilities between the ages of three and five. Twenty percent of the funds are used by the Department to provide local assessments, professional development, and parent education. The remaining 5% is used for administration of the program.

Even Start. The federal grant for this program for each fiscal year is estimated to be $6.9 million, a decrease of 4.6%. Ninety-four percent of these funds are awarded through a competitive grant process to local family literacy programs. These programs must integrate early childhood education, adult literacy, parenting education, and interactive parent and child literacy activities. Services are provided to eligible parents and their children from birth to age seven. The Department retains 3% of the funds to provide technical assistance to the programs and professional development to teachers. The Department may use an additional 3% for administration.

Even Start Statewide Family Literacy Initiative Grants. The federal grant for this program for each fiscal year is estimated to be $250,000, equal to FY 2003 spending. These funds are used to plan and implement a statewide family literacy initiative in Ohio in order to coordinate and integrate existing federal, state, and local resources for family literacy.

Child Care and Development Block Grant. The federal grant for this program for each fiscal year is estimated to be $670,000, equal to FY 2003 spending. This grant is administered through the U.S. Department of Health and Human Services. Seventy percent of the funds received by Ohio must be used to provide child care services for families who are transitioning off Temporary Assistance for Needy Families (TANF) or who are at risk of welfare dependency. At least 4% of the funds must be used for consumer education, resource and referral services, childcare provider training, and childcare provider recruitment.

Head Start Collaboration Project 200-605 (Federal)

These funds are used to coordinate Head Start programs in Ohio. The executive budget recommends $275,000 for this item in each year of the biennium, an increase of 10.0% over FY 2003 spending.

Head Start Plus/Head Start 200-663 and Head Start Plus Start Up 200-449 - New

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 118th General Assembly in 1989. During the FY 2002-2003 biennium, the state program was partially funded through transfers of federal Temporary Assistance to Needy Families (TANF) funds to the GRF. The executive budget proposes to completely remove this program from the GRF and fund it entirely with TANF funds. The executive proposal creates a new federal special revenue fund, Head Start Plus/Head Start (Fund 5W2). Under the proposal, this fund would receive federal TANF dollars to be used for the state administered Head Start Plus and Head Start programs. TANF operates on a reimbursement basis. The executive budget, therefore, proposes $16,000,000 in the new GRF appropriation item 200-449, Head Start Plus Start Up. This GRF money would be used by grantees to cover expenditures made at the beginning of the fiscal year that would then be reimbursed with TANF dollars. Grantees will only be permitted to spend state funds on expenses that are completely TANF eligible.

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 executive budget proposes $101,200,000 in FY 2004 from federal TANF funds, for state-administered Head Start. This represents a 5.0% increase over funding provided through GRF appropriation item 200-406, Head Start, in FY 2003. The executive budget proposes $103,200,000 in FY 2005, a 2.0% increase over FY 2004. In FY 2002, the state funded programs served a total of 18,676 children at a cost of $4,825 per child. In federal FY 2002, Ohio received a total of $239.1 million in federal Head Start funding. This funding goes directly to local Head Start grantees and is not part of the state budget. Federal Head Start currently serves about 38,000 children in Ohio with an average per child cost of about $6,000.

Head Start Plus/Head Start Set Asides		
Set Aside	**FY 2004**	**FY 2005**
Program support and technical assistance	$2,000,000	$2,000,000
Head Start Plus Initiative	$80,000,000	$81,600,000
Traditional Head Start	$19,200,000	$19,584,000
Total Set Asides:	**$101,200,000**	**$103,184,000**

Program Support and Technical Assistance. The Department may use up to $2,000,000 in each fiscal year to provide program support and technical assistance.

Head Start Plus Initiative - New. The Head Start Plus Initiative is a new program that would provide 10,000 children with access to full-day, full-year programming that would meet the childcare needs of low-income working families as well as providing the educational and comprehensive services of the traditional head start program. There are currently 52 Head Start grantees in the state program. Nineteen (36%) of them provide full-day, full-year services. Full-day, full-year is defined as more than six hours per day and more than 230 days per year. Approximately, 79% of the appropriation is set-aside for this new program, $80,000,000 in FY 2004 and $81,600,000 in FY 2005. In addition to the federal funds, $16,000,000 of GRF funding would be provided through line item 200-449, Head Start Plus Start Up, to

allow grantees to start to receive TANF reimbursements. Grantees would spend these General Revenue Fund (GRF) funds on expenditures that are completely TANF-eligible and then be entirely reimbursed from that point on by federal TANF funds.

Traditional Head Start. The executive budget proposes continued funding for traditional partial-day, partial-year Head Start programs. Approximately 19% of the appropriation is set aside for this purpose, $19,200,000 in FY 2004 and $19,584,000 in FY 2005. This amount of funding would provide services to 4,000 children.

Teaching Profession — Program Series 3

Purpose: This program series addresses one of the Department's main goals: providing a caring and competent teacher in every classroom.

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 2004	FY 2005
GRF	200-410	Professional Development	$36,185,253	$0
GRF	200-444	Professional Recruitment	$2,186,112	$0
GRF	200-448	Educator Preparation	$609,375	$0
GRF	200-452	Teacher Success Commission Initiatives	$1,650,000	$0
4L2	200-681	Teacher Certification	$5,038,017	$5,236,517
3Y6	200-635	Improving Teacher Quality	$103,686,420	$104,100,000
374	200-647	Troops to Teachers	$2,618,076	$2,622,370
Total funding: Teaching Profession			**$151,973,253**	**$111,958,887**

The executive proposal for this program series reflects an increase in funding for FY 2004 of approximately 6.3%. The Governor's Commission on Teaching Success issued 15 recommendations to the Governor on February 20, 2003 related to improving teaching in Ohio. Some of these recommendations were anticipated in the executive proposal. In addition, a new line item, 200-452, Teaching Success Commission Initiatives is created to help fund other initiatives stemming from the Commission's recommendations.

Following is the list of recommendations and examples of funding provided in the executive budget that may begin to address them.

1. *Adopt clear standards for what all teachers and principals should know and be able to do at all stages of their careers.* The executive budget sets aside $146,250 in FY 2004 of GRF line item 200-448, Educator Preparation, for collaboration with the Interstate New Teachers Assessment and Support Consortium.

2. *Develop a framework of essential criteria for school districts to follow when creating locally determined evaluation systems to assess the performance of teachers and principals.*

3. *Establish an integrated, data-driven, statewide plan to assist school districts and schools in recruiting and retaining high-quality teachers, principals, and other school personnel.* The Department uses funds from GRF line item 200-444, Professional Recruitment, for developing and maintaining a web-based placement network, and for issuing annual teacher supply and demand reports.

4. *Expand and develop the pool of high-quality teachers and principals by making more effective use of the state's colleges and universities.* The executive budget sets aside $1,163,565 in FY 2004 of GRF line item 200-444, Professional Recruitment, for collaborative programs with colleges and universities to recruit minorities into the teaching profession.

5. *Use "grow-your-own" recruitment strategies to recruit and retain high-quality teachers and principals in hard-to-staff schools.* The Department uses funds from GRF line item 200-444, Professional Recruitment, to support recruitment of high school students into the teaching profession.

6. *Improve teacher retention by creating teaching and learning environments characterized by a supportive professional culture, shared leadership, and time in the school day and school year for ongoing, job-embedded professional development and collaborative planning.* The executive budget proposes $16,497,000 in GRF appropriation item 200-421, Alternative Education Programs, to support alternative teaching environments for "at-risk" students.

7. *Raise the minimum salary for beginning teachers and assist school districts in developing and implementing new compensation systems that are linked to standards-based evaluations, that broaden the factors on which compensation is based and that include options for tiered career paths.* The executive budget sets aside $188,090 in FY 2004 of GRF line item 200-410, Professional Development, to fund grants to six districts to assist in the development of local knowledge and skills based compensation systems.

8. *Ensure that teacher and principal preparation programs more closely reflect the realities and challenges educators face in today's classrooms by funding a variety of high-quality clinical and field experiences for teachers-in-training, principals-in-training, and higher education faculty, including a variety of partnerships between teacher preparation programs and P-12 school districts.* The executive budget sets aside $438,750 in FY 2004 of GRF line item 200-448, Educator Preparation, for professional development schools. In addition, the proposal sets aside $676,260 for the Ohio Principals' Leadership Academy and $546,000 for Ohio Leadership Academies for superintendents from GRF line item 200-410, Professional Development.

9. *Strengthen teacher- and principal-preparation programs' accountability for the performance of their graduates.* In collaboration with the Ohio Board of Regents, the Ohio Department of Education prepares an annual "Report on the Quality of Teacher Education in Ohio."

10. *Increase opportunities for qualified individuals to become teachers and principals through alternative routes – and ensure that all routes into teaching and the principalship are high-quality and standards-based.* The executive budget sets aside $622,414 of GRF appropriation item 200-444, Professional Recruitment, to support mid-career recruitment.

11. *Require and fund high-quality induction experiences for all new teachers and principals, including those who enter the profession through alternative routes. In hard-to-staff schools, provide three years of structured mentoring designed to support teachers and principals.* The executive budget sets aside $19,442,358 in FY 2004 of GRF line item 200-410, Professional Development, for entry year programs for teachers; and $1,840,000 for entry year programs for principals.

12. *Adopt statewide standards for professional development.*

13. *Require and fund additional high-quality professional development for all licensed school personnel that is aligned with the state's academic content standards for students and that builds instructional capacity by focusing on the analysis and use of data to improve student achievement.* The executive budget funds dissemination of the academic content standards through GRF appropriation item 200-427, Academic Standards, including a set-aside of $731,250 in FY 2004 for the Teachers-on-Loan Program.

14. *Support teachers who pursue National Board Certification, reward those who attain National Board Certification and encourage school districts to engage National Board Certified teachers in ways that add value beyond their own classrooms.* The executive budget sets aside $7,229,624 in FY 2004 of GRF line item 200-410, Professional Development, to support National Board Certification.

15. *Appoint a Task Force on Regional Service Delivery to develop a plan for aligning and restructuring Ohio's configuration of regional service delivery agencies.* The executive budget sets aside $5,368,357 in FY 2004 of GRF line item 200-410, Professional Development, to support 12 Regional Professional Development Centers.

Professional Development 200-410

This line item supports a variety of educator professional development efforts. The executive budget proposal for this item is $36,185,253 in FY 2004, an increase of 18.5%. In addition to the appropriations made in this line item, the executive budget appropriates approximately $7.7 million in FY 2004 in SchoolNet's budget for the same general purpose with a focus on using technology. The executive proposal for FY 2005 is to merge SchoolNet into the Department of Education.

Professional Development Set Asides	
Set Aside	**FY 2004**
12 Regional Professional Development Centers	$5,368,357
National Board Certification – Testing Fees and Stipends	$7,229,625
Entry Year Programs – Teachers	$19,442,358
Ohio Leadership Academies – Superintendents	$546,000
Ohio Principal's Leadership Academy	$676,260
Entry Year Programs – Principals	$1,840,000
Rural Appalachian Initiative	$438,750
Teacher Recognition Program	$243,750
Ohio University Leadership Program	$65,813
School Board, Treasurers, and School Business Officials	$146,250
Local Knowledge/Skills-Based Compensation	$188,090
Total Set Asides:	**$36,185,253**

Regional Professional Development Centers (RPDCs). Ohio has twelve RPDCs statewide that provide school districts with technical assistance, training, and professional development services. The executive proposal sets aside $5,368,357, a decrease of 10.5%, to fund these centers. Funds are allocated to the centers based on the number of teachers in the region served. The services provided by the RPDCs emphasize continuous improvement planning, curriculum alignment, proficiency testing, and technology.

National Board Certification. The National Board of Professional Teaching Standards is a non-profit organization that has developed standards for what teachers should know and be able to do. The Board has a certification process by which a teacher with at least a baccalaureate degree participates in a series of assessments in which his or her teaching practice is measured against these standards. Many educators recognize the process of obtaining National Board Certification as a powerful professional development experience. Ohio currently has about 1,797 teachers who are certified by the National Board. The

executive budget sets aside $7,229,625 in FY 2004, an increase of 27.5%, to provide stipends of $2,500 to each of these teachers and to pay the application fee of $2,300 for 500 more Ohio teachers seeking certification.

Entry Year Programs –Teachers. Beginning in FY 2003, all school districts in Ohio are required to provide an entry-year program for all teachers in their districts who are in their first full-time position teaching under a specific provisional license. An entry-year program is a formal structured program of support, including mentoring, that is designed to prepare a teacher for the Praxis III assessment. All teachers with provisional licenses must successfully complete an entry-year program and the Praxis III assessment in order to obtain a professional license. The executive budget sets aside $19,442,358 in FY 2004 for this program, an increase of 11.4% over estimated FY 2003 spending. Each school district receives $2,000 per entry-year teacher to fund its local program. About 6,000 beginning teachers enter the work force each year. Beginning in the fall of 2003, all beginning teachers will need to have a provisional license.

Ohio Leadership Academies – Superintendents. The executive budget proposes $546,000 in FY 2004, a decrease of 2.5%, to continue Ohio Leadership Academies to develop and train superintendents in new leadership and management practices. Thirty-four superintendents participated in FY 2002.

Ohio Principal's Leadership Academy. The executive budget sets aside $676,260 in FY 2004, a decrease of 0.6%, to support the Ohio Principal's Leadership Academy. This activity serves principals and their staff teams, encouraging principals to become instructional leaders who base their work on standards and research.

Entry Year Program – Principals. The executive budget sets aside $1,840,000 in FY 2004, an increase of 136.0%, to continue supporting an entry year program for principals. Principals in Ohio must successfully complete an entry-year assessment before obtaining full licensure. This program will fund a regional system of performance assessments.

Rural Appalachian Initiative. The executive budget sets aside $438,750 in FY 2004, a decrease of 12.3%, to continue the Rural Appalachian Initiative that creates professional development academies for teachers, principals, and superintendents in the Appalachian region.

Teacher Recognition Program. The executive budget sets aside $243,750 in FY 2004, a decrease of 2.9%, to fund mini-grants of $500 to $6,000 for classroom teachers to improve instruction and student performance.

Ohio University Leadership Program. The executive budget earmarks $65,813 in FY 2004, a decrease of 12.3%, for the Ohio University Leadership Program.

School Board, School Treasurers, and School Business Officials - New. The executive budget sets aside $146,250 in FY 2004 to provide training to school board members, school treasurers, and school business officials. Seminars and publications will be provided to assist these school board members and administrators understand their roles and functions in providing the best educational opportunities possible. This funding will support the training of up to 25 school treasurers.

Local knowledge/Skills-Based Compensation Systems - New. The executive budget provides $188,090 in FY 2004 to provide grants to six school districts to design seminars and other activities to develop local compensation systems that are based on knowledge and skills as opposed to the traditional compensation systems that are based on education and experience.

Professional Recruitment 200-444

This line item receives $2,186,112 in FY 2004, an increase of 46%. These funds are used for a variety of educator recruitment activities. The Department has recruitment programs targeting areas in special need of more educators. These areas currently include: mathematics and science teachers, special education teachers, and principals. Activities targeting recruitment of high school students into the teaching profession are also funded. The Department also uses these funds for developing and maintaining a web-based placement network where education vacancies in the state as well as educator resumes are posted. In addition, the Department issues an annual "supply and demand" report that describes the availability of educators and critical educator shortage areas in Ohio. Finally, the executive budget proposes two set asides for these funds.

Professional Recruitment Set Asides	
Set Aside	**FY 2004**
Minority Teacher Recruitment	$1,163,565
Mid Career Recruitment	$622,414
Total Set Asides:	**$1,785,979**

Minority Teacher Recruitment. The executive budget sets aside $1,163,565 in FY 2004, a decrease of 0.6%, to support collaborative programs between higher education institutions and school districts to recruit, develop, and retain persons from under-represented populations into the teaching profession. In particular, efforts are made to recruit minority-teaching candidates into teaching and especially into schools that have a high percentage of minority students. The percentage of the teachers graduating from Ohio colleges who were minorities was 10% in 2000, 9% in 2001, 10% in 2002, and is estimated at 12% in 2003. The overall percentage of teachers who are minorities in Ohio is currently about 7%, while the percentage of primary and secondary students who are minorities is 20%. The attrition rate for minority teachers during the first few years of teaching tends to be somewhat higher than the rate for all teachers.

Mid-Career Recruitment - New. The executive budget sets aside $622,414 in FY 2004 to support collaborative activities at higher education institutions and school districts that encourage individuals who are seeking a second career or who are interested in mid-career changes to enter the teaching profession. Ohio currently has a one-year conditional teaching permit and a two-year alternative teaching license that provide a non-traditional pathway into the teaching profession for prospective teachers who have a baccalaureate degree in an area other than education. In FY 2002, the Department issued 69 conditional teaching permits and 39 alternative teaching licenses.

Educator Preparation 200-448 - New

The executive budget proposes $609,375 in FY 2004 for this new line item. These funds would be used to support three activities designed to improve teacher preparation for the classroom.

Educator Preparation Set Asides	
Set Aside	**FY 2004**
Collaboration with Interstate New Teacher Assessment and Support Consortium (INTASC)	$146,250
Professional Development Schools	$438,750
Ohio Teacher Education and Certification Commission	$24,375
Total Set Asides:	**$609,375**

Collaboration with the Interstate New Teacher Assessment and Support Consortium (INTASC) - New. The Interstate New Teacher Assessment and Support Consortium is a project of the Council of Chief State School Officers. It is a consortium of state education agencies, higher education institutions, and national education organizations dedicated to the reform of the education, licensing, and ongoing professional development of teachers. The executive budget sets aside $146,250 in FY 2004 to support the Department's collaboration with INTASC in the development of national standards for teacher preparation and portfolio assessments for licensure. A goal of INTASC is to create alignment among academic content standards for students, content and professional standards for teachers, and assessment instruments used for the initial licensure of educators.

Professional Development Schools - New. The executive budget sets aside $438,750 in FY 2004 for grants to be awarded to teacher education colleges and school district partnerships that will develop professional development schools within the district based on the standards of the National Council for Accreditation of Teacher Education (NCATE). The National Council for Accreditation of Teacher Education is a coalition of 33 specialty professional associations of teachers, teacher educators, content specialists, and local and state policy makers. The National Council for Accreditation of Teacher Education endorsed a list of standards for professional development schools in March 2001. According to the Department, the professional development schools will focus on improving student achievement, will provide real-world, clinical preparation for teachers, will serve as professional development sites, and will support research and inquiry about teaching and learning.

Ohio Teacher Education and Certification Commission. The executive budget sets aside $24,375 in FY 2004, a decrease of 2.5%, to be used by the Ohio Teacher Education and Certification Commission to carry out the responsibilities of the 21-member Advisory Commission. The Advisory Commission considers all matters related to educator preparation and licensure, including standards and approval of institutions and programs. This activity is currently funded through GRF appropriation item 200-410, Professional Development.

Teacher Success Commission Initiatives 200-452 - New

Amended Substitute Senate Bill 1 of the 124th General Assembly called for the creation of the Governor's Commission on Teaching Success. The Commission was charged with addressing questions related to teacher recruitment and preparation; teacher induction, support, and retention; professional development; and school leadership. The Commission presented its recommendations to the Governor on February 20, 2003. The executive budget proposes $1,650,000 in FY 2004 to begin investing into the new initiatives recommended by the Commission.

Teacher Certification and Licensure 200-681

The executive budget requests an appropriation of $5,038,017 in FY 2004 and $5,236,517 in FY 2005 for this item, increases of 3.7% and 3.9% respectively. This fund (Fund 4L2), in the General Services Fund Group, receives certification and licensing fees charged to Ohio educators. This revenue is used to process licensure applications and provide technical assistance to applicants and the educational community regarding the licensure process. This item also funds the teacher license investigation/revocation process. According to the Department, over 1,000 cases are investigated annually with about 90 resulting in a hearing. Nine hearing officers are among the positions funded through this item.

Improving Teacher Quality 200-635 (Federal) - New

The federal No Child Left Behind Act of 2001 (NCLB) requires that by the end of the 2005-2006 school year all teachers must be "highly qualified." In general, NCLB defines a "highly qualified" teacher as one with full certification, a bachelor's degree, and demonstrated competence in the subject the teacher is teaching, as well as competence in teaching skills. The Department must develop a plan that establishes annual measurable objectives for each district to ensure it is in compliance. The Department must also provide technical assistance to any district not meeting these annual objectives for two consecutive years. The No Child Left Behind Act also requires that paraprofessionals obtain two years of postsecondary education, or for those with a high school diploma, demonstrate necessary skills on a formal state or local assessment. The Department is required to report on the percentage of teachers who are "highly qualified" and who participated in professional development throughout the year.

The No Child Left Behind Act combined the former Eisenhower Professional Development and Class Size Reduction programs into the new program, Improving Teacher Quality. The executive budget requests an appropriation of $103,686,420 in FY 2004 and $104,100,000 in FY 2005 for this item, increases of 0.3% and 0.4% respectively. Ninety-five percent of the funds are transferred directly to school districts based on a federal formula. School districts can use these funds for a variety of teacher-related activities including professional development and class size reduction. Of the two former programs, Class Size Reduction was by far the largest. School districts may choose to continue using these funds for class size reduction; not doing so will result in a decrease of funds for teacher salaries, and perhaps a reduction in the districts' teaching staff. The Department retains 1% for administration and 2.5% is retained for state level teacher quality activities. According to the Department, these activities include development of a testing program for paraprofessionals; funding for a Principal in Residence at the Department to assist with development of programs and policies for principals; development of an Integrated Licensure System and web-based data collection tools for the purpose of establishing, tracking, and reporting to the federal government on the qualifications of teachers and paraprofessionals and the provision of professional development; and technical assistance to districts exploring alternative compensation systems. The remaining 2.5% of the funds are transferred to the Ohio Board of Regents to award grants to partnerships of institutes of higher education and high need school districts to improve teacher and paraprofessional education.

Troops to Teachers 200-647 (Federal)

The executive budget requests spending authority of $2,618,076 in FY 2004 and $2,622,370 in FY 2005 for this program, increases of 0.3% and 0.2%, respectively. This program encourages former military personnel to become classroom teachers. Approximately 14% of the funds are used for state administration of the program. The remaining funds are provided to former military personnel for tuition or stipends to assist them in becoming teachers.

Innovation and Best Practices — Program Series 4

Purpose: The programs in this series support innovative programs and proven best practices in Ohio schools, especially as relates to instruction in literacy.

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 2004	FY 2005
GRF	200-433	Reading/Writing Improvement	$21,060,953	$0
GRF	200-445	OhioReads Admin/Volunteer Support	$5,178,228	$0
GRF	200-455	Community Schools	$4,278,911	$0
GRF	200-566	OhioReads Grants	$27,263,379	$0
3T4	200-613	Public Charter Schools	$23,287,500	$26,187,113
3Y4	200-632	Reading First	$29,881,256	$33,168,194
3Y7	200-689	English Language Acquisition	$4,872,334	$5,505,737
Total funding: Innovation and Best Practices			**$115,822,561**	**$64,861,044**

The executive proposal for this program series reflects an increase in funding for FY 2004 of approximately 9.7%. The current OhioReads and community school initiatives are maintained. There is a 17.2% increase in funding line item 200-433, Reading/Writing Improvement, which largely support standards-based literacy activities. Also, the federal line item 200-632, Reading First, receives an increase of 11% over FY 2003, the first year of the program.

Reading/Writing Improvement 200-433

This line item receives $21,060,953 in FY 2004, an increase of 17.2%. The executive budget proposes two set asides for this item totaling $12,997,689. The remaining $8,063,264 supports standards-based classroom reading and writing instruction, reading intervention, and the design and development of standards-based literacy curriculum materials; and literacy professional development partnerships between the Department, higher education institutions, the literacy specialists project, the Ohio principals' literacy network, regional literacy teams, literacy networks, and school districts. According to the Department, development of standards-based literacy curriculum materials will be achieved through grants to the Regional Professional Development Centers (RPDCs) that will fund teams of teachers that will develop and test curriculum materials. The RPDCs will facilitate the work of the teams, the peer review process, and the production of the materials for statewide distribution. These materials must be based on research and must be aligned with the state standards and model curricula. Professional development partnerships seek to create and maintain networks of literacy specialists, principals, and other educators with faculty at higher education institutions. These networks provide occasion for educators to share knowledge and experience related to the most current research and practice surrounding literacy. Currently, there are 159 literacy specialists working in Ohio schools. They are funded with local and federal funds.

Reading/Writing Improvement Set Asides	
Set Aside	**FY 2004**
Summer Institutes for Reading Intervention	$12,675,000
Early Language and Literacy Classroom Observation	$322,689
Total Set Asides:	**$12,997,689**

Summer Institutes for Reading Intervention (SIRI). The executive budget sets aside $12,675,000 in FY 2004, an increase of 2.5%, to support the Summer Institutes for Reading Intervention. Summer institutes first began in the summer of 1999 with 1,200 teachers participating in the programs. The institutes provide teachers with intensive job-embedded instruction during the summer, using a research-based literacy curriculum, while simultaneously providing reading intervention to children. There are three institutes: K-3 Reading Instruction, Standards and Diagnostic Lesson Design, and Adolescent Literacy. Under the executive proposal, approximately 20,000 teachers and 500,000 children will participate in the institutes in FY 2004.

Early Language and Literacy Classroom Observation - New. The executive budget sets aside $322,689 in FY 2004 to assess a sample of center-based, early care and education programs using the Early Language and Literacy Classroom Observation (ELLCO) instrument. The Early Language and Literacy Classroom Observation involves an assessment of the classroom environment, 20 to 45 minutes of classroom observation, and a 10-minute interview with the teacher. Based on these observations, the classroom is rated on the presence and quality of literacy activities.

OhioReads Administration/Volunteer Support 200-445

The executive budget proposes $5,178,228 in FY 2004, an increase of 3.0% over FY 2003 to fund administrative support for the OhioReads initiative. OhioReads works to involve volunteers in improving the reading of Ohio's children. In addition to covering administrative costs within the Department of Education, funds would be used by the OhioReads Council to fund $2,000 per year stipends for volunteer coordinators, background checks of volunteers, and evaluation of OhioReads Programs. Under the executive proposal, support is provided to approximately 45,000 volunteers tutoring about 100,000 students in kindergarten through 4th grade.

Community Schools 200-455

The executive budget proposes $4,278,911 in FY 2004 for this item, an increase of 1.1%. 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. Funding is provided to community schools 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 funds start-up grants for new community schools. Under the executive proposal, $2.7 million will be available for grants, although there is no specific set aside in the bill. Grants of up to $50,000 may be awarded to a sponsor who has a preliminary agreement to establish a school. The grant can be used to defray planning and initial start up costs as the sponsor finalizes plans for the school and establishes a governing authority. In the first year of operation of a community school an additional grant of up to $100,000 may be awarded to partially defray additional start up costs as demonstrated by a thorough examination of the needs of the school. 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, which has a requested appropriation of $23,287,500 in FY 2004.

Currently, 132 community schools are in operation with a total enrollment of approximately 34,000 students.

Community Schools Set Asides	
Set Aside	**FY 2004**
Office of School Options	$1,558,661
Total Set Asides:	**$1,558,661**

Office of School Options. The executive budget sets aside $1,558,661 in FY 2004, a decrease of 9.6%, to be retained by the Office of School Options within the Department of Education for providing services that facilitate the management of community schools, including providing technical assistance and information to current or prospective sponsors and governing authorities.

OhioReads Grants 200-566

OhioReads is Governor Taft's initiative to improve reading outcomes for Ohio's kindergarten through 4th grade students, especially outcomes on reading proficiency and achievement tests. The executive budget calls for $27,263,379 in FY 2004 to continue this initiative, an increase of 3.0% over FY 2003. These funds would be used to provide grants to public schools, community schools, and educational service centers to support local reading literacy initiatives including reading programs, materials, professional development, tutoring, tutor recruitment and training, and parental involvement. Moneys provided via OhioReads Grants are subsidies for the provision of service only. 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 2002-2003 biennium, 300 elementary schools received new classroom grants and 704 received continuation grants. Meanwhile, 78 community organizations received new community reading grants and 151 received continuation grants. One hundred and thirteen community organizations received new summer grants and 133 received summer continuation grants. Under the executive proposal, approximately 1,500 grants will be provided to over 1,200 elementary schools.

Public Charter Schools (Federal) 200-613

This federal program provides competitive grants to states with charter school laws. In Ohio, charter schools are referred to as community schools. The Department expects to receive a grant of $23,287,500 to be disbursed in state FY 2004 and $26,187,113 to be disbursed in state FY 2005, an increase of 12.5% both years. The Department retains about 4% of the grant for administration. The remaining funds are awarded on a competitive basis to community schools in Ohio to assist in planning, design, initial implementation, and dissemination of information. Community schools receiving a grant under this program are not eligible to receive a grant from GRF appropriation item 200-455, Community Schools.

Reading First (Federal) 200-632

The federal No Child Left Behind Act of 2001 (NCLB) established the new Reading First program. Ohio received $26,895,462 in FY 2003, the first year of the program and expects to receive $29,881,256 in FY 2004 and $33,168,194 in FY 2005, an increase of 11.1% and 11.0%, respectively. Future funding for Ohio through the Reading First program is contingent on Ohio's ability to demonstrate an increase in student achievement related to the Reading First program. The amount of the grants received are based on a formula that depends on the number of children in Ohio between the ages of five and 17 who come from families below the federal poverty line. Eighty percent of the funds are awarded as competitive grants to school districts to support kindergarten through 3rd grade reading programs for low-income children. These grants must be targeted to districts with at least 15% of students from families with incomes below the federal poverty level or at least 6,500 poor children. Twenty-four school districts with 480 school buildings are eligible for these grants. The minimum amount of each grant is $50,000. Thirteen percent of the funds are used for professional development activities at the state level. The No Child Left Behind Act requires that the state develop a statewide professional development strategy to improve instructional practices for reading. Five percent of the state grant is to be used to provide technical assistance to districts. The Department uses the remaining 2.5% for administration of the program.

English Language Acquisition (Federal) 200-689

The federal No Child Left Behind Act of 2001 (NCLB) requires that any student who has attended school in the United States for three or more consecutive years be annually assessed in English through the state's testing program. This line item provides federal funds to districts to assist them in helping limited English proficient students gain proficiency in English and meet the state's academic standards. Ohio received $4,281,896 is state FY 2003, the first year of the program, and expects to receive $4,872,334 in FY 2004 and $5,505,737 in FY 2005, an increase of 13.8% and 13.0%, respectively. Ninety-five percent of the funds are distributed to districts based on the number of limited English proficient students in the districts. The Department retains the remaining 5% for administration.

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.

Fund	ALI	Title	FY 2004	FY 2005
GRF	200-405	Primary and Secondary Ed Funding	$0	$6,709,959,774
GRF	200-422	School Management Assistance	$1,778,000	$0
GRF	200-426	Ohio Educational Computer Network	$34,331,741	$0
GRF	200-500	School Finance Equity	$13,703,405	$0
GRF	200-501	Base Cost Funding	$4,429,395,035	$0
GRF	200-502	Pupil Transportation	$388,939,229	$0
GRF	200-503	Bus Purchase Allowance	$34,399,921	$0
GRF	200-505	School Lunch Match	$9,398,025	$0
GRF	200-511	Auxiliary Services	$127,903,356	$0
GRF	200-525	Parity Aid	$327,289,958	$0
GRF	200-532	Nonpublic Admin Cost Reimbursement	$55,803,103	$0
GRF	200-546	Charge-Off Supplement	$40,276,844	$0
GRF	200-558	Emergency Loan Interest Subsidy	$3,022,500	$0
GRF	200-901	Property Tax Allocation	$736,750,000	$726,360,000
GRF	200-906	Tangible Tax Exemption – Education	$70,710,000	$67,710,000
5B1	200-651	Child Nutrition Services	$800,000	$800,000
5H3	200-687	School District Solvency Assistance	$18,000,000	$18,000,000
3L6	200-617	Federal School Lunch	$185,948,186	$191,898,528
3L7	200-618	Federal School Breakfast	$48,227,431	$49,524,254
3L8	200-619	Child and Adult Food Programs	$63,577,244	$65,293,830
367	200-607	School Food Services	$10,767,759	$11,144,631
053	200-900	School District Property Tax Replc	$115,911,593	$115,911,593
455	200-608	Commodity Foods	$11,308,000	$11,624,624
598	200-659	Auxiliary Services Reimbursement	$1,328,910	$1,328,910
017	200-612	Base Cost Funding	$606,123,500	$606,195,300
017	200-682	Lease Rental Pmts Reimbursement	$31,776,500	$31,704,700
Total funding: Basic Support			**$7,367,470,240**	**$8,607,456,144**

The executive proposal for this program series reflects an increase in funding for FY 2004 of approximately 15.0%. The Governor's Blue Ribbon Task Force on Financing Student Success, made up of representatives from major education arenas and other education stakeholders, will make recommendations to the General Assembly regarding a new financing mechanism for public primary and secondary education in Ohio, presumably to be implemented in FY 2005. The proposal for FY 2004 basically continues the funding mechanisms established in Am. Sub. H.B. 94 of the 124th General Assembly, with a few changes. The six-weight special education funding methodology established in Am. Sub. H.B. 94 is fully funded with a combination of local, state, and federal funds. The executive budget proposes a set aside of $335,735,930 to fund the state's share of these weights. Parity aid is funded at 60% in FY 2004.

Primary and Secondary Education Funding 200-405

Except for GRF appropriation items 200-901, Property Tax Allocation, and 200-906, Tangible Tax Exemption – Education, the executive budget appropriates all GRF funding, totaling $6,709,959,774, for the Department of Education for FY 2005 to this new line item. Further legislation will be needed to determine the distribution of these funds.

School Management Assistance 200-422

The Department provides technical assistance to districts placed in fiscal watch or fiscal emergency to help them in restoring and maintaining fiscal solvency. The executive budget proposes $1,778,000 in FY 2004 for this item, an increase of 2.8%. As of the beginning of the 2002-2003 school year, three districts were in fiscal emergency, five were in fiscal watch, and six were in fiscal caution. Since the designations were first formed, 13 districts have successfully moved out of fiscal emergency and nine have successfully moved out of fiscal watch.

School Management Assistance Set Aside	
Set Aside	**FY 2004**
Auditor of State Expenses	$351,000
Total Set Asides:	**$351,000**

Auditor of State Expenses. The executive budget sets aside $351,000 in FY 2004, a decrease of 2.5%, for the Auditor of State to conduct performance audits of districts in fiscal caution, fiscal watch, or fiscal emergency. These audits are done at the discretion of the auditor or at the request of the Superintendent of Public Instruction.

Ohio Educational Computer Network 200-426

The executive budget proposes $34,331,741 in FY 2004, a decrease of 1.9% for this item. These funds are 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.

Ohio Educational Computer Network Set Asides	
Set Aside	**FY 2004**
School Connectivity – Public	$18,592,763
INFOhio Network – Union Catalog	$1,884,355
School Connectivity – Nonpublic	$3,412,500
Network Coordination	$223,762
Total Set Asides:	**$24,113,380**

School Connectivity - Public. The executive budget sets aside $18,592,763 in FY 2004, a decrease of 2.5%, to support the physical connection of all public school buildings to the State of Ohio's education network, to each other, and to the Internet. These funds are provided to help the 23 data acquisition sites and individual school districts in meeting the operational costs associated with this connectivity and are allocated through a formula developed by the Department of Education. In FY 2003, the funding was $3,500 per building.

INFOhio Network - Union Catalog. The executive budget sets aside $1,884,355 in FY 2004, a decrease of 0.1%, for the INFOhio Network and the Union Catalog. INFOhio works with Ohio's other state-funded library networks, OPLIN (public libraries) and OhioLINK (universities), to provide resources and information access to Ohio's kindergarten through 12th grade population. This network can be accessed in school or at the child's home. It includes electronic resources specifically geared toward the primary and secondary school student. The Union Catalog offers students and teachers anywhere in Ohio access to library and curriculum resources from all over the state.

School Connectivity - Nonpublic. The executive budget sets aside $3,412,500 in FY 2004, a decrease of 19.8%, to support the physical connection of nonpublic school buildings to the Internet and the Ohio Education Computer Network (OECN).

Network Coordination. The executive budget sets aside $223,762 in FY 2004, a decrease of 0.6%, for administration of the Ohio Education Computer Network (OECN), including the costs of communication lines for large city districts that serve as their own data acquisition sites, costs for meetings arranged by the Department, and management audits of the data acquisition sites.

The remainder of appropriation for FY 2004, $10,218,361 is used to support the development, maintenance, and operations of a network of uniform and compatible computer based information instructional systems. Subsidies are distributed to data acquisition sites based on member district average daily membership and software use. Currently, the OECN has 747 members, including school districts, community schools, joint vocational school districts, and educational service centers. The remaining 67 entities that are not members operate their own software packages that are not supported by OECN.

School Finance Equity 200-500

The executive budget proposes $13,703,405 in FY 2004 for this item, a decrease of 31.4%. Equity aid was first created in FY 1993 as a mechanism to target more state aid to the lowest wealth school districts in the state. The 122nd General Assembly overhauled the education funding system, basing it on a model of an adequate base cost. The state has committed itself to ensuring that every district is able to meet the base cost as determined by the model. The state began to phase out equity aid starting in FY 1999, expecting it to be fully phased-out by FY 2002. Am. Sub. H.B. 94 of the 124th General Assembly extended the time of the complete phase out to FY 2006. Currently, the 117 lowest wealth districts receive equity aid. In FY 2002, these districts received the full payment. This payment in effect equalizes, up to the wealth level of the 118th lowest wealth district, an additional nine mills above the 23-mill charge-off. In FY 2003, these districts receive 75% of the calculated payment. The executive proposal retains the H.B. 94 phase-out schedule of 50% of the calculated payment in FY 2004. For more information on the equity aid formula, please see the section of this publication entitled "School Funding – Theory, Method, Model, & Formulas."

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

These two line items (GRF and Lottery) provide the main source of state foundation payments to school districts and joint vocational school districts. The executive budget proposes $4,429,395,035 in GRF funding and $606,123,500 in lottery funding for base cost funding in FY 2004. This is an increase of 0.9% in GRF funding and a decrease of 4.8% in lottery funding from FY 2003. 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. Am. Sub. H.B 94 of the 124th General Assembly calculated a base cost amount of $4,814 in FY 2002 and specified that it would increase by 2.8% per year until FY 2006. The executive proposal does not change this calculation method, so that the proposed base cost amount in FY 2004 is $5,088.

In addition to base cost funding, these two line items are also used for special education weighted funding, special education speech service supplemental funding, career-technical weighted funding, career-technical associated service funding, GRADS teacher grants, the excess cost supplement for the local share of pupil transportation, special education, and career-technical education modeled costs, guarantee funding, and teacher training and experience funding, reappraisal guarantee payments, the exempt valuation adjustment, as well as the specific set asides described below. For more information on foundation subsidies, please see the section of this publication entitled "School Funding – Theory, Method, Model, & Formulas."

Base Cost Funding (200-501) Set Asides	
Set Aside	**FY 2004**
State Education Aid Offset – S.B. 3 & S.B. 287	$90,000,000
Court Payments	$425,000
Recomputation of state aid due to taxable value changes	$15,000,000
Special Education Catastrophic Cost Supplement	$15,000,000
Youth Services Tuition	$2,000.000
Educational Service Centers	$52,000,000
Special Education Weighted Funding	$335,735,930
Private Treatment Facility Pilot Project	$1,000,000
Total Set Asides:	**$509,162,930**

State Education Aid Offset – S.B. 3 & S.B. 287. Amended Substitute Senate Bill 3 and Am. Sub. S.B. 287 of the 123rd General Assembly deregulated electric and natural gas utilities in Ohio. The bills included decreases in the property tax assessment rates on utility property. This decrease in assessment rates decreased the property valuation of school districts containing utility property. School districts are compensated for this decrease through payments made from appropriation item 200-900, School District Property Tax Replacement (Fund 053) and through the state education foundation program. The state education aid offset occurs because the lower valuation of the districts results in a lower local share for base cost funding and, therefore, a higher state share and increased state aid. The executive proposal sets aside $90,000,000 in FY 2004 for this state education aid offset, a decrease of 1.6% from the FY 2003 set aside. It specifies that if the offset is greater than $90,000,000, the Controlling Board may increase the appropriation, and if the offset is less than $90,000,000, the Director of Budget and Management shall reduce the appropriation.

Court Payments. When a court places a child in a private institution, school, or residential treatment center, the state must pay the court a subsidy to help defray the cost of educating the child. The executive proposal sets aside $425,000 for these payments. This is equal to the FY 2003 set aside.

Recomputation of state aid due to taxable value changes. There are various instances specified in sections 3317.026, 3317.027, and 3317.028 of the Revised Code in which an adjustment is made to the amount of state aid paid to a district due to a change in that district's valuation. These payments assist districts facing large, unexpected tax changes. Most of the payments are due to tangible property tax changes. The executive proposal sets aside $15,000,000 for the purpose of making these additional payments. This is equal to the FY 2003 set aside.

Special Education Catastrophic Cost Supplement. The executive budget sets aside $15,000,000 in FY 2004 to provide special education catastrophic cost supplements to school districts and public community schools. This is equal to the FY 2003 set aside. School districts and community schools receive these supplements when the cost of special education and related services for students in categories two through five exceeds $25,700 per student per year, and for students in category six, exceeds $30,840 per student per year. These thresholds are the same as those in FY 2003. The district receives 50% of the cost above the threshold plus an amount equal to the state share percentage for the district times the remaining cost. An average wealth district, therefore, receives 75% of the cost above the threshold.

The program was first created in FY 1999. Disbursements in FY 2000 and FY 2001 were much lower than appropriations ($14,000,000 per year) for the program. In FY 2000, the Department only received 64 applications and disbursed $361,554. In FY 2001, the Department only disbursed $531,279 to 76 districts and community schools. Amended Substitute House Bill 94 of the 124th General Assembly changed eligibility for and calculation of the supplement. Previously, only one category of students (autism, traumatic brain injury, and both visually and hearing disabled) was eligible and the amount of the supplement was equal to the district's state share percentage times the cost above the threshold. Under the old system, therefore, an average wealth district received only 50% of the cost above the threshold.

The new system has resulted in increased payments in the last biennium. Payments in FY 2002 were made to 106 districts and community schools for a total of $7,133,227. For FY 2003, one payment has been processed totaling $5,948,554, for 105 districts and community schools, and a second payment is scheduled for the spring.

Youth Services Tuition. The state makes additional payments to school districts that are required to pay tuition for a child in an institution maintained by the Department of Youth Services. The executive budget sets aside $2,000,000 for these payments. This is equal to the FY 2003 set aside.

Educational Service Centers. Sixty educational service centers (ESCs) currently serve 560 (or 92%) of 612 school districts in Ohio. these districts represent almost 70% of all pupils. State funding for ESCs is $40.52 per pupil for an ESC serving three or more counties and $37 per pupil for all others. The executive budget sets aside $52,000,000 in FY 2004 for ESCs. This is equal to the FY 2003 set aside.

Special Education Weight Funding. Special education students are grouped into six categories based on their disabilities. Each category has been assigned a weight that when applied to the base cost amount reflects the average additional cost of educating students with the specific disabilities. This six-weight system is funded at the 87.5% level in FY 2003. The executive budget proposes to fully fund the system in FY 2004 with a combination of state, local, and federal funds. It sets aside $335,735,930 in FY 2004 for the state share of special education weight funding. Under the executive budget, the needed balance above both state and local shares to fully fund the six-weight system will come from federal special education funds.

Private Treatment Facility Pilot Project. The executive budget sets aside $1,000,000 in FY 2004 to pay for educational services for youth who have been assigned to a facility participating in the Private Treatment Facility Pilot Project. This is equal to the FY 2003 set aside.

