Department of Education

House Primary and Secondary Education Subcommittee

Melaney Carter, Economist

Sarkis Mahdasian, Budget Analyst

Legislative Service Commission

February 24, 2005

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LSC Redbook

for the

Department of Education

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Department of Education

- The base cost formula amount increases by 3.1% in FY 2006 and 3.0% in FY 2007
- Base funding supplements amount to $27-$30 per pupil in FY 2006 and $36-$39 per pupil in FY 2007
- New poverty-based assistance targets funding to high poverty districts

OVERVIEW

This overview briefly describes the Ohio Department of Education, the make up of the appropriations provided for the Department in the executive budget, the executive budget for primary and secondary education as it relates to the state budget as a whole, and the major initiatives in the executive budget that affect the Department and the primary and secondary educational system in Ohio. These major initiatives include school funding changes in response to the recommendations of the Governor's Blue Ribbon Task Force on Financing Student Success, the phase-out of the majority of the general business tangible personal property tax, and other education initiatives such as high school reform, early childhood education, and the Ohio Choice Scholarships. There is also a brief section on federal funding in the Department's budget, a summary of the budget by program series, and a table depicting the Department's staffing levels.

Agency Overview

The Ohio Department of Education oversees a public education system consisting of 613 public school districts, 49 joint vocational school districts, and 250 public community schools. In addition, the Department monitors 60 educational service centers, several preschool programs, and many other school related entities, including approximately 980 state-chartered nonpublic schools.

The role of the Department is to assist education providers in ensuring that every student in Ohio has the knowledge and skills needed to graduate and be prepared for college and the workforce. 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.

According to the Department's strategic plan, its vision is higher achievement for all students. Its mission is threefold, with 11 strategies designed to help the Department reach each mission. The core work of the Department is aligned closely with these missions and strategies, which are listed below.

- Raise expectations: Set high expectations for what all students should know and be able to do.
  - Raise awareness, create understanding, and generate support for what students should know and be able to do.
  - Promote the alignment of what we expect of students with what is taught and tested.
- Build Capacity: Provide leadership and resources to