Pupil Transportation 200-502

The executive budget proposes $388,939,229 in FY 2004 for this item, an increase of 3.1%. However, the executive budget proposes eliminating GRF appropriation item 200-553, County MR/DD Boards Transportation Operating, and moving funding for these activities to this item. Taking into account spending from 200-533, the increase in funding is only 0.6%. These funds are used to reimburse school districts for the operating costs of transporting public and nonpublic school pupils to and from school. A statistical regression model is used to estimate the cost of transportation based on a district's average daily miles transported per ADM, and the percentage of pupils transported. The state reimbursement is based on the model cost instead of each district's actual transportation expenditures. This method of funding is designed to encourage efficiency by districts in their transportation programs. The state pays the greater of 60% or the district's state share percentage of this model cost. An additional rough road supplement is provided to school districts with a low pupil density and a high rough road percentage. State funding for transportation has increased significantly over the last several years as shown in the table below.

State Funding for Transportation		
Fiscal Year	**State Funding**	**Percentage of modeled cost**
1998	$153.3 million	35%
1999	$194.9 million	50%
2000	$232.8 million	52.5%
2001	$263.4 million	55%
2002	$287.0 million	57.5%
2003	$323.6 million	60% or more

For further information on the transportation funding formulas, please see the section of this publication entitled "School Funding – Theory, Method, Model, & Formulas."

Pupil Transportation Set Asides	
Set Aside	**FY 2004**
School Bus Driver Training	$822,400
Special Education Transportation Reimbursement	$56,975,910
Total Set Asides:	**$57,798,310**

School Bus Driver Training. The executive budget sets aside $822,400 in FY 2004 for training prospective and experienced school bus drivers. This is equal to the FY 2003 set aside.

Special Education Transportation Reimbursement. The executive budget sets aside $56,975,910 in FY 2004 for reimbursements to school districts and county boards of mental retardation and developmental disabilities (MR/DD boards) for the costs of transporting special education students. Funding for MR/DD boards is currently being provided through GRF appropriation item 200-553, County MR/DD Boards Transportation Operating, which is eliminated in the executive budget. The set aside for FY 2004 is equal to estimated spending in FY 2003 combining these two funding sources. State funding for special education transportation has increased significantly over the last several years as shown in the table below.

State Funding for Special Education Transportation			
Fiscal Year	**School Districts**	**MR/DD boards**	**Total**
1999	$25.7 million	$9.0 million	$34.7 million
2000	$35.2 million	$7.7 million	$42.9 million
2001	$39.5 million	$8.1 million	$47.6 million
2002	$43.5 million	$8.6 million	$52.1 million
2003	$49.8 million	$9.3 million	$59.1 million

Bus Purchase Allowance 200-503

These funds are used to assist school districts, educational service centers, and county boards of mental retardation and developmental disabilities (MR/DD boards) with bus purchase or bus service contracts. The executive budget proposes $34,399,921 in FY 2004 for this item, an increase of 6.5%. However, this proposal includes reimbursements to MR/DD boards for bus purchases that are currently paid through GRF appropriation item, 200-552, County MR/DD Boards Vehicle Purchases. Taking into account this change in funding, the increase is 1.9%.

Up to 28% of the appropriation may be used to reimburse school districts and educational service centers for the purchase of buses to transport handicapped and nonpublic school students and to reimburse MR/DD boards, the Ohio School for the Deaf, and the Ohio School for the Blind for purchases of buses to transport handicapped students. Buses purchased and identified as "nonpublic 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 72% of the funding is distributed to school districts for "regular" bus purchases 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

The executive budget proposes $9,398,025 in FY 2004 for this item, a decrease of 2.0%. These funds are used to provide matching funds to obtain federal funds for the school lunch program. The state is required to appropriate 30% of the general cash food assistance received through the federal program in the 1980-1981 school year. The federal funds are deposited in 200-617, Federal School Lunch (Fund 3L6).

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; test scoring; electronic textbooks; site-licensing; digital video on demand; wide area connectivity; and related technology as it pertains to Internet access; and instructional materials and school library materials that are in general use in public schools.

The executive budget proposes $127,903,356 in FY 2004 for this item, an increase of 2.8%. The bulk of funds is distributed on a per-pupil basis. 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.

Auxiliary Services Set Asides	
Set Aside	**FY 2004**
Post-Secondary Enrollment Options	$1,462,500
Total Set Asides:	**$1,462,500**

Post-Secondary Enrollment Options. The executive budget sets aside $1,462,500 in FY 2004, a decrease of 2.5%, to fund the post-secondary enrollment option for nonpublic students. Through this program qualified students can attend an institution of higher education for both college and high school credit.

Parity Aid 200-525

The executive budget proposes $327,289,958 in FY 2004 for this item, an increase of 55.6%. Parity aid provides payments to districts below the 80th percentile on a wealth/income measure. These payments equalize an additional 9.5 mills above the basic education level to the 80th percentile district's wealth level. Amended Substitute House Bill 94 of the 124th General Assembly established parity aid and set up a phase-in schedule beginning with 20% in FY 2002 and increasing by 20 percentage points until fully phased-in in FY 2006. Four hundred ninety-three districts received a total of $209.4 million in parity aid in FY 2003. The executive proposal continues the phase-in at the 60% level for FY 2004. For more details about parity aid, please see the section of this publication entitled "School Funding – Theory, Method, Model, & Formulas."

Nonpublic Administration Cost Reimbursement 200-532

The executive budget proposes $55,803,103 in FY 2004, an increase of 2.8% for this item. 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. The reimbursement amount for each chartered nonpublic school is based on its prior year's actual costs with a maximum reimbursement rate of $250 per pupil. The total statewide reimbursement amount is subject to the appropriation limitation.

Charge-off Supplement 200-546

The executive budget proposes $40,276,844 in FY 2004 for this item, an increase of 40.4%. Districts whose local operating revenues, including property taxes and school district income taxes, are less than the district's local share of base cost plus special education weighted cost, plus career-technical education weighted cost, plus the transportation model cost receive a supplement equal to the difference. This ensures that all districts have at least the amount of revenues that have been determined by the General Assembly to be adequate for a basic education, regardless of the amount of local taxes the district has been able to levy beyond the 20-mill requirement for minimum local effort. For further discussion of the charge-off supplement, please see the section of this publication entitled "School Funding – Theory, Method, Model, & Formulas."

Emergency Loan Interest Subsidy Program 200-558

Under Sub. H.B. 412 of the 122nd General Assembly, the state is prohibited from approving loans under the preexisting emergency school loan law. 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 122nd 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 2% simple interest. The executive budget proposes $3,022,500 in FY 2004 for this item, an increase of 4.4%.

Property Tax Allocation – Education 200-901

State law specifies that the state will pay 10% of locally levied property taxes for all property owners and an additional 2.5% for homeowners, thus decreasing property taxes paid in Ohio. This provision is often referred to as property tax "rollbacks." This appropriation item funds the portion of the rollbacks payable to school districts. In addition, this item funds the portion of the Homestead Exemption Program for the elderly and disabled payable to school districts. The executive budget appropriates $736,750,000 in FY 2004 and $726,360,000 in FY 2005 for these payments, a decrease of 0.8% and 1.4% respectively. These decreases are due to changes in the rollback provisions proposed in the executive budget.

Tangible Tax Allocation – Education 200-906

This line item reimburses school districts for revenue "losses" incurred by the creation of the $10,000 tangible property tax exemption for both incorporated and unincorporated businesses. The executive budget appropriates $70,710,000 in FY 2004 and $67,710,000 in FY 2005 for these payments, a decrease of 6.6% and 4.2%, respectively. These decreases are due to the proposal in the executive budget to freeze and eventually phase out the reimbursement of the tangible tax exemption.

Child Nutrition Services 200-651

The executive budget requests appropriations of $800,000 for this item in each year of the biennium. This is equal to FY 2003 estimated spending. This general services fund group item (Fund 5B1) is used to support pilot programs that provide nutritional benefits to older children enrolled in educational or enrichment activities at youth development centers. The funds are transferred from money received through the federal Temporary Aid to Needy Families (TANF) Block grant.

School District Solvency Assistance 200-687

The executive budget requests appropriations of $18,000,000 for this item in each year of the biennium, an increase of 125.0% over estimated FY 2003 spending. This general services fund group item (Fund 5H3) is used to fund two accounts: the shared resource account, which is used to make advances to districts to enable them to remain solvent and to pay unforeseen expenses of a temporary or emergency nature; and the catastrophic expenditures account, which is used to make grants to districts for unforeseen catastrophic events. Advances made to districts from the shared resource account must be repaid no later than the end of the second year following the fiscal year in which the advance was made. Grants from the catastrophic expenditures account do not need to be repaid. The program was first appropriated $30 million in FY 1998 by Am. Sub. H.B. 650 of the 122nd General Assembly. It is now funded through repayments of advances from the shared resource account.

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.

In FY 2001, Lordstown Local (Trumbull County), Trimble Local (Athens County), Southern Local (Meigs County), and Williamsburg Local (Clermont County) received a total of $3.8 million in solvency advancements.

In FY 2002, Southern Local (Meigs County) received an advance of $421,000. In addition, the first grants were made: Indian Creek Local (Jefferson County) and Wayne Trace Local (Paulding County) received grants totaling $1.6 million.

As of the end of January 2003, the Department expects that East Cleveland City (Cuyahoga County), Niles City (Trumbull County), and Trimble Local (Athens County) may require advancements totaling $6.9 million and Weathersfield Local (Trumbull County), Austintown Local (Mahoning County), and Tiffin City (Seneca County) may be eligible for grants totaling $1.8 million. Possible cuts in FY 2003 of state funding to districts may result in more districts needing advancements than was expected at the end of January.

Federal School Lunch 200-617

These funds are used to reimburse public and nonpublic schools participating in the National School Lunch Program for the cost of lunches served during the school day and snacks served in after school programs. Participating schools must offer lunches for free to students from families with incomes below 130% of the federal poverty line and at a reduced price for students from families with incomes between

130 and 185% of the federal poverty line. The reimbursement for the 2001-2002 school year was 20 cents per lunch with an additional 1.49 cents for reduced price lunches and 1.89 cents for free lunches. Schools serving at least 60% free or reduced price lunches receive an additional two cents per lunch. The reimbursement for snacks was 57 cents for free snacks, 28 cents for reduced price snacks, and five cents for full price snacks. It is expected that Ohio will receive $185,948,186 in FY 2004 and $191,898,528 in FY 2005 through this program, increases of 3.2% each year.

Federal School Breakfast 200-618

These funds are used to reimburse public and nonpublic schools participating in the National School Breakfast Program for the cost of breakfasts served during the school day. This program is similar to the National School Lunch Program described above. It is expected that Ohio will receive $48,227,431 in FY 2004 and $49,524,254 in FY 2005 through this program, increases of 2.6% and 2.7%, respectively. Ohio requires that schools with 33.3% of the student body eligible for free and reduced-price meals implement a breakfast program. Currently, however, Ohio ranks 47th out of 50 states and the District of Columbia in the percentage of schools with a school lunch program that also operate a school breakfast program (55%). In addition, Ohio ranks 35th out of the 50 states and the District of Columbia in the number of low-income students receiving a school breakfast per 100 students receiving lunch (36.5%).

Child/Adult Food Programs 200-619 (Federal)

This federal program reimburses the cost of providing meals and snacks to homeless children in emergency shelters and children and adults receiving nonresidential day care, including in after school programs. It is expected that Ohio will receive $63,577,244 in FY 2004 and $65,293,830 in FY 2005 through this program, increases of 2.6% and 2.7%, respectively.

School Food Services 200-607 (Federal)

These funds are used for four purposes. The Department will disburse approximately $10,767,759 in FY 2004 and $11,144,631 in FY 2005 through this item, increases of 3.5% each year.

Special Milk Program. This program provides free milk to qualifying children when the school lunch and school breakfast programs are not available. Approximately 9% of the appropriation is for this program.

Summer Food Service Program. This program provides meals to children during the summer months when schools are not in session. Approximately 51% of the appropriation is for this program.

Team Nutrition Grants. This program encourages nutritious school meals, nutrition education for children, and healthy school and community environments. Approximately 3% of the appropriation is for this program.

State Administration of Child Nutrition Programs. These funds are used by the Department to administer the various federal child nutrition programs in Ohio. Approximately 37% of the appropriation is for administration.

School District Property Tax Replacement 200-900

The executive budget proposes $115,911,593 in both years of the biennium. This is equal to estimated spending in FY 2003. Amended Substitute Senate Bill 3 and Am. Sub. S.B. 287 of the 123rd General Assembly deregulated electric and natural gas utilities in Ohio. The bills included decreases in the property tax assessment rates on utility property and new taxes on utility output. A portion of the revenues from these new taxes is deposited into this state special revenue fund (Fund 053). The decrease in assessment rates decreased the property valuation and property tax receipts of school districts containing utility property. The lost property tax for each district was determined by the Department of Taxation. In total, the tax loss was $198 million for one year. Districts are partially compensated for this decrease through the state education aid offset (see above in the section on 200-500, Base Cost Funding). The value of the loss above the state education aid offset is paid from this fund.

Commodity Foods 200-608

The executive budget proposes $11,308,000 in FY 2004 and $11,624,624 in FY 2005 for this item, an increase of 2.8% each year. The U.S. Department of Agriculture distributes food to states to be provided to schools and charitable institutions to enable them to provide good quality, inexpensive food to their students and clients. The state charges the recipients of this food a handling charge to cover the state's distribution costs. This state special revenue fund (Fund 455) receives these handling charges.

Auxiliary Services Reimbursement 200-659

The executive budget proposes $1,328,910 in both years of the biennium for this item. This is equal to estimated spending in FY 2003. This state special revenue fund (Fund 598) receives money from the Auxiliary Services Personnel Unemployment Compensation Fund that are deemed in excess of the amount needed to pay unemployment claims. These funds can be used to replace and repair mobile units used in the auxiliary services program, or to pay for early retirement for auxiliary services personnel.

Lease Rental Payments Reimbursement 200-682

The executive budget proposes $31,776,500 in FY 2004 and $31,704,700 in FY 2005 for this item, a decrease of 11.0% and 0.2%, respectively. These funds are transferred to GRF appropriation item 230-428, Lease Rental Payments, in the Ohio School Facilities Commission to pay debt service from bonds issued for the classroom facilities assistance program.

Safe Schools and Communities — Program Series 6

Purpose: The programs in this series help to ensure safe and supportive educational and community environments for students.

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 2004	FY 2005
GRF	200-411	Family and Children First	$3,324,750	$0
GRF	200-432	School Conflict Management	$583,010	$0
GRF	200-578	Safe and Supportive Schools	$3,576,348	$0
4D1	200-602	Ohio Prevention/Ed Resource Center	$347,000	$347,000
3D1	200-664	Drug Free Schools	$13,169,757	$13,347,966
3S6	200-698	Dispute Resolution - Federal	$140,000	$140,000
Total funding: Safe Schools and Communities			**$21,140,865**	**$13,834,966**

The executive proposal for this program series reflects an increase in funding for FY 2004 of approximately 0.3%. Two appropriation items, 200-438, Safe Schools, and 200-574, Substance Abuse Prevention are combined into a new line item, 200-578, Safe and Supportive Schools. A federal fund, Dispute Resolution – Federal (Fund 3S6), is moved into the Department's budget from the budget of the Commission on Dispute Resolution and Conflict Management. This Commission has been recommended for elimination.

Family and Children First 200-411

Ohio Family and Children First is a partnership of government agencies and community organizations committed to improving the well being of children and families. The executive budget proposes $3,324,750 in FY 2004 for this item, an increase of 2.2%. These funds support county councils that streamline and enhance social services through collaboration with state and local agencies and the private sector. The county councils transfer a portion of the funds to county boards of mental retardation and developmental disabilities as partial support payment and reimbursement for the maintenance and treatment costs of multi-need children.

School Conflict Management 200-432

The executive budget provides $583,010 in FY 2004, an increase of 1.0%. 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 and Supportive Schools 200-578 - New

This new item is to be used to help ensure safe and supportive educational environments for students. The executive budget proposes $3,576,348 in FY 2004 for these purposes. This level of funding is an increase of 1.9% over FY 2003 funding in GRF appropriation items, 200-574, Substance Abuse Prevention ($1.7 million in FY 2003) and 200-438, Safe Schools ($1.8 million in FY 2003), which funded many of the same programs and are eliminated in the executive proposal. Funds in this new item are to be

distributed based on guidelines developed by the Department to enhance school safety. The guidelines will provide a list of research-based best practices and programs from which local districts may choose based on local needs. These practices will include school resource officers and safe and drug free school coordinators, a safe school help line, and social-emotional development programs.

Safe and Supportive Schools Set Asides	
Set Aside	**FY 2004**
Safe School Center	$224,250
Total Set Asides:	**$224,250**

Safe School Center. The executive budget sets aside $224,250 in FY 2004 for the safe school center. This level of funding is approximately equal to the estimated spending on this activity in FY 2003. This center coordinates safe-school information, training, and resources in Ohio. The center maintains a web site that provides this information and includes links to other state and national school safety resources.

Ohio Prevention/Education Resource Center 200-602

This General Services Fund Group item (Fund 4D1) receives transfers from the Ohio Department of Alcohol and Drug Addiction Services to help fund the Ohio Prevention/Education Resource Center. The executive budget proposes $347,000 in both years of the biennium for this item, a decrease of 47.1% from FY 2003 estimated spending. The Center has locations throughout Ohio. Each location provides materials and resources for substance abuse prevention for use by schools and other members of the community.

Drug Free Schools 200-664 (Federal)

This federal program works to prevent violence in and around schools; to prevent the illegal use of alcohol, drugs, and tobacco by young people; and to foster a safe and drug-free learning environment that supports academic achievement. Ohio will receive $13,169,757 in FY 2004 and $13,347,966 in FY 2005, an increase of 1.8% and 1.4%, respectively. Twenty percent of the funds are directed by the Governor, to be used for youth with special needs, such as dropouts and students who are suspended or expelled, homeless, pregnant, or parenting. Of the remaining 80% the Department retains 5% for state level activities such as providing technical assistance and training, evaluation, and program improvement services for districts and community grants. All remaining funds are distributed to districts based on a formula. Districts may use these funds for a wide array of drug and violence prevention activities and strategies.

Dispute Resolution – Federal 200-698

These funds are used for the Truancy Prevention through Mediation Program, a program that uses mediation to improve school attendance and avert juvenile delinquency. The executive budget proposes $140,000 of spending authority for this item in each year of the biennium; a decrease of 4.8% over estimated FY 2003 spending. This fund is currently administered by the Dispute Resolution and Conflict Management Commission through appropriation item 145-602, Dispute Resolution – Federal. The executive budget proposes eliminating this Commission and would have the Department of Education administer the fund.

Basic Support Enhancements — Program Series 7

Purpose: The programs in this series provide additional support to school districts to help those students who need additional educational services beyond a basic education. These include gifted, special education, career-technical education, and economically disadvantaged students.

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 2004	FY 2005
GRF	200-421	Alternative Education Programs	$16,497,000	$0
GRF	200-425	Tech Prep Consortia Support	$2,133,213	$0
GRF	200-431	School Improvement Initiatives	$14,013,831	$0
GRF	200-441	American Sign Language	$207,717	$0
GRF	200-509	Adult Literacy Education	$8,774,250	$0
GRF	200-513	Student Intervention Services	$35,040,815	$0
GRF	200-514	Postsecondary Adult Career-Tech Ed	$19,919,464	$0
GRF	200-520	Disadvantaged Pupil Impact Aid	$367,266,738	$0
GRF	200-521	Gifted Pupil Program	$48,201,031	$0
GRF	200-540	Special Education Enhancements	$140,041,130	$0
GRF	200-545	Career-Tech Education Enhancements	$21,382,677	$0
596	200-656	Ohio Career Information System	$516,694	$529,761
3D2	200-667	Honors Scholarship Program	$1,786,500	$1,786,500
3L9	200-621	Career-Tech Education Basic Grant	$48,029,701	$48,029,701
3M0	200-623	ESEA Title 1A	$356,458,504	$384,975,184
3M1	200-678	Innovative Education	$15,041,997	$16,094,937
3M2	200-680	Individuals with Disabilities Education Act	$288,468,284	$331,392,575
3S2	200-641	Education Technology	$19,682,057	$20,469,339
3Y2	200-688	21st Century Community Learning Ctr	$17,138,239	$18,500,000
309	200-601	Educationally Disadvantaged	$22,148,769	$22,899,001
366	200-604	Adult Basic Education	$21,369,906	$22,223,820
368	200-614	Veterans' Training	$626,630	$655,587
369	200-616	Career-Tech Edu Federal Enhancement	$8,165,672	$8,165,672
370	200-624	Education of Exceptional Children	$1,933,910	$1,933,910
Total funding: Basic Support Enhancements			**$1,474,844,729**	**$877,655,987**

The executive proposal for this program series reflects an increase in funding for FY 2004 of approximately 7.1%.

Funding for gifted students is provided through items 200-521, Gifted Pupil Program and 200-667, Honors Scholarship Program, for a total of $49,987,531 in FY 2004.

Funding for special education is provided through items 200-441, American Sign Language; 200-540, Special Education Enhancements; 200-680, Individuals with Disabilities Education Act; and 200-624,

Education of Exceptional Children for a total of $430,651,041 in FY 2004. An additional $335,735,930 is set aside for special education from GRF item 200-501, Base Cost Funding.

Funding for career-technical and adult education is provided through items 200-425, Tech Prep Consortia Support; 200-509, Adult Literacy Education; 200-541, Postsecondary Adult Career-Technical Education; 200-545, Career-Technical Education Enhancements; 200-656, Ohio Career Information System; 200-621, Career-Technical Education Basic Grant; 200-604, Adult Basic Education; 200-614, Veterans' Training; and 200-616, Career-Technical Education Federal Enhancements for a total of $130,918,207 in FY 2004. In addition, weighted funding for career-technical students and funding for the GRADs program is provided in GRF item 200-501, Base Cost Funding.

Funding for "at-risk" and economically disadvantaged students is provided through items 200-421, Alternative Education Programs; 200-513, Student Intervention Services; 200-520, Disadvantaged Pupil Impact Aid; 200-623, ESEA Title 1A; 200-678, Innovative Education; and 200-601, Educationally Disadvantaged for a total of $812,453,823. In addition most of program series 2, Early Childhood; item 200-632, Reading First; 200-617, Federal School Lunch; and 200-618, Federal School Breakfast have major components targeting disadvantaged students.

Alternative Education Programs 200-421

The executive budget proposes $16,497,000 in FY 2004 for this item. This represents no change from FY 2003 spending. This item funds programs designed to meet the special needs of "at-risk" students. The Department administers the program in consultation with the Alternative Education Advisory Council.

Alternative Education Programs Set Asides	
Set Aside	**FY 2004**
Urban 21 Alternative Education Grants	$7,897,500
Rural and Suburban Alternative Education Grants	$7,863,047
Program Administration	$449,235
Center for Learning Excellence – OSU	$287,218
Total Set Asides:	**$16,497,000**

Alternative Education Grants. 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 $7,897,500 in FY 2004 for providing grants to the urban 21 school districts (see below), an increase of 2.9%, and another $7,863,047 in FY 2004 for providing grants to rural and suburban districts, an increase of 1.4%. Programs receiving grants focus on youth who have been expelled or suspended, who have dropped out or are at risk of dropping out of school, who are habitually or chronically truant, who are disruptive in class; who are on probation from a juvenile court, or who are on parole from a Department of Youth Services facility. One hundred twenty-seven alternative sites have been funded through these grants, involving all 21 of Ohio's urban districts and 490 rural and suburban districts. Nearly 38,000 students have been served.

21 Urban School Districts

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

Program Administration. The executive budget sets aside up to $449,235 in FY 2004 for program administration and technical support, a decrease of approximately 6.5%.

Center for Learning Excellence – OSU. The executive budget sets aside $287,218 in FY 2004 for contracting with the Center for Learning Excellence at The Ohio State University, a decrease of approximately 8.4%. The Center provides technical support and evaluation of the grants.

Tech Prep Consortia Support 200-425

The Tech Prep program is a career-technical program that begins in high school and continues through an associate degree in college. The system in Ohio includes a network of 26 public higher education institutions. This item is used by the Department to fund state level activities designed to support, promote, and expand Tech Prep programs. The executive budget proposes $2,133,213 in FY 2004 for this item; no change from FY 2003 estimated spending. Activities funded by this line item include administration of grants, program evaluation, professional development, communications, and statewide coordination of Tech Prep consortia. Funding for Tech Prep consortia competitive grants is included in item 200-545, Career-Technical Education Enhancements ($4.4 million in FY 2004) and item 200-616, Career-Technical Education Federal Enhancements ($4.6 million in FY 2004). Through these three sources combined, the executive budget proposes $11.1 million for Tech Prep in FY 2004, an increase of 0.9% coming exclusively from an increase in federal funds.

School Improvement Initiatives 200-431

Under the executive budget, this line item receives $14,013,831 in FY 2004, an increase of 17.0%. In addition, the executive proposal removes the production and distribution of Local Report Cards from this item and funds it through a new GRF appropriation item 200-439, Accountability/Report Cards. Four initiatives aimed at improving school performance are now funded through GRF appropriation item 200-431, School Improvement Initiatives, including two new initiatives, Project GRAD (Graduation Really Achieves Dreams) and Math Rules.

School Improvement Initiatives Set Asides	
Set Aside	**FY 2004**
Technical Assistance	$10,505,625
Teacher-in-Residence	$138,206
Project GRAD	$250,000
Math Rules	$3,120,000
Total Set Asides:	**$14,013,831**

Technical Assistance. The executive budget sets aside $10,505,625 in FY 2004 for technical assistance to districts and buildings in academic watch and academic emergency, an increase of 37%. Intervention teams work with each building full time for one to two years. The teams are responsible for implementation of the school improvement plan, data analysis, curriculum alignment, instructional mapping, teacher professional development, and coaching.

Teacher-in-Residence. The executive budget sets aside $138,206 in FY 2004, a decrease of 7.9%, to support a Teacher-in-Residence at the Governor's office, including related support staff, travel expenses, and administrative overhead costs.

Project GRAD - New. The executive budget sets aside $250,000 in FY 2004 for Project GRAD (Graduation Really Achieves Dreams). This project is designed to reduce the dropout rate by addressing the academic and social problems of inner-city students. There are five program components: a privately funded scholarship program; community and parental involvement; interactive instruction and classroom management; new methods of teaching mathematics; and an instructional model for teaching verbal, writing, and reading skills.

Math Rules - New. The executive budget sets aside $3,120,000 in FY 2004 for a new program designed to improve the mathematics skills of Ohio students. The funds will be used to provide intensive summer professional development for mathematics teachers and to deploy mathematics specialists in low performing schools. The plan for the expenditure of these funds is to be approved by the Math Rules Advisory Council. The executive budget also sets aside $2.5 million in FY 2004 for the Math Rules program from appropriation item 228-539, Education Technology, in the SchoolNet Commission's budget.

American Sign Language 200-441

The executive budget proposes $207,717 in FY 2004 for this item, no change from FY 2003. These funds are used 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.

American Sign Language Set Asides	
Set Aside	**FY 2004**
Integration of American Sign Language into K-12 Curriculum	$136,943
Total Set Asides:	**$136,943**

Integration of American Sign Language into K-12 Curriculum. The executive budget sets aside $136,943 in FY 2004, a decrease of 10.5%, to support the integration of American Sign Language into the kindergarten through 12th grade curriculum in Ohio schools.

Adult Literacy Education 200-509

The executive budget proposes $8,774,250 in FY 2004 for this item, an increase of 4.3%. These funds provide educational opportunities for adults lacking the basic literacy skills necessary for effective citizenship, further education, and productive employment. The item provides support for the Adult Basic and Literacy Education (ABLE) Program. ABLE provides free instruction in basic literacy, workplace literacy, family literacy, English language acquisition, and preparation for the GED test. It is expected that student enrollment will increase from 65,000 in FY 2001 to over 69,000 in FY 2004 and over 72,000 in FY 2005. The annual cost is approximately $375 per enrollee, of which the state pays about one-third. The program is used to satisfy legal matching and maintenance of effort requirements for the federal Adult Basic Education grant deposited in 200-604, Adult Basic Education (Fund 366). To receive this grant, estimated at $21.4 million in FY 2004, the state must provide a nonfederal contribution equal to 25% of the total amount of funds expended on adult education and literacy activities in the state.

Adult Literacy Education Set Asides	
Set Aside	**FY 2004**
State Literacy Resource Center	$519,188
Citizenship and English as a Second Language Programs	$146,250
Total Set Asides:	**$665,438**

State Literacy Resource Center. The executive budget sets aside $519,188 in FY 2004, a decrease of 2.5%, to support the operations and activities of the State Literacy Resource Center. This center provides support services in the areas of professional development, curriculum development, technology, and data collection and reporting. The Center is a resource for state agencies, professional organizations, literacy coalitions, public libraries, and adult literacy providers.

Citizenship and English as a Second Language Programs. The executive budget sets aside $146,250 in FY 2004, a decrease of about 2.5%, to continue funding to organizations that received funding during FY 2003 for programs that combine English as a second language with citizenship instruction. This funding is currently being provided through GRF appropriation item 200-570, School Improvement Incentive Grants.

Student Intervention Services 200-513

The executive budget proposes $35,040,815 in FY 2004 for this item, an increase of 2.5%. Beginning in FY 2004, school districts are required to provide intervention services to students who are reading below their grade level at the end of first and second grade. They must also provide intense remediation services in the summer to students who have not obtained a proficient score on the 3rd grade reading achievement test. This line item is used to partially reimburse districts for the cost of these mandated intervention services. Districts may receive reimbursement for general funds spent on interventions for the specified students that are provided before-school, after-school, or in the summer. In FY 2003 the program is largely supported by federal TANF dollars. Under the executive budget, the program will be fully funded by GRF money in FY 2004.

In FY 2003, approximately 57,000 students will receive two hours of intervention per day during the regular school year and 30 days in the summer at a cost of $675 per student.

Post-secondary Adult Career-Technical Education 200-514

The executive budget proposes $19,919,464 in FY 2004 for this line item, a decrease of 2.3%. This program provides funding for full-time and part-time adult career-technical training programs. Targeted individuals have completed a secondary education and entered the job market, are experienced but in need of short-term technical skills upgrading, or have re-entered the workforce after a long absence. In addition, training, job profiling, and assessment services are provided to employers. School districts, joint vocational school districts, and other public educational institutions are eligible for funding. Over 162,000 people were served in FY 2003. Enrollment is projected to increase by 10.0% per year to nearly 180,000 in FY 2004 and over 195,000 in FY 2005.

Disadvantaged Pupil Impact Aid 200-520

The executive budget proposes $367,266,738 in FY 2004 for this item, an increase of 2.0%. Most of these funds are used to compensate school districts with a high concentration of student poverty for their higher costs of providing similar education services. House Bill 94 adopted a new poverty indicator to further stabilize Disadvantaged Pupil Impact Aid (DPIA) funding for individual school districts beginning in FY 2004. Instead of using the single measure of the number of students whose families participate in Ohio Works First (OWF), the new indicator uses the unduplicated count of children whose families receive Medicaid, food stamps, disability assistance, and those whose families participate in OWF and the children's health insurance program. The executive budget proposes to postpone the implementation of the new poverty indicator by one year. Instead of following DPIA allocation formulas specified in section 3317.029 of the Revised Code, the executive budget proposes to give each district that receives DPIA funding in FY 2003 a uniform 2% increase in FY 2004 over what it receives in FY 2003. For more details on DPIA funding formulas, please see the section of this publication entitled "School Funding – Theory, Method, Model, & Formulas."

Disadvantaged Pupil Impact Aid Set Asides	
Set Aside	**FY 2004**
School Breakfast Programs	$3,300,000
Job's for Ohio's Graduates Program (JOG)	$1,000,000
Total Set Asides:	**$4,300,000**
Pilot School Choice Program*	$11,901,887
*This set-aside comes from the moneys distributed to the Cleveland Municipal School District under the DPIA program.	

School Breakfast Programs. The executive budget sets aside $3,300,000 in FY 2004, no change from the set aside for FY 2003, to partially reimburse certain school districts for school breakfast programs. Included in this set aside is $500,000 to be used to provide start-up grants to districts that start school breakfast programs.

Jobs for Ohio's Graduates Program (JOG). The executive budget sets aside $1,000,000 in FY 2004, no change from the set aside for FY 2003, to support JOG dropout recovery programs. The Jobs for Ohio's Graduates Program is also supported through GRF appropriation item, 200-545, Career-Technical Education Enhancements ($4.2 million in FY 2004).

School Choice Program. Of the Cleveland Municipal School District's DPIA allotment, $11,901,887 is set aside in the executive budget, a decrease of 34% from the set aside for FY 2003, to fund the school choice voucher program in the Cleveland Municipal School District. This program provides scholarships to students in the district who choose to attend chartered nonpublic schools and tutoring grants to students choosing to remain in the public school system. As of January 2003, 5,008 students were enrolled in the scholarship program, and 1,111 students were enrolled in the tutoring program. Approximately 50 chartered, nonpublic schools are participating in the program. This item includes approximately $1.0 million to contract with an outside entity for evaluation of the program. Indiana University has performed this evaluation since the beginning of the program. In FY 2002, total expenditures in the program were $9,856,493, well below the set aside of $14,903,943. In FY 2003, total obligations as of January 27, 2003, were $5,879,207. The set aside for FY 2003 is $18,066,820. The balance of this set aside at the end of the fiscal year is disbursed to the Cleveland Municipal School District as DPIA funds.

Gifted Pupil Program 200-521

The executive budget proposes $48,201,031 in FY 2004 for this item, an increase of 0.5%. 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 1,100 in FY 2003 to 1,110 in FY 2004. The average cost per unit is approximately $36,012 in FY 2003 and no change is expected in FY 2004. About 22% of gifted units are located in educational service centers.

Gifted Pupil Program Set Asides	
Set Aside	**FY 2004**
Gifted Student Identification Supplement	$5,000,000
Summer Honors Institutes	$1,000,000
Research and Demonstration Projects	$600,000
Ohio Summer School for the Gifted (Martin Essex Program)	$70,000
Total Set Asides:	**$6,670,000**

Gifted Student Identification Supplement. Although school districts are not mandated by the state to provide gifted services, districts are mandated to identify all of their gifted students. The executive budget sets aside $5,000,000 in FY 2004, equal to the FY 2003 set aside, to partially reimburse districts for this identification process.

Summer Honors Institutes. The executive budget sets aside $1,000,000 in FY 2004, equal to the FY 2003 set aside, to support 12 Summer Honors Institutes. These institutes are held at universities and colleges across Ohio. They offer gifted students who have completed their freshman or sophomore year a curriculum ranging from hands-on research, to dramatic endeavors, to academic explorations.

Research and Demonstration Projects. The executive budget sets aside $600,000 in FY 2004, equal to the FY 2003 set aside, to support model projects in school districts that implement best practices in providing services to and identifying gifted students. Research projects have also been funded.

Ohio Summer School for the Gifted (Martin Essex Program). The executive budget sets aside $70,000 in FY 2004, equal to the FY 2003 set aside, to support this program that offers a select group of 11th grade students an academic, cultural, and social experience that challenges them to think critically and creatively, and to solve problems and to manage information in new and effective ways.

Special Education Enhancements 200-540

The executive budget proposes $140,041,130 in FY 2004 for this item, an increase of 1.2%. These funds support a variety of activities described below.

Special Education Enhancements Set Asides	
Set Aside	**FY 2004**
County MR/DD Boards	$47,546,796
Institutional Units	$2,452,125
Home Instruction	$3,406,875
Parent Mentoring Programs	$1,462,500
School Psychology Interns	$2,783,396
Special Education Aides	$3,906,090
Preschool Special Education Units	$78,399,498
Autistic Children Pilot Program	$83,850
Total Set Asides:	**$140,041,130**

County MR/DD Boards. The executive budget sets aside $47,546,796 in FY 2004 for this item; an increase of 13.0% over the FY 2003 estimated spending. Disbursements for this item totaled $40.0 million in FY 2002 and are estimated at $41.9 million in FY 2003. These disbursements are well under the set asides for this item, which are $45,295,000 in FY 2002 and $47,809,750 in FY 2003. These funds are used to support the education of students by county boards of mental retardation and developmental disabilities (MR/DD boards). Funding through this line item is limited to the 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 district. Each county MR/DD board is guaranteed to receive at least the same per pupil amount it received in FY 1998 under the former 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's resident school district's state aid unless the district places with the board more school-aged students than it had placed in FY 1998. For every school-aged student exceeding the number placed in FY 1998, that student will be counted in the resident district's ADM and payments will be deducted from the resident district's state aid. Approximately 500 students are funded in this manner.

Institutional Units. The executive budget sets aside $2,452,125 in FY 2004, a decrease of 1.9%, to fund up to 57 special education classroom and related services units at institutions housing students with disabilities.

Home Instruction. The executive budget sets aside $3,406,875 in FY 2004, a decrease of 0.6%, to reimburse districts for half the cost of providing home instruction to orthopedically/other-health-impaired and severely emotionally disabled students.

Parent Mentoring Programs. The executive budget sets aside $1,462,500 in FY 2004, a decrease of 2.5%, to provide support and information to parents of children with disabilities. Ninety parent mentors serve 216 districts.

School Psychology Interns. The executive budget sets aside $2,783,396 in FY 2004, a decrease of 2.5%, to support school psychology interns in Ohio schools.

Special Education Aides. The executive budget sets aside $3,906,090 in FY 2004, a decrease of 1.5%, to provide partial funding to districts for one aide for each teacher of multihandicapped children.

Preschool Special Education Units. The executive budget sets aside $78,399,408 in FY 2004, a decrease of 0.3%, 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. In FY 2003, 1,426 classroom units were funded at an average reimbursement rate of $43,137, and 684 related services units were funded at an average reimbursement rate of $33,394.

Autistic Children Pilot Program. The executive budget sets aside $83,850 in FY 2004, a decrease of 2.5%, to conduct a collaborative pilot program to provide educational services and develop best educational practices for autistic children.

Career-Technical Education Enhancements 200-545

The executive budget proposes $21,382,677 in FY 2004 for this item, a decrease of 2.1%. The funding is earmarked for various career-technical education related programs.

Career-Technical Education Enhancements Set Asides	
Set Aside	**FY 2004**
Institutional Units	$2,576,107
Jobs for Ohio Graduates (JOG)	$4,159,770
Tech Prep Consortia Competitive Grants	$4,387,500
Essential Equipment – Replacement	$1,462,500
High Schools That Work (HSTW)	$3,900,000
K-12 Career Development	$3,900,000
Ohio Career Information System	$996,800
Total Set Asides:	**$21,382,677**

Institutional Units. The executive budget sets aside $2,576,107 in FY 2004, a decrease of 1.5%, to fund career-technical educational units at institutions. Incarcerated students are provided instructional programming in work and family literacy, career-based intervention, and workforce development. Forty programs are funded in the Department of Youth Services and ten programs are funded in adult prisons. The amount of the subsidy is approximately $40,000 per unit.

Jobs for Ohio Graduates. The executive budget sets aside $4,159,770 in FY 2004, a decrease of 0.6%, for the Jobs for Ohio Graduates (JOG) program. This program employs two strategies that each provides year-round services through the 12 months following a participant's graduation. The first strategy provides services for 21 months and meets the most urgent challenges of high school seniors. The second strategy provides services for as long as five years, targeting students at risk of dropping out as early as the 8th grade. Approximately 5,700 students were served in FY 2003.

Tech Prep Consortia Competitive Grants. The executive budget sets aside $4,387,500 in FY 2004, a decrease of 0.5%, to fund competitive grants to Tech Prep consortia that expand the number of students enrolled in Tech Prep programs. Tech Prep programs combine college preparatory courses with career-technical education. The programs begin in high school and continue through an associate degree in college.

Essential Equipment Replacement. The executive budget sets aside $1,462,500 in FY 2004, a decrease of 55.0%, 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 career-technical education program. Districts with a large percentage of disadvantaged students are given preference in the funding.

High Schools That Work (HSTW). The executive budget sets aside $3,900,000 in FY 2004, an increase of 6.9%, to support HSTW sites. High Schools That Work is a school-wide improvement framework aimed at accelerating learning and raising standards for all students. Ohio is in its fifth year of implementation. Fifty-nine sites are in the implementation phase of the program and 20 sites are in the planning phase. This represents approximately 9% of the high schools in Ohio; grants average almost $50,000 per site. Participating schools commit to a five-year effort to implement ten key practices and to eliminate the general track of study. The practices include rigorous coursework, counseling, support and extra help for those who need it, parental and community involvement in efforts to raise student achievement, and teachers working together to improve learning. High Schools That Work targets career-bound students but involves all teachers and staff and impacts all students. Participating schools receive intensive technical assistance, staff development, ongoing communications and information, and a nationally recognized benchmark for measuring school progress.

K-12 Career Development. The executive budget sets aside $3,900,000 in FY 2004, a decrease of 2.5%, for career-development. This program is designed to help Ohio's students develop career plans and career passports, identify initial educational and career goals, and develop the skills necessary to make informed career and educational choices throughout life. Funds are used to provide leadership to Ohio districts for comprehensive career development, integrated classroom activities, and tools for student career success. Funds are also used to promote and provide professional development for the Ohio Career Information System (OCIS).

Ohio Career Information System (OCIS). The executive budget sets aside $996,800 in FY 2004, an increase of 122%, for the Ohio Career Information System (OCIS). This item is currently funded through GRF appropriation item, 200-514, Postsecondary Adult Career-Technical Education. The Ohio Career Information System is a computer-based career information delivery system that provides access to current labor market and post-secondary educational and training information, scholarships, employability skills information, and classroom career integration activities. In FY 2003, the Department is conducting a study of the feasibility of expanding this system. The Ohio Career Information System also receives funding through service fees charged to users and deposited in item 200-656, Ohio Career Information System (Fund 596). The executive budget appropriates $516,694 from this fund in FY 2004.

Honors Scholarship Program 200-667 (Federal)

The executive budget requests $1,786,500 of spending authority in each year of the biennium for this item, no change from FY 2003. This federal program provides $1,500 scholarships to high school seniors. The Department provides the scholarships on a competitive basis. Awards are to be given to students who have demonstrated outstanding academic achievement and who show promise of continued excellence in their post-secondary education. The state funds a similar scholarship program for high

school valedictorians through GRF appropriation item 235-530, Academic Scholarship, in the Board of Regents' budget. The executive budget proposes $7,800,000 for this line item in FY 2004.

Career-Technical Basic Education Grant 200-621 (Federal)

The executive budget requests $48,029,701 of spending authority in each year of the biennium for this item, an increase of 6.4% over FY 2003. These funds are used to support career-technical programs in Ohio. Eighty-five percent of the funds are distributed to joint vocational school districts and school districts based on a formula that depends on each district's career-technical student enrollment. Ten percent of the funds are spent on state level activities such as professional development, business/industry partnerships, and curriculum development. The remaining 5% is used for state administration. The state must match these administration expenses one for one. Currently, matching funds are provided through GRF appropriation item 200-416, Career-Technical Education Match. The executive budget proposes they be provided through 200-100, Personal Services, and 200-320, Maintenance and Equipment.

ESEA Title 1A 200-623 (Federal)

Title I, Part A is the largest federal program supporting primary and secondary education. These funds pass through the state and are distributed to school districts based on federal formulas that target districts with high concentrations of students from low-income families. Districts are to use the funds to provide additional academic support and learning opportunities to help low-achieving children meet state standards in core academic subjects. Funds are targeted to schools with large numbers or percentages of children from low-income families. Schools enrolling at least 40% of students from low-income families are eligible to use these funds for schoolwide programs that serve all children in the school. Otherwise, the services must be targeted to children who are failing, or are most at risk of failing to meet state academic standards.

The No Child Left Behind Act of 2001 (NCLB) holds districts that receive these funds accountable for progress in student achievement through the adequate yearly progress (AYP) determination. Districts that fail to obtain AYP for a certain number of years must spend up to 20% of their Title IA fund allocations on school choice and supplemental services. Total Title IA funds received by Ohio increased by 15.5% from $285,941,101 in FY 2002 to $330,172,277 in FY 2003. The executive budget recommends an 8.0% increase in this line item's spending authority in each year of the biennium for a total of $356,458,504 in FY 2004 and $384,975,184 in FY 2005.

Innovative Education 200-678 (Federal)

The executive budget requests $15,041,997 of spending authority in FY 2004 and $16,094,937 in FY 2005 for this item, increases of 7.0% in each year. This program provides grants to local education agencies based on poverty and enrollment. These grants may be used for a wide variety of educational activities. Approximately 11% of the funds are used by the Department to provide technical assistance, data collection, and data reporting. Four percent of the funds are used for administration of the grants.

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. Federal mandates have a major influence over special education services, and therefore, special education costs. The U.S. Congress has been attempting to more fully fund these mandates. The Individual with

Disability Education Act funds received by Ohio increased by 35.4% from $176,829,543 in FY 2002 to $239,455,523 in FY 2003. This funding is expected to increase by an additional 20.5% in FY 2004 for a total of $288,468,284 and an additional 14.9% in FY 2005 for a total of $331,392,575.

Approximately 86% of IDEA funds are sent to local educational agencies through formula grants that are largely based on special education student enrollment. Grants are used to provide professional development training for teachers, administrators, and parents, and to support special educational services for primary and secondary education. Another 2% go to local education agencies through competitive grants for specific initiatives on such things as autism, American sign language, and literacy. Approximately 9% 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. The remaining 3% is used for administration.

The executive budget proposes to fully fund the state's six-weight system of special education funding with a combination of state, local, and federal funds. It sets aside $335,735,930 in FY 2004 of GRF appropriation item 200-501, Base Cost Funding, for the state share. Funding in excess of the state and local shares will be provided by this IDEA funding.

Education Technology 200-641 (Federal)

The executive budget requests $19,682,057 of spending authority in FY 2004 and $20,469,339 in FY 2005 for this item, increases of 4.0% in each year. These funds are used to improve student achievement through the use of technology in elementary and secondary schools. They are also used to assist every student in becoming technologically literate by the end of 8th grade, and to support the integration of technology with teacher training and curriculum development. Forty-seven and one half percent of the funds is distributed to districts based on a formula. Another 47.5% is distributed to districts through competitive grants. Two percent is used for state level activities and 3% for administration.

21st Century Community Learning Centers 200-688 (Federal)

The executive budget requests $17,138,239 of spending authority in FY 2004, an increase of 75.5%, and $18,500,000 in FY 2005, an increase of 7.9%, for this item. These funds are used to provide grants to local educational agencies, community-based organizations, and other eligible public and private entities. The grant funds are used for remedial education activities and academic enrichment programs, tutorial and mentor services, after school activities for limited English proficient students emphasizing language skills, recreation activities, technology programs, and activities that promote parental involvement, drug prevention, arts and music education, math and science education, violence prevention, and character education. Five percent of the funds are used by the Ohio Department of Education for administrative expenses. These grants were previously awarded directly to grantees by the federal government.

Educationally Disadvantaged 200-601 (Federal)

The executive budget requests $22,148,769 of spending authority in FY 2004, and $22,899,001 in FY 2005 for this item, an increase of 3.4% each year. This line item supports five federal Title 1 programs.

Migrant Education. This program provides funds to support the education of migrant children. Approximately $2.5 million will be spent for this program in each year of the biennium under the executive recommendations. The Department retains 1% for administration; the remainder is distributed to districts and educational service centers through competitive grants.

Neglected and Delinquent Children. This program provides funds for supplementary education services for children and youths in state-run institutions for juveniles and in adult correctional institutions, so that they can make successful transitions to school and employment when they are released. Under the executive proposal this program would spend about $2.0 million in each year of the biennium. The Department retains 1% for administration. The remainder is distributed to institutions based on a formula.

Homeless Children. This program helps to ensure that homeless children have access to a free and appropriate public education. Under the executive proposal, approximately $1.6 million will be spent on this program in each year of the biennium. Seventy-five percent of the funds are provided to local education agencies through a competitive grant process. The Department uses the remaining 25% for state level activities.

Comprehensive School Reform Program. This program supports the adoption and implementation of comprehensive school reforms based on scientifically based research and effective practices. These reforms should be designed to ensure that all children would be able to meet the state academic content standards. Under the executive proposal, approximately $7.8 million in FY 2004 and $8.8 million in FY 2005 will be spent on this program. Ninety-five percent of the funds are distributed to Title 1 schools through a two-year competitive grant process. The remaining 5% is used for state administration.

Title I Accountability. This program provides additional funds to schools that are deemed "in school improvement" for failing to meet adequate yearly progress (AYP) under Title I. These funds can be used by districts to cover the costs of carrying out school improvement and corrective action activities, including the costs of transportation and administration of pubic school choice. All of these funds are distributed to districts. Under the executive budget, these distributions would be about $8.1 million in each year of the biennium.

Adult Basic Education 200-604 (Federal)

These funds are used to fund local programs of adult education and literacy services, including workplace literacy services, family literacy services, and English literacy and civics education programs. Participation in these programs is primarily adults and out-of-school youths aged 16 and older. State matching funds for these programs are provided through GRF appropriation item 200-509, Adult Literacy Education. The executive budget proposes $21,369,906 in FY 2004 and $22,223,820 in FY 2005 for this item, an increase of 2.6% and 4.0%, respectively. Approximately 83% of these funds is distributed to local agencies through a formula, 12% is used for state level activities, and 5% is used for state administration.

Veteran's Training 200-614 (Federal)

These funds are used for the supervision and approval of schools, apprenticeships, and on-the-job training programs offering vocational, educational, and professional services to veterans. The executive proposal requests $626,630 in FY 2004 and $655,587 in FY 2005 for this item, an increase of 5.0% and 4.6%, respectively.

Career-Technical Education Federal Enhancements 200-616 (Federal)

The executive proposal requests $8,165,672 in both years of the biennium for this item, an increase of 2.1% over FY 2003. There are four federal programs funded through this item.

Tech Prep Education. This program begins in high school and continues through an associate degree in college. It combines college preparatory courses with a career-technical education. Federal funding for this program is projected to be about $4.6 million each year of the biennium, an increase of 3.1% over FY 2003. The program is also funded with state funds through GRF appropriation items 200-425, Tech Prep Administration and 200-545, Career-Technical Education Enhancements.

Appalachian Regional Commission. This program promotes workforce training and community service participation in the Appalachian region. Federal funding for this program is projected to be about $340,000 each year of the biennium, an increase of 1.0% over FY 2003.

Occupational and Employment Information. This program provides quality occupational and employment information. Federal funding for this program is projected to be about $186,160 each year of the biennium, an increase of 4%.

Workforce Investment Act. This program supports innovative programs that improve state systems of employment, training, and education. Federal funding for this program is projected to be about $3.0 million each year of the biennium, no change from FY 2003.

Education of Exceptional Children 200-624 (Federal)

This program provides grants to states to assist them in reforming and improving their systems for providing educational, early intervention, and transitional services for children with disabilities. Federal funding for this program is projected to be $1,933,910 each year of the biennium, a decrease of 50% under FY 2003 spending.

Accountability System — Program Series 8

Purpose: The programs in this series are designed to implement performance accountability requirements mandated by state and federal law.

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 2004	FY 2005
GRF	200-439	Accountability/Report Cards	$4,387,500	$0
GRF	200-446	Educ Mgt Information System	$16,646,469	$0
Total funding: Accountability System			**$21,033,969**	**$0**

The executive proposal for this program series reflects an increase in funding for FY 2004 of approximately 5.6%. The executive budget proposes a new line item to fund the local report cards that are currently funded through item 200-431, School Improvement Models. Funding for the Educational Management Information System (EMIS) is increased to assist the system in meeting new federal regulations from the No Child Left Behind Act of 2001 (NCLB).

Accountability/Report Cards 200-439 – New

The Department is required to issue annual report cards for each school district, each school building, and the state as a whole. These report cards must indicate the extent to which the performance indicators established by the State Board of Education are met and the resulting designation of the district or building as "excellent," "effective," "in need of continuous improvement," "in academic watch," or "in academic emergency." The executive budget proposes $4,387,500 in FY 2004 for the development and distribution of these report cards, a decrease of 2.5%. These activities were previously funded through GRF appropriation item 200-431, School Improvement Models.

Educational Management Information System 200-446

The executive budget proposes $16,646,469 in FY 2004 for this item, an increase of 7.9%. The Educational Management Information System is the principal data collection tool used by the Department. It provides most of the data on the report cards. This line item supports continued improvement of the system, including the construction and deployment of a state-level identifier for student-level information. State law requires that a third party manage this system. Approximately 19% of the appropriation for FY 2004 will be spent on outside contractors under the executive proposal. NCLB reporting requirements necessitate tracking of student level data. The No Child Left Behind Act also requires that test results and AYP determinations be made before the start of a new school year. Previously, these results were not reported until March of the next year.

Educational Management Information System Set Asides	
Set Aside	**FY 2004**
EMIS Subsidies - Data Acquisition Sites	$1,295,857
EMIS Subsidies - School Districts	$8,055,189
Total Set Asides:	**$9,351,046**

EMIS Subsidies – Data Acquisition Sites. Data Acquisition Sites collect, process, store, and transfer data to and from member districts. The executive budget sets aside $1,295,857 in FY 2004 to partially subsidize designated data acquisition sites for the cost of these activities, a decrease of 2.5%. Subsidies are allocated using a per pupil formula based on the enrollment of member districts.

EMIS Subsidies – School Districts. The executive budget sets aside $8,055,189 in FY 2004, a decrease of 0.6%, to partially subsidize school districts, public community schools, joint vocational school districts, educational service centers, and any other educational entity that reports data through EMIS for costs related to reporting, processing, storing, transferring, and exchanging data necessary to meet the requirements of the data system. These funds are distributed on a per pupil basis.

Administration and Infrastructure — Program Series 9

Purpose: This program series supports the personnel, maintenance, and equipment expenditures of the Department of Education.

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 2004	FY 2005
GRF	200-100	Personal Services	$12,211,314	$0
GRF	200-320	Maintenance and Equipment	$5,332,894	$0
GRF	200-420	Technical Systems Development	$5,703,750	$0
GRF	200-424	Policy Analysis	$592,220	$0
138	200-606	Computer Services	$7,404,690	$7,635,949
452	200-638	Miscellaneous Revenue	$500,000	$500,000
4R7	200-695	Indirect Cost Recovery	$5,002,500	$5,250,400
4V7	200-633	Interagency Support	$800,000	$800,000
5U2	200-685	National Education Statistics	$200,000	$200,000
620	200-615	Educational Grants	$1,000,000	$1,000,000
Total funding: Administration and Infrastructure			**$38,747,368**	**$15,386,349**

The executive proposal for this program series reflects an increase in funding for FY 2004 of approximately 4.8%. The executive budget proposes elimination of appropriation item 200-416, Career-Technical Education Match, and the distribution of this appropriation between 200-100, Personal Services and 200-320, Maintenance and Equipment.

Additional expenditures for personal services, purchased services (contracts), maintenance, and equipment are made through GRF appropriations for special purpose line items (400 line items), state general services fund (GSF) items, federal fund (FED) items, and state special revenue fund (SSR) items. The following tables summarize the Department's operating expenses from all nine program series, in the current biennium and as recommended in the executive budget for the next biennium. Only a portion of these expenditures is contained in this program series.

Personal Service Expenditures – Department Summary

Fund	FY 2002 Actual	FY 2003 Estimate	% Change	FY 2004 Recommended	% Change	FY 2005 Recommended	% Change
GRF – 100	$9,671,319	$9,733,342	0.6	$11,276,793	15.9	--	--
GRF – 400	$13,891,700	$17,680,661	27.3	$17,060,784	(3.5)	--	--
GSF	$4,777,216	$6,487,107	35.8	$6,462,634	(0.4)	$6,829,676	5.7
FED	$13,084,945	$21,871,032	67.2	$18,091,281	(17.3)	$18,785,249	3.8
SSR	$2,795,346	$3,263,883	16.8	$3,725,500	14.1	$3,918,400	5.2
All Funds	**$44,220,526**	**$59,036,025**	**33.5**	**$56,616,992**	**(4.1)**	**--**	**--**

Purchased Service Expenditures – Department Summary							
Fund	**FY 2002 Actual**	**FY 2003 Estimate**	**% Change**	**FY 2004 Recommended**	**% Change**	**FY 2005 Recommended**	**% Change**
GRF – 100	$668,023	$847,792	26.9	$934,521	10.2	--	--
GRF – 400	$28,159,988	$47,057,559	67.1	$57,770,862	22.8	--	--
GSF	$431,198	$795,312	84.4	$957,887	20.4	$970,988	1.4
FED	$5,112,008	$24,255,111	374.5	$24,931,015	2.8	$25,896,471	3.9
SSR	$895,788	$502,712	(43.9)	$1,250,000	148.7	$1,280,000	2.4
All Funds	**$35,267,005**	**$73,458,486**	**108.3**	**$85,844,285**	**16.9**	**--**	**--**

Note: Purchased services includes contracts for test development and scoring as well as contracts with individual participants on standards and curriculum development teams.

Maintenance Expenditures – Department Summary							
Fund	**FY 2002 Actual**	**FY 2003 Estimate**	**% Change**	**FY 2004 Recommended**	**% Change**	**FY 2005 Recommended**	**% Change**
GRF – 320	$4,143,378	$4,413,772	6.5	$5,092,587	15.4	--	--
GRF – 400	$11,656,600	$10,814,452	(7.2)	$10,769,630	(0.4)	--	--
GSF	$3,311,946	$3,464,490	4.6	$3,729,680	7.7	$3,788,045	1.6
FED	$6,411,200	$8,643,976	34.8	$7,479,181	(13.5)	$7,664,037	2.5
SSR	$10,245,474	$12,457,944	21.6	$13,035,761	4.6	$13,402,385	2.8
All Funds	**$35,768,598**	**$39,794,634**	**11.3**	**$40,106,839**	**0.8**	**--**	**--**

Equipment Expenditures – Department Summary							
Fund	**FY 2002 Actual**	**FY 2003 Estimate**	**% Change**	**FY 2004 Recommended**	**% Change**	**FY 2005 Recommended**	**% Change**
GRF – 320	$224,154	$136,110	(39.3)	$240,307	76.6	--	--
GRF – 400	$2,610,037	$1,143,061	(56.2)	$823,856	(27.9)	--	--
GSF	$731,604	$1,526,665	108.7	$1,754,200	14.9	$1,758,518	0.3
FED	$357,478	$286,189	(19.9)	$226,028	(21.0)	$226,028	0.0
SSR	$67,837	$59,576	(12.2)	$81,000	36.0	$56,000	(30.9)
All Funds	**$3,991,110**	**$3,151,601**	**(21.0)**	**$3,125,391**	**(0.8)**	**--**	**--**

Total Operating Expenditures – Department Summary							
Fund	**FY 2002 Actual**	**FY 2003 Estimate**	**% Change**	**FY 2004 Recommended**	**% Change**	**FY 2005 Recommended**	**% Change**
GRF – 100/320	$14,706,874	$15,131,016	2.9	$17,544,208	16.0	--	--
GRF – 400	$56,318,325	$76,695,733	36.2	$86,425,132	12.7	--	--
GSF	$9,251,964	$12,273,574	32.7	$12,904,401	5.1	$13,347,227	3.4
FED	$24,965,631	$55,056,308	120.5	$50,727,505	(7.9)	$52,571,785	3.6
SSR	$14,004,045	$16,284,115	16.3	$18,092,261	11.1	$18,656,785	3.1
All Funds	**$119,247,239**	**$175,440,746**	**47.1**	**$185,693,507**	**5.8**	**--**	**--**

Note: Total Operating Expenditures are the sum of the four previous tables, which contain the four basic types of operating expenditures: personal service (mainly payroll costs), purchased service, maintenance, and equipment.

Personal Services 200-100. The executive budget proposes $12,211,314 in FY 2004 for personal services, an increase of 15.4%. This increase, however, is entirely due to the addition in the executive proposal of vocational administration matching funds in this item that were previously funded in a separate item. (See below for further discussion.) Purchased service accounts for $934,521 (7.7%) of the executive proposal for this line item. The remaining funds are mainly for Department payroll costs. In FY 2003, the Department has about 660 staff members. Approximately 130 (19.7%) are funded through this line item. In addition, approximately 215 (32.6%) are supported by GRF appropriations for special purpose line items; 125 (18.9%) by state general services and state special revenue funds; and 190 (28.8%) by federal funds.

Personal Services Set Aside	
Set Aside	**FY 2004**
Vocational Administration Matching Funds	$1,630,181
Total Set Asides:	**$1,630,181**

Vocational Administration Matching Funds. The executive budget sets aside $1,630,181 of the appropriation for personal services to provide vocational administration matching funds for the federal vocational education grant (See 200-621 (Fund 3L9), Career-Technical Education Basic Grants). The federal government requires that states match administration funds included in this grant one-for-one. These funds were formerly supplied through GRF appropriation item, 200-416, Career-Technical Education Match. The executive proposal splits these funds between 200-100, Personal Services, and 200-320, Maintenance and Equipment.

Maintenance and Equipment 200-320

The executive budget appropriates $5,332,894 in FY 2004 for maintenance and equipment, an increase of 17.2%. However, all but 2% of this increase is due to the addition of the vocational administration matching funds in this item that were previously included in another line item.

Maintenance and Equipment Set Asides	
Set Aside	**FY 2004**
State Board of Education Out-of-State Travel	$25,000
Vocational Administration Matching Funds	$692,014
Total Set Asides:	**$717,014**

State Board of Education Out-of-State Travel. The executive budget sets aside $25,000 in FY 2004 to reimburse members of the State Board of Education for out-of-state travel. This is equal to the set aside in FY 2003.

Vocational Administration Matching Funds. The executive budget sets aside $692,014 of the maintenance and equipment appropriation to provide vocational administration matching funds for the federal vocational education grant (See 200-621 (Fund 3L9), Career-Technical Education Basic Grants). The federal government requires that states match administration funds included in this grant one-for-one. These funds were formerly supplied through GRF appropriation item, 200-416, Career-Technical Education Match. The executive proposal splits these funds between 200-100, Personal Services, and 200-320, Maintenance and Equipment.

Technical Systems Development 200-420

The executive budget proposes $5,703,750 in FY 2004 for this item. This represents no change from FY2003 funding. These funds support the development and implementation of information technologies at the Department for the purpose of meeting the strategic needs of the Department's administrative centers; making the Department's information accessible; and enhancing the Department's Internet and Intranet services. Online applications such as the interactive Local Report Card and interactive continuous improvement planning are supported through this line item. Many of these functions are performed by outside contractors. Under the executive recommendations, approximately 67% will be spent for purchased services. As of the end of January 2003, 20 contracts with 14 different contractors and with an average value of $176,000 have been completed under this item for FY 2003.

Policy Analysis 200-424

This item is used to support a system of administrative, statistical, and legislative education information to be used for policy analysis. The department staff supported by this line item are responsible for developing 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 educational results. The executive budget proposes $592,220 for this item in FY 2004. This represents no change over FY 2003 funding.

Computer Services 200-606

This general services fund group (Fund 138) item receives the proceeds of the sale of computer services to various divisions in the Department. These funds are used to provide computer services to divisions within the Department and to furnish statistical data pertaining to Ohio schools to various organizations. The executive budget recommends $7,404,690 in FY 2004 and $7,635,949 in FY 2005 for this item, increases of 9.5% and 3.1%, respectively.

Miscellaneous Revenue 200-638

This general services fund group (Fund 452) item receives fees paid by participants in conferences sponsored by the Department and gifts and bequests made for specific purposes. The funds are used for expenses related to the conferences and for the specific purposes specified in the gift or bequest. The executive budget recommends $500,000 or spending authority in each year of the biennium for this item, a decrease of 30.6% under FY 2003 spending.

Indirect Cost Recovery 200-695

This state special revenue fund group (Fund 4R7) item receives indirect payments for the Department's role in administering federal projects. The funds are used for a variety of administrative purposes. The executive budget recommends $5,002,500 in FY 2004 and $5,250,400 in FY 2005 for this item, increases of 20.0% and 5.0%, respectively.

National Education Statistics 200-685

This state special revenue fund group (Fund 5U2) item funds the position of National Assessment of Educational Progress (NAEP) state coordinator as well as other specific data collection tasks associated with NAEP. The No Child Left Behind Act of 2001 requires states to participate in the NAEP. The state coordinator position provides technical assistance to state and local education agencies on the collection of education statistics. This position is funded entirely by NAEP. The executive budget recommends $200,000 in each year of the biennium for this item, no change from FY 2003.

Educational Grants 200-615

This state special revenue fund group (Fund 620) item receives the funds from miscellaneous grants received by the Department. The executive budget recommends $1,000,000 in each year of the biennium for this item, and increase of 57.9% over FY 2003 spending.

ADDITIONAL FACTS AND FIGURES

A. Staffing Levels

Department of Education Staffing Levels				
Fund Group	**2000**	**2001**	**2002**[8]	**2003 (estimate)**
GRF Operating	143	120	119	130
GRF Special Purpose	112	171	182	215
GSF/SSR	115	125	124	125
Federal	162	167	184	190
Totals	**532**	**583**	**609**	**660**

- The overall staffing level for the Department increases by 24.1% from 532 FTEs in FY 2000 to 660 FTEs in FY 2003. The average staffing level is 596 FTEs during this period. The Department estimates the FY 2003 level of staffing will remain unchanged in FY 2004. The increased responsibilities associated with S.B. 1 of the 124th General Assembly, the federal No Child Left Behind Act, and community school oversight account for most staff increase.

- 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 35.3% from 255 FTEs in FY 2000 to 345 FTEs in FY 2003.

- During the same period, the number of employees funded by General Service Fund (GSF) and State Special Revenue Fund (SSR) increases by 8.7% from 115 employees in FY 2000 to 125 employees in FY 2003.

- During the same period, the number of federally-funded employees increased by 17.3% from 162 employees in FY 2000 to 190 employees in FY 2003.

[8] On March 29, 2002, 12 former Ohio State University employees became the Department's employees. However, this did not cause any additional administrative cost as the Department previously subsidized these 12 employees' salaries through a contractual relationship.

B. Public and Nonpublic Enrollments, FY 1997-FY 2002

Fiscal Year	1997	1998	1999	2000	2001	2002
Number of Public Students	1,844,611	1,846,564	1,841,617	1,821,064	1,810,514	1,811,216
Annual % Change	N/A	0.1%	-0.3%	-1.1%	-0.6%	0.0%
Number of Nonpublic Students	242,163	243,688	243,220	242,720	241,908	239,186
Annual % Change	N/A	0.6%	-0 2%	-0.2%	-0.3%	-1.1%
Total Students	**2,086,774**	**2,090,252**	**2,084,837**	**2,063,784**	**2,052,422**	**2,050,402**

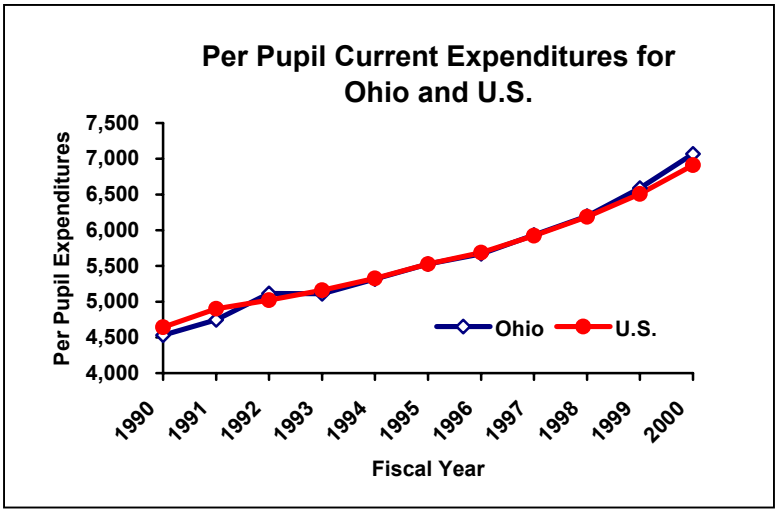
- The moderate growth in public and nonpublic school enrollments in the 1990s reached its peak in FY 1998 and both public and nonpublic enrollments have decreased since then. The average declining rate for public and nonpublic school enrollments are the same at approximately 0.5% per year. However, public school enrollment appeared to level off beginning in FY 2002. The preliminary FY 2003 October count data shows a 0.1% increase of public school students (1,812,758).

- From FY 1998 to FY 2002, total public school enrollment decreased by 1.9%, from 1,846,564 students to 1,811,216 students. During the same period, total nonpublic school enrollment decreased by 1.8%, from 243,688 students to 239,186 students.

- Public school enrollment data includes students attending public community schools. Since the establishment of community schools in FY 1999, community school enrollment increased by 937%, from 2,245 students in FY 1999 to 23,280 students in FY 2002. During the same period, public school enrollment decreased by 1.7%. Community school enrollment represented approximately 1.3% of total public school enrollment in FY 2002.

- Nonpublic school enrollment data includes the Cleveland voucher program students. In FY 2002, nonpublic school student enrollment represented approximately 11.7% of total public and nonpublic students in Ohio.

C. Ohio's Per Pupil Current Expenditures Increase along with National Average



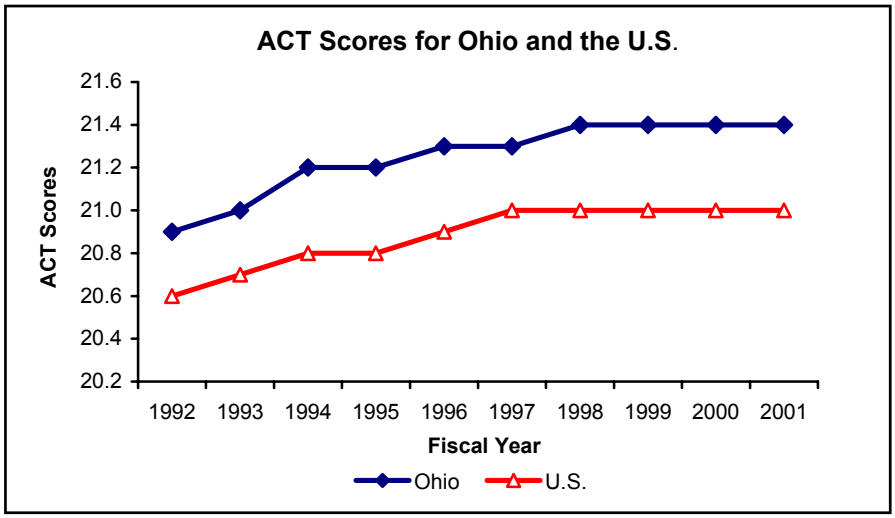
- Ohio's per pupil current expenditures increased from 2% below the national average in FY 1990 to 2% above the national average in FY 2000.

- In the period from FY 1990 to FY 2000, Ohio's per pupil current expenditures increased by 55.9% compared with 48.8% for the national average. Inflation, as measured by the consumer price index, was 33.3% during the same period.

- Ohio's per pupil current expenditures ranked 21st in the nation in FY 2000.

- In FY 2000, Ohio's per pupil current expenditures ($7,065) were higher than in Kentucky ($5,921) and Tennessee ($5,921), but lower than in Illinois ($7,133), Indiana ($7,192), Michigan ($8,110), Minnesota ($7,190), Pennsylvania ($7,772), West Virginia ($7,152), and Wisconsin ($7,806).

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



- ACT and SAT scores are indicators that help predict how well students will perform in college. ACT and SAT scores for Ohio high school seniors have been consistently higher than the national average since FY 1992.

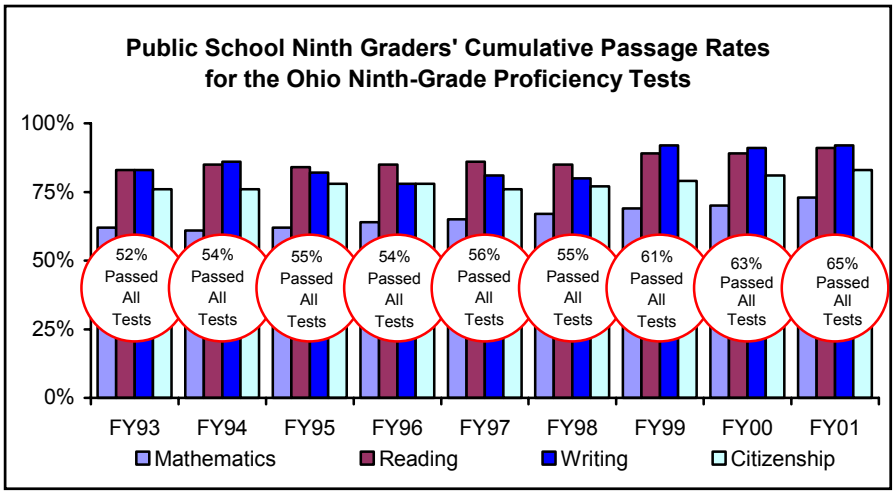
- Ohio ACT scores increased from 20.9 in FY 1992 to 21.4 in FY 2001. ACT scores nationwide increased from 20.6 to 21.0 during the same period.

- Ohio SAT scores increased from 1,050 in FY 1992 to 1,073 in FY 2001. SAT scores nationwide increased from 1,001 to 1,020 during the same period.

- In FY 2001, the average Ohio ACT score (21.4) was higher than in Kentucky (20.1), Michigan (21.3), Tennessee (20.0), West Virginia (20.2), lower than Illinois (21.6), Minnesota (22.1), and Wisconsin (22.2), and tied with Indiana (21.4) and Pennsylvania (21.4). During the same year, 63% of Ohio high school seniors took the ACT test, in comparison with 20% in Indiana, 71% in Illinois, 72% in Kentucky, 69% in Michigan, 66% in Minnesota, 8% in Pennsylvania, 79% in Tennessee, 61% in West Virginia, and 68% in Wisconsin.

- In FY 2001, the average Ohio SAT score (1,073) was higher than in Indiana (1,000), Pennsylvania (999), and West Virginia (1,039), but lower than in Illinois (1,165), Kentucky (1,100), Michigan (1,133), Minnesota (1,169), Tennessee (1,115), and Wisconsin (1,180). During the same year, 26% of Ohio high school seniors took the SAT test, compared with 60% in Indiana, 1% in Illinois, 12% in Kentucky, 11% in Michigan, 9% in Minnesota, 71% in Pennsylvania, 13% in Tennessee, 18% in West Virginia, and 6% in Wisconsin.

E. Ninth Grade Proficiency Test Results Show Improvements

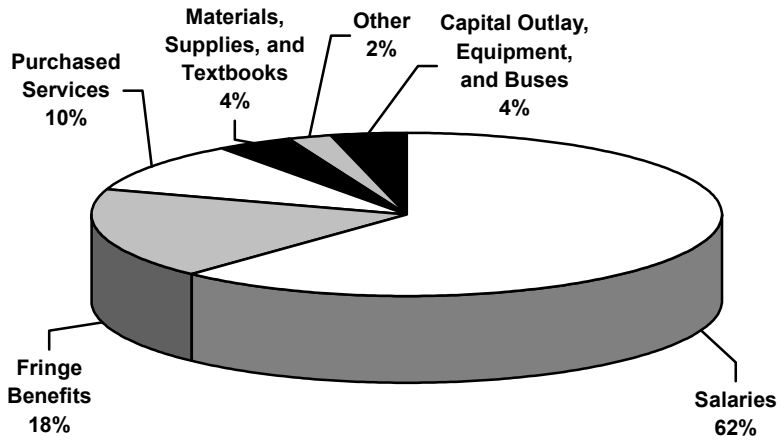


- The percentage of Ohio public school 9th graders passing all four 9th grade proficiency tests by the end of the 9th grade increased from 52% in FY 1993 to 65% in FY 2001. Public school students have to attain the 9th grade level on each test in order to receive a high school diploma. In FY 1999, this graduation requirement was applied to chartered nonpublic school students as well. From the start of FY 2001, students in both public and chartered nonpublic schools are also required to attain a 9th grade level on the science test in order to receive a high school diploma.

- Public school 9th graders have made improvements in all areas of the proficiency tests. Passing rates among public school 9th graders on the mathematics test increased from 62% in FY 1993 to 73% in FY 2002. Reading test rates increased from 83% to 91%, citizenship test rates increased from 76% to 83%, and writing test rates increased from 83% to 92% during the same period.

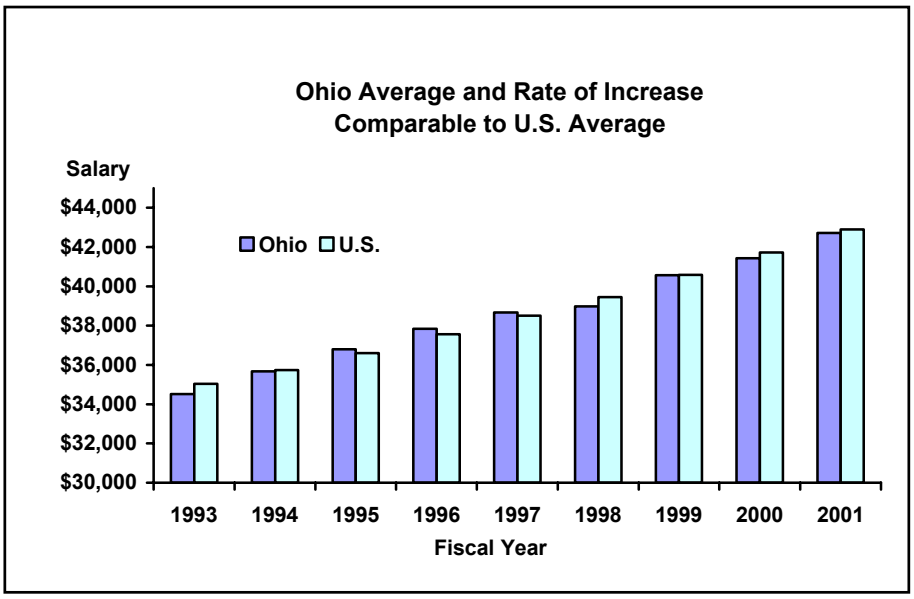
- Approximately 98% of 12th graders have met the proficiency test requirement for graduation each year. Amended Substitute Senate Bill 55 of the 122nd General Assembly (as modified by Am. Sub. S.B. 1 of the 124th General Assembly) phased out 9th grade proficiency tests and replaces them with 10th grade achievement tests, called the Ohio graduation test. However, passing all five 9th grade proficiency tests will continue to be a requirement for high school graduation until 2007.

F. A Typical School's Budget – 80% is Spent on Salaries and Fringe Benefits



- Salaries and fringe benefits account for approximately 80% of school district budgets statewide.
- The percent of school budgets devoted to fringe benefits has increased dramatically in recent years, and amounted to 28% of the cost of salaries in FY 2001.
- Under Sub. H.B. 412 of the 122nd General Assembly (as modified by Am. Sub. S.B. 345 of the 123rd General Assembly), each district is required to set aside an amount equal to 3% of the previous year's base cost formula amount multiplied by the number of students for textbooks and instructional materials and another 3% for capital and maintenance needs. In FY 2003, the required set-aside amount is $144. 4 per pupil for textbooks and instructional materials and another $144. 4 per pupil for capital and maintenance needs.

G. Ohio Teacher Salaries Increase along with National Average



- The average salary for an Ohio teacher changed from $34,519 in FY 1993 to $42,716 in FY 2001, an increase of 23.7%. The national average increased by 22.5%, from $35,030 in FY 1993 to $42,898 in FY 2001. Since FY 1993, Ohio's average has been within a band of between 1% above and 1% below the national average.

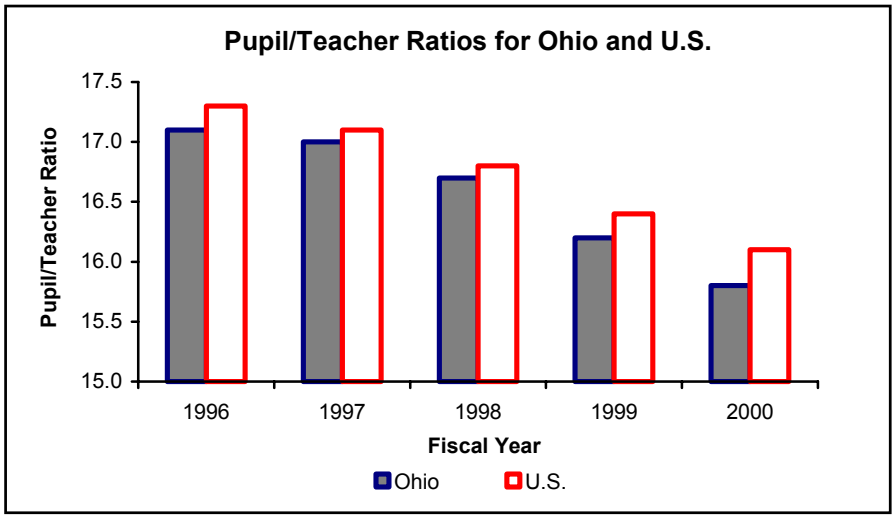
- In FY 2001, the average salary for beginning teachers in Ohio was $24,894 for teachers with bachelor's degrees and $27,639 for those with master's degrees. These salaries were 10.5% and 11.0% higher, respectively, than in FY 1998. This is compared to an inflation rate of 8.3% during that time.

- Typically, teachers' average salaries have increased at rates exceeding inflation rates. However, recent salary increases more closely approximate the inflation rate. (These statistics are also affected by retirement and the rate of new hires.)

- In FY 2001, Ohio's average teacher salary ($42,716) was higher than in Kentucky ($37,234), Minnesota ($40,577), Tennessee ($37,074), West Virginia ($42,101), and Wisconsin ($41,646), but lower than in Illinois ($48,053), Indiana ($43,055), Michigan ($49,975), and Pennsylvania ($49,500).

- Ohio currently has 1,797 National Board Certified Teachers and ranks fifth among states for the number of teachers achieving National Board Certification. In FY 2001, there were 112,545 public school teachers in Ohio.

H. Ohio Pupil Teacher Ratio Decreases along the National Average

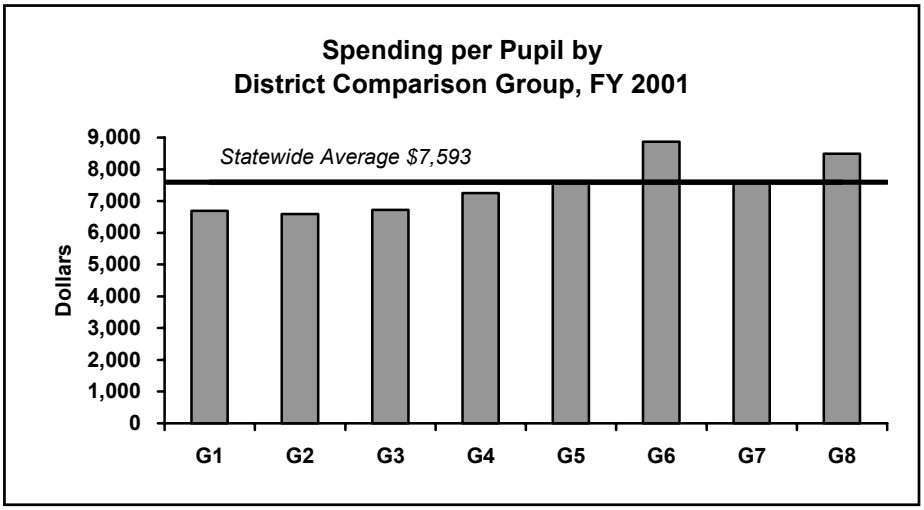


- The average pupil/teacher ratio in public elementary and secondary schools in Ohio decreased from 17.1 in FY 1996 to 15.8 in FY 2000, a decrease of 7.6%.

- The national average pupil/teacher ratio in public elementary and secondary schools decreased from 17.3 in FY 1996 to 16.1 in FY 2000, a decrease of 6.9%.

- In FY 2000, Ohio's average pupil/teacher ratio of 15.8 is lower than in Illinois (16.2), Indiana (16.8), Michigan (18.0), and Pennsylvania (15.9), but higher than in Kentucky (15.4), Minnesota (15.2), Tennessee (15.1), Wisconsin (14.4), and West Virginia (13.8).

I. Per Pupil Operating Spending Varies across Ohio



	Description	ADM* % FY 01	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	13.7	123
G4 – Urban	Low SES, high poverty	9.2	67
G5 – Large Urban	Average SES, high poverty	11.0	44
G6 – Major Urban	Very high poverty	19.2	14
G7 – Suburban	High SES, moderate poverty	20.6	89
G8 - Suburban	Very high SES, low poverty	8.5	35

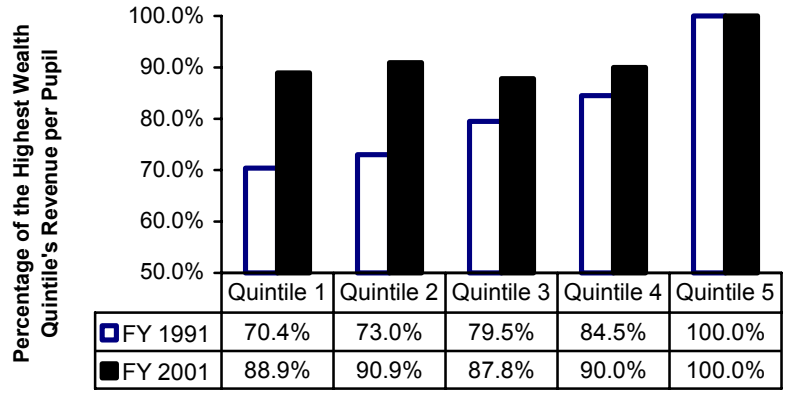
*Average daily membership

- The Ohio Department of Education clusters school districts throughout the state as a means to compare districts with similar socio-economic characteristics. In FY 2001, the state average per pupil spending was $7,593. About 83% of districts spent within a band between 20% below the state average ($6,074) and 20% above the state average ($9,111).

- High poverty major urban (G6) and the wealthiest suburban (G8) districts had the highest spending per pupil among all district groups, spending 17% and 12%, respectively, above the state average in FY 2001.

- While per pupil expenditures vary significantly, the pattern of allocation in all types of districts is similar. On average, school districts spent 55.6% on instruction, 19.6% on building operations, 11.4% on administration, 11.1% on pupil support, and 2.3% on staff support.

J. Interdistrict Equity Improved Significantly in the 1990s



	Quintile 1	Quintile 2	Quintile 3	Quintile 4	Quintile 5
FY 1991	70.4%	73.0%	79.5%	84.5%	100.0%
FY 2001	88.9%	90.9%	87.8%	90.0%	100.0%

- The main goal of state aid for school districts is to neutralize the effect of a school district's wealth on its total revenue per pupil. The state's equalization effort, complemented by federal funds, significantly improved interdistrict revenue per pupil equity in the 1990s.

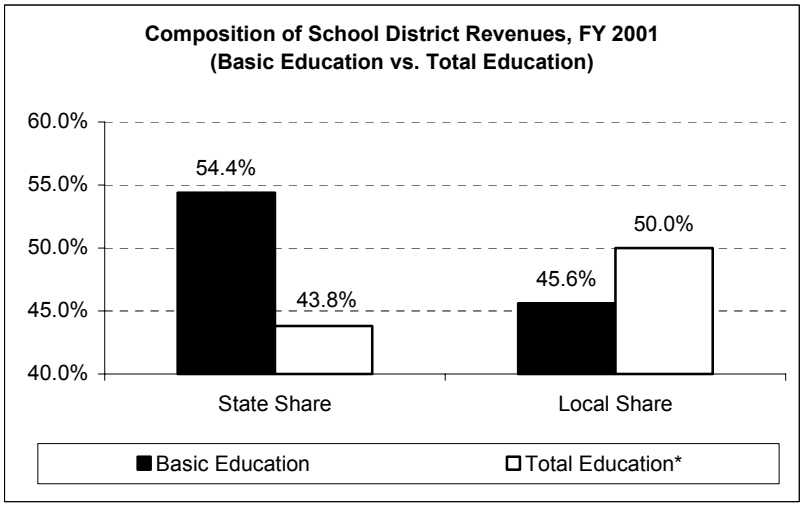
- School districts are first ranked from the lowest to the highest in valuation per pupil in each year. Districts are then grouped so that each quintile contains a roughly equal number of school districts. Quintile 1 has the lowest valuation per pupil and quintile 5 has the highest valuation per pupil.

- In the period from FY 1991 to FY 2001, districts in quintiles 1 and 2 registered the highest percentage and the biggest dollar increases in per pupil revenue. This occurred even though these districts experienced the smallest increase in per pupil valuation. As a result, per pupil revenue for quintile 1 increased from 70.4% of quintile 5's revenue per pupil in FY 1991 to 88.9% in FY 2001. Per pupil revenue for quintile 2 increased from 73.0% to 90.9% of quintile 5's revenue per pupil.

- In FY 2001, the average revenue per pupil for 80% of school districts (quintiles 1, 2, 3, and 4) was approximately 90% of the highest wealth quintile 5's revenue per pupil.

- In FY 1991, approximately 76% of the variation in per pupil revenue could be explained by the variation in per pupil valuation. In FY 2001, per pupil valuation explained about 39% of the variation in per pupil revenue. This also indicated a significant improvement in interdistrict equity and fiscal neutrality in the 1990s.

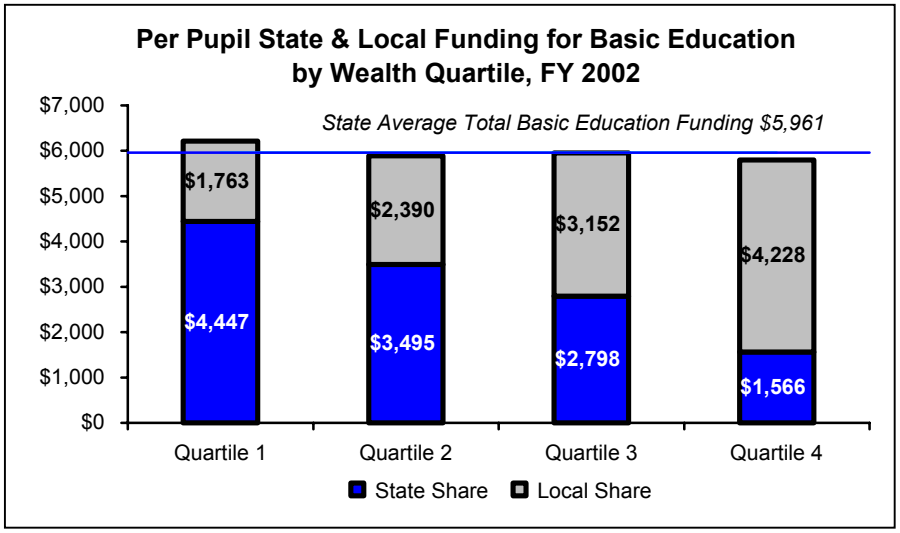
K. More State than Local in Basic Education



- The State of Ohio uses a performance-based model to determine the cost of a basic education. The model includes a uniform per pupil base cost and a series of adjustments to account for unique challenges each individual school district faces in providing a similar basic education. Total modeled basic education cost is shared between the state and local school districts through an equalized SF-3 foundation formula. The state pays approximately 54.4% of total basic education cost under the formula. Local school districts pay the remaining 45.6% 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 tax revenues; the other 1/3 (about $2 billion in FY 2001) 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 (43.8%) in total education spending. While the modeled basic education cost is paid for by state and local revenues, total education spending is funded by state, local, and federal revenues. Federal funds account for 6.2% of total education spending in FY 2001.

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



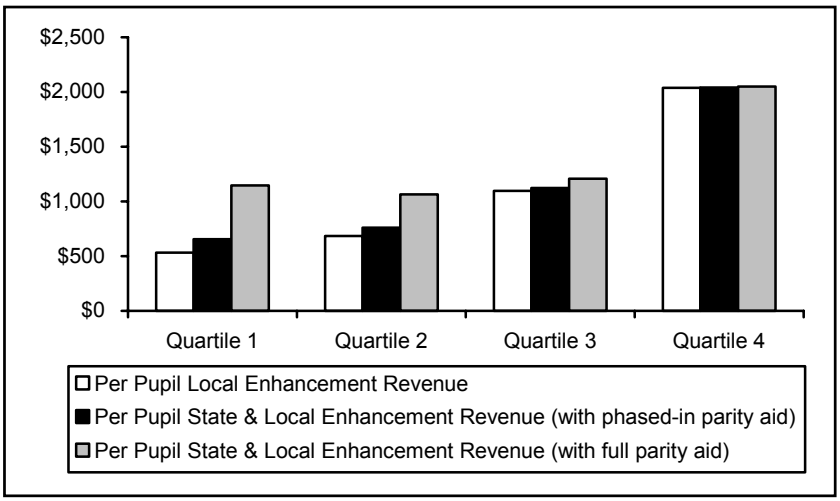
FY 2002	Charge-off Valuation Per Pupil	Per Pupil Total Basic Education Funding	Per Pupil State Share %	Per Pupil Local Share %
Quartile 1	$66,803	$6,210	71.6%	28.4%
Quartile 2	$91,562	$5,886	59.4%	40.6%
Quartile 3	$122,681	$5,950	47.0%	53.0%
Quartile 4	$178,462	$5,794	27.0%	73.0%

- To create the quartiles, school districts are first ranked from the low to high in valuation per pupil. Districts are then divided into four groups, and each group includes approximately 25% of total statewide ADM (average daily membership). Funding amounts are then calculated under the state-defined basic education model. Other funding is excluded. Total basic education funding for an individual district takes into account unique challenges facing the district and does not depend on the district's wealth.

- Valuation per pupil is the most important indicator of each district's ability to provide education. Due to the uneven distribution of taxable property, valuation per pupil varies from $66,803 for quartile 1 to $178,462 for quartile 4. However, the state shares of total basic education funding for quartiles 1 to 4 are 71.6%, 59.4%, 47.0%, and 27.0%, respectively.

- Equalized state aid has ensured the same basic education funding for every student in every district regardless of the district's wealth. The funding is equalized at 23 mills of local share. While valuation per pupil varies significantly, there is little difference in the total amount of per pupil state and local funding for basic education among the district quartiles.

M. Parity Aid Reduces Disparities in Local Enhancement Revenue that is above the Basic Education Level



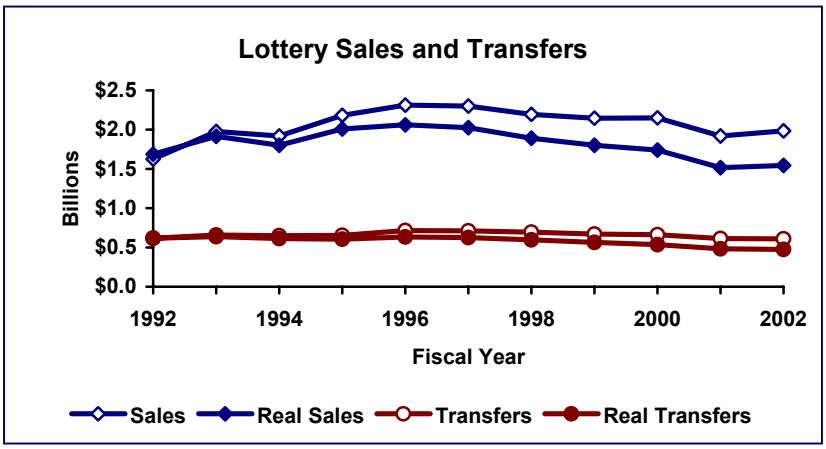
- To create the quartiles, school districts are first ranked from the low to high in valuation per pupil. Districts are then divided into four groups, each of which includes approximately 25% of total statewide ADM. Quartile 1 has the lowest valuation per pupil and quartile 4 has the highest valuation per pupil.

- Equalized state aid eliminates disparities in total state and local funding for basic education. Disparities occur in unequalized local enhancement revenue that is above the basic education level. In FY 2002, per pupil local enhancement revenue ranged from $531 for quartile 1 to $684 for quartile 2, $1,097 for quartile 3, and up to $2,039 for quartile 4.

- Parity aid is designed to systematically reduce disparities in local enhancement revenue that is above the basic education level. It equalizes an additional 9.5 mills (above the basic education level) to the 80th percentile district's wealth level. Parity aid is evenly phased in over a five-year period.

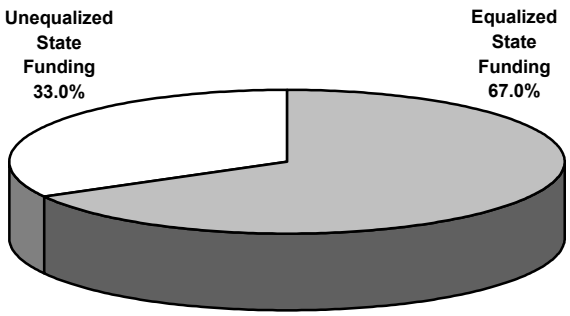
- In FY 2002, parity aid was funded at the 20% level. With phased-in parity aid, per pupil state and local enhancement revenues for quartiles 1 to 4 were $654, $761, $1,122, and $2,042, respectively, in FY 2002. Fully implemented parity aid would have substantially reduced disparities in local enhancement revenue. If parity aid had been fully implemented in FY 2002, a total of $480.6 million in state aid would have been provided and per pupil state and local enhancement revenue would have been $1,145 for quartile 1, $1,065 for quartile 2, $1,208 for quartile 3, and $2,050 for quartile 4. There would then have been little difference among the first three quartiles.

N. Lottery Sales Increased in FY 2002, but still below 1996 Peak



- Lottery sales grew from $1.68 billion in FY 1996 to a peak of $2.31 billion in FY 1996 before falling to $1.98 billion in FY 2002. Although sales grew by 17.6% between FY 1992 and FY 2002, in real terms (adjusted for inflation) sales have declined by 8.2%, from $1.68 billion to $1.54 billion in 1992 dollars.
- Transfers to education from lottery profits grew from $618 million in FY 1992 to a peak of $714 million in FY 1996 before falling to $610 million in FY 2002. Although transfers declined only 1.3% between FY 1992 and FY 2002, in real terms transfers have fallen by 23.0%, from $618 million to $476 million in 1992 dollars.
- Sales have decreased 14.3% 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, New York and Canada, enhanced racetracks in West Virginia, multi-states lotteries with huge prizes, and flourishing Internet gaming.
- In May 2002, the Ohio Lottery entered the multi-state game Mega Millions, providing players the opportunity to play for huge prizes and hoping to recapture sales previously lost to other states.

O. Equalized vs. Unequalized State Funding – FY 2002



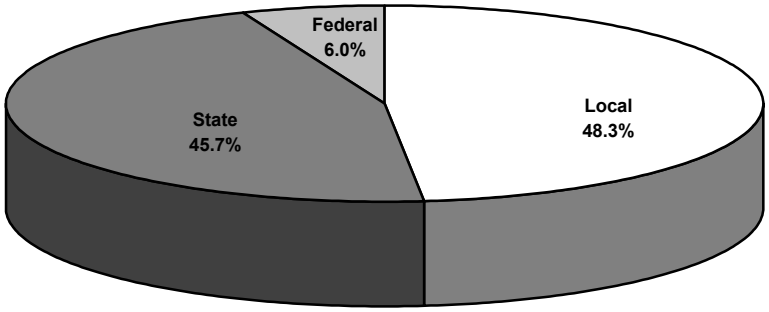
- Approximately 67.0% of the state GRF and LPEF funding for education is distributed to school districts through an equalized SF-3 foundation formula that is largely based on each district's property value.

- The following SF-3 items are equalized: the base cost funding, parity aid, equity aid, as well as special and career-technical education weight funding. Funding (both the base cost and weights) for joint vocational school districts is equalized. The classroom facilities assistance program is also equalized.

- The state pays each district 100% 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 funding is somewhat equalized. The state reimbursement rate is 60% or the district's state share percentage, whichever is greater. Furthermore, 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.

P. School District Operating Expenditures by Revenue Sources – FY 2002

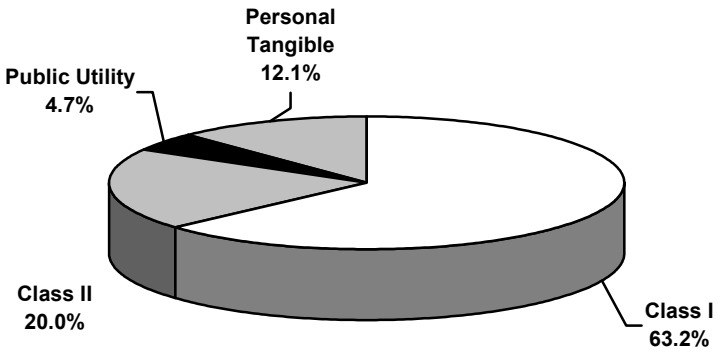


- In FY 2002, the total amount of local, state, and federal operating funds spent on education was $13.9 billion.

- Of this amount, the proportions were approximately 48.3% local, 45.7% state, and 6.0% 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 $13.9 billion total operating expenditures, school districts in Ohio also spent another $2.0 billion in capital outlay. Therefore, total operating and capital spending amounted to $15.9 billion in FY 2002.

Q. A Typical School District's Property Value Composition – TY 2001

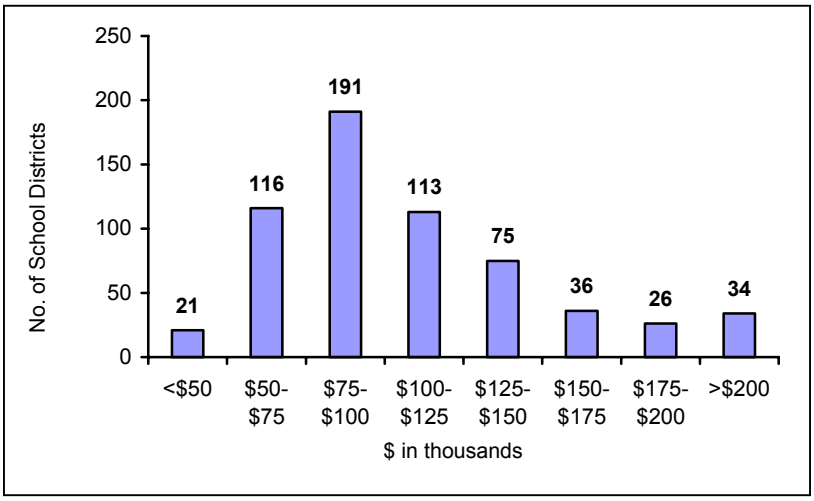


- Class I (residential and agricultural) property value is the largest component of a typical school district's total property value, representing approximately 63.2% of a typical district's total property value in TY 2001.

- 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: 15.6% and 96.2% for Class I, 1.5% and 50.6% for Class II, 0.9% and 43.4% for public utility tangible, and 0.2% and 60.3% for other general personal tangible.

- The state base cost funding formula equalizes valuation up to the 96th 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 the vast majority of school districts.

R. Valuation per Total ADM by School Districts – FY 2003



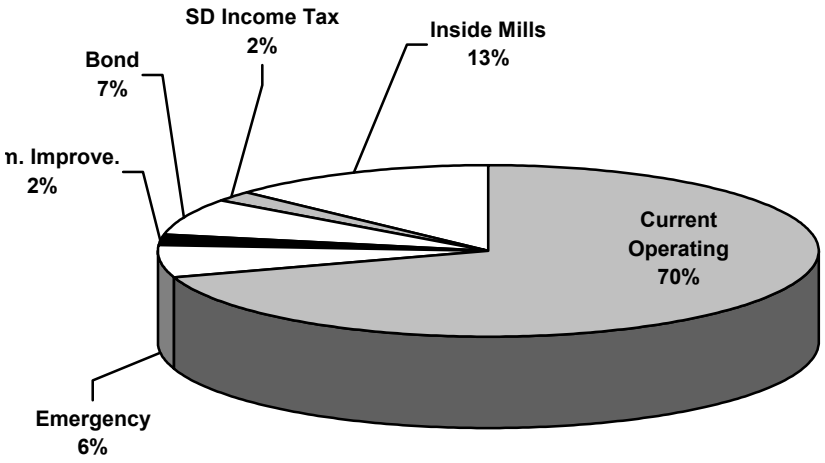
- In FY 2003, the statewide weighted average valuation per total ADM is approximately $116,302 while the statewide median valuation per total ADM is approximately $96,474.

- The weighted average represents a 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 306th district out of 612).

- Valuation per total ADM for the majority (441 or 72.1%) of school districts range from $50,000 to $125,000 in FY 2003.

- The state base cost funding formula equalizes valuation up to $215,174 to $231,312 in FY 2003 depending on each district's countywide based cost of doing business factor. Therefore, the variance in per pupil valuation has no real effect in the first 23 mills of property tax levies for most school districts. Only 22 school districts have per pupil property values higher than the state equalization level.

S. School District Local Revenues by Levy Types – TY 2001



- In TY 2001, school districts (including joint vocational school districts) collected a total of $7.9 billion taxes. Of this amount, 98% comes from property tax levies and the remaining 2% comes from school district income tax levies.

- Of $7.9 billion total taxes, 91% (or $7.2 billion) was for operating and the other 9% (or $0.7 billion) was for permanent improvements and debt service.

- The current operating levies, representing approximately 70% of total tax levies, were the largest component of local tax revenues. Inside millage generated another 13% 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 3% per year without passing new levies. The growth is due to new construction (43%), tangible property (20%), inside millage (25%), H.B. 920 floor guarantee (8%), and school district income taxes (4%).

T. FY 2003 Actual All-day and Everyday Kindergarten Percentage for 108 Eligible Districts – DPIA

OBS	Name of School District	County	Actual All-day Kindergarten % FY 2002
1	Ohio Valley Local SD	Adams	100.0
2	Lima City SD	Allen	99.3
3	Perry Local SD	Allen	100.0
4	Ashtabula Area City SD	Ashtabula	100.0
5	Alexander Local SD	Athens	99.2
6	Athens SD	Athens	91.6
7	Federal Hocking Local SD	Athens	100.0
8	Nelsonville-York City SD	Athens	100.0
9	Trimble Local SD	Athens	100.0
10	Barnesville Ex Vill SD	Belmont	100.0
11	Bellaire City SD	Belmont	100.0
12	Bridgeport Ex Vill SD	Belmont	100.0
13	Martins Ferry City SD	Belmont	100.0
14	Union Local SD	Belmont	100.0
15	Hamilton City SD	Butler	21.2
16	New Miami Local SD	Butler	100.0
17	Springfield City SD	Clark	99.9
18	Felicity-Franklin Local SD	Clermont	100.0
19	East Liverpool City SD	Columbiana	100.0
20	Wellsville City SD	Columbiana	100.0
21	Coshocton City SD	Coshocton	99.5
22	Cleveland City SD	Cuyahoga	100.0
23	Cleveland Hts-Univ Hts City SD	Cuyahoga	100.0
24	East Cleveland City SD	Cuyahoga	98.6
25	Euclid City SD	Cuyahoga	-
26	Maple Heights City SD	Cuyahoga	2.5
27	Warrensville Heights City SD	Cuyahoga	100.0
28	Sandusky City SD	Erie	99.1
29	Columbus City SD	Franklin	99.5
30	South-Western City SD	Franklin	0.1
31	Whitehall City SD	Franklin	18.3
32	Gallia County Local SD	Gallia	100.0
33	Gallipolis City SD	Gallia	100.0
34	Cincinnati City SD	Hamilton	100.0
35	Lockland City SD	Hamilton	100.0
36	Mount Healthy City SD	Hamilton	100.0
37	Norwood City SD	Hamilton	100.0
38	St Bernard-Elmwood Place City SD	Hamilton	100.0
39	Harrison Hills City SD	Harrison	100.0
40	Oak Hill Union Local SD	Jackson	100.0
41	Wellston City SD	Jackson	100.0
42	Buckeye Local SD	Jefferson	100.0
43	Edison Local SD	Jefferson	100.0
44	Indian Creek Local SD	Jefferson	100.0
45	Steubenville City SD	Jefferson	100.0
46	Toronto City SD	Jefferson	100.0
47	Painesville City SD	Lake	100.0
48	Chesapeake Union Ex Vill SD	Lawrence	100.0
49	Dawson-Bryant Local SD	Lawrence	100.0
50	Fairland Local SD	Lawrence	100.0
51	Ironton City SD	Lawrence	100.0
52	Rock Hill Local SD	Lawrence	100.0
53	South Point Local SD	Lawrence	99.3
54	Symmes Valley Local SD	Lawrence	100.0
55	Clearview Local SD	Lorain	97.9
56	Elyria City SD	Lorain	50.0
57	Lorain City SD	Lorain	100.0
58	Oberlin City SD	Lorain	100.0
59	Toledo City SD	Lucas	100.0
60	Campbell City SD	Mahoning	100.0
61	Struthers SD	Mahoning	100.0
62	Youngstown City SD	Mahoning	99.7
63	Marion City SD	Marion	55.2
64	Eastern Local SD	Meigs	100.0
65	Meigs Local SD	Meigs	100.0
66	Southern Local SD	Meigs	100.0
67	Switzerland Of Ohio Local SD	Monroe	100.0
68	Dayton City SD	Montgomery	99.8
69	Jefferson Township Local SD	Montgomery	100.0
70	Northridge Local SD	Montgomery	100.0
71	Trotwood-Madison City SD	Montgomery	100.0
72	Morgan Local SD	Morgan	98.7
73	Zanesville City SD	Muskingum	94.0
74	North Bass Local SD	Ottawa	-
75	Crooksville Ex Vill SD	Perry	17.7
76	New Lexington City SD	Perry	100.0
77	Southern Local SD	Perry	100.0
78	Circleville City SD	Pickaway	99.5
79	Eastern Local SD	Pike	97.1
80	Scioto Valley Local SD	Pike	8.3
81	Waverly City SD	Pike	99.3
82	Western Local SD	Pike	100.0
83	Windham Ex Vill SD	Portage	100.0
84	Mansfield City SD	Richland	99.6
85	Chillicothe City SD	Ross	94.6
86	Huntington Local SD	Ross	100.0
87	Paint Valley Local SD	Ross	16.5
88	Scioto Valley Local SD	Ross	41.2
89	Bloom Local SD	Scioto	100.0
90	Clay Local SD	Scioto	100.0
91	Green Local SD	Scioto	100.0
92	Minford Local SD	Scioto	7.2
93	New Boston Local SD	Scioto	94.4
94	Northwest Local SD	Scioto	100.0
95	Portsmouth City SD	Scioto	100.0
96	Valley Local SD	Scioto	100.0
97	Washington Local SD	Scioto	100.0
98	Wheelersburg Local SD	Scioto	100.0
99	Fostoria City SD	Seneca	76.1
100	Alliance City SD	Stark	64.9
101	Canton City SD	Stark	97.1
102	Massillion City SD	Stark	99.4
103	Akron City SD	Summit	99.9
104	Barberton City SD	Summit	100.0
105	Girard City SD	Trumbull	100.0
106	Niles City SD	Trumbull	100.0
107	Warren City SD	Trumbull	100.0
108	Vinton County Local SD	Vinton	100.0

PERMANENT AND TEMPORARY LAW

This section describes the main 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

Base Cost Formula Amount and Various Other School Funding Formula Factors – R.C. sections 3317.012, 3317.022, 3317.024, 3317.029, 3317.11 & 3317.16

To anticipate the recommendations of the proposed Blue Ribbon Task Force, the bill repeals the base cost formula amounts specified in current law for FYs 2005 through 2007 and the current-law requirement that a joint committee of the General Assembly be appointed in July of 2005 to reexamine the cost of an adequate education. However, the bill retains the FY 2004 base cost formula amount of $5,088 specified in current law. The bill also extends various FY 2003 formula factors into FY 2004 as follows:

The bill extends into FY 2004 the $25,700 threshold for "catastrophic" special education cost reimbursements for special education students in categories two through five and the $30,840 threshold for "catastrophic" special education cost reimbursements for category six special education students. School districts and community schools are eligible for additional state reimbursements for the costs above these thresholds. The executive budget sets aside $15 million in FY 2004 for this purpose.

The bill extends into FY 2004 the $30,000 personnel allowance for calculating the special education speech service supplement. The funding for the special education speech service supplement would remain at the FY 2003 levels in FY 2004. The bill increases the personnel allowance for calculating the GRADS teacher grants by 2.8%, from $46,260 in FY 2003 to $47,555 in FY 2004. The bill also increases the teacher salary allowance for calculating DPIA K-3 class-size reduction funding by 2.8%, from $43,658 in FY 2003 to $44,880 in FY 2004. However, temporary law associated with line item 200-520, DPIA, specifies that instead of following DPIA allocation formulas, all school districts that receive DPIA allocations in FY 2003 are to receive a uniform increase of 2% in FY 2004 over what they receive in FY 2003. Therefore, the increase in the teacher salary allowance will not have an impact on the amount of DPIA each district will receive in FY 2004.

The bill also extends into FY 2004 the $40.52 per pupil subsidy for educational service centers serving three or more counties and the $37 pupil subsidy for all other educational service centers. The executive budget set aside $50 million for this purpose.

The Special Education Weight Funding – R.C. section 3317.013

The bill states that the special education six-weight system will be fully funded with the combination of state, local and federal funds. It set aside $335.7 million in FY 2004 within GRF appropriation line item 200-501, Base Cost Funding, to pay for the state share of special education weight funding. The needed balance above both state and local shares will come from federal special education funds passed through to school districts. The Department of Education is required to submit a report to the Office of Budget and Management by May 30, 2004 to indicate the FY 2004 allocation of the state and local shares of special education weight funding and federal special education funds for each city, local, exempt village, and joint vocational school district.

Calculation of Formula ADM – R.C. section 3317.03

Under current law, most students are included in their resident districts' formula ADM counts for state aid calculation purposes. Funding is then deducted from a resident district's state aid amount and transferred to a public community school or another school district where the student is enrolled. The bill continues to count community school and open enrollment students in their resident districts' formula ADM counts. However, it will include students attending classes in a district other than their resident districts pursuant to a cooperative education agreement, contract, or compact between the two districts in the formula ADM counts of the districts where they attend school. This will create a system that counts the majority of students in their resident districts' formula ADM counts and a sub-group of students in their attending districts' formula ADM counts. It may affect some district's fundamental aid guarantee amount calculations and may require some adjustments to certain school districts' historical formula ADM calculations in order to make them comparable from one year to another. Due to data limitations, the fiscal impact of this provision is indeterminate at this time. Most students attending school under a cooperative education agreement, contract, or compact between the two school districts are special or career-technical education students. Weight funding for special and career-technical education students would be affected by this change.

Parity Aid Spending Requirements – R.C. section 3302.041

The executive budget proposes to repeal the parity aid spending requirements. This provision was included in H.B. 40, the budget balancing bill of the 125th General Assembly. Under current law, academic emergency, academic watch, and continuous improvement school districts that are eligible for parity aid are generally required to spend their parity aid allocations on one of nine specified spending categories unless such a district receives approval from the Department of Education for alternative usage of parity aid. The executive budget does not change parity aid allocation formulas and the phase-in funding level in FY 2004. However, eliminating the parity aid spending requirements will provide school districts with a greater flexibility in local spending decisions. About 493 school districts receive a total of $209.4 million in parity aid in FY 2003. The executive budget proposes $327.3 million for parity aid in FY 2004. Parity aid will be funded at the 60% level in FY 2004.

State-funded School Buses – R.C. section 3317.07

Under current law, school buses that are used to transport special education and non-public school students are eligible for 100% state funding. The bill allows the Department of Education to reassign a 100% state funded bus that a county MR/DD board or a school district no longer needs to another county MR/DD board or school district that has need for an additional school bus. This will result in a greater use of state funded school buses.

Special Education Costs for Joint Vocational School Districts – R.C. section 3314.083, 3317.16, and 3317.023

The bill requires joint vocational school districts to spend both state and local shares of the base cost funding and special education weight funding on special education services. Joint vocational school districts will be required to report data annually to the Department to allow for monitoring compliance with this requirement. All city, local, and exempted village school districts are currently required to follow the same requirement.

The bill specifies that a resident district or a community school if the student is enrolled in that community school shall pay the joint vocational school district the portion of the cost of providing special education service to a student that exceeds both state and local shares of the base cost funding and special education weight funding. The Department of Education is required to deduct this excess cost amount from the resident district's or the community school's state aid and transfer this amount to the joint vocational school district.

Pupil-Teacher Ratio Formula – "Speech Only" Students – R.C. section 3317.023

School districts are required to maintain a maximum average pupil-teacher ratio of 25 to 1 in a regular classroom. If a school district exceeds this average maximum ratio, a portion of its state formula aid will be deducted. Historically, "speech only" students are included in the regular student population for this pupil-teacher ratio calculation. House Bill 94 of the 124th General Assembly assigned a weight for "speech only" students too. As a result, these students are currently excluded from the 25:1 pupil-teacher ratio calculation. The bill specifies that "speech only" shall be included in the ratio calculation like they have historically been.

A Fiscal Emergency School District's Levy Obligation – R.C. section 3316.08

Under current law, the Auditor of State is required to determine a fiscal emergency district's annual operating fund balance. If the Auditor of State determines and certifies that a school district will incur an operating deficit, the financial planning and supervision commission or the board of education of the fiscal emergency district is required to propose a tax levy in an amount sufficient to eliminate the deficit. The bill removes this requirement. Instead, it allows a fiscal emergency district the option of submitting a tax levy request to the voters for the purpose of generating a positive fiscal year end cash balance by the fifth year of its five-year forecast. This change will provide a fiscal emergency district a greater flexibility in its financial management decisions.

Temporary Law Provisions

Public Preschool (Section 40.02)

The bill clarifies that an "eligible child" means a child who is at least three years of age and not of kindergarten eligibility whose family earns no more than 185% of the federal poverty level. As a result of this clarification, a kindergartener will not be eligible for public school service regardless of the child's family income level. The bill also requires public preschool programs to use research-based indicators prescribed by the Department to monitor child progress.

Ohio Educational Computer Network (Section 40.04)

The bill defines a "public school building" to include a school building of any city, local exempted village, or joint vocational school district, or any community school established under Chapter 3314. of the Revised Code, or any educational service center building which is used for instructional purposes, or the Ohio School for the Deaf, the Ohio School for the Blind, and high schools chartered by the Ohio Department of Youth Services and high schools operated by Ohio Department of Rehabilitation and Corrections' Ohio Central School System. As a result of this definition, the Ohio School for the Deaf, the Ohio School for the Blind, high schools chartered by the Ohio Department of Youth Services, and high schools operated by Ohio Department of Rehabilitation and Corrections' Ohio Central School System are eligible for state funding for connecting to the State of Ohio's education network.

School Conflict Management (Section 40.05)

The bill requires the Department of Education to provide dispute resolution and conflict management training, consultation, and materials for school districts and to provide competitive school conflict management grants to school districts. Currently, the Department is required to assist the Commission on Dispute Resolution and Conflict Management, which is eliminated in the executive budget, in the development and dissemination of the school conflict management program.

Ohio Reads Administration/Volunteer Support (Section 40.05)

The bill allows appropriations for line item 200-445, OhioReads Administration/Volunteer Support, to be allocated by the OhioReads Office in the Department of Education at the direction of the OhioReads Council. This change coincides with the current allocation method used for allocating OhioReads grants (200-566).

Education Information Management Information (Section 40.06)

The bill includes any educational entity that reports data through EMIS to be eligible for receiving per pupil state subsidy for costs associated related to reporting, processing, storing, transferring, and exchanging data necessary to meet requirements of the Department of Education's data system.

Head Start Plus Start Up and Head Start Plus/Head Start (Sections 40.06 and 40.19)

The bill creates the Head Start Plus/Head Start program that will eventually be completely funded by federal Title IV-A TANF dollars. Unlike traditional half-day Head Start services, Head Start Plus will be an all-day and every day program that meets a family's needs for child care services as well as the education needs of the child. Approximately 10,000 children will be served by the Head Start Plus initiative. Another 4,000 eligible children will be served by traditional half-day and partial-year Head

Start services. The bill also provides $16 million in GRF money in FY 2004 as seed money for the provision of Head Start Plus services to TANF-eligible children. A total of 14,000 children will be served annually by the Head Start Plus/Head Start initiative. Approximately 18,000 children are currently served by state funded traditional Head Start programs annually. However, many children will be receiving all-day and every day service under the new Heart Start Plus initiative.

Community Schools (Section 40.06)

The bill removes the Lucas County Educational Service Center from having the authority to make community school start-up grants.

Special Education Weight Cost Funding (Section 40.08)

The bill set aside almost $335.7 million in FY 2004 for the state share of special education weight funding. The executive budget proposes to fully fund the six-weight system established by H.B. 94 of the 124th General Assembly with the combination of state, local, and federal revenues. The needed balance above both state and local shares to fully fund the six-weight system will come from federal special education funds passed through to school districts.

Pupil Transportation (Section 40.09)

The bill eliminates two line items that currently provide pupil transportation operating and capital costs of county MR/DD boards (200-552, County MR/DD Boards Vehicle Purchases, and 200-553, County MR/DD Boards Transportation Operating) and makes county MR/DD boards eligible for pupil transportation operating cost funding within line item 200-502, Pupil Transportation and for school bus capital funding within line item 200-503, Bus Purchase Allowance. The bill also makes the Ohio School for the Deaf and the Ohio School for the Blind eligible for the bus purchase subsidy from the state.

Disadvantaged Pupil Impact Aid (Section 40.10)

The bill postpones the implementation of the new DPIA poverty indicator adopted in H.B. 94 of the 124th General Assembly by one year. Instead of following the distribution formulas outlined in section 3317.029 of the Revised Code, it provides every district that receives a DPIA funding in FY 2003 a uniform 2% increase in FY 2004 over what it receives in FY 2003. The bill requires districts to continue to comply with all existing DPIA expenditure guidelines and restrictions.

Department of Education Appropriation Transfers to Student Assessment (Section 40.31)

The bill allows the Superintendent of Public Instruction to make reallocation recommendations of unspent and unencumbered funds to the Director of Budget and Management if additional funds are needed to fully fund the requirements of S.B. 1 of the 124th General Assembly for assessments of student performance. If the Director of Budget and Management determines such a reallocation is required, the Director of Budget and Management may transfer unspent and unencumbered funds within the Department of Education as necessary to appropriation line item 200-437, Student Assessment.

For more information on temporary law provisions regarding each program, please see the Analysis of Executive Proposal section of this publication.

REQUESTS NOT FUNDED

Summary of FYs 2004-2005 Requests and Recommendations						
Fund Group	FY 2004 Requested	FY 2004 Recommended	Difference	FY 2005 Requested	FY 2005 Recommended	Difference
GRF	$8,024,022,823	$7,189,736,722	($834,286,101)	$8,943,941,474	$7,504,029,774	($1,439,911,700)
GSF	$39,151,401	$32,606,401	($6,545,000)	$39,594,227	$33,049,227	($6,545,000)
Fed	$1,320,564,193	$1,320,704,193	$140,000	$1,414,191,626	$1,414,331,626	$140,000
SSR	$142,828,343	$237,707,764	$94,879,421	$149,478,226	$240,256,288	$90,778,062
LPEF	$644,000,000	$637,900,000	($6,100,000)	$644,000,000	$637,900,000	($6,100,000)
Total	$10,170,566,760	$9,418,655,080	($751,911,680)	$11,191,205,553	$9,829,566,915	($1,361,638,638)
GRF + LPEF	$8,668,022,823	$7,827,636,722	($840,386,101)	$9,587,941,474	$8,141,929,774	($1,446,011,700)

The above table shows a summary of FYs 2004-2005 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 in FY 2004 mainly occur in the following areas. The analysis for FY 2005 is excluded due to the proposed Blue Ribbon Task Force.

Base Cost Formula Amount

The State Board of Education proposed a base cost formula amount of $5,278 in FY 2004 by updating the base cost model based on FY 2001 data. The proposed base cost formula amount represents an increase of $190 per pupil over the H.B. 94 level or the executive recommendation. The base cost formula amount accounts for an estimated $380 million in FY 2004 GRF difference between requests and recommendations.

Alternative Charge-off Method

The State Board of Education proposed an alternative charge-off method that is largely based on the methods used by individual districts to raise their local revenues (see the Local Funding for Schools section of this publication for more information on this proposal). The executive budget continues the current wealth based charge-off system by assuming a uniform 23 effective mills against all property. The current 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. The State Board of Education requested $97.7 million in FY 2004 for its proposed alternative charge-off method, which is not funded by the executive budget.

Parity Aid

The State Board of Education proposed a phased-in funding level of 70% for parity aid in FY 2004. The executive budget follows the H.B. 94 phased-in schedule and funds parity aid at the 60% level in FY 2004. This accounts for approximately $58.9 million in FY 2004 GRF difference between requests and recommendations.

Special Education Weight Funding

The State Board of Education proposed a 100% funding in FY 2004 for special education weights adopted in H.B. 94 and requested $399.0 million in GRF to pay for the state share. The executive budget also intends to fully fund the six-weight system specified in H.B. 94 in FY 2004. However, it proposes to use the combination of state, local, and federal funds to achieve this goal. The executive budget set aside $335.7 million in GRF for the state share of special education weights in FY 2004 (the needed balance to fully fund special education weights will come from federal funds). The different approaches used by the State Board of Education and the executive budget to fully fund special education weights account for $63.3 million in FY 2004 GRF difference between requests and recommendations.

Disadvantaged Pupil Impact Aid (DPIA)

House Bill 94 of the 124th General Assembly adopted a new poverty indicator for DPIA beginning in 2004. The State Board of Education requested $382.8 million in FY 2004 for DPIA. The executive budget proposes to postpone the implementation of the new poverty indicator by one year and recommends to guarantee each district that receive a DPIA funding in FY 2003 to receive a uniform 2% increase in their DPIA funding in FY 2004. The executive budget recommends $367.3 million for DPIA. This accounts for $15.5 million in FY 2004 GRF difference between requests and recommendations.

Educational Service Centers

The State Board of Education proposed to increase per pupil funding for educational service centers (ESCs) to the level equal to 1% of the base cost formula amount (approximately $52.58 per pupil) and requested $65.5 million for ESCs in FY 2004. The executive budget continues the current funding levels for ESCs, i.e., $40.52 per pupil for an ESC serving three counties or more and $37 per pupil for all others. The executive budget set aside $52 million in FY 2004 for ESCs. This accounts for $13.5 million in FY 2004 GRF difference between requests and recommendations.

Head Start

The State Board of Education requested $101.5 million in GRF funding for Head Start in FY 2004. The executive budget continues to use TANF dollars as the funding sources for the program and creates a new line item (Fund 5W2 200-663, Head Start Plus/Head Start) within the State Special Revenue Fund Group. This new line item receives $101.2 million in FY 2004. In addition, the executive budget recommends a one-time $16.0 million GRF investment in Head Start Plus Start-up (200-449) in FY 2004 to allow TANF reimbursement to programs to begin. Programs will spend these start-up funds on expenditures that are 100% TANF eligible and then be entirely reimbursed by the non-GRF Head Start Plus/Head Start line item. The different placement of the Head Start line item accounts for approximately $85.5 million in FY 2004 GRF difference between requests and recommendations. It is also the driving force behind the much higher executive recommendation level in state special revenue funds in FY 2004.

Pupil Transportation

The State Board of Education requested $415.1 million in FY 2004 to partially subsidize school districts and county MR/DD boards for their operating costs. The executive budget recommends $388.9 million in FY 2004 for the same purpose. This accounts for approximately $26.2 million in FY 2004 GRF difference between requests and recommendations. Currently, the state reimbursement rate is the greater of 60% or the district's state share percentage of the base cost funding. The reimbursement base is a predicted cost for each district based on a statistical model that promotes the average efficiency.

The State Board of Education also requested $69.6 million in FY 2004 to help school districts purchase school buses, including a $25.0 million request to replace 20-year-old buses. The executive budget recommends $34.4 million in FY 2004 for the same purpose, a difference of $35.2 million (it did not fund the $25 million request for replacing 20-year-old buses). Currently, buses that are used to transport special education and non-public school students are reimbursed by the state at the 100% level. State subsidies for buses that are used to transport regular students are distributed through a complex formula that includes a per pupil or per mile base reimbursement, a rough road factor, and an equalization component.

Public Preschool

The State Board of Education requested $26.0 million in FY 2004 to expand the public preschool programs mainly in Academic Emergency/Academic Watch and Continuous Improvement districts. The executive budget recommends a flat funding level of $19.0 million for public preschool in FY 2004 to continue the current level of service without expansion. This accounts for $7.0 million in FY 2004 GRF difference between requests and recommendations.

Professional Development

The difference between requests and recommendations for line item 200-410, Professional Development, accounts for $15.6 million in FY 2004 GRF difference. This line item provides funding for a variety of professional development initiatives. Two projects account for the majority of the $15.6 million difference. One is the $5.6 million unfounded request for professional development in districts that need special assistance to close achievement gaps. The funding is requested to be at the 0.25% level of the base cost formula amount phased in over the biennium. The other one is a lower funding recommendation ($19.4 million) than the request ($25.9 million) for entry year teacher programs, a difference of $6.5 million.

School Improvement Initiatives

The difference between requests and recommendations for line item 200-431, School Improvement Initiatives, accounts for $14.5 million in FY 2004 GRF difference. This line item provides funding for a variety of initiatives promoting school improvements. The difference between the request ($20.4 million) and the recommendation ($10.5 million) for technical assistance for academic watch and academic emergency districts accounts for $9.9 million out of the $14.5 million difference for the line item. The unfunded requests for two new projects (quality management for Ohio schools and high school transformation) amount to $5 million in FY 2004.

Special Education Enhancements

The difference between requests and recommendations for line item 200-540, Special Education Enhancements, accounts for $14.7 million in FY 2004 GRF difference. This line item provides funding for various special education enhancement programs. The difference between the request ($89.5 million) and the recommendation ($78.4 million) for preschool special education units accounts for $12.1 million of the $14.7 million difference for the line item.

Career-Technical Education Enhancements

The difference between requests and recommendations for line item 200-545, Career-Technical Education Enhancements, accounts for $18.0 million in FY 2004 GRF difference. This line item contains funding for various career-technical education enhancement programs. The unfunded request for Workforce Skills Assessment amounts to $2.0 million in FY 2004. The lower recommendations for the Ohio Career Information System, career-technical education equipment, and High Schools that Work amount to $4.0 million, $6.5 million, and $2.1 million, respectively. These four projects account for $16.6 million of the $18.0 million difference for the line item.

Funding for Non-public School Students

The State Board of Education requested a combined funding of $188.4 million in FY 2004 for non-public school auxiliary services (200-511) and Administrative Cost Reimbursement (200-532). The executive budget recommends a combined funding of $183.7 million in FY 2004 for these two programs. This accounts for $4.7 million in FY 2004 GRF difference between requests and recommendations.

General Revenue Fund

GRF 200-100 Personal Services

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$11,781,860	$12,074,656	$10,531,142	$10,581,134	**$11,110,190**	**$11,332,393**
	2.5%	-12.8%	0.5%	**5.0%**	**2.0%**

Source: GRF

Legal Basis: ORC 3301.13

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

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$384,050	$0	$0	$0	**$0**	**$0**
		N/A	N/A	**N/A**	**N/A**

Source: GRF

Legal Basis: Discontinued line item - 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

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$74,582	$0	$0	$0	**$0**	**$0**
		N/A	N/A	**N/A**	**N/A**

Source: GRF

Legal Basis: Discontinued line item - 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

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$4,422,558	$8,994,194	$4,367,532	$4,549,882	**$5,066,249**	**$5,066,249**
	103.4%	-51.4%	4.2%	**11.3%**	**0.0%**

Source: GRF

Legal Basis: ORC 3301.13 and Section 44.01 of Am. Sub. H.B. 94 of the 124th G.A. (originally established by Am. Sub. H.B. 282 of the 123rd G.A.)

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 item in FY 2000.

GRF 200-405 Primary and Secondary Education Funding

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$0	$0	$0	$0	**$0**	**$0**
	N/A	N/A	N/A	**N/A**	**N/A**

Source: GRF

Legal Basis: Established by Am. Sub. H.B. 215 of the 122nd General Assembly

Purpose: This line item provided for all GRF-funded primary and secondary education expenditures in FY 1999. Am. Sub. H.B. 650 of the 122nd General Assembly eliminated this lump-sum line item and appropriated funds for each individual line item in FY 1999.

GRF 200-406 Head Start

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$96,818,680	$100,707,798	$90,945,956	$96,372,729	**$0**	**$0**
	4.0%	-9.7%	6.0%	**-100.0%**	**N/A**

Source: GRF; Includes funds transferred from Fund 3W6, TANF Education

Legal Basis: Section 44.02 of Am. Sub. H.B. 94 of the 124th G.A.

Purpose: 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. In fiscal years 2002 and 2003 the program is partially funded by federal TANF dollars. Under the executive budget, the traditional Head Start program and a newly proposed Head Start Plus program will both be funded by TANF dollars in FY 2004. Funds are provided through a State Special Revenue Fund line item 200-663, Head Start Plus/Head Start (Fund 5W2).

GRF 200-408 Public Preschool

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$19,145,553	$19,421,348	$19,645,352	$19,018,550	**$19,018,551**	**$19,018,551**
	1.4%	1.2%	-3.2%	**0.0%**	**0.0%**

Source: GRF

Legal Basis: Section 44.03 of Am. Sub. H.B. 94 of the 124th G.A.

Purpose: This line item provides funds to help school districts finance preschool programs for children three to five years of age. 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

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$30,119,793	$28,399,477	$20,318,867	$30,546,283	**$13,410,073**	**$13,410,073**
	-5.7%	-28.5%	50.3%	**-56.1%**	**0.0%**

Source: GRF

Legal Basis: Section 44.04 of Am. Sub. H.B. 94 of the 124th G.A.

Purpose: 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, National Board teacher certification grants, entry-year programs for beginning teachers and principals, Ohio Leadership Academies for superintendents and principals, the Rural Appalachian Initiative, a Teacher Recognition Program, the Ohio Teacher Education and Certification Advisory Commission, and the Ohio University Leadership Program. Under Am. Sub. H.B. 650 of the 122nd G.A., 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.

GRF 200-411 Family and Children First

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$10,600,591	$10,436,510	$3,610,414	$3,253,575	**$3,324,750**	**$3,324,750**
	-1.5%	-65.4%	-9.9%	**2.2%**	**0.0%**

Source: GRF

Legal Basis: ORC 121.37 (originally established by Am. Sub. H.B. 152 of the 120th G.A.)

Purpose: The Ohio Family and Children First Cabinet Council is responsible for distributing these funds. A portion of the funds are used for grants to treat multi-need children through the Department of Mental Retardation and Developmental Disabilities. The remainder of the funds are used to provide grants to county family and children first councils to help fund county council coordinators, administrative support, training, or parental involvement.

GRF 200-412 Driver Education Administration

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$919	$0	$0	$0	**$0**	**$0**
		N/A	N/A	**N/A**	**N/A**

Source: GRF

Legal Basis: Discontinued line item - 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 G.A.

GRF 200-415 Consumer Education

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$79,663	$0	$0	$0	**$0**	**$0**
		N/A	N/A	**N/A**	**N/A**

Source: GRF

Legal Basis: Discontinued line item (originally established by Am. Sub. H.B. 475 of the 109th G.A.)

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. Am. Sub. H.B. 282 of the 123rd G.A. eliminated this line item.

GRF 200-416 Career-Technical Education Match

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$2,362,272	$2,222,334	$2,514,676	$2,322,195	**$0**	**$0**
	-5.9%	13.2%	-7.7%	**-100.0%**	**N/A**

Source: GRF

Legal Basis: Section 44.05 of Am. Sub. H.B. 94 of the 124th G.A. (originally established by Am. Sub. H.B. 191 of the 112th G.A.)

Purpose: Moneys in this line item support the Division of Career-Technical and Adult Education, which initiates, reviews, and approves career-technical education programs; maintains standards for these programs; and maintains statistical, fiscal, and descriptive reports required by state and federal authorities. These funds are used to provide vocational administration matching funds for federal funds (deposited in Fund 369, line item 200-616). Under the executive budget, the required matching funds in FY 2004 are provided through set-asides within line items 200-100, Personal Services, and 200-320, Maintenance and Equipment.

GRF 200-420 Technical Systems Development

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$1,751,412	$6,318,470	$5,444,897	$5,703,750	**$5,703,750**	**$5,703,750**
	260.8%	-13.8%	4.8%	**0.0%**	**0.0%**

Source: GRF

Legal Basis: Section 44.05 of Am. Sub. H.B. 94 of the 124th G.A. (originally established by Am. Sub. H.B. 282 of the 123rd G.A.)

Purpose: These moneys support development and implementation of information technology solutions designed to improve the performance and customer service of the Department of Education.

GRF 200-421 Alternative Education Programs

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$0	$19,820,361	$17,916,669	$16,496,999	**$15,835,547**	**$15,835,547**
	N/A	-9.6%	-7.9%	**-4.0%**	**0.0%**

Source: GRF

Legal Basis: Section 44.05 of Am. Sub. H.B. 94 of the 124th G.A. (originally established by Am. Sub. H.B. 640 of the 123rd G.A.)

Purpose: These funds primarily provide support alternative education program grants to urban, rural, and suburban districts. Programs must focus on youth who have been expelled or suspended, are at risk or dropping out of school, are habitually truant or disruptive, or are on probation or on parole from a Department of Youth Service's facility. Funds are also provided for program administration, technical support, and evaluation.

GRF 200-422 School Management Assistance

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$1,114,865	$979,884	$1,357,008	$1,729,745	**$1,778,000**	**$1,778,000**
	-12.1%	38.5%	27.5%	**2.8%**	**0.0%**

Source: GRF

Legal Basis: ORC 3301.073, ORC 3316, and Section 44.05 of Am. Sub. H.B. 94 of the 124th G.A. (originally established by Am. H.B. 1285 of the 112th G.A.)

Purpose: 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. A portion of these funds may be used by the Auditor of State for expenses incurred in completing performance audits of districts in fiscal cautions.

GRF 200-424 Policy Analysis

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$494,104	$578,388	$626,310	$592,220	**$592,220**	**$592,220**
	17.1%	8.3%	-5.4%	**0.0%**	**0.0%**

Source: GRF

Legal Basis: Section 44.05 of Am. Sub. H.B. 94 of the 124th G.A. (originally established by Am. Sub. H.B. 204 of the 113th G.A.)

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 Consortia Support

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$0	$2,173,151	$2,544,635	$2,133,213	**$2,133,213**	**$2,133,213**
	N/A	17.1%	-16.2%	**0.0%**	**0.0%**

Source: GRF

Legal Basis: Established by Section 44.05 of Am. Sub. H.B. 94 of the 124th G.A.

Purpose: These funds are used by the Department of Education to support state-level activities designed to support, promote, and expand tech prep programs. Activities funded under this line item include administration of grants, program evaluation, professional development, curriculum development, assessment development, communications, and statewide coordination of tech prep consortia. Prior to fiscal year 2000, these activities were funded through an earmark within item 200-545, Career-Technical Education Enhancements.

GRF 200-426 Ohio Educational Computer Network

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$24,584,939	$37,900,112	$36,570,537	$34,987,616	**$34,331,741**	**$34,331,741**
	54.2%	-3.5%	-4.3%	**-1.9%**	**0.0%**

Source: GRF

Legal Basis: ORC 3301.07(N) and Section 44.05 of Am. Sub. H.B. 94 of the 124th G.A.

Purpose: These funds are used to maintain and provide technical assistance for a system of information technology throughout in support the State Education Technology Plan. The bulk of funds are used to support connecting public and state-chartered nonpublic schools to the state's education network, to each other, and to the Internet. Funds from this line item are also distributed to data acquisition sites (also known as “A-sites”) that provide computer services to member school districts on a regional basis and are used for the Union Catalog and InfOhio Network.

GRF 200-427 Academic Standards

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$0	$620,821	$5,585,331	$7,776,844	**$9,000,592**	**$9,000,592**
	N/A	799.7%	39.2%	**15.7%**	**0.0%**

Source: GRF

Legal Basis: ORC 3301.079 (A) and (B), and Section 44.05 of Am. Sub. H.B. 94 of the 124th G.A.

Purpose: Funding in this line item is used to develop and disseminate academic standards, create curriculum models, and communicate these standards and curriculum models to parents and the community.

GRF 200-431 School Improvement Initiatives

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$24,838,650	$28,409,374	$11,633,254	$11,977,875	**$10,755,625**	**$10,755,625**
	14.4%	-59.1%	3.0%	**-10.2%**	**0.0%**

Source: GRF

Legal Basis: ORC 3302.03 and 3302.04, and Section 44.06 of Am. Sub. H.B. 94 of the 124th G.A. (originally established by Am. Sub. H.B. 111 of the 118th G.A.)

Purpose: This line item funds the provision of technical assistance to academic watch and academic emergency school districts to develop their continuous improvement plans and to school buildings not meeting new federal accountability measures. This item line also contain funds to provide a newly proposed intensive summer professional development program for mathematics teachers. In addition, these funds are used to support a teacher-in-residence at the Governor's office and Project GRAD to address the academic and social problem of inner-city students.

GRF 200-432 School Conflict Management

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$500,172	$573,083	$650,112	$577,238	**$0**	**$0**
	14.6%	13.4%	-11.2%	**-100.0%**	**N/A**

Source: GRF

Legal Basis: Section 44.06 of Am. Sub. H.B. 94 of the 124th G.A. (originally established by Sub. H.B. 715 of the 120th G.A.)

Purpose: Funds are used by the Department of Education for the purpose of providing dispute resolution and conflict management training, consultation, and materials to school districts, and for the purpose of providing competitive school conflict management grants to school districts.

GRF 200-433 Reading/Writing Improvement

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$0	$0	$17,752,384	$17,966,027	**$20,738,264**	**$20,738,264**
	N/A	N/A	1.2%	**15.4%**	**0.0%**

Source: GRF

Legal Basis: Section 44.06 of Am. Sub. H.B. 94 of the 124th G.A.

Purpose: The bulk of these funds are used for professional development in literacy for classroom teachers, administrators, and literacy specialists through the Summer Institutes for Reading Intervention (SIRI). The remainder of funds are used to assess a sample number of center based, early literacy education programs using the Early Language and Literacy Classroom Observation Instrument and for other activities designed to improve literacy instruction in Ohio public schools.

GRF 200-437 Student Assessment

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$12,387,999	$14,294,054	$20,537,754	$33,320,957	**$40,853,391**	**$40,853,391**
	15.4%	43.7%	62.2%	**22.6%**	**0.0%**

Source: GRF

Legal Basis: ORC 3301.0710 and 3301.0711 (originally established by Am. Sub. H.B. 111 of the 118th G.A.)

Purpose: These funds are used to develop, field test, print, score, and report results of Ohio proficiency tests, achievement tests, the Ohio Graduation Test, and diagnostic assessments.

GRF 200-438 Safe Schools

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$0	$0	$2,047,833	$1,798,875	**$0**	**$0**
	N/A	N/A	-12.2%	**-100.0%**	**N/A**

Source: GRF

Legal Basis: Section 44.06 of Am. Sub. H.B. 94 of the 124th G.A.

Purpose: These funds are mainly used for a safe-schools help line program for students, parents, and the community to report threats to the safety of students and school personnel. This line item also 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. Funding for these programs was formerly contained in line item 200-431, School Improvement Models. Under the executive budget, funding for the safe-schools help line and the safe schools center is provided in a newly created line item 200-578, Safe and Supportive Schools.

GRF 200-439 Accountability/Report Cards

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$0	$0	$0	$0	**$4,387,500**	**$4,387,500**
	N/A	N/A	N/A	**N/A**	**0.0%**

Source: GRF

Legal Basis: Proposed under Section 40 of H.B. 95 of the 125th G.A.

Purpose: This line item funds the development and distribution of Local Report Cards for school districts, school buildings, and the state. Funding for these activities was previously provided through a set-aside within line item 200-431, School Improvement Initiatives.

GRF 200-441 American Sign Language

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$221,299	$148,387	$305,781	$207,717	**$207,717**	**$207,717**
	-32.9%	106.1%	-32.1%	**0.0%**	**0.0%**

Source: GRF

Legal Basis: ORC 3323.17 and Section 44.06 of Am. Sub. H.B. 94 of the 124th G.A. (originally established by Am. Sub. H.B. 111 of the 118th G.A.)

Purpose: Funds in this line item are used to implement pilot projects for the integration of American Sign Language into the K-12 curriculum. Funds are also 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.

GRF 200-442 Child Care Licensing

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$1,467,703	$1,459,886	$1,455,487	$1,358,464	**$1,385,633**	**$1,385,633**
	-0.5%	-0.3%	-6.7%	**2.0%**	**0.0%**

Source: GRF

Legal Basis: ORC 3301.52 through 3301.59 (originally established by the Controlling Board on October 16, 1995)

Purpose: Funds in this line item are used by the Department of Education to license and inspect preschool and school-age child care programs.

GRF 200-443 DeRolph Litigation Expenses

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$300,000	$0	$0	$0	**$0**	**$0**
		N/A	N/A	**N/A**	**N/A**

Source: GRF

Legal Basis: Discontinued line item (originally established by the Controlling Board on 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

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$0	$0	$1,201,899	$1,496,840	**$0**	**$0**
	N/A	N/A	24.5%	**-100.0%**	**N/A**

Source: GRF

Legal Basis: Section 44.06 of Am. Sub. H.B. 94 of the 124th G.A.

Purpose: Funds in this line item are to be used by the department to establish programs targeted at recruiting underrepresented populations and second-career and mid-career individuals into the teaching profession. Funds are also used for recruitment programs targeting special needs areas: recruiting mathematics, science, and special education educators, recruiting principals, developing a web-based placement bureau, and establishing a pre-collegiate program to target future teachers.

GRF 200-445 OhioReads Admin/Volunteer Support

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$3,755,709	$4,146,708	$5,070,365	$5,027,406	**$4,500,000**	**$4,500,000**
	10.4%	22.3%	-0.8%	**-10.5%**	**0.0%**

Source: GRF

Legal Basis: Section 44.06 of Am. Sub. H.B. 94 of the 124th G.A. (originally established by Am. Sub. H.B. 282 of the 123rd G.A.)

Purpose: This funds are allocated by the OhioReads Office at the direction of the OhioReads Council to public school buildings and educational service centers for costs associated with OhioReads volunteer coordination and background checks. The funds are also used to evaluate and administer the program.

GRF 200-446 Education Management Information System

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$13,460,017	$14,396,653	$14,106,466	$15,420,685	**$16,146,469**	**$16,146,469**
	7.0%	-2.0%	9.3%	**4.7%**	**0.0%**

Source: GRF

Legal Basis: ORC 3301.0714 and Section 44.07 of Am. Sub. H.B. 94 of the 124th G.A.

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, including implementation of the common student management record system. These funds support the collection and reporting of student participation and performance, staff, and financial information data. The bulk of the funding from this line item is distributed to school districts and other education entities on a per pupil basis.

GRF 200-447 GED Testing/Adult High School

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$1,117,066	$1,289,211	$2,093,048	$1,824,718	**$1,829,106**	**$1,829,106**
	15.4%	62.4%	-12.8%	**0.2%**	**0.0%**

Source: GRF

Legal Basis: ORC 3313.531 and Section 44.07 of Am. Sub. H.B. 94 of the 124th G.A. (originally created by the Controlling Board on January 8, 1990)

Purpose: 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 G.A. 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 were not enrolled in a high school. Section 3313.531 of the Revised Code authorizes school districts to offer such adult education programs, and limits state reimbursement to $10.0 per instructional hour.

GRF 200-448 Educator Preparation

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$0	$0	$0	$0	**$24,375**	**$24,375**
	N/A	N/A	N/A	**N/A**	**0.0%**

Source: GRF

Legal Basis: Proposed under Section 40 of H.B. 95 of the 125th G.A.

Purpose: This newly created line item supports projects designed to improve the preparation of educators, such as the alignment of teacher education standards with the state's academic content standards and professional development schools.

GRF 200-449 Head Start Plus Start Up

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$0	$0	$0	$0	**$0**	**$0**
	N/A	N/A	N/A	**N/A**	**N/A**

Source: GRF

Legal Basis: Proposed under Section 40 of H.B. 95 of the 125th G.A.. Executive funding recommendation removed by the House of Representatives.

Purpose: This newly created item provides start up funds to Head Start Plus grantees. These funds would allow grantees to start to receive TANF reimbursements. Grantees would spend these GRF funds on expenditures that are completely TANF-eligible and then be entirely reimbursed from that point on by federal TANF funds.

GRF 200-450 Summer Institute for Reading Intervention

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$688,048	$627,702	$0	$0	**$0**	**$0**
	-8.8%		N/A	**N/A**	**N/A**

Source: GRF

Legal Basis: Discontinued line item (originally established by the Controlling Board on May 12, 2000)

Purpose: This line item provided funding for the Summer Institutes for Reading Intervention program. The funding for this program is now contained in line item 200-433, Reading/Writing Improvement.

GRF 200-452 Teaching Success Comm Initiatives

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$0	$0	$0	$0	**$1,650,000**	**$1,650,000**
	N/A	N/A	N/A	**N/A**	**0.0%**

Source: GRF

Legal Basis: Proposed under Section 40 of H.B. 95 of the 125th G.A.

Purpose: Am. Sub. S.B. 1 of the 124th General Assembly called for the creation of the Governor's Commission on Teaching Success. The Commission was charged with addressing questions related to teacher recruitment and preparation; teacher induction, support, and retention; professional development; and school leadership. The Commission presented its recommendations to the Governor on February 20, 2003. This item would be used to begin investing into the new initiatives recommended by the Commission.

GRF 200-455 Community Schools

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$1,654,046	$2,336,946	$3,879,159	$4,233,513	**$4,231,842**	**$4,231,842**
	41.3%	66.0%	9.1%	**0.0%**	**0.0%**

Source: GRF

Legal Basis: ORC 3314.11 and Section 44.07 of Am. Sub. H.B. 94 of the 124th G.A. (originally established by Am. Sub. H.B. 215 of the 122nd G.A.)

Purpose: These funds are mainly used to provide start-up grants for new community schools. Line item 200-613 (Fund 3T4), Public Charter Schools, provides similar federally funded start-up grants for community schools. Funds are also used to support the Office of School Options of the Department of Education.

GRF 200-500 School Finance Equity

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$47,323,630	$33,407,695	$22,649,115	$19,975,864	**$13,888,641**	**$7,671,853**
	-29.4%	-32.2%	-11.8%	**-30.5%**	**-44.8%**

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 G.A. Beginning in FY 1993, an equity aid formula was developed to distribute the funds to the poorest school districts as measured by school districts' property value with an income adjustment. Distribution formulas are given in section 3317.0213 of the Revised Code. As a result of school funding reform, Am. Sub. H.B. 650 of the 122nd G.A. began to phase out equity aid in FY 1999. Under Am. Sub. H.B. 94 of the 124th G.A., equity aid will be completely phased out beginning in FY 2006. From FY 2002 to FY 2005, the 117 lowest wealth districts in the state will be eligible for equity aid at 100 percent, 75 percent, 50 percent, and 25 percent, respectively. The executive budget retains the 50 percent phase-out funding level in fiscal year 2004.

GRF 200-501 Base Cost Funding

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$3,458,196,651	$3,804,827,428	$4,275,243,309	$4,390,914,505	**$4,437,361,256**	**$4,291,124,539**
	10.0%	12.4%	2.7%	**1.1%**	**-3.3%**

Source: GRF

Legal Basis: ORC 3317. and Section 44.09 of Am. Sub. H.B. 94 of the 124th G.A.

Purpose: 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) formulas, 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 and career-technical education weight cost funding, per-pupil payments to educational service centers, foundation aid guarantee, and various other purposes. Starting in FY 1988, under Am. Sub. H.B. 789 of the 117th G.A., 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. Am. Sub. H.B. 650 of the 122nd G.A. changed the line item's name from School Foundation-Basic Allowance to Base Cost Funding.

GRF 200-502 Pupil Transportation

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$274,110,665	$310,276,105	$334,065,252	$377,305,465	**$388,939,229**	**$397,960,398**
	13.2%	7.7%	12.9%	**3.1%**	**2.3%**

Source: GRF

Legal Basis: ORC 3317.022(D), 3317.02(J) and (K), and Section 44.11 of Am. Sub. H.B. 94 of the 124th G.A.

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 has been distributed based on the analysis of a statistical regression model. In fiscal year 2003 the state reimbursement rate for every district increased to the greater of 60 percent or the school district's state share percentage. 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 transportation is the same as that for regular transportation. These reimbursements are historically based on actual expenditures reported by school districts and county MR/DD boards. Funding for the latter was previously provided in line item 200-553, County MR/DD Boards Transportation Operating.

GRF 200-503 Bus Purchase Allowance

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$33,761,278	$38,614,950	$34,790,655	$32,291,986	**$34,399,921**	**$34,399,921**
	14.4%	-9.9%	-7.2%	**6.5%**	**0.0%**

Source: GRF

Legal Basis: ORC 3317.07 and Section 44.11 of Am. Sub. H.B. 94 of the 124th G.A.

Purpose: These moneys assist school districts, educational service centers, county MR/DD boards, the Ohio School for the Blind, and the Ohio School for the Deaf in purchasing school buses. The state pays the 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 28 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. Funding for county MR/DD boards' school buses was previously provided in line item 200-552, County MR/DD Boards Vehicle Purchases.

GRF 200-505 School Lunch Match

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$9,991,216	$9,623,241	$8,929,403	$9,585,986	**$9,398,025**	**$9,398,025**
	-3.7%	-7.2%	7.4%	**-2.0%**	**0.0%**

Source: GRF

Legal Basis: ORC 3313.81and 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.

GRF 200-509 Adult Literacy Education

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$8,817,898	$10,019,630	$8,739,607	$8,412,300	**$8,774,250**	**$8,774,250**
	13.6%	-12.8%	-3.7%	**4.3%**	**0.0%**

Source: GRF

Legal Basis: ORC 3317.024(H) and Section 44.12 of Am. Sub. H.B. 94 of the 124th G.A.

Purpose: These funds support adult basic and literacy education programs (ABLE). These programs provide free instruction in basic literacy, workplace literacy, family literacy, English for speakers of other languages, and GED preparation. In addition, the funds support the State Literacy Resource Center that provides support in the areas of professional development, curriculum development, technology, and data collection and reporting. The ABLE programs are also supported through federal funds deposited in Fund 366, line-item 200-604.

GRF 200-510 County Commissioners Reimbursement

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$0	$0	$0	$1,004,245	**$0**	**$0**
	N/A	N/A	N/A	**-100.0%**	**N/A**

Source: GRF

Legal Basis: Originally established by Controlling Board on July 1, 2002

Purpose: These transferred funds were used to reimburse county commissioners for part of the cost of housing educational service centers. Funds are provided in GRF appropriation item 911-404, Mandate Assistance, of the Controlling Board. These funds were previously paid through the State and Local Government Commission.

GRF 200-511 Auxiliary Services

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$110,135,741	$117,725,453	$122,606,208	$124,459,441	**$127,903,356**	**$127,903,356**
	6.9%	4.1%	1.5%	**2.8%**	**0.0%**

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 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 to school districts on a per nonpublic pupil basis. Funds are also set aside for payment of the Post-Secondary Enrollment Option Program for nonpublic students.

GRF 200-512 Driver Education

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$361,552	$0	$0	$0	**$0**	**$0**
		N/A	N/A	**N/A**	**N/A**

Source: GRF

Legal Basis: Discontinued line item - 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 G.A.

GRF 200-513 Student Intervention Services

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$15,445,934	$28,999,995	$5,685,846	$34,186,161	**$35,040,815**	**$35,040,815**
	87.8%	-80.4%	501.3%	**2.5%**	**0.0%**

Source: GRF

Legal Basis: ORC 3303.608 and Section 44.12 of Am. Sub. H.B. 94 of the 124th G.A.

Purpose: This line item provides funds to school districts for providing state-mandated student intervention services. 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. In fiscal year 2003 the program is mainly funded by federal TANF dollars. Under the executive budget, the program will be fully funded by GRF money.

GRF 200-514 Postsecondary Adult Career-Technical Education

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$22,668,510	$22,349,060	$23,958,167	$20,393,314	**$19,919,464**	**$19,919,464**
	-1.4%	7.2%	-14.9%	**-2.3%**	**0.0%**

Source: GRF

Legal Basis: ORC 3313.52; ORC 3313.53; and Section 44.12 of Am. Sub. H.B. 94 of the 124th G.A.

Purpose: This line item provides funds for full-time and part-time adult vocational training programs for out-of-school youth and adults. 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 G.A. School districts, joint vocational school districts, and other educational institutions are eligible for the funding, which is distributed through a unit formula.

GRF 200-520 Disadvantaged Pupil Impact Aid

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$367,072,979	$340,906,643	$345,638,782	$360,149,743	**$367,266,738**	**$367,266,738**
	-7.1%	1.4%	4.2%	**2.0%**	**0.0%**

Source: GRF

Legal Basis: ORC 3317.029; and Section 44.12 of Am. Sub. H.B. 94 of the 124th G.A.

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 G.A. 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 G.A. 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. Am. Sub. H.B. 94 of the 124th G.A. adopted a new poverty indicator beginning in FY 2004 to further stabilize DPIA allocations for individual districts. Part of the DPIA subsidy allocation for Cleveland City School District is used to fund the Cleveland Scholarship and Tutoring Program. In addition, funds from this line item are used to support school breakfast programs and the Jobs for Ohio's Graduates Program.

GRF 200-521 Gifted Pupil Program

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$39,529,962	$43,315,449	$44,553,303	$47,983,321	**$48,201,031**	**$48,201,031**
	9.6%	2.9%	7.7%	**0.5%**	**0.0%**

Source: GRF

Legal Basis: ORC 3317.024(P); and Section 44.13 of Am. Sub. H.B. 94 of the 124th G.A.

Purpose: Funds from this line item are used to assist school districts in establishing and maintaining programs for gifted and talented pupils. Gifted students are defined as superior in cognitive ability, specific academic ability, creative thinking ability, and visual/performing arts ability. Moneys have been allocated for this program since FY 1975. Funds are distributed to school districts and educational service centers through a unit formula prescribed by law. This line item also includes a supplement for gifted identification. State law requires all school districts to identify their gifted students. Beginning in FY 1994, Am. Sub. H.B. 152 of the 120th G.A. included funds and responsibilities for the previous Summer Honors Institute line item (200-518) with this account.

GRF 200-524 Educational Excellence and Competency

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$12,987,333	$11,730,966	$0	$0	**$0**	**$0**
	-9.7%		N/A	**N/A**	**N/A**

Source: GRF

Legal Basis: Discontinued line item (originally established by Am. Sub. H.B. 291 of the 115th G.A.)

Purpose: Funds from this line item were earmarked for a variety of projects that promote educational excellence and pupil competency. Projects with similar purposes are now funded through line item 200-570, School Improvement Incentive Grants.

GRF 200-525 Parity Aid

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$0	$0	$97,467,789	$210,305,911	**$333,890,279**	**$435,096,124**
	N/A	N/A	115.8%	**58.8%**	**30.3%**

Source: GRF

Legal Basis: ORC 3317.0217

Purpose: This line item provides additional state aid above the adequate education level to eligible school districts. It equalizes an additional 9.5 mills (above the 23 mills of the adequate education foundation program) to the 80th percentile school district's wealth per pupil level. A school district's wealth is measured by a weighted valuation (2/3) per pupil and income (1/3) per pupil. Just over 490 school districts are eligible for parity aid, which is scheduled to be evenly phased in over a five year period beginning in fiscal year 2002. The executive budget retains the phase-in funding level of 60% in fiscal year 2004.

GRF 200-526 Vocational Education Equipment Replacement

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$148,009	$0	$0	$0	**$0**	**$0**
		N/A	N/A	**N/A**	**N/A**

Source: GRF

Legal Basis: Discontinued line item (originally established by Am. Sub. H.B. 204 of the 113th G.A.)

Purpose: This money was 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 G.A. Funding for this program is now contained in line item 200-545, Career-Technical Education Enhancements.

GRF 200-532 Nonpublic Administrative Cost Reimbursement

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$48,059,452	$51,327,971	$53,520,200	$54,283,175	**$55,803,103**	**$55,803,103**
	6.8%	4.3%	1.4%	**2.8%**	**0.0%**

Source: GRF

Legal Basis: ORC 3317.063 (originally established by Am. Sub. H.B. 694 of the 114th G.A.)

Purpose: This subsidy reimburses state chartered nonpublic schools for the mandated administrative and clerical costs they incurred during the preceding year. 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 licensure, and other education-related data.

GRF 200-533 School-Age Child Care

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$961,769	$1,400,849	$102,087	$0	**$0**	**$0**
	45.7%	-92.7%	-100.0%	**N/A**	**N/A**

Source: GRF

Legal Basis: Discontinued line item - ORC 3301.59 (originally established by Am. Sub. H.B. 238 of the 116th G.A.)

Purpose: Moneys in this line item provided grants to school districts and educational service centers for school-age child care programs that were operated outside of regular school hours for school-age children.

GRF 200-534 Desegregation Costs

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$9,162,951	$7,095,107	$32,925,509	$487,500	**$0**	**$0**
	-22.6%	364.1%	-98.5%	**-100.0%**	**N/A**

Source: GRF

Legal Basis: ORC 3301.18; and Section 44.14 of Am. Sub. H.B. 94 of the 124th G.A.

Purpose: Funds from this line item were 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 settlement between the State Board and Dayton City SD in 2002, the state no longer has any on-going, court-ordered desegregation obligations.

GRF 200-540 Special Education Enhancements

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$127,087,994	$132,556,391	$133,528,920	$138,401,667	**$135,614,484**	**$137,936,046**
	4.3%	0.7%	3.6%	**-2.0%**	**1.7%**

Source: GRF

Legal Basis: ORC 3317.20; ORC 3317.161; ORC 3317.05(B), (C), and (D); and Section 44.15 of Am. Sub. H.B. 94 of the 124th G.A. (originally established by Am. Sub. H.B. 650 of the 122nd G.A.)

Purpose: 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, research-based reading mentoring programs, a collaborative pilot program for autistic children, and a demonstration project for improvement of language and literacy skills of at-risk learners.

GRF 200-545 Career-Technical Education Enhancements

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$34,168,790	$29,326,745	$23,662,201	$21,846,190	**$16,060,407**	**$16,060,407**
	-14.2%	-19.3%	-7.7%	**-26.5%**	**0.0%**

Source: GRF

Legal Basis: Section 44.16 of Am. Sub. H.B. 94 of the 124th G.A. (originally established by Am. Sub. H.B. 650 of the 122nd G.A.)

Purpose: Funds from this line item are used for the career-technical education equipment replacement program, Jobs for Ohio Graduates (JOG), Tech Prep consortia grants, High Schools that Work, K-12 career development, and the Ohio Career Information System. In FY 1999, this line item provided state funding for joint vocational school districts. Beginning in FY 2000, funding for joint vocational school districts has been paid out of funds in line item 200-501, Base Cost Funding.

GRF 200-546 Charge-Off Supplement

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$7,416,349	$12,735,476	$39,306,115	$28,684,104	**$45,888,802**	**$45,888,802**
	71.7%	208.6%	-27.0%	**60.0%**	**0.0%**

Source: GRF

Legal Basis: ORC 3317.0216 (originally established by Am. Sub. H.B. 650 of the 122nd G.A.)

Purpose: These funds are used to provide subsidies to school districts that do not raise enough local operating revenue to cover the local formula share that the state foundation formula attributes to them in the base cost funding, special and career-technical education weight cost funding, and pupil transportation model cost. These subsidies ensure every district receives the full amount of state and local revenues as determined by the model to fund a similar basic education.

GRF 200-547 Power Equalization

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$21,830,412	$32,039,506	$52,495	$0	**$0**	**$0**
	46.8%	-99.8%	-100.0%	**N/A**	**N/A**

Source: GRF

Legal Basis: Discontinued line item - ORC 3317.0215 (originally established by Am. Sub. H.B. 650 of the 122nd G.A.)

Purpose: These funds were 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 equalized up to two additional mills above 23 mills. The state reimbursement rate was 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). Funding for education beyond the foundation program is now contained in line item 200-525, Parity Aid.

GRF 200-551 Reading Improvement

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$1,520,867	$1,699,175	$0	$0	**$0**	**$0**
	11.7%		N/A	**N/A**	**N/A**

Source: GRF

Legal Basis: Discontinued line item (originally established by Am. Sub. H.B. 238 of the 116th G.A.)

Purpose: This line item provided funding for the establishment and implementation of a reading recovery training network program in public elementary schools. The program covered the cost of release time for the teacher trainers and provided grants to school districts to implement other reading improvement programs on a pilot basis. This program is now funded in line item 200-433, Reading/Writing Improvement.

GRF 200-552 County MR/DD Boards Vehicle Purchases

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$1,697,525	$1,522,916	$1,410,153	$1,462,094	**$0**	**$0**
	-10.3%	-7.4%	3.7%	**-100.0%**	**N/A**

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 buses used to transport children in special education programs. County MR/DD boards receive 100 percent reimbursements for the costs of bus purchases. Under the executive budget, funding for county MR/DD boards school bus purchases is provided in line item 200-503, Bus Purchase Allowance.

GRF 200-553 County MR/DD Boards Transportation Operating

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$7,746,790	$8,114,355	$8,623,588	$9,336,512	**$0**	**$0**
	4.7%	6.3%	8.3%	**-100.0%**	**N/A**

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. Under the executive budget, funding for county MR/DD boards transportation operating costs is provided in line item 200-502, Pupil Transportation.

GRF 200-558 Emergency Loan Interest Subsidy

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$7,123,596	$5,367,627	$4,156,147	$2,895,750	**$3,022,500**	**$3,022,500**
	-24.7%	-22.6%	-30.3%	**4.4%**	**0.0%**

Source: GRF

Legal Basis: ORC 3313.484

Purpose: Sub. H.B. 412 of the 122nd G.A. 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 G.A. created this line item to provide a subsidy to every district that, during the current fiscal year, paid interest on an existing state-backed emergency school loan in excess of two percent simple interest.

GRF 200-566 OhioReads Grants

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$24,970,547	$25,062,720	$27,140,498	$26,469,300	**$12,874,777**	**$12,832,272**
	0.4%	8.3%	-2.5%	**-51.4%**	**-0.3%**

Source: GRF

Legal Basis: Section 44.18 of Am. Sub. H.B. 94 of the 124th G.A. (originally established by Am. Sub. H.B. 282 of the 123rd G.A.)

Purpose: These funds are used by the OhioReads Office in the Department of Education at the direction of the OhioReads Council to provide grants to school districts, community schools, and educational service centers. These grants are to be used to support volunteer reading improvement efforts in public schools and are intended to improve reading outcomes, especially on the 4th grade reading proficiency test.

GRF 200-570 School Improvement Incentive Grants

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$9,729,800	$10,025,000	$837,500	$866,531	**$0**	**$0**
	3.0%	-91.6%	3.5%	**-100.0%**	**N/A**

Source: GRF

Legal Basis: Section 44.18 of Am. Sub. H.B. 94 of the 124th G.A. (originally established by Am. Sub. H.B. 282 of the 123rd G.A.)

Purpose: These moneys are used to fund a variety of grant programs aiming at school improvements. Many of the set asides previously funded in line item 200-524, Educational Excellence and Competency, are now funded through this line item.

GRF 200-572 Teacher Incentive Grants

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$111,000	$624,500	$265,500	$0	**$0**	**$0**
	462.6%	-57.5%	-100.0%	**N/A**	**N/A**

Source: GRF

Legal Basis: Discontinued line item (originally established by Am. Sub. H.B. 282 of the 123rd G.A.)

Purpose: These moneys funded 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

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$1,000,000	$1,100,000	$0	$0	**$0**	**$0**
	10.0%		N/A	**N/A**	**N/A**

Source: GRF

Legal Basis: Discontinued line item (originally established by Am. Sub. H.B. 282 of the 123rd G.A.)

Purpose: These moneys provided matching grants of up to $50,000 to school districts to develop pilot character education programs.

GRF 200-574 Substance Abuse Prevention

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$2,112,000	$2,570,000	$1,962,800	$1,709,546	**$0**	**$0**
	21.7%	-23.6%	-12.9%	**-100.0%**	**N/A**

Source: GRF

Legal Basis: Section 44.18 of Am. Sub. H.B. 94 of the 124th G.A. (originally established by Am. Sub. H.B. 282 of the 123rd G.A.)

Purpose: These moneys support the Safe and Drug Free Schools Coordinators program and the Substance Abuse Prevention Student Assistance program. Funding for safe and drug free school coordinators is now contained in line item 200-578, Safe and Supportive Schools.

GRF 200-578 Safe and Supportive Schools

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$0	$0	$0	$0	**$3,576,348**	**$3,576,348**
	N/A	N/A	N/A	**N/A**	**0.0%**

Source: GRF

Legal Basis: Proposed under Section 40 of H.B.95 of the 125th G.A.

Purpose: This line item would be used to help ensure safe and supportive educational environments for students. These funds are to be distributed based on guidelines developed by the Department to enhance school safety. The guidelines will provide a list of research-based best practices and programs from which local districts may choose based on local needs. These practices will include school resource officers and safe and drug free school coordinators, a safe school help line, and social-emotional development programs. Some of these programs received support previously through former GRF appropriation items, 200-574, Substance Abuse Prevention and 200-438, Safe Schools.

GRF 200-580 Bethel School Clean-Up

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$350,000	$0	$65,000	$63,375	**$0**	**$0**
		N/A	-2.5%	**-100.0%**	**N/A**

Source: GRF

Legal Basis: Section 44.18 of Am. Sub. H.B. 94 of the 124th G.A. (originally established by Am. Sub. H.B. 282 of the 123rd G.A.)

Purpose: These funds are used to purchase water for the Bethel Local Schools in Miami county and four adjacent households, as well as expenses incurred by the school district for well-monitoring and water system conversions. A portion of the funds are also used by the Ohio Environmental Protection Agency for expenses incurred in monitoring the water supply in the area.

GRF 200-901 Property Tax Allocation

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$622,326,432	$661,412,414	$705,731,854	$743,000,000	**$783,350,000**	**$822,360,000**
	6.3%	6.7%	5.3%	**5.4%**	**5.0%**

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-Education

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$65,068,924	$66,208,453	$66,925,963	$75,700,000	**$77,810,000**	**$82,010,000**
	1.8%	1.1%	13.1%	**2.8%**	**5.4%**

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 G.A. transferred authority of the program from the Department of Taxation to the Department of Education.

General Services Fund Group

138 200-606 Computer Services

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$4,034,664	$3,580,430	$4,975,341	$6,761,034	**$7,404,690**	**$7,635,949**
	-11.3%	39.0%	35.9%	**9.5%**	**3.1%**

Source: GSF: Proceeds from the sale of technology services

Legal Basis: Section 44 of Am. Sub. H.B. 94 of the 124th G.A. (originally established the 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

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$203,480	$362,265	$294,508	$720,096	**$500,000**	**$500,000**
	78.0%	-18.7%	144.5%	**-30.6%**	**0.0%**

Source: GSF: Registration fees for conferences sponsored by the Department of Education

Legal Basis: Section 44 of Am. Sub. H.B. 94 of the 124th G.A. (originally established by the Controlling Board on April 13, 1972)

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/Education Resource Center

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$592,440	$128,418	$370,082	$656,000	**$347,000**	**$347,000**
	-78.3%	188.2%	77.3%	**-47.1%**	**0.0%**

Source: GSF: Transfer from the Ohio Department of Alcohol and Drug Addiction Services

Legal Basis: Section 44 of Am. Sub. H.B. 94 of the 124th G.A. (originally established by the 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 and Licensure

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$3,377,937	$4,399,677	$4,000,236	$4,856,290	**$5,038,017**	**$5,236,517**
	30.2%	-9.1%	21.4%	**3.7%**	**3.9%**

Source: GSF: Sale of certificates and licenses

Legal Basis: Section 44 of Am. Sub. H.B. 94 of the 124th G.A. (originally established by Am. Sub. H.B. 152 of the 120th G.A.)

Purpose: These funds are generated from fees charged to teachers for their teaching certificates and licenses. The State Board of Education sets the fees. The funds are used to cover the cost of administering teacher certification functions.

596 200-656 Ohio Career Information System

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$520,759	$415,970	$434,661	$499,999	**$516,694**	**$529,761**
	-20.1%	4.5%	15.0%	**3.3%**	**2.5%**

Source: GSF: Service fees

Legal Basis: Section 44 of Am. Sub. H.B. 94 of the 124th G.A. (originally established by Am. Sub. H.B. 238 of the 116th G.A.)

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

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$11,108	$51,067	$197,303	$800,000	**$800,000**	**$800,000**
	359.7%	286.4%	305.5%	**0.0%**	**0.0%**

Source: GSF: Transfers from line item 400-411, TANF Federal Block Grant in the Department of Human Services, and 600-411, TANF Federal Block Grant in the Department of Job and Family Services.

Legal Basis: Section 44 of Am. Sub. H.B. 94 of the 124th G.A. (originally established by Am. Sub. H.B. 282 of the 123rd G.A.)

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 at youth development centers. These moneys cannot be used as matching funds. The Director of the Department of Job and Family Services (JFS) and the Superintendent of Public Instruction are required to develop reporting guidelines on the use of these moneys. The Department of Education is required to assure that children receiving these benefits meet TANF eligibility criteria. While there is no line item appropriation, Am. Sub. H.B. 94 of the 124th G.A. provides $900,000 from line item 600-634, State Option Food Stamps (Fund 5E6) for the program. JFS is required to enter an interagency agreement with the department to fund the program.

5H3 200-687 School District Solvency Assistance

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$8,657,000	$3,846,000	$1,989,988	$8,000,000	**$18,000,000**	**$18,000,000**
	-55.6%	-48.3%	302.0%	**125.0%**	**0.0%**

Source: GSF: FY 1998 GRF ending balance transfer and loan repayments

Legal Basis: ORC 3316.20 (originally established by Am. Sub. H.B. 650 of the 122nd G.A.)

Purpose: This fund has two separate accounts, the shared resource account and the catastrophic expenditures account. The funds in the shared resource account are used to provide advancements to school districts to enable them to 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 is required to be repaid no later than the end of the second year following the fiscal year in which the loan was made. The funds from the catastrophic expenditures account are used to make grants to school districts that suffer an unforeseen catastrophic event that severely depletes the district's financial resources. Sub. H.B. 412 of the 122nd G.A. 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 G.A. originally appropriated $30 million from FY 1998 surplus GRF revenue to Fund 5H3 in FY 1999.

Federal Special Revenue Fund Group

309 200-601 Educationally Disadvantaged

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$13,262,734	$11,764,820	$18,449,596	$21,425,345	**$22,148,769**	**$22,899,001**
	-11.3%	56.8%	16.1%	**3.4%**	**3.4%**

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 84.216, Capital Expenses (Title 1); CFDA 84.332, Comprehensive School Reform; CFDA 84.348, Title I Accountability Grants

Legal Basis: Section 44 of Am. Sub. H.B. 94 of the 124th G.A. (originally established by the Controlling Board on March 28, 1966)

Purpose: This line item contains grants 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 grants include comprehensive school reform, supporting reforms that are based on reliable research and effective practice and that will improve the academic achievement of children in participating schools; migrant education, ensuring migrant children are provided with appropriate educational services; homeless children, ensuring access to a free, appropriate education for homeless children and youth; state and local neglected and delinquent, supporting state and local institutions that serve neglected and delinquent children; and capital expenses, supporting the noninstructional costs for providing Title I services to nonpublic school students..

366 200-604 Adult Basic Education

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$14,039,231	$17,188,596	$17,432,788	$20,836,471	**$21,369,906**	**$22,223,820**
	22.4%	1.4%	19.5%	**2.6%**	**4.0%**

Source: FED: CFDA 84.002, Adult Education/State Grant Programs

Legal Basis: Section 44 of Am. Sub. H.B. 94 of the 124th G.A. (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: These funds are used to fund local programs of adult education and literacy services, including workplace literacy services, family literacy services, and English literacy and civics education programs. Participation in these programs is primarily adults and out-of-school youths aged 16 and older. State matching funds for these programs are provided through GRF appropriation item 200-509, Adult Literacy Education.

367 200-607 School Food Services

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$8,947,635	$8,744,567	$10,581,675	$10,408,199	**$10,767,759**	**$11,144,631**
	-2.3%	21.0%	-1.6%	**3.5%**	**3.5%**

Source: FED: 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 10.574, Team Nutrition Grants

Legal Basis: Section 44 of Am. Sub. H.B. 94 of the 124th G.A. (originally established by the Controlling Board on October 27, 1967)

Purpose: These funds support special milk programs, which provide free milk to qualifying children when the school lunch and school breakfast programs are not available; summer food programs, which provide meals to children during the summer months when schools are not in session; team nutrition grants, which encourage nutritious school meals, nutrition education for children, and healthy school and community environments; and the state administration of child nutrition programs.

368 200-614 Veterans' Training

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$519,898	$506,460	$576,478	$596,568	**$626,630**	**$655,587**
	-2.6%	13.8%	3.5%	**5.0%**	**4.6%**

Source: FED: CFDA 64.124, Veteran’s Educational Assistance

Legal Basis: Section 44 of Am. Sub. H.B. 94 of the 124th G.A. (originally established by the Controlling Board on August 18, 1965)

Purpose: These funds are used for the supervision and approval of schools, apprenticeships, and on-the-job training programs offering vocational, educational, and professional services to veterans.

369 200-616 Career-Technical Education Federal Enhancement

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$7,333,663	$7,352,141	$4,112,166	$8,000,001	**$8,165,672**	**$8,165,672**
	0.3%	-44.1%	94.5%	**2.1%**	**0.0%**

Source: FED: CFDA 84.243, Tech-Prep Education; CFDA 84.346 Occupational/Employment - Career Resource Network; CFDA 84.923, Appalachian Regional Commission

Legal Basis: Section 44 of Am. Sub. H.B. 94 of the 124th G.A. (originally established by the Controlling Board on September 23, 1964)

Purpose: These funds support the Consumer Homemaking program, which provides instruction and curriculum on the integration of work and family life; the Appalachian Regional Commission, which promotes workforce training and community service participation; the Tech Prep program, which supports consortia of school districts and post-secondary institutions to develop and operate programs that lead to a two-year associate's degree or a two-year certificate in a specific career field in addition to a high school diploma.

370 200-624 Education of Exceptional Children

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$2,818,327	$1,202,380	$1,171,454	$3,866,000	**$1,933,910**	**$1,933,910**
	-57.3%	-2.6%	230.0%	**-50.0%**	**0.0%**

Source: FED: CFDA 84.323, Special Education State Program Improvement Grant; CFDA 84.330, Advanced Placement Incentive Program

Legal Basis: Section 44 of Am. Sub. H.B. 94 of the 124th G.A. (originally established by the Controlling Board on May 9, 1968)

Purpose: These funds are used to reform and improve systems for providing education, early intervention, and transitional services for children with disabilities. These funds are also used to increase the participation of low-income students in both pre-advanced placement and advanced placement courses and tests.

371 200-631 EEO Title IV

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$765,252	$988,258	$981,137	$1,213,894	**$0**	**$0**
	29.1%	-0.7%	23.7%	**-100.0%**	**N/A**

Source: FED: CFDA 84.162, Immigrant Education; CFDA 84.194, Bilingual Education Support Services; CFDA 93.576, Refugee and Entrant Assistance Grant

Legal Basis: Section 44 of Am. Sub. H.B. 94 of the 124th G.A. (originally established by the Controlling Board on August 24, 1971)

Purpose: These funds support the provision of technical assistance, guidelines, training and resources in the areas of English as a Second Language (ESL), bilingual, and multicultural education.

374 200-647 Troops to Teachers

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$43,264	$71,196	$86,096	$2,610,094	**$2,618,076**	**$2,622,370**
	64.6%	20.9%	2931.6%	**0.3%**	**0.2%**

Source: FED: CFDA 12.630, Troops to Teachers

Legal Basis: Section 44 of Am. Sub. H.B. 94 of the 124th G.A. (originally established by the Controlling Board in FY 1976)

Purpose: These funds are used to recruit eligible military personnel into the teaching profession.

376 200-653 Job Training Partnership Act

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$3,498,129	$1,343,617	$0	$0	**$0**	**$0**
	-61.6%		N/A	**N/A**	**N/A**

Source: FED: CFDA 17.250, Job Training Partnership Act

Legal Basis: Discontinued line item (originally established by Job Training Partnership Act of 1982, as amended; Public Law 102-367)

Purpose: This line item received 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 subgranted 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 included public school districts, community organizations, and private industry councils.

378 200-660 Math/Science Technology Investments

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$12,219,294	$14,943,819	$13,196,410	$3,029,407	**$0**	**$0**
	22.3%	-11.7%	-77.0%	**-100.0%**	**N/A**

Source: FED: CFDA 84.281, Eisenhower Professional Development; 84.215, Partnership in Charter Education; 84.215U Christa McAuliffe; CFDA 94.004, Learn and Serve America

Legal Basis: Section 44 of Am. Sub. H.B. 94 of the 124th G.A. (originally established by the 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 Early Childhood Education

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$15,284,515	$18,588,983	$17,954,770	$17,299,004	**$21,508,746**	**$21,508,746**
	21.6%	-3.4%	-3.7%	**24.3%**	**0.0%**

Source: FED: CFDA 84.173, Special Education Preschool Grants; CFDA 84.213, Even Start; CFDA 84.314, Statewide Family Literacy Program; CFDA 93.575, Child Care and Development Block Grant

Legal Basis: Section 44 of Am. Sub. H.B. 94 of the 124th G.A. (originally established by the Controlling Board on November 11, 1986)

Purpose: These funds are used for four major purposes. First, funds are used to provide special education and related services to preschool-aged children. Second, Even Start funds are provided to support local family literacy projects that integrate early childhood education, adult literacy, parenting education, and interactive parent and child literacy activities. Third, Even Start Statewide Family Literacy Initiative funds are used to plan an implement statewide family literacy initiatives to coordinate and integrate existing federal, state, and local literacy resources. Fourth, Child Care and Development Block Grant funds are used for activities related to dependent care resource and referral and school-age child care services.

3D1 200-664 Drug Free Schools

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$14,167,939	$13,737,056	$12,490,673	$12,936,318	**$13,169,757**	**$13,347,966**
	-3.0%	-9.1%	3.6%	**1.8%**	**1.4%**

Source: FED: CFDA 84.186, Drug Free Schools & Community

Legal Basis: Section 44 of Am. Sub. H.B. 94 of the 124th G.A. (originally established by the Controlling Board on May 4, 1987)

Purpose: Ninety-three percent of these funds are distributed to school districts based on a formula. These funds are to be used by the districts for drug and violence prevention activities. These activities may include developing instructional materials; providing counseling services and professional development programs for school personnel; implementing community service projects and conflict resolution, peer mediation, mentoring, and character education programs; establishing safe zones of passage for students to and from school; and acquiring and installing metal detectors and hiring security personnel.

3D2 200-667 Honors Scholarship Program

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$1,814,470	$1,296,610	$1,673,000	$1,786,500	**$1,786,500**	**$1,786,500**
	-28.5%	29.0%	6.8%	**0.0%**	**0.0%**

Source: FED: CFDA 84.185, Byrd Honors Scholarships

Legal Basis: Section 44 of Am. Sub. H.B. 94 of the 124th G.A. (originally established by the Controlling Board on April 20, 1987)

Purpose: These funds are used to 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

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$63,790	$0	$0	$0	**$0**	**$0**
		N/A	N/A	**N/A**	**N/A**

Source: FED: CFDA 93.118, AIDS Activity; CFDA 93.938, State/Local Comprehensive School Health

Legal Basis: Discontinued line item (originally established by the Controlling Board on December 7, 1987)

Purpose: This line item received 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 to conduct regional workshops for school personnel.

3H9 200-605 Head Start Collaboration Project

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$294,069	$243,635	$238,056	$250,000	**$275,000**	**$275,000**
	-17.2%	-2.3%	5.0%	**10.0%**	**0.0%**

Source: FED: CFDA 93.600, Head Start

Legal Basis: Section 44 of Am. Sub. H.B. 94 of the 124th G.A. (originally established by Human Services Amendment Act of 1994, Public Law 103-252)

Purpose: This line item provides funds 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

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$158,064,573	$158,544,020	$169,651,990	$180,181,672	**$185,948,186**	**$191,898,528**
	0.3%	7.0%	6.2%	**3.2%**	**3.2%**

Source: FED: CFDA 10.555, School Lunch Program

Legal Basis: Section 44 of Am. Sub. H.B. 94 of the 124th G.A. (originally established by Am. Sub. H.B. 152 of the 120th G.A.)

Purpose: These funds are used to provide subsidies to school districts to assist them in providing school lunch programs. This line item was formerly part of item 200-607, School Food Services. However, with the passage of the federal Cash Management Improvement Act, the state is required to provide stricter accountability for federal funds, so this item was established. State matching funds are provided through GRF appropriation item 200-505, School Lunch Match.

3L7 200-618 Federal School Breakfast

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$32,191,459	$33,846,571	$36,523,743	$47,026,888	**$48,227,431**	**$49,524,254**
	5.1%	7.9%	28.8%	**2.6%**	**2.7%**

Source: FED: CFDA 10.553, School Breakfast Program

Legal Basis: Section 44 of Am. Sub. H.B. 94 of the 124th G.A. (originally established by Am. Sub. H.B. 152 of the 120th G.A.)

Purpose: This line item was formerly part of item 200-607, School Food Services. 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/Adult Food Programs

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$48,460,017	$48,803,838	$52,840,562	$61,966,125	**$63,577,244**	**$65,293,830**
	0.7%	8.3%	17.3%	**2.6%**	**2.7%**

Source: FED: CFDA 10.558, Child and Adult Care Food Program

Legal Basis: Section 44 of Am. Sub. H.B. 94 of the 124th G.A. (originally established by Am. Sub. H.B. 152 of the 120th G.A.)

Purpose: These funds are used to initiate, maintain, and expand nonprofit food service programs, for children in non-residential day care facilities. This line item was formerly part of item 200-607, School Food Services. With the passage of the federal Cash Management Improvement Act, the state is required to provide for stricter accountability for federal funds.

3L9 200-621 Career-Technical Education Basic Grants

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$42,836,699	$43,123,892	$43,522,748	$45,142,330	**$48,029,701**	**$48,029,701**
	0.7%	0.9%	3.7%	**6.4%**	**0.0%**

Source: FED: CFDA 84.048, Vocational Education - Basic Grants to States

Legal Basis: Section 44 of Am. Sub. H.B. 94 of the 124th G.A. (originally established by Am. Sub. H.B. 152 of the 120th G.A.)

Purpose: These funds are used to support state leadership activities in career-technical education, administration of the state plan for career-technical education, and grants to districts operating a career-technical program. This line item was formerly part of item 200-616, Vocational Education. With the passage of the federal Cash Management Improvement Act, the state is required to provide for stricter accountability for federal funds. State matching funds are provided through GRF appropriation item 200-416, Career-Technical Education Match.

3M0 200-623 ESEA Title 1A

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$281,047,582	$323,682,944	$285,941,101	$330,172,277	**$356,458,504**	**$384,975,184**
	15.2%	-11.7%	15.5%	**8.0%**	**8.0%**

Source: FED: CFDA 84.010, Title I Grants to Local Educational Agencies

Legal Basis: Section 44 of Am. Sub. H.B. 94 of the 124th G.A. (originally established by Am. Sub. H.B. 152 of the 120th G.A.)

Purpose: These funds are provided to school districts based on a federal formula. Districts are to use the funds to provide additional academic support and learning opportunities to help low-achieving children meet state standards in core academic subjects. Funds are targeted schools with large numbers or percentages of children from low-income families. Schools enrolling at least 40 percent of students from low-income families are eligible to use these funds for schoolwide programs that serve all children in the school. Otherwise, the services must be targeted children who are failing, or most at risk of failing to meet state academic standards. The No Child Left Behind (NCLB) Act of 2001 reauthorized ESEA. It holds districts receiving Title IA funds accountable for progress in student achievement through the adequate yearly progress (AYP) determination. Districts that fail to obtain AYP for a certain number of years must spend up to 20% of their Title IA allocations on school choice and supplemental services.

3M1 200-678 Innovative Education

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$45,021,139	$13,675,128	$13,516,811	$14,059,555	**$15,041,997**	**$16,094,937**
	-69.6%	-1.2%	4.0%	**7.0%**	**7.0%**

Source: FED: CFDA 84.298, Innovative Education Program Strategies

Legal Basis: Section 44 of Am. Sub. H.B. 94 of the 124th G.A. (originally created by Am. Sub. H.B. 152 of the 120th G.A.; originally established by E.S.E.A, Public Law 100-297)

Purpose: These funds are to be used to improve the quality of education for all students. Funding may be used to support local education reform efforts, to implement promising education reform and school improvement programs based on scientifically based research, to provide library services and instructional and media material to students, and to develop and implement other programs to improve school, student, and teacher performance, including professional development activities and class-size reduction.

3M2 200-680 Individuals with Disabilities Education Act

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$125,688,156	$158,263,935	$176,829,543	$239,455,523	**$288,468,284**	**$331,392,575**
	25.9%	11.7%	35.4%	**20.5%**	**14.9%**

Source: FED: CFDA 84.027, Special Education - Grants to States (Part B, Individuals with Disabilities Education Act)

Legal Basis: Section 44 of Am. Sub. H.B. 94 of the 124th G.A. and the Individuals with Disabilities Act; Public Laws 91-230, 93-380, 94-142, 98-199, 99-457, 100-630 (originally established by Am. Sub. H.B. 152 of the 120th G.A.)

Purpose: Most of the funds from this line item pass through to school districts to be used to provide free and appropriate public education to children with disabilities, including special education and related services. Part B funds are distributed based on a formula prescribed by the U.S. Department of Education, including a base amount for each local education agency plus additional population and poverty allocations. Funding per special education child increased from $650 in FY 2002 to $868 in FY 2003, an increase of 33.5%.

3N7 200-627 School-To-Work

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$10,869,247	$5,596,364	$1,261,383	$0	**$0**	**$0**
	-48.5%	-77.5%	-100.0%	**N/A**	**N/A**

Source: FED: CFDA 17.250, Job Training Partnership Act (JTPA)

Legal Basis: Discontinued line item (originally established by Job Training Partnership Act of 1982, as amended; Public Law 102-367)

Purpose: These funds were 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 G.A. This line item is now being eliminated because federal support has been eliminated.

3R3 200-654 Goals 2000

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$22,473,365	$21,447,976	$6,006,502	$826,088	**$0**	**$0**
	-4.6%	-72.0%	-86.2%	**-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: Discontinued line item (originally established by the Controlling Board on October 2, 1996)

Purpose: This program has been eliminated by the federal government. The funds were used to enhance initiatives implemented by the Department of Education. Specifically, they were used to support Ohio's comprehensive school improvement plan and develop community-level coalitions for education improvement. Funds were also provided for the Venture Partners program, which created networks among Ohio's venture capital schools and supported partnerships between school districts and colleges of education. Another portion of the moneys was used for intervention grants.

3S2 200-641 Education Technology

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$14,633,000	$13,320,001	$17,902,804	$18,925,055	**$19,682,057**	**$20,469,339**
	-9.0%	34.4%	5.7%	**4.0%**	**4.0%**

Source: FED: CFDA 84.318, Technology Literacy Challenge

Legal Basis: Section 44 of Am. Sub. H.B. 94 of the 124th G.A. (originally established by Controlling Board on June 22, 1998)

Purpose: These funds are used to improve student achievement through the use of technology in elementary and secondary schools. They are also used to assist every student in becoming technologically literate by the end of eighth grade, and to support the integration of technology with teacher training and curriculum development. Forty-seven and one half of the funds are distributed to districts based on a formula. Another 47.5 percent are distributed to districts through competitive grants. Two percent is used for state level activities and three percent for administration.

3S6 200-698 Dispute Resolution - Federal

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$0	$0	$0	$0	**$0**	**$0**
	N/A	N/A	N/A	**N/A**	**N/A**

Source: FED: CFDA 16.540 Juvenile Justice and Delinquency Prevention

Legal Basis: Proposed under Section 40 of H.B. 95 of the 125th G.A.. Executive funding recommendation removed by the House of Representatives.

Purpose: These funds are used for the Truancy Prevention through Mediation Program, a program that uses mediation to improve school attendance and avert juvenile delinquency. This fund is currently administered by the Dispute Resolution and Conflict Management Commission through appropriation item, 145-602, Dispute Resolution: Federal. The executive budget proposes eliminating this Commission and would have the Department of Education administer the fund.

3S7 200-673 Child Care School Age

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$97,892	$0	$0	$0	**$0**	**$0**
		N/A	N/A	**N/A**	**N/A**

Source: FED: CFDA 93.673, Child Care Development Block Grant (CCDBG)

Legal Basis: Discontinued line item (originally established by Controlling Board in February 1998)

Purpose: Federal funding for this line item has been eliminated. These funds were 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

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$2,295,355	$3,581,161	$15,928,769	$20,700,000	**$23,287,500**	**$26,187,113**
	56.0%	344.8%	30.0%	**12.5%**	**12.5%**

Source: FED: CFDA 84.282, Charter Schools

Legal Basis: Section 44 of Am. Sub. H.B. 94 of the 124th G.A. (originally established by Controlling Board on December 7, 1998)

Purpose: This line item assists in the planning, design, initial implementation, and dissemination of information on charter schools, known in Ohio as community schools. Grants are made for start-up costs in planning and early implementation phases of community school development. GRF line item 200-455, Community Schools, provides similar state supported start-up grants to community schools.

3T5 200-625 Coordinated School Health

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$382,516	$11,249	$0	$0	**$0**	**$0**
	-97.1%		N/A	**N/A**	**N/A**

Source: FED: CFDA 93.283, Oral Disease Prevention; CFDA 93.238, Coordinated School Health/Non Communicable Diseases

Legal Basis: Discontinued line item (originally established by Controlling Board on January 25, 1999)

Purpose: The line item supported 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

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$0	$47,245,533	$60,849,889	$8,666,407	**$0**	**$0**
	N/A	28.8%	-85.8%	**-100.0%**	**N/A**

Source: FED: CFDA 84.340, Class Size Reduction

Legal Basis: Section 44 of Am. Sub. H.B. 94 of the 124th G.A. (originally established by Controlling Board on August 21, 2000)

Purpose: These funds are used by school districts to hire additional teachers in order to reduce class size, particularly in early grades, to improve achievement for regular and special needs children.

3U2 200-662 Teacher Quality Enhancement Grants

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$638,186	$885,552	$814,332	$1,208,900	**$0**	**$0**
	38.8%	-8.0%	48.5%	**-100.0%**	**N/A**

Source: FED: CFDA 84.336, Teacher Quality Enhancement Grants

Legal Basis: Section 44 of Am. Sub. H.B. 94 of the 124th G.A. (originally established by Controlling Board on July 1, 2000)

Purpose: These funds are used by school districts to improve student achievement and to improve the quality of the current and future teaching force by improving the preparation of prospective teachers and enhancing professional development activities.

3U3 200-665 Reading Excellence Grant Program

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$2,171,491	$11,587,216	$13,347,010	$3,200,000	**$0**	**$0**
	433.6%	15.2%	-76.0%	**-100.0%**	**N/A**

Source: FED: CFDA 84.338, Reading Excellence

Legal Basis: Section 44 of Am. Sub. H.B. 94 of the 124th G.A. (originally established by Controlling Board on June 9, 2000)

Purpose: These funds are used 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

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$12,187	$195,724	$93,160	$0	**$0**	**$0**
	1506.0%	-52.4%	-100.0%	**N/A**	**N/A**

Source: FED: CFDA 10.522, National School Lunch Program

Legal Basis: Section 44 of Am. Sub. H.B. 94 of the 124th G.A. (originally established by the 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.

3X5 200-684 School Renovation/IDEA

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$0	$0	$0	$37,618,743	**$0**	**$0**
	N/A	N/A	N/A	**-100.0%**	**N/A**

Source: FED: CFDA 84.352 School Renovation Grants

Legal Basis: Originally established by Controlling Board on October 29, 2001

Purpose: These funds are distributed to school districts to be used mainly for urgent school repairs. A portion of the funds may also be used for other activities authorized by the Individuals with Disabilities Education Act.

3Y2 200-688 21st Century Community Learning Ctr

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$0	$0	$0	$9,763,093	**$17,138,239**	**$18,500,000**
	N/A	N/A	N/A	**75.5%**	**7.9%**

Source: FED: CFDA 84.287 21st-Century Community Learning Centers

Legal Basis: Originally established by Controlling Board on July 29, 2002

Purpose: These funds are used to provide grants to local educational agencies, community-based organizations, and other eligible public and private entities. The grant funds are used for remedial education activities and academic enrichment programs, tutorial and mentor services, after school activities for limited English proficient students emphasizing language skills, recreation activities, technology programs, and activities that promote parental involvement, drug prevention, arts and music education, math and science education, violence prevention, and character education. Five percent of the funds are used by the Ohio Department of Education for administrative expenses.

3Y4 200-632 Reading First

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$0	$0	$0	$26,895,462	**$29,881,256**	**$33,168,194**
	N/A	N/A	N/A	**11.1%**	**11.0%**

Source: FED: CFDA 84.357 Reading First

Legal Basis: Originally established by Controlling Board on July 29, 2002

Purpose: Approximately 80% of these funds are provided to school districts through competitive grants to assist in the establishment of research-based reading programs for students in kindergarten through third grade. The remaining funds are used by the Department of Education for resource materials; program research, monitoring, and evaluation; and administration of the program. Unlike OhioReads which uses volunteer tutors, Reading First is a classroom and teacher based program. Reading First is only available for high poverty schools while OhioReads is available to all school districts.

3Y5 200-634 Community Service Grants

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$0	$0	$0	$1,637,792	**$0**	**$0**
	N/A	N/A	N/A	**-100.0%**	**N/A**

Source: FED: CFDA 84.184

Legal Basis: Originally established by Controlling Board on November 18, 2002

Purpose: This program is designed to prevent the illegal use of drugs and violence among, and promote safety and discipline for, students at all educational levels.

3Y6 200-635 Improving Teacher Quality

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$0	$0	$0	$103,418,483	**$103,686,420**	**$104,100,000**
	N/A	N/A	N/A	**0.3%**	**0.4%**

Source: FED: CFDA 84.367 Improving Teacher Quality State Grants

Legal Basis: Originally established by Controlling Board on August 12, 2002

Purpose: These funds are to be provided through grants to school districts. The districts must use the funds to recruit and retain highly qualified teachers and to provide professional development. Five percent of the funds are retained by the Department of Education for administration of the program.

3Y7 200-689 English Language Acquisition

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$0	$0	$0	$4,281,896	**$4,872,334**	**$5,505,737**
	N/A	N/A	N/A	**13.8%**	**13.0%**

Source: FED: CFDA 84.365 English Language Acquisition

Legal Basis: Originally established by Controlling Board on July 29, 2002

Purpose: These funds are provided to school districts to improve the education of limited English proficient children by assisting the children to learn English and to meet the state's academic content and student achievement standards. A portion of these funds are targeted to school districts that have experienced a significant increase in their percentage or number of immigrant children or youth. Five percent of the funds are used by the Department for administration.

3Y8 200-639 Rural and Low Income

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$0	$0	$0	$1,465,025	**$0**	**$0**
	N/A	N/A	N/A	**-100.0%**	**N/A**

Source: FED: CFDA 84.358

Legal Basis: Originally established by Controlling Board on July 29, 2002

Purpose: These funds are used to fund grants to rural and low income school districts that may lack the personnel and resources needed to effectively compete for federal competitive grants.

3Z2 200-690 State Assessments

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$0	$0	$0	$11,321,586	**$11,894,315**	**$12,489,031**
	N/A	N/A	N/A	**5.1%**	**5.0%**

Source: FED: CFDA 84.369 State Assessments

Legal Basis: Originally established by Controlling Board on July 29, 2002

Purpose: These funds support the development, production, scoring, and reporting of new statewide reading and mathematics assessments in grades three through eight and in grade ten that are mandated by the federal No Child Left Behind Act of 2001.

State Special Revenue Fund Group

454 200-610 Guidance & Testing

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$580,727	$434,712	$481,341	$700,000	**$956,761**	**$956,761**
	-25.1%	10.7%	45.4%	**36.7%**	**0.0%**

Source: SSR: Test and test service proceeds

Legal Basis: Section 44 of Am. Sub. H.B. 94 of the 124th G.A. (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

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$7,673,075	$8,408,290	$9,646,991	$11,000,000	**$11,308,000**	**$11,624,624**
	9.6%	14.7%	14.0%	**2.8%**	**2.8%**

Source: SSR: Handling charges

Legal Basis: Section 44 of Am. Sub. H.B. 94 of the 124th G.A. (originally established by the 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 Emergency Services Telecommunications Training

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$161,195	$20,366	$0	$0	**$0**	**$0**
	-87.4%		N/A	**N/A**	**N/A**

Source: SSR: Controlling Board transfers provided revenues in past fiscal years.

Legal Basis: Discontinued line item (originally established in Am. Sub. S.B. 5 of the 122nd G.A.)

Purpose: These moneys were used by the Department of Education for the purpose of developing an emergency service telecommunication training program and paying the costs of training employees of emergency service providers.

4R7 200-695 Indirect Cost Recovery

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$2,560,515	$2,622,415	$3,525,941	$4,168,947	**$5,002,500**	**$5,250,400**
	2.4%	34.5%	18.2%	**20.0%**	**5.0%**

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 Support

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$642,612	$445,158	$472,554	$731,674	**$800,000**	**$800,000**
	-30.7%	6.2%	54.8%	**9.3%**	**0.0%**

Source: SSR: Funds received from the Ohio Department of Youth Services and the Ohio Department of Rehabilitation and Corrections

Legal Basis: Established by the Controlling Board in June 1995

Purpose: These funds support career-technical education programs. DYS and DRC each reimburse 25 percent of two consultant positions; these consultants work with incarcerated youth enrolled in vocational programs. The DRC reimburses 50 percent of several Single Parent Non-traditional Vocational programs for incarcerated women.

598 200-659 Auxiliary Services Reimbursement

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$1,396,664	$1,493,484	$1,144,208	$1,328,910	**$1,328,910**	**$1,328,910**
	6.9%	-23.4%	16.1%	**0.0%**	**0.0%**

Source: SSR: Auxiliary Services Personnel Unemployment Compensation Fund

Legal Basis: ORC 3317.064 and Section 44.18 of Am. Sub. H.B. 94 of the 124th G.A. (originally established by Am. Sub. H.B. 238 of the 116th G.A.)

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.

5U2 200-685 National Education Statistics

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$0	$0	$0	$200,000	**$200,000**	**$200,000**
	N/A	N/A	N/A	**0.0%**	**0.0%**

Source: SSR: Grant for NAEP

Legal Basis: Originally established by Controlling Board on May 6, 2002

Purpose: This item funds the position of NAEP state coordinator as well as other specific data collection tasks associated with NAEP. The No Child Left Behind Act of 2001 requires states participated in the National Assessment of Educational Progress (NAEP). The state coordinator position provides technical assistance to state and local education agencies on the collection of education statistics.

5W2 200-663 Head Start Plus/Head Start

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$0	$0	$0	$0	**$101,200,000**	**$103,184,000**
	N/A	N/A	N/A	**N/A**	**2.0%**

Source: SSR: Federal Title IV-A funds

Legal Basis: Proposed under Section 40 of H.B. 95 of the 125th G.A.

Purpose: This item would provide federal TANF funds for the state administered Head Start Plus and Head Start programs. Head Start Plus would provide children with access to full-day, full-year programming that would meet the childcare needs of low-income working families as well as providing the educational and comprehensive services of the traditional head start program. Head Start would continue the traditional, partial day partial year Head Start program. 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 traditional program is currently funded through GRF appropriation item 200-406, Head Start.

620 200-615 Educational Grants

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$1,110,019	$682,011	$486,255	$633,399	**$1,000,000**	**$1,000,000**
	-38.6%	-28.7%	30.3%	**57.9%**	**0.0%**

Source: SSR: Miscellaneous education grants

Legal Basis: Section 44 of Am. Sub. H.B. 94 of the 124th G.A. (originally established by Am. Sub. H.B. 282 of the 123rd G.A.)

Purpose: These funds 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

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$656,247,000	$628,967,000	$604,000,000	$637,000,000	**$606,123,500**	**$606,195,300**
	-4.2%	-4.0%	5.5%	**-4.8%**	**0.0%**

Source: LPE: Lottery Profits Education Fund

Legal Basis: Section 44.19 of Am. Sub. H.B. 94 of the 124th G.A. (originally established by Am. Sub. H.B. 650 of the 122nd G.A.)

Purpose: These funds are used in conjunction with GRF line item 200-501, Base Cost Funding, to fund state foundation payments to school districts and other education subsidies. Also see description for line item 200-501, Base Cost Funding. Three previously existing LPEF line items: 200-670, School Foundation - Basic Allowance; 200-672, Special Education; and 200-672, Vocational Education were collapsed into this one line item.

017 200-682 Lease Rental Payments Reimbursement

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$0	$59,486,000	$29,722,100	$35,722,600	**$31,776,500**	**$31,704,700**
	N/A	-50.0%	20.2%	**-11.0%**	**-0.2%**

Source: LPE: Lottery Profits Education Fund

Legal Basis: ORC 3318.01 to 3318.20 and Section 44.19 of Am. Sub. H.B. 94 of the 124th G.A. (originally established by Am. Sub. H.B. 152 of the 120th G.A.)

Purpose: 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 G.A. 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

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$1,659,086	$110,536	$0	$0	**$0**	**$0**
	-93.3%		N/A	**N/A**	**N/A**

Source: LPE: Lottery Profits Education Fund

Legal Basis: Discontinued line item (originally 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.

020 200-620 Vocational School Building Assistance

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$0	$1,650,000	$1,207,564	$800,000	**$0**	**$0**
	N/A	-26.8%	-33.8%	**-100.0%**	**N/A**

Source: LPE: Lottery Profits Education Fund funds transferred to Fund 020 by the Controlling Board, as needed

Legal Basis: As-needed line item - 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.

Revenue Distribution Fund Group

053 200-900 School District Property Tax Replacement

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$0	$0	$99,000,108	$115,911,593	**$115,911,593**	**$115,911,593**
	N/A	N/A	17.1%	**0.0%**	**0.0%**

Source: RDF: Kilowatt-hour taxes on electricity and MCF taxes on natural gas

Legal Basis: ORC 5727.84 and ORC 5727.85 (originally established by Am. Sub. S.B. 3 of the 123rd G.A.)

Purpose: This line item is to be used by the Department of Education, in consultation with the Department of Taxation, to make payments to school districts and joint vocational school districts. These payments, combined with the state education aid offset, compensate school districts and joint vocational school districts for their loss in property tax revenues due to changes in public utility assessment rates as a result of Am. Sub. S.B. 3 and Am. Sub. S.B. 287 of the 123rd G.A.

As Introduced	As Passed by the House
Subject: Educational Service Center Plans	
	R.C. ***3301.0719***
No provision.	Eliminates the requirement that the State Board of Education adopt standards for the development of service plans by educational service center governing boards, that the State Board approve such plans, and that the State Board evaluate service centers every five years. Fiscal effect: May result in an administrative cost savings for the Department of Education.
Subject: Pupil-Teacher Ratios in Bilingual Multicultural Classes	
	R.C. ***3301.078, 3301.0724***
No provision.	Eliminates the requirement that the State Board of Education adopt a standard requiring a 25-to-1 pupil-to-teacher ratio in classes providing services to bilingual multicultural pupils. Fiscal effect: May result in cost savings to school districts.

As Introduced	As Passed by the House
Subject: Ohio Regional Education Delivery System	
	R.C. ***3301.20, 3319.22, 3319.227, 3319.302, Section 131A***
No provision.	Requires the Department to establish the Ohio Regional Education Delivery System (OREDS) by July 1, 2004, which must consist of no more than 19 regional service centers distributed geographically throughout the state. OREDS would provide the services and technical assistance to school districts that are currently provided by regional service providers such as regional professional development centers and special education regional resource centers. Requires the Department, in consultation with stakeholders, to develop accountability systems for OREDS, educational service centers, data acquisition sites, and educational technology centers. Fiscal effect: The Department may incur transitional costs in establishing OREDS as well as developing accountability systems in FY 2004. It is possible these costs could be somewhat reduced by combining currently existing regional service providers in FY 2005 and future years.
No provision.	Removes all Revised Code references to regional professional development centers. (See also the item entitled "Professional Development")

As Introduced	As Passed by the House
Subject: Parity Aid Spending Requirement	
R.C. ***3302.341***	**R.C.** ***3302.341***
Repeals the parity aid spending requirements specified in section 3302.341 of the Revised Code. This provision was included in H.B. 40, the budget balancing act of the 125th General Assembly. The executive budget does not change parity aid allocation formulas and the phased-in funding percentage for parity aid in FY 2004. Fiscal effect: None.	No change.
Subject: Verifying Petition Signatures for School District Transfers	
	R.C. ***3311.24***
No provision.	Requires a board of education of a city, exempted village, or local school district that receives a petition requesting a transfer of territory from the district to an adjoining district to cause the board of elections to check the sufficiency of signatures on that petition. Fiscal effect: May increase expenditures for the board of elections in checking the signatures.

As Introduced	As Passed by the House

Subject: Change in Minimum School Year for School Districts and Nonpublic Schools from Total Days to Tot

R.C. ***3313.48, 3313.481, 2151.011, 3313.533, 3313.62, 3317.01, 3317.029, 3313.482***

No provision.	Switches the minimum school year for school districts and nonpublic schools from 182 days to 910 hours for grades 1 through 8 and 1,001 hours for grades 9 through 12, beginning in the 2003-2004 school year. Eliminates excused "calamity" days. Calamity days refer to those regularly scheduled days during which a school is closed due to hazaradous weather or other circumstances that prevents the school from being open. Eliminates the requirement that school districts adopt contingency plans to make up calamity days beyond the five they are permitted now. Fiscal effect: School districts are currently allowed up to 5 calamity days per year. These 5 days will now have to be made up. This may increase school district costs. These costs may be mitigated by the switch from required days to required hours.

Subject: Elimination of Authority to Operate a School Savings System

R.C. ***3313.82, 3313.83***

No provision.	Eliminates authority for public schools to operate a school savings system whereby students regularly deposit money into personal savings accounts handled by a designated school employee. Fiscal effect: None.

As Introduced	As Passed by the House
Subject: Elimination of School Progress Report Requirement	
	R.C. ***3313.94***
No provision.	Eliminates the requirement that the board of education of every school district issue an annual report on school progress of each school under its control. Fiscal effect: May result in an administrative cost savings for districts.
Subject: Payments of Tutorial Assistance Grants in the Cleveland Pilot Scholarship Program	
R.C. ***3313.979***	**R.C.** ***3313.979***
Requires the state to pay tutorial assistance grants directly to the approved provider, instead of to the parents of the students, under the Cleveland Pilot Project Scholarship Program. (Scholarships to attend private schools will continue to be paid to the parents, not the schools.) Fiscal effect: None.	No change.
Subject: Definition of "Internet- or Computer-based Community Schools"	
	R.C. ***3314.02***
No provision.	Specifies that an "Internet- or computer-based community school" is one where the students participate primarily in non-classroom-based learning opportunities provided via the Internet, another computer-based instructional method, or a noncomputer-based instructional method. Removes language that states that the students "work primarily from their residences" and replaces it with the term "non-classroom-based learning opportunities," which under current law must be specified in the school's contract with its sponsor. Fiscal effect: None.

As Introduced	As Passed by the House
Subject: Sponsorship of Community Schools by Educational Service Centers	
	R.C. *3314.02*
No provision.	Allows educational service centers (ESCs) to sponsor community schools in any "challenged" school district, rather than only in such a district in a county within the territory of the ESC or a contiguous county. Fiscal effect: May increase the number of community schools opened resulting in a higher amount of state aid that could be transferred to community schools.
Subject: Automatic Withdrawal of a Community School Student Who Fails to Participate in Learning Opportunities	
	R.C. *3314.03*
No provision.	Requires that the governing authority of a community school automatically withdraw a student who fails to participate without a legitimate excuse in 105 consecutive hours of learning opportunities, instead of 105 cumulative hours as provided under current law. Fiscal effect: None.
Subject: Notification to Parents of Community School Students	
	R.C. *3314.041*
No provision.	Requires that a specified statement, recognizing that community schools are public schools and that students enrolled in those schools are subject to certain testing and other requirements prescribed by law, be distributed by a community school to parents of students enrolled in the school at the time of enrollment. Fiscal effect: None.

As Introduced	As Passed by the House
Subject: Sponsorship of Community Schools after Contract Termination or Nonrenewal	
	R.C. *3314.07*
No provision.	Prohibits a community school whose contract has been terminated from entering into a new contract with another sponsor. Requires a community school that does not intend to renew its contract to notify the school's sponsor within 180 days prior to the contract's expiration and permits the community school to enter into a new contract with another sponsor. Fiscal effect: None.
Subject: Necessary Software and Hardware for Internet or Computer-based Schools	
	R.C. *3314.08*
No provision.	Specifies that for purposes of state funding to an "internet- or computer-based community school" (E-school), a student is considered enrolled only if the school has provided to the student all of the hardware and software necessary so that the student may fully participate in the classroom and non-classroom learning opportunities prescribed in the contract between the school and the school's sponsor. Fiscal effect: None.

As Introduced	As Passed by the House
Subject: Parity Aid Funding for Community Schools	
	R.C. *3314.08*
No provision.	Requires the Department of Education to pay to community schools the amount of state parity aid funding that otherwise would be paid to the students' resident districts and requires the Department to deduct the corresponding amounts from the students' resident districts. Fiscal effect: Based on the most recent available community school enrollment data, an estimated $8.3 million in parity aid in FY 2004 and $10.8 million in parity aid in FY 2005 would be deducted from community school students' resident districts and transferred to community schools where these students are enrolled.
Subject: Community School Payments	
	R.C. *3314.08*
No provision.	Specifies that the amount paid to community schools and deducted from the state aid of their students' home districts cannot exceed the home districts' state SF-3 payments and property tax rollback reimbursement. Fiscal effect: Limits the amount of state aid that can be deducted from a resident district and transferred to community schools.

As Introduced	As Passed by the House
Subject: A Fiscal Emergency School District's Levy Obligation	
R.C. ***3316.08***	**R.C.** ***3316.08***
Removes the requirement that a district in fiscal emergency propose a tax levy in an amount sufficient to completely eliminate the district's operating deficit amount, as certified by the Auditor of State. Instead, allows the option of submitting a tax levy request to the voters that would generate a positive year-end cash balance by the fifth year of the district's five-year forecast. Fiscal effect: None.	No change.
Subject: Base Cost Formula Amount and Various Other Funding Formula Factors	
R.C. ***3317.012, 3317.022, 3317.024, 3317.029, 3317.0213, 3317.0217, 3317.11, 3317.16***	**R.C.** ***3317.012, 3317.022, 3317.024, 3317.029, 3317.0213, 3317.02173317.11, 3317.16***
(1) Repeals the current law requirement that a joint committee of the General Assembly be appointed in July of 2005 to re-examine the cost of an adequate education. Repeals funding provisions for equity aid and parity aid in FY 2005 and beyond. These repeals are done in anticipation of the recommendations of the proposed Blue Ribbon Task Force on school funding. Fiscal effect: The recommendations of the Blue Ribbon Task Force will affect future school funding formulas.	(1) Same as executive, but reinstates H.B. 94 (124th G.A.) provisions for equity aid and parity aid in FY 2005. Fiscal effect: Provides specific allocations for equity aid and parity aid in FY 2005. Equity aid will be funded at the 25% level while parity aid will be funded at the 80% level in FY 2005. Under the executive budget, except for two property tax relief items, line item 200-406, Primary and Secondary Education, contains all GRF appropriations for the Department of Education.
(2) Retains the FY 2004 base cost formula amount of $5,088 specified in current law and increases the personnel allowance for the GRADS program to $47,555 in FY 2004. Fiscal effect: Provides a 2.8% increase in base cost funding and GRADS teacher grants in FY 2004 for school districts and joint vocational school districts.	(2) Same as executive, but also retains the FY 2005 base cost formula amount of $5,230 specified in current law. Fiscal effect: Provides a 2.8% increase in base cost funding in FY 2005 for school districts and joint vocational school districts. Maintains the FY 2004 funding level for GRADS teacher grants in FY 2005.

As Introduced	As Passed by the House
(3) Extends various FY 2003 formula factors into FY 2004 as follows: (a) The $25,700 threshold for "catastrophic" special education cost reimbursements for special education students in categories two through five and the $30,840 threshold for "catastrophic" special education cost reimbursements for special education students in category six. School districts and community schools are eligible for additional state reimbursements for the costs above these thresholds. (b) The $30,000 personnel allowance used to calculate the special education speech service supplement. (c) The $40.52 per pupil subsidy for educational service centers serving three or more counties and the $37 per pupil subsidy for all other educational service centers. Fiscal effect: Maintains the FY 2003 funding level for "catastrophic" special education costs, the special education speech service supplement, and educational service centers in FY 2004.	(3) Same as executive, but also extends these factors into FY 2005. Fiscal effect: Maintains the FY 2003 funding level for "catastrophic" special education costs, the special education speech service supplement, and educational service centers in both FY 2004 and FY 2005.
(4) Increases the teacher salary allowance used to calculate the K-3 class size reduction component of DPIA to $44,880 in FY 2004. Fiscal effect: Provides a 2.8% increase in the teacher salary allowance used to calculate the K-3 class size reduction funding component of DPIA. However, it will not have an impact on the amount of DPIA funding each district will receive in FY 2004. Temporary law associated with GRF appropriation item 200-520, DPIA, specifies that instead of following DPIA allocation formulas, all school districts that receive DPIA allocations in FY 2003 are to receive a uniform increase of 2% in FY 2004 over what they receive in FY 2003.	(4) Eliminates the increase in the teacher salary allowance used to calculate the K-3 class size reduction component of DPIA funding in FY 2004. Fiscal effect: None. Temporary law associated with GRF appropriation item 200-520, DPIA, specifies that instead of following DPIA allocation formulas, school districts that received DPIA allocations in FY 2003 are to receive a uniform increase of 2% per year except for districts receiving DPIA guaranteed funding. Such districts will receiving the same funding in both FY 2004 and FY 2005 as they received in FY 2003. Under the executive budget, except for two property tax relief items, line item 200-406, Primary and Secondary Education, contains all GRF appropriations for the Department of Education.

As Introduced	As Passed by the House
Subject: Special Education Weighted Funding	
R.C. ***3317.013, Section 40.08***	**R.C.** ***3317.013, Section 40.08***
States that the special education six-weight system will be fully funded with a combination of state, local, and federal funds. It sets aside $335,735,930 in FY 2004 within GRF appropriation item 200-501, Base Cost Funding, to pay for the state share of special education weighted funding. The needed balance above both state and local shares will come from federal special education funds passed through to local school districts. The Department of Education is required to submit a report to the Office of Budget and Management by May 30, 2004 to indicate the FY 2004 allocation of the state and local shares of special education weighted funding and federal special education funds for each city, local, exempt village, and joint vocational school district. Fiscal effect: The state share of special education weighted funding is limited to $335,735,930 in FY 2004.	Removes the statement that the special education six-weight system will be fully funded with a combination of state, local, and federal funds. Removes the specific dollar earmark for special education weighted funding in both fiscal years. Instead, requires that an amount be available for special education weighted funding pursuant to division (C)(1) of section 3317.022 and division (D) (1) of section 3317.16 of the Revised Code, which specifies the state funding percentage (88% in FY 2004 and 90% in FY 2005) for special education weighted funding. Fiscal effect: Requires the state to provide money to fund the special education six-weight system at the 88% level in FY 2004 and at the 90% level in FY 2005.

As Introduced	As Passed by the House
Subject: Replacement of Formula ADM with Average Daily Attendance (ADA)	
	R.C. ***3317.022, 3311.52, 3313.647, 3313.90, 3313.981, 3317.01, 3317.02, 3317.0217, 3317.03, 3317.034, 3317.081, 3317.16, 3323.12, 3365.04, Section 40.34***
No provision.	Specifies that base cost funding for a school district be based on the current year (instead of the greater of current year or three-year average) formula Average Daily Membership (ADM) in FY 2004. Specifies that the base cost and parity aid funding calculations for a school district be based on the district's ADA instead of ADM in FY 2005. Requires school districts to report monthly attendance figures. Specifies that the average daily attendance include students in attendance or receiving home services from a school district, and excludes students absent with or without excuse. Permits districts that allow a student to make up instructional hours missed due to an excused absence to count that make up time in the district's ADA. (ADM continues to be used for other school funding formula components, such as special and career-technical education weighted funding.) Fiscal effect: Decreases state base cost funding for districts experiencing declining enrollment in FY 2004. Decreases state base cost and parity aid funding for districts with a student attendance rate less than 100% in FY 2005. In FY 2002, the student attendance rates ranged from 87.6% to 98.6% with a statewide average of approximately 95%. A 1% change in the statewide average student attendance rate is likely to result in a change of approximately $90 million in state base cost and parity aid funding

As Introduced	As Passed by the House
Subject: Pupil-Teacher Ratio Formula - "Speech Only" Students	
R.C. ***3317.023***	**R.C.** ***3317.023***
Specifies that "speech only" students be included in the pupil-teacher ratio calculation like they have historically been. School districts are required to maintain a maximum average pupil-teacher ratio of 25 to 1 in a regular classroom. If a school district exceeds this maximum average ratio, a portion of its state SF-3 foundation aid will be deducted. Historically, "speech only" students were included in the regular student population for this pupil-teacher ratio calculation. House Bill 94 of the 124th General Assembly assigned a weight for "speech only" students. As a result, these students are currently excluded from the 25:1 pupil-teacher ratio calculation. Fiscal effect: None. No school districts have been penalized by the 25:1 pupil-teacher ratio requirement in FYs 2002 and 2003.	No change.

As Introduced	As Passed by the House
Subject: Calculation of Formula ADM	
R.C. ***3317.03***	**R.C.** ***3317.03***
Specifies that students attending classes in a district other than their resident districts pursuant to a cooperative education agreement, contract, or compact between the two districts be included in their attending districts' formula ADM counts. Under current law, these students are included in their resident districts' formula ADM counts. In fact, most students are currently included in their resident districts' formula ADM counts for state aid calculation purposes. Funding is then deducted from a resident district's state aid amount and transferred to a public community school or another school district where the student is enrolled. Fiscal effect: The fiscal effect of this provision is indeterminate at this time due to data limitations. The proposed change would create a system that counts the majority of students in their resident districts' formula ADM counts and a sub-group of students in their attending districts' formula ADM counts. Most students attending school under a cooperative education agreement, contract, or compact between the two districts are special or career-technical education students. State weighted funding for special and career-technical education students would be affected by this proposed change.	No change.

As Introduced	As Passed by the House
Subject: Approving Handicapped Preschool Funding Units	
R.C. ***3317.05, 3317.03, 3317.032, 3323.16, 5126.12***	**R.C.** ***3317.05, 3317.03, 3317.032, 3323.16, 5126***
Conforms the law regarding approval of funding units for handicapped preschool students to the federal law on reporting the ages of affected children by specifying that such funding units will be available for children who were 3 years old by December 1, instead of September 30 as under current unit-funding law. Specifies that vocational, handicapped, and handicapped preschool units be approved by the Department of Education, rather than the State Board of Education as under current law. Fiscal effect: As this provision does not actually increase the number of units that are funded, there is no fiscal effect.	No change.
Subject: Renaming the Auxiliary Services Mobile Unit Replacement and Repair Fund	
R.C. ***3317.064***	**R.C.** ***3317.064***
Changes the name of the Auxiliary Services Mobile Unit Replacement and Repair Fund to the Auxiliary Services Reimbursement Fund. Fiscal effect: None.	No change.

As Introduced	As Passed by the House
Subject: Reassign State Funded School Buses	
R.C. ***3317.07***	**R.C.** ***3317.07***
Allows the Department of Education to reassign a 100% state funded bus that a county MR/DD board or a school district no longer needs to another county MR/DD board or school district that has need for an additional school bus to transport special education or non-public school students. School buses that are used to transport special education and non-public school students are eligible for 100% state funding. Fiscal effect: None.	No change.
Subject: Educational Service Center Payments	
	R.C. ***3317.11***
No provision.	Clarifies the procedures for the Department of Education to follow in calculating payments to educational service centers (ESCs), which are deducted from the school districts receiving services from the centers. Also permits school districts receiving services from ESCs to agree to pay amounts in excess of the amounts otherwise specified for increased service. Fiscal effect: The effect of this provision on ESCs and school districts is not known at this time. Eliminates the requirement that ESC governing boards annually certify operating budgets to the State Board of Education. Fiscal effect: Should result in a small administrative cost savings for ESCs.

As Introduced	As Passed by the House
Subject: Special Education Costs for Joint Vocational Schools	
R.C. ***3317.16, 3314.083, 3317.023***	**R.C.** ***3317.16, 3314.083, 3317.023***
Specifies that the portion of the cost of providing special education and related services to a student by a joint vocational school district (JVSD) that exceeds the sum of the calculated state and local shares of base-cost and special education payments to the JVSD must be paid for by the student's resident district or, if the student is enrolled in a community school, by that community school. Requires the Department of Education to deduct the amount of the excess costs from the resident district or community school and pay that amount to the JVSD. Requires each JVSD to spend the amount calculated for combined state and local shares of base-cost and special education payments for special education and related services approved by the Department of Education. (A similar requirement was enacted in 2001 for city, local, and exempted village school districts.) Fiscal effect: Depending on the existence of excess costs, JVSDs may receive higher revenues while the corresponding resident district or community school receives lower revenues. JVSDs will incur administrative costs related to the required reports. They will also be restricted in the use of some of their revenue for special education and related services.	No change.

As Introduced	As Passed by the House
Subject: Employment of Adminstrators by Local School Districts	
	R.C. ***3319.02***
No provision.	Eliminates the requirement that the employment of superintendents, assistant superintendents, principals, assistant principals, and other administrators by a local school district be approved by the governing board of the educational service center (ESC) in which territory the district is located. Authorizes the board of education of any school district to contract with the ESC from which it otherwise receives services to conduct searches and recruitment of candidates for these positions. Eliminates the requirement that assignment of students and staff by a local school district superintendent be approved by the superintendent of the ESC in which territory the district is included. Fiscal effect: May result in an administrative cost savings for ESCs.
Subject: Employment of School District Business Managers	
	R.C. ***3319.02, 3319.03, 3319.06***
No provision.	Provides that school district business managers are to be employed in the same manner as assistant superintendents, principals, assistant principals, and "other administrators," which would require their employment under initial contracts for up to three years and subsequent contracts for two to five years, instead of four-year appointments as under current law. Requires also that school district boards follow procedures for performance review and renewal or termination of business manager contracts that are specified for "other administrators" under current law. Fiscal effect: None.

As Introduced	As Passed by the House
Subject: Employment of Teachers by School Districts	
	R.C. ***3319.07, 3319.36***
No provision.	Eliminates the requirement that the employment of a teacher by a local school district be approved by the superintendent of the educational service center (ESC) in which territory the district is located. Permits any school district board to contract with the ESC from which it receives services to conduct searches and recruitment of candidates for teacher positions.
Subject: Calculation of Cost of Office Space	
	R.C. ***3319.19***
No provision.	Defines "actual cost per square foot" for purposes of estimating costs of office space provided to educational service centers by boards of county commissioners, which requirement is currently being phased out. Clarifies that in FY 2006, the last year of the phase-out of the county commissioners' obligation, an educational service center is responsible for paying the remainder of the actual cost of office space that is above 20% of the estimated cost. Fiscal effect: The effect of this provision on ESCs and counties depends on the method they are currently using to determine actual cost per square foot.

As Introduced	As Passed by the House
Subject: Annual Report on Activities of Local School Districts	
	R.C. ***3319.33, 3317.09, 3319.34***
No provision.	Requires that each local school district (rather than an educational service center (ESC) on the local school district's behalf, as under current law) directly submit its annual report of school district statistics, including data on litigation, to the State Board of Education. Fiscal effect: Should result in a small administrative cost savings for ESCs.
Subject: Department of Education Transportation Coordinator	
	R.C. ***3327.01, 3327.011***
No provision.	Eliminates a requirement that the Department of Education appoint transportation coordinators to oversee pupil transportation by school districts. Fiscal effect: May result in an administrative cost savings for the Department.

As Introduced	As Passed by the House
Subject: School District Textbook and Electronic Textbook Purchases	
	R.C. ***3329.06, 3329.08***
No provision.	Eliminates language that currently authorizes a school district board of education to limit purchases of textbooks and electronic textbooks to only six subjects per year, the cost of which does not exceed 25% of the "entire cost of adoption." Fiscal effect: None. Eliminates a current provision that prohibits a school district board of education from changing or revising a textbook or electronic textbook selection more frequently than once every four years. Fiscal effect: This provision provides greater flexibility for school districts.
Subject: Filing of School District Certificate of Estimated Appropriations	
	R.C. ***5705.39***
No provision.	Eliminates the requirement that each county auditor file with the state Superintendent of Public Instruction each school district's annual certificate of estimated appropriations and appropriation measure. Fiscal effect: May result in a decrease in administrative costs for county auditors.

As Introduced	As Passed by the House
Subject: Personal Services	
Section: *40.01*	**Section: *40.01***
Earmarks $1,630,181 in FY 2004 of GRF appropriation item 200-100, Personal Services, to provide vocational administration matching funds for the federal vocational education grant.	Same as executive, but also earmarks the same amount in FY 2005.
Subject: Maintenance and Equipment	
Section: *40.01*	**Section: *40.01***
Makes the following earmarks of GRF appropriation item 200-320, Maintenance and Equipment:	Makes the following changes to earmarks of GRF appropriation item 200-320, Maintenance and Equipment:
(1) Earmarks up to $25,000 in FY 2004 for State Board of Education out-of-state travel.	Same as executive, but also earmarks the same amount in FY 2005.
(2) Earmarks $692,014 in FY 2004 to provide vocational administration matching funds for the federal vocational education grant.	Same as executive, but also earmarks the same amount in FY 2005.

As Introduced	As Passed by the House
Subject: Public Preschool	
Section: *40.02*	**Section: *40.02***
Earmarks up to 2% of GRF appropriation item 200-408, Public Preschool, in FY 2004 for use by the Department of Education (ODE) for various support and assistance activities. Requires that ODE provide an annual report with specified information about public preschool programs. Specifies that a child is eligible for public preschool if the child is at least three years old, is not eligible for kindergarten, and is a member of a family that earns not more than 185% of the federal poverty level. Permits ODE to reallocate unobligated or unspent money to districts for expansion and improvement of programs. Specifies that development and administration costs may not exceed 15% of the cost of each program and requires fund recipients to maintain fiscal records. Requires that ODE prescribe target levels for critical performance indicators and assess programs based on progress in meeting these target levels. Requires a program to implement a corrective action plan, approved by ODE, when found to not be meeting standards. Permits ODE to deny funding if a program fails to successfully complete its plan. Requires that programs document and report child progress. Requires that programs charge families who earn more than the federal poverty level based on a sliding fee schedule. Specifies that ODE may award new grants based on a competitive bidding process if current grantees voluntarily waive the funding or are denied the funding for not meeting program standards. Requires that these grantees transfer property to a new grantee.	Same as executive, but also earmarks the same amount in FY 2005.

As Introduced	As Passed by the House
Subject: Professional Development	
Section: *40.03*	**Section: *40.03***
Makes the following earmarks of GRF appropriation item 200-410, Professional Development:	Makes the following changes to the earmarks of GRF appropriation item 200-410, Professional Development:
(1) Earmarks $5,368,357 in FY 2004 for twelve Regional Professional Development Centers.	(1) No provision.
(2) Earmarks $7,229,625 in FY 2004 to reward teachers who have obtained National Board certification and to pay the application fee for up to 500 teachers applying for certification. Up to $300,000 of the earmark, in FY 2004, may be used by the Department of Education for administrative costs.	(2) Reduces the earmark to $5,779,625. Earmarks the same amount in FY 2005. Specifies that these funds are only to be used to reward teachers who have obtained National Board Certification prior to January 1, 2003. Eliminates funding for application fees and stipends for new applicants, as well as administrative costs of the Department.
(3) Earmarks up to $19,442,358 in FY 2004 for teacher entry year programs.	(3) Reduces the earmark to $7,442,358 and earmarks the same amount in FY 2005. Specifies that these funds are only to be used for performance assessments for beginning teachers in districts that are in academic watch or academic emergency.
(4) Earmarks up to $546,000 in FY 2004 for Ohio leadership academies for superintendents.	(4) No provision.
(5) Earmarks up to $676,260 in FY 2004 for the Ohio Principal's Leadership Academy.	(5) No provision.
(6) Earmarks up to $1,840,000 in FY 2004 for principal entry year programs.	(6) No provision.

As Introduced	As Passed by the House
(7) Earmarks up to $438,750 in FY 2004 for the Rural Appalachian Initiative.	(7) No provision.
(8) Earmarks up to $243,750 in FY 2004 for a Teacher Recognition Program.	(8) No provision.
(9) Earmarks up to $65,813 in FY 2004 for the Ohio University Leadership Program.	(9) No provision.
(10) Earmarks up to $146,250 in FY 2004 for training of school board members, treasurers, and school business officials.	(10) No provision.
(11) Earmarks up to $188,090 in FY 2004 for grants to districts to develop local knowledge/skills-based compensation systems.	(11) Same as executive, but also earmarks the same amount in FY 2005 and requires districts receiving grants to report annually to the Department of Education on the use of the grants and the impact of the program.
Subject: Technical Systems Development	
Section: *40.04*	**Section: *40.04***
Requires that GRF appropriation item 200-420, Technical Systems Development, be used to support the development and implementation of information technology solutions designed to improve the performance and customer service of the Department of Education.	No change.

As Introduced	As Passed by the House
Subject: Alternative Education Programs	
Section: *40.04*	**Section: *40.04***
Creates and establishes the composition of the Alternative Education Advisory Council. The Council includes a representative from the Ohio Department of Education, the Department of Youth Services, the Ohio Department of Alcohol and Drug Addiction Services, the Department of Mental Health, the Office of the Governor or Lieutenant Governor, the Office of the Attorney General, and the Office of the Auditor of State.	No change.
Makes the following earmarks of GRF appropriation item 200-421, Alternative Education Programs:	Makes the following changes to the earmarks of GRF appropriation item 200-421, Alternative Education Programs:
(1) Earmarks not less than $7,897,500 in FY 2004 for alternative education grants for the Urban 21 school districts.	(1) Same as executive, but also earmarks the same amount in FY 2005.
(2) Earmarks not less than $7,863,047 in FY 2004 for alternative education grants for suburban and rural school districts.	(2) Same as executive, but also earmarks the same amount in FY 2005.
(3) Earmarks up to $449,235 in FY 2004 for program administration, monitoring, technical assistance, support, research, and evaluation.	(3) No provision.
(4) Earmarks $287,218 in FY 2004 to contract with the Center for Learning Excellence at the Ohio State University to provide technical support.	(4) No provision.
No provision.	(5) Earmarks $75,000 in each fiscal year for the Toledo Tech Academy.

As Introduced	As Passed by the House
Permits the Department of Education to waive compliance with any minimum education standards for schools receiving alternative education grants.	No change.
Subject: School Management Assistance	
Section: *40.04*	**Section: *40.04***
Earmarks $351,000 of GRF appropriation item 200-422, School Management Assistance, in FY 2004 to be used by the Auditor of State for expenses related to the Auditor's duties in respect to districts in fiscal caution, fiscal watch, and fiscal emergency.	Same as executive, but also earmarks the same amount in FY 2005.
Specifies that the remainder of GRF appropriation item 200-422, School Management Assistance be used by the Department of Education to provide assistance to districts in fiscal watch and fiscal emergency.	No change.
Subject: Policy Analysis	
Section: *40.04*	**Section: *40.04***
Specifies that GRF appropriation item 200-424, Policy Analysis, be used to support a system of administrative, statistical, and legislative education information to be used for policy analysis. Permits the Department of Education to use this funding to contract for related services.	No change.
Subject: Tech Prep Consortia Support	
Section: *40.04*	**Section: *40.04***
Specifies that GRF appropriation item 200-425, Tech Prep Consortia Support, be used to support state-level activities in support of tech prep programs.	No change.

As Introduced	As Passed by the House
Subject: Ohio Educational Computer Network	
Section: *40.04*	**Section: *40.04***
Specifies that GRF appropriation item 200-426, Ohio Educational Computer Network, be used to maintain a system of information technology throughout Ohio and to provide technical assistance in support of the State Education Technology Plan. Makes the following earmarks:	No change.
(1) Earmarks up to $18,592,763 in FY 2004 to support connection of all public school buildings to the state's education network, to each other, and to the Internet. Specifies that public school buildings include instructional buildings of any school district, community school, educational service center, Ohio School of the Deaf, Ohio School of the Blind, high schools chartered by the Department of Youth Services, and high schools operated by the Ohio Department of Rehabilitation and Corrections' Ohio Central School System.	(1) Same as executive, but also earmarks the same amount in FY 2005.
(2) Earmarks up to $1,884,355 in FY 2004 for the Union Catalog and InfOhio Network.	(2) Same as executive, but also earmarks the same amount in FY 2005.
(3) Earmarks up to $3,412,500 in FY 2004 to assist data acquisition sites with the operational costs associated with the use of the education network by chartered nonpublic schools. Requires that the Department of Education develop a formula and guidelines for distribution of these funds.	(3) Removes the qualifier "up to" from the earmark, requiring that the entire earmark be distributed. Earmarks the same amount for FY 2005. Replaces the provision that the Department develop a distribution formula and guidelines with a provision that requires the Department to divide the earmark by the number of eligible chartered nonpublic schools that meet the OneNet Planning Commission's connectivity standard in the fall of each year and distribute accordingly.

As Introduced	As Passed by the House
Specifies that the remainder of the appropriation in FY 2004 be used to support development, maintenance, and operation of a network of uniform and compatible computer-based informational and instructional systems. Permits the Department of Education to use up to $223,762 in FY 2004 to coordinate the activities of the computer network with other agencies funded by the Department or the State.	Same as executive, but applies the same requirements to FY 2005.
Subject: Academic Standards	
Section: *40.04*	**Section: *40.04***
Earmarks up to $731,250 in FY 2004 of GRF appropriation 200-427, Academic Standards, to provide funds to school districts that have teachers participating in the teachers-on-loan program.	Same as executive, but also earmarks the same amount in FY 2005.
Specifies that the remainder of the appropriation be used for the development and dissemination of academic content standards and curriculum models and to fund communication of expectations to teachers, school districts, parents, and communities.	Removes the requirement that the funds be used for communication of expectations to teachers, districts, parents, and communities. Replaces this with the requirement that the Department communicate the standards and curricula to districts through the web and E-mail.
Subject: School Improvement Initiatives	
Section: *40.05*	**Section: *40.05***
Makes the following earmarks to GRF appropriation item 200-431, School Improvement Initiatives:	Makes the following changes to the earmarks of GRF appropriation item 200-431, School Improvement Initiatives:
(1) Earmarks $10,505,625 in FY 2004 to provide technical assistance to school districts that are in academic watch or academic emergency to develop their continuous improvement plans and to provide technical assistance to	(1) Same as executive, but also earmarks the same amount in FY 2005.

As Introduced	As Passed by the House
school buildings not meeting new federal accountability measures.	
(2) Earmarks up to $138,206 in FY 2004 to support a teacher-in-residence at the Governor's office and related support staff, travel expenses, and administrative overhead.	(2) No provision.
(3) Earmarks up to $250,000 in FY 2004 to reduce the dropout rate by addressing the academic and social problems of inner-city students through Project GRAD.	(3) Same as executive, but also earmarks the same amount in FY 2005.
(4) Earmarks $3,120,000 in FY 2004 to provide intensive summer professional development for mathematics teachers and to deploy mathematics specialists into low performing schools. Specifies that the Math Rules Advisory Council shall approve the plan for these expenditures.	(4) No provision.
Subject: School Conflict Management	
Section: *40.05*	**Section: *40.05***
Specifies that GRF appropriation item 200-432, School Conflict Management, be used to provide dispute resolution and conflict management training, consultation, and materials for school districts, and to provide competitive school conflict management grants to school districts.	No provision.
Subject: Reading/Writing Improvement	
Section: *40.05*	**Section: *40.05***
Makes the following earmarks to GRF appropriation item 200-433, Reading/Writing Improvement:	Makes the following changes to the earmarks of GRF appropriation item 200-433, Reading/Writing Improvement:

As Introduced	As Passed by the House
(1) Earmarks up to $12,675,000 in FY 2004 for professional development in literacy for classroom teachers, administrators, and literacy specialists.	(1) Same as executive, but also earmarks the same amount in FY 2005.
(2) Earmarks up to $322,680 in FY 2004 to assess a sample of center-based, early literacy education programs using the Early Language and Literacy Classroom Observation Instrument.	(2) No provision.
(3) No provision.	(3) Earmarks $500,000 in each fiscal year for the Waterford Early Reading Program.
(4) No provision.	(4) Earmarks up to $1,000,000 in each fiscal year for the Reading Recovery Training Network.
Specifies that the remainder of the appropriation be used to support standards-based classroom reading and writing instruction and reading intervention and the design/development of standards-based literacy curriculum materials; to support literacy professional development partnerships between the Department of Education, higher education institutions, the literacy specialists project, the Ohio principals' literacy network, regional literacy teams, literacy networks, and school districts.	No change.

Subject: Student Assessment

Section: *40.05*	**Section: *40.05***
Specifies that GRF appropriation item 200-437, Student Assessment, be used to develop, field test, print, distribute, score, and report results from state mandated tests (R.C. 3301.0710, 3301.0711, and 3301.27)	No change.

As Introduced	As Passed by the House
Subject: Accountability/Report Cards	
Section: *40.05*	**Section: *40.05***
Specifies that GRF appropriation item 200-439, Accountability/Report Cards, be used for the development and distribution of school report cards pursuant to R.C. 3302.03.	No change.
Subject: American Sign Language	
Section: *40.05*	**Section: *40.05***
Earmarks up to $136,943 in FY 2004 of GRF appropriation item 200-441, American Sign Language, to implement pilot projects for the integration of American Sign Language into the K-12 curriculum.	Same as executive, but also earmarks the same amount in FY 2005.
Specifies that the remainder of the appropriation be used to provide supervision and consultation to school districts in dealing with parents of 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.	No change.
Subject: Child Care Licensing	
Section: *40.05*	**Section: *40.05***
Specifies that GRF appropriation item 200-442, Child Care Licensing, be used to license and to inspect preschool and school-age child care programs in accordance with R.C. 3301.52 to 3301.59.	No change.

As Introduced	As Passed by the House
Subject: OhioReads Admin/Volunteer Support	
Section: *40.05*	**Section: *40.05***
Specifies that GRF appropriation item 200-445, OhioReads Admin/Volunteer Support, be used for volunteer coordinators, background checks for volunteers, evaluation of the OhioReads program, and operating expenses associated with administering the program.	No change.
Subject: Professional Recruitment	
Section: *40.05*	**Section: *40.05***
Makes the following earmarks of GRF appropriation item 200-444, Professional Recruitment:	No provision.
(1) Earmarks $1,163,565 in FY 2004 to establish programs targeted at recruiting underrepresented populations into the teaching profession.	
(2) Earmarks up to $622,414 in FY 2004 to target individuals who are seeking a second career or who are in mid-career changes to enter the teaching profession by supporting collaborative activities between higher education institutions and school districts.	
Specifies that the remainder of the appropriation be used for recruitment programs targeting special needs areas: recruiting mathematics, science, and special education teachers, recruiting principals, developing and maintaining a web-based placement bureau, developing supply/demand reports, and implementing a pre-collegiate program to target future teachers.	

As Introduced	As Passed by the House
Subject: Education Management Information System	
Section: *40.06*	**Section: *40.06***
Specifies that GRF appropriation item 200-446, Education Management Information System, be used to improve the Education Management Information System (EMIS) and makes the following earmarks:	No change.
(1) Earmarks up to $1,295,857 in FY 2004 to be distributed to data acquisition sites for costs relating to processing, storing, and transferring data for the effective operation of the EMIS.	(1) Same as executive, but also earmarks the same amount in FY 2005.
(2) Earmarks up to $8,055,189 in FY 2004 to be distributed on a per-pupil basis to school districts, community schools, education service centers (ESCs), joint vocational school districts (JVSDs), and any other education entity that reports data through EMIS. Specifies that each school district or community school with more than 100 students and each JVSD shall receive a minimum of $5,000 in FY 2004. Specifies that each school district or community school with between 1 and 100 students and each ESC and each county board of MR/DD that submits data shall receive $3,000 in FY 2004.	(2) Same as executive, but also earmarks the same amount in FY 2005.

As Introduced	As Passed by the House
Subject: GED Testing/Adult High School	
Section: *40.06*	**Section: *40.06***
Specifies that GRF appropriation item 200-447, GED Testing/Adult High School, be used to provide General Educational Development (GED) testing at no costs to applicants. Directs the Department of Education to reimburse school districts and community schools for a portion of the costs of providing summer services to students who have not graduated due to their inability to pass one or more parts of the 9th grade proficiency test. Directs school districts to also provide these services to students who are residents of the district but enrolled in chartered, nonpublic schools if the services are provided to public school students. Directs chartered, nonpublic schools to pay for any unreimbursed costs incurred by school districts in providing these services to students enrolled in their schools. Specifies the appropriation also be used to reimburse school districts for adult high school continuing education programs and for costs associated with awarding adult high school diplomas.	No change.
Subject: Educator Preparation	
Section: *40.06*	**Section: *40.06***
Makes the following earmarks of GRF appropriation item 200-448, Education Preparation:	Makes the following changes to earmarks of GRF appropriation item 200-448, Educator Preparation:
(1) Earmarks $146,250 in FY 2004 to be used by the Department of Education for collaboration with the Interstate New Teacher Assessment and Support Consortium (INTASC) to develop standards for teacher preparation and portfolio assessments for licensure.	(1) No provision.

As Introduced	As Passed by the House
(2) Earmarks $438,750 in FY 2004 to establish new teacher education/district partnerships that will develop professional development schools within districts based on standards established by the National Council for Accreditation of Teacher Education.	(2) No provision.
(3) Earmarks up to $24,375 in FY 2004 to be used by the Ohio Teacher Education and Certification Commission to carry out the responsibilities of the 21-member Ohio Teacher Education and Certification Advisory Commission.	(3) Same as executive, but also earmarks the same amount in FY 2005.
Subject: Title IV-A Head Start Plus Start Up	
Section: *40.06*	**Section: *40.06***
Specifies that GRF appropriation item 200-449, Head Start Plus Start Up, be used to provide grants to providers of Title IV-A Head Start Plus/Title IV-A Head Start services for seed money for the provision of services to children eligible for TANF services.	No provision.
Subject: Teaching Success Commission Initiatives	
Section: *40.06*	**Section: *40.06***
Specifies that GRF appropriation item 200-452, Teaching Success Commission Initiatives, be used by the Department of Education to support initiatives recommended by the Governor's Commission on Teaching Success.	No change.

As Introduced	As Passed by the House
Subject: Community Schools	
Section: *40.06*	**Section: *40.06***
Earmarks up to $1,558,661 in FY 2004 of GRF appropriation item 200-455, Community Schools, to be used by the Department of Education for additional services and responsibilities under R.C. 3314.11.	Reduces the earmark to $1,308,661 and earmarks the same amount in FY 2005.
No provision.	Earmarks up to $250,000 in each fiscal year for the development and conduction of training sessions for sponsors and prospective sponsors of community schools.
Specifies that the remainder of the appropriation be used for grants of up to $50,000 to groups with a preliminary agreement for a community school to defray planning and initial start up costs; and for grants of up to $100,000 to the governing authority of a community school in its first year of operation to partially defray additional start up costs. Specifies that a community school shall not be eligible for these grants if it has been awarded a federal start up grant from appropriation item 200-613, Public Charter Schools (Fund 3T4).	No change.
Subject: School Finance Equity	
Section: *40.07*	**Section: *40.07***
Specifies that GRF appropriation item 200-500, School Finance Equity, be distributed in FY 2004 based on the formula in R.C. 3317.0213.	Same as the executive, but also provides funds for FY 2005.

As Introduced	As Passed by the House
Subject: Base Cost Funding	
Section: *40.08*	**Section: *40.08***
Makes the following earmarks of GRF appropriation item 200-501, Base Cost Funding:	Makes the following changes to earmarks of GRF appropriation item 200-501, Base Cost Funding:
(1) Specifies that the appropriation include $90,000,000 in FY 2004 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, both of the 123rd G.A. Permits the Controlling Board to increase the appropriation if the state education aid offset is determined to be more than $90,000,000 and requires the Director of Budget and Management to reduce the appropriation if the offset is determined to be less than $90,000,000.	(1) Same as executive, but extends the provision to FY 2005.
(2) Earmarks up to $425,000 in FY 2004 for court payments pursuant to R.C. 2151.357 (to defray the cost of educating a child placed by a court in a private institution, school, or residential treatment center).	(2) Same as executive, but also earmarks the same amount in FY 2005.
(3) Requires that an amount be available in FY 2004 for the cost of the reappraisal guarantee pursuant to R.C. 3317.04.	(3) Same as executive, but extends the provision to FY 2005.
(4) Requires that an amount be available in FY 2004 to fund up to 225 full-time equivalent approved GRADS teacher grants pursuant to R.C. 3317.024 (R).	(4) Same as executive, but extends the provision to FY 2005.
(5) Requires an amount be available to FY 2004 to make payments to school districts pursuant to R.C. 3317.022 (A) (2) (subsidy to districts with tax exempt value greater than or equal to 25% of the potential value of the district).	(5) Same as executive, but extends the provision to FY 2005.

As Introduced	As Passed by the House
(6) Requires an amount be available to make payments to school districts pursuant to R.C. 3317.022 (F) (excess cost supplement for the local share of transportation model costs, special education weighted costs, and career-technical education weighted costs).	(6) Same as executive, but extends the provision to FY 2005.
(7) Requires an amount be available in FY 2004 for payments to school districts pursuant to R.C. 3317.0212 (C) (guarantee for districts with 150 or less students).	(7) Same as executive, but extends the provision to FY 2005.
(8) Requires that up to $15,000,000 in FY 2004 be reserved for payments pursuant to R.C. 3317.026, 3317.027, and 3317.028 (adjustments to state aid due to certain changes in a district's taxable value). Permits the Controlling Board to increase this amount if requested.	(8) Same as executive, but also earmarks the same amount in FY 2005.
(9) Earmarks up to $15,000,000 in FY 2004 to provide additional state aid to school districts for special education students pursuant to R.C. 3317.022 (C)(3) (catastrophic cost supplement).	(9) Same as executive, but also earmarks the same amount in FY 2005.
(10) Earmarks up to $2,000,000 in FY 2004 for Youth Services tuition payments pursuant to R.C. 3317.024.	(10) Same as executive, but also earmarks the same amount in FY 2005.
(11) Earmarks up to $52,000,000 to fund the state reimbursement of Educational Service Centers pursuant to R.C. 3317.11.	(11) Same as executive, but also earmarks the same amount in FY 2005.
(12) Earmarks up to $335,735,930 in FY 2004 for special education weighted funding for school districts and joint vocational school districts pursuant to R.C. 3317.022 (C)(1) and 3317.16 (D)(1).	(12) No provision.

As Introduced	As Passed by the House
(13) Earmarks up to $1,000,000 in FY 2004 to pay for educational services for youth who have been assigned to facilities described in division (A) of the section titled "Private Treatment Facility Pilot Project."	(13) Same as executive, but also earmarks the same amount in FY 2005.
(14) No provision.	(14) Earmarks up to $15,000,000 in FY 2005 for the Enhanced Urban Attendance Improvement Initiative pursuant to the section of the act entitled, "The Enhanced Urban Attendance Improvement Initiative."
(15) No provision.	(15) Specifies that an amount be available in Fy 2005 for transitional aid to school districts pursuant to the section of the act entitled, "Transitional Aid for Fiscal Year 2005."
Specifies that the remainder of the appropriation be expended in FY 2004 for the public schools of city, local, exempted village, and joint vocational school districts, including base cost funding, special education speech service enhancement funding, career-technical education weight funding, career-technical education associated service funding, guarantee funding, and teacher training and experience funding pursuant to R.C. 3317.022, 3317.023, 3317.0212, and 3317.16.	Same as executive, but extends the provision to FY 2005.
Specifies that GRF appropriation items 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, other than specific set asides, are collectively used in FY 2004 to pay state formula aid obligations for school districts and joint vocational school districts pursuant to R.C. 3317. Provides that the Department of Education seek Controlling Board approval to transfer funds among these items in order to meet state formula aid obligations.	No change.

As Introduced	As Passed by the House
Subject: Pupil Transportation	
Section: *40.09*	**Section: *40.09***
Makes the following earmarks to GRF appropriation item 200-502, Pupil Transportation:	Makes the following changes to earmarks of GRF appropriation item 200-502, Pupil Transportation:
(1) Earmarks up to $822,400 in FY 2004 for training prospective and experienced school bus drivers.	(1) Same as executive, but also earmarks the same amount for FY 2005.
(2) Earmarks up to $56,975,910 in FY 2004 for special education transportation reimbursements to school districts and county MR/DD boards for transportation operating costs as provided in R.C. 3317.024 (M). Specifies that the reimbursement rate is the rate defined in R.C. 3317.022 (D).	(2) Removes the provision specifying the rate as the rate defined in R.C. 3317.022 (D), and earmarks the same amount for FY 2005.
Specifies that the remainder of the appropriation be used for state reimbursement of public school districts' costs in transporting pupils to and from school.	No change.

As Introduced	As Passed by the House
Subject: Bus Purchase Allowance	
Section: *40.09*	**Section: *40.09***
Specifies that GRF appropriation item 200-503, Bus Purchase Allowance, be distributed to school districts, educational service centers, and county MR/DD boards pursuant to rules adopted under R.C. 3317.07 (for the purchase of school buses). Earmarks up to 28% of the amount appropriated to reimburse school districts and educational service centers for the purchase of buses to transport handicapped and nonpublic school students and to county MR/DD boards, the Ohio School for the Deaf, and the Ohio School for the Blind for the purchase of buses to transport handicapped students.	No change.
Subject: School Lunch Match	
Section: *40.09*	**Section: *40.09***
Specifies that GRF appropriation item 200-505, School Lunch Match, be used to provide matching funds to obtain federal funds for the school lunch program.	No change.
Subject: Adult Literacy Education	
Section: *40.10*	**Section: *40.10***
Specifies that GRF appropriation item 200-509, Adult Literacy Education, be used to support adult basic and literacy education instructional programs and the State Literacy Resource Center Program, and makes the following earmarks:	No change.
(1) Earmarks up to $519,188 in FY 2004 for the support and operation of the State Literacy Resource Center.	(1) Same as executive, but also earmarks the same amount for FY 2005.

As Introduced	As Passed by the House
(2) Earmarks $146,250 in FY 2004 to support initiatives for English as a second language programs in combination with citizenship. Specifies that these funds be provided to organizations that received such funds during FY 2003 from GRF appropriation item 200-570, School Improvement Initiatives.	(2) Same as executive, but also earmarks the same amount for FY 2005.
Specifies that the remainder of the appropriation be used to continue to satisfy the state match and maintenance of effort requirements for the support and operation of the Department of Education-administered instructional grant program for adult basic and literacy education.	No change.
Subject: Auxiliary Services	
Section: *40.10*	**Section: *40.10***
Specifies that GRF appropriation item 200-511, Auxiliary Services, be used to implement R.C. 3317.06 (providing services and materials to students enrolled in nonpublic schools). Earmarks up to $1,462,500 in FY 2004 for payment of the Post-Secondary Enrollment Options Program for nonpublic students pursuant to R.C. 3365.10.	Same as executive, but also earmarks the same amount for FY 2005.
Subject: Student Intervention Services	
Section: *40.10*	**Section: *40.10***
Specifies that GRF appropriation item 200-513, Student Intervention Services, be used to assist districts providing the state-mandated intervention services specified in R.C. 3313.608. Requires that school districts receiving funds report how the funds were used.	No change.

As Introduced	As Passed by the House
Subject: Postsecondary Adult Career-Technical Education	
Section: *40.10*	**Section: *40.10***
Specifies that GRF appropriation item 200-514, Postsecondary Adult Career-Technical Education, be used to provide postsecondary adult career-technical education under R.C. 3313.52 and 3313.53.	No change.
Subject: Disadvantaged Pupil Impact Aid	
Section: *40.10*	**Section: *40.10***
Makes the following provisions regarding GRF appropriation item 200-520, Disadvantaged Pupil Impact Aid:	Makes the following changes to GRF appropriation item 200-520, Disadvantaged Pupil Impact Aid:
(1) Provides that each school district receive an additional 2% in Disadvantaged Pupil Impact Aid (DPIA) in FY 2004 over what was received in FY 2003, notwithstanding the distribution formula outlined in R.C. 3317.029. Requires that school districts comply with all expenditure guidelines and restrictions in R.C. 3317.029 (F), (G), (I), and (K) by assuming a 2% increase in funds for each program outlined in R.C. 3317.029 (C), (D), and (E) (all-day kindergarten, class-size reduction, and safety, security, and remediation), and by assuming a DPIA index equivalent to the index calculated in FY 2003.	(1) Same as executive, but specifies that districts receiving DPIA funding from the DPIA guarantee provision shall not receive a 2% increase, but shall receive the same DPIA funding it received in FY 2003. Extends this provision to FY 2005, so that, except for districts receiving DPIA guaranteed funding, districts receiving DPIA in FY 2004 will receive a 2% increase in FY 2005. Districts receiving DPIA guaranteed funding will receive the same funding in FY 2005 as they received in FY 2003.
(2) Provides that all-day, everyday kindergarten funding be provided in fiscal year 2004 only to those school districts that qualified and provided the service in FY 2003.	(2) Same as executive, but extends the provision to FY 2005.
(3) Earmarks up to $3,300,000 in FY 2004 for school breakfast programs. Requires that up to $500,000 of this amount be used in FY 2004 to provide start-up grants to school districts that start school breakfast programs.	(3) Increases the earmark to $3,800,000 in FY 2004 and earmarks this same amount for FY 2005. Replaces the requirement that $500,000 be used in FY 2004 for start up grants with a requirement that $1,000,000 be used in each

As Introduced	As Passed by the House
Requires that the remainder of this amount be used to (a) partially reimburse schools that are required to have a school breakfast program by R.C. 3313.813; (b) partially reimburse districts participating in the National School Lunch Program that have at least 20% of students eligible for free and reduced price meals; and (c) partially reimburse districts participating in the National School Lunch Program for breakfast served to children eligible for free and reduced price meals.	fiscal year to increase participation in child nutrition programs, particularly school breakfast and summer meals. Also requires that the Department collaborate with the Children's Hunger Alliance in the outreach effort. Replaces the provision regarding the remainder of the appropriation with a requirement that the remainder of the appropriation be used to partially reimburse schools within districts that are required to have a school breakfast program pursuant to R.C. 3313.813, at a rate determined by the Department.
(5) Earmarks up to $11,901,887 of the DPIA funds distributed to Cleveland Municipal School District to operate the school choice program pursuant to R.C. 3313.974 to 3313.979.	(5) Same as executive, but also earmarks the same amount for FY 2005.
(6) Earmarks $1,000,000 to support dropout recovery programs administered by the Department of Education, Jobs for Ohio's Graduates Program.	(6) No provision.
Subject: Gifted Pupil Program	
Section: *40.11*	**Section: *40.11***
Specifies that GRF appropriation item 200-521, Gifted Pupil Program, be used for gifted education units not to exceed 1,110 in FY 2004 pursuant to R.C. 3317.024 (P) and 3317.05 (F), and makes the following earmarks:	Same as executive, but also provides the same number of gifted units in FY 2005.
(1) Earmarks up to $5,000,000 in FY 2004 to be used as an additional supplement for identifying gifted students pursuant to R.C. 3324.	(1) Same as executive, but also earmarks the same amount for FY 2005.
(2) Earmarks up to $1,000,000 in FY 2004 for the Summer Honors Institute for gifted freshman and sophomore high school students.	(2) Same as executive, but also earmarks the same amount for FY 2005.

As Introduced	As Passed by the House
(3) Earmarks up to $600,000 in FY 2004 for research and demonstration projects. Requires the Department of Education to research and evaluate the effectiveness of gifted programs in Ohio.	(3) Same as executive, but also earmarks the same amount for FY 2005.
(4) Earmarks up to $70,000 for the Ohio Summer School for the Gifted (Martin Essex Program).	(4) Same as executive, but also earmarks the same amount for FY 2005.
Subject: Parity Aid	
Section: *40.12*	**Section: *40.12***
Specifies that GRF appropriation item 200-525, Parity Aid, be distributed to school districts in FY 2004 based on formulas in R.C. 3317.0217.	Same as executive, but extends the provision to FY 2005.
Subject: Nonpublic Administrative Cost Reimbursement	
Section: *40.12*	**Section: *40.12***
Specifies that GRF appropriation item 200-532, Nonpublic Administrative Cost Reimbursement, be used to implement R.C. 3317.063 (reimburse chartered nonpublic schools for mandated service costs).	No change.
Subject: Special Education Enhancements	
Section: *40.13*	**Section: *40.13***
Makes the following earmarks to GRF appropriation item 200-540, Special Education Enhancements:	Makes the following changes to earmarks of GRF appropriation item 200-540, Special Education Enhancements:
(1) Earmarks up to $47,546,796 in FY 2004 to fund special education and related services at County Boards of Mental Retardation and Developmental Disabilities (MR/DD boards) for eligible students under R.C. 3317.20.	(1) Reduces the earmark to $44,204,000 in FY 2004, and earmarks $45,441,712 in FY 2005.

As Introduced	As Passed by the House
(2) Earmarks up to $2,452,125 in FY 2004 to fund special education classroom and related services units at institutions.	(2) Same as executive, but also earmarks the same amount for FY 2005.
(3) Earmarks up to $3,406,875 in FY 2004 for home instruction for children with disabilities.	(3) Reduces the earmark to $2,906,875 in FY 2004, and also earmarks the same amount for FY 2005.
(4) Earmarks up to $1,462,500 in FY 2004 for parent mentoring programs.	(4) Same as executive, but also earmarks the same amount for FY 2005.
(5) Earmarks up to $2,783,396 in FY 2004 for school psychology interns.	(5) Same as executive, but also earmarks the same amount for FY 2005.
(6) Earmarks $3,906,090 in FY 2004 to assist school districts in funding aides pursuant to rule 3301-51-04 of the Administrative Code (one aide for every teacher of multihandicapped students).	(6) Reduces the earmark to $3,406,090 in FY 2004, and earmarks the same amount in FY 2005.
(7) Earmarks $78,399,498 in FY 2004 for preschool special education and preschool supervisory units at MR/DD boards, Educational Service Centers, and school districts pursuant to R.C. 3317.161. Permits, with Controlling Board approval, the transfer of funds from GRF appropriation item 200-501, Base Cost Funding, to fully fund existing units as necessary or to fully fund additional units. Permits, with Controlling Board approval, the transfer of funds to GRF appropriation item 200-501, Base Cost Funding, to fully fund special education weight cost funding. Requires recipients to document child progress using research-based indicators prescribed by the Department and to report results annually.	(7) Reduces the earmark to $77,384,498 in FY 2004 and earmarks the same amount in FY 2005.

As Introduced	As Passed by the House
(8) Earmarks up to $83,850 in FY 2004 to conduct a collaborative pilot program to provide educational services and develop best educational practices for autistic children.	(8) No provision.
(9) No provision.	(9) Earmarks $315,000 in each fiscal year for the Collaborative Language and Literacy Instruction Project.
(10) No provision.	(10) Earmarks up to $500,000 in each fiscal year for the Research-Based Reading Mentoring Program.
(11) No provision.	(11) Earmarks up to $200,000 in each fiscal year for the Language and Literacy Intervention Program.

Subject: Career-Technical Education Enhancements

Section: *40.14*	**Section: *40.14***
Makes the following earmarks to GRF appropriation item 200-545, Career-Technical Education Enhancements:	Makes the following changes to earmarks of GRF approrpriation item 200-545, Career-Technical Education Enhancements:
(1) Earmarks up to $2,576,107 in FY 2004 to fund career-technical education units at institutions.	(1) Same as executive, but also earmarks the same amount for FY 2005.
(2) Earmarks up to $4,159,770 in FY 2004 to fund the Jobs for Ohio Graduates (JOG) program.	(2) Reduces the earmark to $3,500,000 in FY 2004 and earmarks the same amount in FY 2005.
(3) Earmarks up to $4,387,500 in FY 2004 to fund competitive grants to tech prep consortia.	(3) Reduces the earmark to $2,925,000 in FY 2004, and earmarks the same amount in FY 2005.
(4) Earmarks $1,462,500 in FY 2004 to provide funds to eligible school districts for the replacement or updating of equipment essential for the instruction of students in career-technical programs.	(4) Same as executive, but also earmarks the same amount for FY 2005.

As Introduced	As Passed by the House
(5) Earmarks up to $3,900,000 in FY 2004 for High Schools that Work programs.	(5) Reduces the earmark to $2,400,000 in FY 2004, and earmarks the same amount in FY 2005.
(6) Earmarks $3,900,000 in FY 2004 for K-12 career development.	(6) Reduces the earmark to $2,400,000 in FY 2004, and earmarks the same amount in FY 2005.
(7) Earmarks up to $996,800 in FY 2004 for the Ohio Career Information System.	(7) Reduces the earmark to $496,800 in FY 2004, and earmarks the same amount in FY 2005.
No provision.	(8) Earmarks $300,000 in each fiscal year for Voc-Ag 5th Quarter Pilot Project.

Subject: Charge-Off Supplement

Section: *40.15*	**Section: *40.15***
Specifies that GRF appropriation item 200-546, Charge-Off Supplement, be used in FY 2004 to make payments pursuant to R.C. 3317.0216 (compensates school districts for the difference between their total taxes charged and payable and their formula charge-off amounts).	Same as executive, but extends the provision to FY 2005.

Subject: Emergency Loan Interest Subsidy

Section: *40.15*	**Section: *40.15***
Specifies that GRF appropriation item 200-558, Emergency Loan Interest Subsidy, be used to subsidize districts for the difference between the amount of interest a district is paying on emergency school loans pursuant to R.C. 3313.484, and the interest the district would have paid had the interest rate been 2%.	Same as executive, but earmarks $50,000 of the appropriation item in each fiscal year, to support LEAF.

As Introduced	As Passed by the House
Subject: OhioReads Grants	
Section: *40.16*	**Section: *40.16***
Specifies that GRF appropriation item 200-566, OhioReads Grants, be disbursed at the direction of the OhioReads Council to provide grants to public schools within districts, community schools, and educational service centers serving K-4 students to support local reading literacy initiatives including reading programs, materials, professional development, tutoring, tutor recruitment and training, and parental involvement.	No change.
Subject: Safe and Supportive Schools	
Section: *40.16*	**Section: *40.16***
Earmarks up to $224,250 in FY 2004 of GRF appropriation item 200-578, Safe and Supportive Schools, to fund a safe school center to provide resources for parents and for school and law enforcement personnel.	Same as executive, but also earmarks the same amount for FY 2005.
No provision.	Earmarks $20,000 in each fiscal year of GRF appropriation item 200-578, Safe and Supportive Schools, for the Eddie Eagle Gun Safety Pilot Program.
Specifies that the remainder of the appropriation be used for grants to enhance school safety.	No change.
Subject: Property Tax Allocation - Education	
Section: *40.17*	**Section: *40.17***
Prohibits the transfer of funds from appropriation item 200-901, Property Tax Allocation - Education, to any other appropriation item.	No change.

As Introduced	As Passed by the House
Specifies that GRF appropriation item 200-901, Property Tax Allocation - Education, is appropriated to pay for the state's costs incurred due to the homestead exemption and the property tax rollback. These funds are distributed to the appropriate school districts.	
Specifies that GRF appropriation item 200-906, Tangible Tax Exemption - Education, is appropriated to pay for the state's costs incurred due to the $10,000 tangible personal property tax exemption required by R.C. 5709.01 (C) (3). These funds are distributed to each county treasurer for all school districts located within the county.	
Appropriates any funds in addition to the amounts specifically appropriated for these two line items that are necessary to meet these obligations.	
Subject: Teacher Certification and Licensure	
Section: *40.18*	**Section: *40.18***
Specifies that appropriation item 200-681, Teacher Certification and Licensure (Fund 4L2) in the general services fund group, be used in each year of the biennium for the teacher certification and licensure functions of the Department of Education.	No change.
Subject: School District Solvency Assistance	
Section: *40.18*	**Section: *40.18***
Makes the following earmarks of appropriation item 200-687, School District Solvency Assistance (Fund 5H3) in the general services fund group:	No change.
(1) Earmarks $9,000,000 in each fiscal year to be allocated to the School District Shared Resource Account.	

As Introduced	As Passed by the House
(2) Earmarks $9,000,000 in each fiscal year to be allocated to the Catastrophic Expenditures Account.	
Specifies that these funds be used to provide assistance and grants to school districts to enable them to remain solvent pursuant to R.C. 3316.20. Requires assistance and grants be subject to the approval of the Controlling Board. Requires that any required reimbursements from school districts be made to the appropriate account in the School District Solvency Assistance Fund (Fund 5H3).	
Subject: Title IV-A Head Start Plus/Title IV-A Head Start	
Sections ***40.19, 3301.31 through 3301.37***	**Sections** ***40.19, 3301.31 through 3301.37***
Replaces the existing Head Start program with the Title IV-A Head Start/Title IV-A Head Start Plus program. (See the item entitled "Head Start/Head Start Plus" in Job and Family Services)	Does not change the Title IV-A Head Start/Title IV-A Head Start Plus Revised Code provisions, however, temporary law in the bill notwithstands these provisions. (See the item entitled "Head Start/Head Start Plus" in Job and Family Services)
Specifies that appropriation item 200-663, Head Start Plus/Head Start (Fund 5W2) in the state special revenue fund group, be used to reimburse Title IV-A Head Start Plus/Title IV-A Head Start programs for services to children in accordance with R.C. 3301.31 to 3301.37 as amended by the bill. Requires that the Department of Education administer the program in accordance with an interagency agreement between the Departments of Education and Job and Family Services. Requires that a policy and procedures be developed to establish a procedure for approving Title IV-A Head Start Plus/Head Start agencies. Makes the following earmarks:	Same as the executive, but removes all references to Title IV-A (TANF) and R.C. 3301.31 to 3301.07. The program is left to be administered by the Department of Education in accordance with an interagency agreement between the Departments of Education and Job and Family Services.

As Introduced	As Passed by the House
(1) Earmarks up to $2,000,000 in each fiscal year to be used by the Department of Education for program support and technical assistance.	
(2) Earmarks up to $80,000,000 in FY 2004 and up to $81,600,000 in FY 2005 to support the Title IV-A Head Start Plus initiative. Requires that Title IV-A Head Start Plus provide up to 10,000 slots of full-day, full-year programming for children at least 3 but not kindergarten age eligible. Requires that the program meet the child care needs of low-income families who meet eligibility requirements and provide early education and comprehensive services as provided through the Title IV-A Head Start program.	
(3) Earmarks up to $19,200,000 in FY 2004 and up to $19,584,000 in FY 2005 to support up to 4,000 slots of traditional partial-day, partial-year Title IV-A Head Start services.	
Requires that the Department of Education adopt rules to establish standards for the purpose of assessing Title IV-A Head Start Plus/Head Start agencies and contract compliance. Requires providers to document child progress using research-based indicators and report results annually. Requires that the Department provide an annual report regarding the programs, including performance indicators.	

As Introduced	As Passed by the House
Subject: Auxiliary Services Reimbursement	
Section: *40.19*	**Section: *40.19***
Requires that the Treasurer of State transfer, if the unobligated cash balance is sufficient, $1,500,000 in FY 2004 and $1,500,000 in FY 2005, from the Auxiliary Services Personnel Unemployment Compensation Fund to the Department of Education's Auxiliary Services Reimbursement Fund (Fund 598) in the state special revenue fund group.	No change.
Subject: Lottery Profits Education Fund	
Section: *40.20*	**Section: *40.20***
Specifies that appropriation item 200-612, Base Cost Funding (Fund 017) in the lottery profits/education fund group, be used in conjunction with GRF appropriation item 200-501, Base Cost Funding, to provide payments to school districts pursuant to R.C. 3317. Requires that the Department of Education, with the approval of the Director of Budget and Management, determine and adjust, if necessary, the monthly distribution schedules of GRF appropriation item 200-501, Base Cost Funding, and appropriation item 200-612, Base Cost Funding (Fund 017).	No change.
Requires that the Director of Budget and Management transfer via intrastate transfer voucher the amount appropriated under the Lottery Profits Education Fund (Fund 017) for appropriation item 200-682, Lease Rental Payment Reimbursement, to the General Revenue Fund. Specifies that these funds be used to support GRF appropriation item 230-428, Lease Rental Payments, of the School Facilities Commission.	

As Introduced	As Passed by the House
Subject: Lottery Profits Transfers	
Section: *40.20*	**Section: *40.20***
Requires that the Director of Budget and Management determine, on the first day of May of each fiscal year, if lottery profits transfers will meet the appropriation amounts from the Lottery Profits Education Fund.	No change.
Subject: Lottery Profits Education Reserve Fund	
Section: *40.21*	**Section: *40.21***
Creates the Lottery Profits Education Reserve Fund (Fund 018) in the State Treasury. Stipulates that at no time shall the amount to the credit of the fund exceed $75,000,000, and that investment earnings of the fund be credited to the fund. Appropriates in fiscal years 2004 and 2005 to the Department of Education an amount necessary to make loans authorized in R.C. 3317.0210, 3317.0211, and 3317.62 (to compensate districts for certain uncollected local taxes).	No change.
Requires that the Director of Budget and Management, on or before the July 15 following the respective fiscal year, determine the amount by which the lottery profit transfers received by the Lottery Profits Education Fund for FY 2003 exceed $637,722,600 and for FY 2004 exceed $637,900,000.	
Provides for the excess in FY 2003 to be distributed in FY 2004 and the excess in FY 2004 to be distributed in FY 2005 as follows:	
An amount equal to 5% of the estimated lottery profits above $637,722,600 in FY 2003 and $637,900,000 in FY 2004 or the amounts remaining in the fund, whichever is	

As Introduced	As Passed by the House
less, is to be transferred to the Lottery Profits Education Reserve Fund as long as that fund does not exceed $75,000,000.	
Any amounts exceeding $75,000,000 and any amounts in excess of the 5% shall be transferred to the Public School Building Fund (Fund 021). Appropriates these funds to appropriation item CAP-622, Public School Buildings, in the School Facilities Commission.	
Subject: School District Property Tax Replacement	
Section: *40.22*	**Section: *40.22***
Specifies that appropriation item 200-900, School District Property Tax Replacement (Fund 053) in the revenue distribution fund group, be used to make payments to school districts and joint vocational school districts pursuant to R.C. 5727.85 (to compensate for tax losses due to lowered utility property assessment rates imposed by S.B. 3 and S.B. 287 of the 123rd G.A.).	No change.
Subject: Distribution Formulas	
Section: *40.23*	**Section: *40.23***
Requires that the Department of Education report to the Director of Budget and Management, the Legislative Office of Education Oversight, and the Legislative Service Commission the following changes: (a) changes in formulas for distributing state appropriations; (b) discretionary changes in formulas for distributing federal appropriations; and (c) federally mandated changes in formulas for distributing federal appropriations. Requires these changes be reported two weeks prior to their effective dates.	No change.

As Introduced	As Passed by the House
Subject: Distribution - School District Subsidy Payments	
Section: *40.24*	**Section: *40.24***
Specifies that the provision described below will not take effect unless the Director of Budget and Management adopts an order putting it into effect.	No change.
Specifies that the monthly distribution of school funding formula payments to school districts and educational service centers (ESCs) during the first 6 months of the fiscal year, equal 6 2/3 % of the estimated annual payments and during the last 6 months of the fiscal year, equal 10% of the annual payments. Permits the treasurer of each district and ESC to accrue to the accounts of the calendar years that end during each fiscal year, the difference between the sum of the first 6 months payments and what the payments would have been if the total annual amount was distributed evenly over the fiscal year. Permits districts and ESCs to borrow this difference in the first 6 months of the fiscal year and be reimbursed for the cost of borrowing, including interest, by the state. Requires that the Superintendent of Public Instruction deduct 40% of the amount that otherwise would be deducted pursuant to R.C. 3307.56 and 3309.51 in the last 6 months of each calendar year and add that to the deduction made in the first 6 months of the next calendar year. Fiscal effect: If this provision is put into effect, the state may need to reimburse school districts for interest charges. The state, however, will also retain funds for a longer period of time.	

As Introduced	As Passed by the House
Subject: Educational Service Center Funding	
Section: *40.25*	**Section: *40.25***
Provides that no funds shall be provided to an educational service center (ESC) in FY 2004 for pupils of a city or exempted village school district unless an agreement was entered into by January 1, 1997 or within one year of the date upon which a district changed from a local to a city district. Provides that if insufficient funds are appropriated in FY 2004 for the ESC payments specified in R.C. 3317.11 (B), ESCs first receive $37 per pupil in its service center ADM (the ADM of all school districts within its service area). The remaining funds are to be distributed proportionally based on each ESC's client ADM (the ADM of all school districts with agreements to receive services from the ESC).	Same as executive, but extends the provision to FY 2005.
Subject: Waiver of Required Pupil Teacher Ratio	
Section: *40.26*	**Section: *40.26***
Permits the Superintendent of Public Instruction to waive the pupil teacher ratio in K-4 required in rule 3301-35-05 of the Administrative Code (currently no more than 25:1) if the following apply: (a) The board of education of the district requests the waiver; (b) The Department of Education determines that meeting the required ratio would impose an extreme hardship on the district; and (c) The board of education provides assurances that it will act in good faith to meet the required ratio as soon as possible.	No change.

As Introduced	As Passed by the House
Subject: Private Treatment Facility Pilot Project	
Section: *40.27*	**Section: *40.27***
Establishes procedures by which Ohio youth who have been assigned to a participating residential treatment facility are enrolled in an approved educational program in or near the facility. Requires that the school district responsible for tuition for a residential child pay the tuition to the provider of the educational program. Specifies that a district paying this tuition shall not include the youth in the district's average daily membership (ADM). Requires that the Department of Education reimburse the educational program provider. Requires the Department track the utilization of funds and monitor the program for educational accountability. Fiscal effect: In FY 2004, $1,000,000 has been earmarked from GRF appropriation item 200-501, Base Cost Funding, for this program.	Same as executive, but extends the provision to FY 2005.
Subject: School District Participation in National Assessment of Education Progress	
Section: *40.28*	**Section: *40.28***
Expresses the General Assembly's intention that Ohio school districts participate in the administration of the National Assessment of Education Progress (NAEP). Fiscal effect: Administering the test may result in a slight cost for the school districts that participate. Participation is mandated by federal law.	Same as executive, but extends the provision to FY 2005.

As Introduced	As Passed by the House
Subject: Cleveland Scholarship Program	
Section: *40.29*	**Section: *40.29***
Provides that initial scholarships in the Cleveland Scholarship Program may be awarded to students in K-8th grades in FY 2004.	Same as executive, but also extends the provision to FY 2005.
Subject: Statement of State Share Percentage for Base Cost and Parity Aid Funding	
Section: *40.30*	**Section: *40.30***
Asserts that the state share percentage of base cost and parity aid funding for FY 2004 is 48.5% and that the General Assembly's obligation under R.C. 3317.012 (D) (4) (limiting variance of this percentage from the percentage in FY 2002 to 2.5%) is fulfilled for FY 2004. Fiscal effect: None.	Asserts that the state share percentage for FY 2004 is now 46.5% and for FY 2005 is 48.5% and that the General Assembly's obligation for these percentages is met in each fiscal year.
Subject: Department of Education Appropriation Transfers for Student Assessment	
Section: *40.31*	**Section: *40.31***
Provides that if additional funds are needed to fully fund the requirements of Am. Sub. S.B. 1 of the 124th G.A. for assessments of student performance in FY 2004, that upon the recommendation of the Superintendent of Pubic Instruction, and the approval of the Director of Budget and Management, the Director of Budget and Management may transfer unspent and unencumbered funds within the Department of Education, as necessary, to GRF appropriation item 200-437, Student Assessment.	Same as executive, but extends the provision to FY 2005.

As Introduced	As Passed by the House
Subject: The Enhanced Urban Attendance Improvement Initiative	
	Section: *40.32*
No provision.	Establishes the distribution formula for the Enhanced Urban Attendance Improvement Initiative. In FY 2005 an amount will be distributed to the Big-8 districts equal to the change in the district's attendance rate in that year from its attendance rate in FY 2004, times the district's average daily attendance in FY 2004, times 0.5. Although, the factor of 0.5 may be reduced if the appropriation is not sufficient to make the payments. Fiscal effect: In FY 2005 $15,000,000 is earmarked of GRF appropriation item 200-501, Base Cost Funding, for this initiative.
Subject: Transitional Aid for Fiscal Year 2005	
	Section: *40.33*
No provision.	Provides for the distribution of transitional aid to school districts whose formula funding in FY 2005 that could otherwise decrease by more than 5% from FY 2004. The amount of the aid is that amount that would reduce the decrease to 5%.

As Introduced	As Passed by the House
Subject: Subsidy for Community Schools with a High Number of SBH Students	
	Section: *40.35*
No provision.	Continues a state subsidy for each fiscal year for community schools with at least 50% of their students identified as having a severe behavior handicap (SBH) condition. The subsidy equals the difference in the special education weighted funding the schools receive for their SBH students in each fiscal year and what they would have received using the SBH weight in effect in FY 2001. Fiscal effect: In FY 2003, one community school was eligible for this subsidy. The amount paid was $200,495.
Subject: Pilot Project Special Education Scholarship Program	
	Section: *40.36*
No provision.	Establishes a two-year pilot project under which the parent of a child identified as autistic who is receiving or eligible to receive special education and related services from the child's resident school district may receive a scholarship in an amount of not more than $15,000 to pay all or part of the cost of a special education program provided by another school district, another public entity, or a nonpublic entity. Requires the Department of Education to deduct the amount of a scholarship under the pilot project program from the account of the school district in which the child is entitled to attend school. Fiscal effect: An autistic child receives a weight of 5.7342. This weight is funded at 88% in FY 2004 and at 90% in FY 2005 with a combination of state and local money, which would generate approximately $25,675 per student in FY 2004 and $26,991 per student in FY 2005.

LSC Budget Spreadsheet by Line Item, FY 2004 - FY 2005

Fund	ALI	ALI Title	Estimated 2003	As Introduced 2004	House Sub Bill 2004	% Change Est. 2003 to House 2004	As Introduced 2005	House Sub Bill 2005	% Change House 2004 to House 2005
EDU		**Education, Department of**							
GRF	200-100	Personal Services	$10,581,134	$ 12,211,314	$ 11,110,190	5.0%	$ 0	$ 11,332,393	2.0%
GRF	200-320	Maintenance and Equipment	$4,549,882	$ 5,332,894	$ 5,066,249	11.3%	$ 0	$ 5,066,249	0.0%
GRF	200-405	Primary and Secondary Education Funding	$0	----	----	N/A	$ 6,709,959,774	$ 0	N/A
GRF	200-406	Head Start	$96,372,729	$ 0	$ 0	-100.0%	$ 0	$ 0	N/A
GRF	200-408	Public Preschool	$19,018,550	$ 19,018,551	$ 19,018,551	0.0%	$ 0	$ 19,018,551	0.0%
GRF	200-410	Professional Development	$30,546,283	$ 36,185,253	$ 13,410,073	-56.1%	$ 0	$ 13,410,073	0.0%
GRF	200-411	Family and Children First	$3,253,575	$ 3,324,750	$ 3,324,750	2.2%	$ 0	$ 3,324,750	0.0%
GRF	200-416	Career-Technical Education Match	$2,322,195	$ 0	$ 0	-100.0%	$ 0	$ 0	N/A
GRF	200-420	Technical Systems Development	$5,703,750	$ 5,703,750	$ 5,703,750	0.0%	$ 0	$ 5,703,750	0.0%
GRF	200-421	Alternative Education Programs	$16,496,999	$ 16,497,000	$ 15,835,547	-4.0%	$ 0	$ 15,835,547	0.0%
GRF	200-422	School Management Assistance	$1,729,745	$ 1,778,000	$ 1,778,000	2.8%	$ 0	$ 1,778,000	0.0%
GRF	200-424	Policy Analysis	$592,220	$ 592,220	$ 592,220	0.0%	$ 0	$ 592,220	0.0%
GRF	200-425	Tech Prep Consortia Support	$2,133,213	$ 2,133,213	$ 2,133,213	0.0%	$ 0	$ 2,133,213	0.0%
GRF	200-426	Ohio Educational Computer Network	$34,987,616	$ 34,331,741	$ 34,331,741	-1.9%	$ 0	$ 34,331,741	0.0%
GRF	200-427	Academic Standards	$7,776,844	$ 10,200,592	$ 9,000,592	15.7%	$ 0	$ 9,000,592	0.0%
GRF	200-431	School Improvement Initiatives	$11,977,875	$ 14,013,831	$ 10,755,625	-10.2%	$ 0	$ 10,755,625	0.0%
GRF	200-432	School Conflict Management	$577,238	$ 583,010	$ 0	-100.0%	$ 0	$ 0	N/A
GRF	200-433	Reading/Writing Improvement	$17,966,027	$ 21,060,953	$ 20,738,264	15.4%	$ 0	$ 20,738,264	0.0%
GRF	200-437	Student Assessment	$33,320,957	$ 43,353,391	$ 40,853,391	22.6%	$ 0	$ 40,853,391	0.0%
GRF	200-438	Safe Schools	$1,798,875	$ 0	$ 0	-100.0%	$ 0	$ 0	N/A
GRF	200-439	Accountability/Report Cards	$0	$ 4,387,500	$ 4,387,500	N/A	$ 0	$ 4,387,500	0.0%
GRF	200-441	American Sign Language	$207,717	$ 207,717	$ 207,717	0.0%	$ 0	$ 207,717	0.0%
GRF	200-442	Child Care Licensing	$1,358,464	$ 1,385,633	$ 1,385,633	2.0%	$ 0	$ 1,385,633	0.0%
GRF	200-444	Professional Recruitment	$1,496,840	$ 2,186,112	$ 0	-100.0%	$ 0	$ 0	N/A
GRF	200-445	OhioReads Admin/Volunteer Support	$5,027,406	$ 5,178,228	$ 4,500,000	-10.5%	$ 0	$ 4,500,000	0.0%
GRF	200-446	Education Management Information System	$15,420,685	$ 16,646,469	$ 16,146,469	4.7%	$ 0	$ 16,146,469	0.0%
GRF	200-447	GED Testing/Adult High School	$1,824,718	$ 1,829,106	$ 1,829,106	0.2%	$ 0	$ 1,829,106	0.0%

LSC Budget Spreadsheet by Line Item, FY 2004 - FY 2005

Fund	ALI	ALI Title	Estimated 2003	As Introduced 2004	House Sub Bill 2004	% Change Est. 2003 to House 2004	As Introduced 2005	House Sub Bill 2005	% Change House 2004 to House 2005
EDU		**Education, Department of**							
GRF	200-448	Educator Preparation	$0	$ 609,375	$ 24,375	N/A	$ 0	$ 24,375	0.0%
GRF	200-449	Head Start Plus Start Up	$0	$ 16,000,000	$ 0	N/A	$ 0	$ 0	N/A
GRF	200-452	Teaching Success Comm Initiatives	$0	$ 1,650,000	$ 1,650,000	N/A	$ 0	$ 1,650,000	0.0%
GRF	200-455	Community Schools	$4,233,513	$ 4,278,911	$ 4,231,842	0.0%	$ 0	$ 4,231,842	0.0%
GRF	200-500	School Finance Equity	$19,975,864	$ 13,703,405	$ 13,888,641	-30.5%	$ 0	$ 7,671,853	-44.8%
GRF	200-501	Base Cost Funding	$4,390,914,505	$ 4,429,395,035	$ 4,437,361,256	1.1%	$ 0	$ 4,291,124,539	-3.3%
GRF	200-502	Pupil Transportation	$377,305,465	$ 388,939,229	$ 388,939,229	3.1%	$ 0	$ 397,960,398	2.3%
GRF	200-503	Bus Purchase Allowance	$32,291,986	$ 34,399,921	$ 34,399,921	6.5%	$ 0	$ 34,399,921	0.0%
GRF	200-505	School Lunch Match	$9,585,986	$ 9,398,025	$ 9,398,025	-2.0%	$ 0	$ 9,398,025	0.0%
GRF	200-509	Adult Literacy Education	$8,412,300	$ 8,774,250	$ 8,774,250	4.3%	$ 0	$ 8,774,250	0.0%
GRF	200-510	County Commissioners Reimbursement	$1,004,245	----	$ 0	-100.0%	----	$ 0	N/A
GRF	200-511	Auxiliary Services	$124,459,441	$ 127,903,356	$ 127,903,356	2.8%	$ 0	$ 127,903,356	0.0%
GRF	200-513	Student Intervention Services	$34,186,161	$ 35,040,815	$ 35,040,815	2.5%	$ 0	$ 35,040,815	0.0%
GRF	200-514	Postsecondary Adult Career-Technical Education	$20,393,314	$ 19,919,464	$ 19,919,464	-2.3%	$ 0	$ 19,919,464	0.0%
GRF	200-520	Disadvantaged Pupil Impact Aid	$360,149,743	$ 367,266,738	$ 367,266,738	2.0%	$ 0	$ 367,266,738	0.0%
GRF	200-521	Gifted Pupil Program	$47,983,321	$ 48,201,031	$ 48,201,031	0.5%	$ 0	$ 48,201,031	0.0%
GRF	200-525	Parity Aid	$210,305,911	$ 327,289,958	$ 333,890,279	58.8%	$ 0	$ 435,096,124	30.3%
GRF	200-532	Nonpublic Administrative Cost Reimbursement	$54,283,175	$ 55,803,103	$ 55,803,103	2.8%	$ 0	$ 55,803,103	0.0%
GRF	200-533	School-Age Child Care	$0	$ 0	$ 0	N/A	$ 0	$ 0	N/A
GRF	200-534	Desegregation Costs	$487,500	$ 0	$ 0	-100.0%	$ 0	$ 0	N/A
GRF	200-540	Special Education Enhancements	$138,401,667	$ 140,041,130	$ 135,614,484	-2.0%	$ 0	$ 137,936,046	1.7%
GRF	200-545	Career-Technical Education Enhancements	$21,846,190	$ 21,382,677	$ 16,060,407	-26.5%	$ 0	$ 16,060,407	0.0%
GRF	200-546	Charge-Off Supplement	$28,684,104	$ 40,276,844	$ 45,888,802	60.0%	$ 0	$ 45,888,802	0.0%
GRF	200-547	Power Equalization	$0	$ 0	$ 0	N/A	$ 0	$ 0	N/A
GRF	200-552	County MR/DD Boards Vehicle Purchases	$1,462,094	$ 0	$ 0	-100.0%	$ 0	$ 0	N/A
GRF	200-553	County MR/DD Boards Transportation Operating	$9,336,512	$ 0	$ 0	-100.0%	$ 0	$ 0	N/A

LSC Budget Spreadsheet by Line Item, FY 2004 - FY 2005

Fund	ALI	ALI Title	Estimated 2003	As Introduced 2004	House Sub Bill 2004	% Change Est. 2003 to House 2004	As Introduced 2005	House Sub Bill 2005	% Change House 2004 to House 2005
EDU		**Education, Department of**							
GRF	200-558	Emergency Loan Interest Subsidy	$2,895,750	$ 3,022,500	$ 3,022,500	4.4%	$ 0	$ 3,022,500	0.0%
GRF	200-566	OhioReads Grants	$26,469,300	$ 27,263,379	$ 12,874,777	-51.4%	$ 0	$ 12,832,272	-0.3%
GRF	200-570	School Improvement Incentive Grants	$866,531	$ 0	$ 0	-100.0%	$ 0	$ 0	N/A
GRF	200-572	Teacher Incentive Grants	$0	$ 0	$ 0	N/A	$ 0	$ 0	N/A
GRF	200-574	Substance Abuse Prevention	$1,709,546	$ 0	$ 0	-100.0%	$ 0	$ 0	N/A
GRF	200-578	Safe and Supportive Schools	$0	$ 3,576,348	$ 3,576,348	N/A	$ 0	$ 3,576,348	0.0%
GRF	200-580	Bethel School Clean-Up	$63,375	$ 0	$ 0	-100.0%	$ 0	$ 0	N/A
GRF	200-901	Property Tax Allocation	$743,000,000	$ 736,750,000	$ 783,350,000	5.4%	$ 726,360,000	$ 822,360,000	5.0%
GRF	200-906	Tangible Tax Exemption-Education	$75,700,000	$ 70,710,000	$ 77,810,000	2.8%	$ 67,710,000	$ 82,010,000	5.4%
General Revenue Fund Total			**$ 7,073,449,036**	**$ 7,189,736,722**	**$ 7,186,998,224**	**1.6%**	**$ 7,504,029,774**	**$ 7,190,482,993**	**0.0%**
138	200-606	Computer Services	$6,761,034	$ 7,404,690	$ 7,404,690	9.5%	$ 7,635,949	$ 7,635,949	3.1%
452	200-638	Miscellaneous Revenue	$720,096	$ 500,000	$ 500,000	-30.6%	$ 500,000	$ 500,000	0.0%
4D1	200-602	Ohio Prevention/Education Resource Center	$656,000	$ 347,000	$ 347,000	-47.1%	$ 347,000	$ 347,000	0.0%
4L2	200-681	Teacher Certification and Licensure	$4,856,290	$ 5,038,017	$ 5,038,017	3.7%	$ 5,236,517	$ 5,236,517	3.9%
596	200-656	Ohio Career Information System	$499,999	$ 516,694	$ 516,694	3.3%	$ 529,761	$ 529,761	2.5%
5B1	200-651	Child Nutrition Services	$800,000	$ 800,000	$ 800,000	0.0%	$ 800,000	$ 800,000	0.0%
5H3	200-687	School District Solvency Assistance	$8,000,000	$ 18,000,000	$ 18,000,000	125.0%	$ 18,000,000	$ 18,000,000	0.0%
General Services Fund Group Total			**$ 22,293,419**	**$ 32,606,401**	**$ 32,606,401**	**46.3%**	**$ 33,049,227**	**$ 33,049,227**	**1.4%**
309	200-601	Educationally Disadvantaged	$21,425,345	$ 22,148,769	$ 22,148,769	3.4%	$ 22,899,001	$ 22,899,001	3.4%
366	200-604	Adult Basic Education	$20,836,471	$ 21,369,906	$ 21,369,906	2.6%	$ 22,223,820	$ 22,223,820	4.0%
367	200-607	School Food Services	$10,408,199	$ 10,767,759	$ 10,767,759	3.5%	$ 11,144,631	$ 11,144,631	3.5%
368	200-614	Veterans' Training	$596,568	$ 626,630	$ 626,630	5.0%	$ 655,587	$ 655,587	4.6%
369	200-616	Career-Technical Education Federal Enhancement	$8,000,001	$ 8,165,672	$ 8,165,672	2.1%	$ 8,165,672	$ 8,165,672	0.0%
370	200-624	Education of Exceptional Children	$3,866,000	$ 1,933,910	$ 1,933,910	-50.0%	$ 1,933,910	$ 1,933,910	0.0%
371	200-631	EEO Title IV	$1,213,894	$ 0	$ 0	-100.0%	$ 0	$ 0	N/A
374	200-647	Troops to Teachers	$2,610,094	$ 2,618,076	$ 2,618,076	0.3%	$ 2,622,370	$ 2,622,370	0.2%

LSC Budget Spreadsheet by Line Item, FY 2004 - FY 2005

Fund	ALI	ALI Title	Estimated 2003	As Introduced 2004	House Sub Bill 2004	% Change Est. 2003 to House 2004	As Introduced 2005	House Sub Bill 2005	% Change House 2004 to House 2005
EDU		**Education, Department of**							
378	200-660	Math/Science Technology Investments	$3,029,407	$ 0	$ 0	-100.0%	$ 0	$ 0	N/A
3C5	200-661	Early Childhood Education	$17,299,004	$ 21,508,746	$ 21,508,746	24.3%	$ 21,508,746	$ 21,508,746	0.0%
3D1	200-664	Drug Free Schools	$12,936,318	$ 13,169,757	$ 13,169,757	1.8%	$ 13,347,966	$ 13,347,966	1.4%
3D2	200-667	Honors Scholarship Program	$1,786,500	$ 1,786,500	$ 1,786,500	0.0%	$ 1,786,500	$ 1,786,500	0.0%
3H9	200-605	Head Start Collaboration Project	$250,000	$ 275,000	$ 275,000	10.0%	$ 275,000	$ 275,000	0.0%
3L6	200-617	Federal School Lunch	$180,181,672	$ 185,948,186	$ 185,948,186	3.2%	$ 191,898,528	$ 191,898,528	3.2%
3L7	200-618	Federal School Breakfast	$47,026,888	$ 48,227,431	$ 48,227,431	2.6%	$ 49,524,254	$ 49,524,254	2.7%
3L8	200-619	Child/Adult Food Programs	$61,966,125	$ 63,577,244	$ 63,577,244	2.6%	$ 65,293,830	$ 65,293,830	2.7%
3L9	200-621	Career-Technical Education Basic Grants	$45,142,330	$ 48,029,701	$ 48,029,701	6.4%	$ 48,029,701	$ 48,029,701	0.0%
3M0	200-623	ESEA Title 1A	$330,172,277	$ 356,458,504	$ 356,458,504	8.0%	$ 384,975,184	$ 384,975,184	8.0%
3M1	200-678	Innovative Education	$14,059,555	$ 15,041,997	$ 15,041,997	7.0%	$ 16,094,937	$ 16,094,937	7.0%
3M2	200-680	Individuals with Disabilities Education Act	$239,455,523	$ 288,468,284	$ 288,468,284	20.5%	$ 331,392,575	$ 331,392,575	14.9%
3N7	200-627	School-To-Work	$0	$ 0	$ 0	N/A	$ 0	$ 0	N/A
3R3	200-654	Goals 2000	$826,088	$ 0	$ 0	-100.0%	$ 0	$ 0	N/A
3S2	200-641	Education Technology	$18,925,055	$ 19,682,057	$ 19,682,057	4.0%	$ 20,469,339	$ 20,469,339	4.0%
3S6	200-698	Dispute Resolution - Federal	$0	$ 140,000	$ 0	N/A	$ 140,000	$ 0	N/A
3T4	200-613	Public Charter Schools	$20,700,000	$ 23,287,500	$ 23,287,500	12.5%	$ 26,187,113	$ 26,187,113	12.5%
3T6	200-611	Class Size Reduction	$8,666,407	$ 0	$ 0	-100.0%	$ 0	$ 0	N/A
3U2	200-662	Teacher Quality Enhancement Grants	$1,208,900	$ 0	$ 0	-100.0%	$ 0	$ 0	N/A
3U3	200-665	Reading Excellence Grant Program	$3,200,000	$ 0	$ 0	-100.0%	$ 0	$ 0	N/A
3U6	200-675	Provision 2 & 3 Grant	$0	$ 0	$ 0	N/A	$ 0	$ 0	N/A
3X5	200-684	School Renovation/IDEA	$37,618,743	$ 0	$ 0	-100.0%	$ 0	$ 0	N/A
3Y2	200-688	21st Century Community Learning Ctr	$9,763,093	$ 17,138,239	$ 17,138,239	75.5%	$ 18,500,000	$ 18,500,000	7.9%
3Y4	200-632	Reading First	$26,895,462	$ 29,881,256	$ 29,881,256	11.1%	$ 33,168,194	$ 33,168,194	11.0%
3Y5	200-634	Community Service Grants	$1,637,792	$ 0	$ 0	-100.0%	$ 0	$ 0	N/A
3Y6	200-635	Improving Teacher Quality	$103,418,483	$ 103,686,420	$ 103,686,420	0.3%	$ 104,100,000	$ 104,100,000	0.4%
3Y7	200-689	English Language Acquisition	$4,281,896	$ 4,872,334	$ 4,872,334	13.8%	$ 5,505,737	$ 5,505,737	13.0%

LSC Budget Spreadsheet by Line Item, FY 2004 - FY 2005

Fund	ALI	ALI Title	Estimated 2003	As Introduced 2004	House Sub Bill 2004	% Change Est. 2003 to House 2004	As Introduced 2005	House Sub Bill 2005	% Change House 2004 to House 2005
EDU		**Education, Department of**							
3Y8	200-639	Rural and Low Income	$1,465,025	$ 0	$ 0	-100.0%	$ 0	$ 0	N/A
3Z2	200-690	State Assessments	$11,321,586	$ 11,894,315	$ 11,894,315	5.1%	$ 12,489,031	$ 12,489,031	5.0%
Federal Special Revenue Fund Group Total			**$ 1,272,190,701**	**$ 1,320,704,193**	**$ 1,320,564,193**	**3.8%**	**$ 1,414,331,626**	**$ 1,414,191,626**	**7.1%**
454	200-610	Guidance & Testing	$700,000	$ 956,761	$ 956,761	36.7%	$ 956,761	$ 956,761	0.0%
455	200-608	Commodity Foods	$11,000,000	$ 11,308,000	$ 11,308,000	2.8%	$ 11,624,624	$ 11,624,624	2.8%
4R7	200-695	Indirect Cost Recovery	$4,168,947	$ 5,002,500	$ 5,002,500	20.0%	$ 5,250,400	$ 5,250,400	5.0%
4V7	200-633	Interagency Support	$731,674	$ 800,000	$ 800,000	9.3%	$ 800,000	$ 800,000	0.0%
598	200-659	Auxiliary Services Reimbursement	$1,328,910	$ 1,328,910	$ 1,328,910	0.0%	$ 1,328,910	$ 1,328,910	0.0%
5U2	200-685	National Education Statistics	$200,000	$ 200,000	$ 200,000	0.0%	$ 200,000	$ 200,000	0.0%
5W2	200-663	Head Start Plus/Head Start	$0	$ 101,200,000	$ 101,200,000	N/A	$ 103,184,000	$ 103,184,000	2.0%
620	200-615	Educational Grants	$633,399	$ 1,000,000	$ 1,000,000	57.9%	$ 1,000,000	$ 1,000,000	0.0%
State Special Revenue Fund Group Total			**$ 18,762,930**	**$ 121,796,171**	**$ 121,796,171**	**549.1%**	**$ 124,344,695**	**$ 124,344,695**	**2.1%**
017	200-612	Base Cost Funding	$637,000,000	$ 606,123,500	$ 606,123,500	-4.8%	$ 606,195,300	$ 606,195,300	0.0%
017	200-682	Lease Rental Payments Reimbursement	$35,722,600	$ 31,776,500	$ 31,776,500	-11.0%	$ 31,704,700	$ 31,704,700	-0.2%
020	200-620	Vocational School Building Assistance	$800,000	$ 0	$ 0	-100.0%	$ 0	$ 0	N/A
Lottery Profits/Education Fund Group Total			**$ 673,522,600**	**$ 637,900,000**	**$ 637,900,000**	**-5.3%**	**$ 637,900,000**	**$ 637,900,000**	**0.0%**
053	200-900	School District Property Tax Replacement	$115,911,593	$ 115,911,593	$ 115,911,593	0.0%	$ 115,911,593	$ 115,911,593	0.0%
Revenue Distribution Fund Group Total			**$ 115,911,593**	**$ 115,911,593**	**$ 115,911,593**	**0.0%**	**$ 115,911,593**	**$ 115,911,593**	**0.0%**
Total All Budget Fund Groups			***$ 9,176,130,279***	***$ 9,418,655,080***	***$ 9,415,776,582***	***2.6%***	***$ 9,829,566,915***	***$ 9,515,880,134***	***1.1%***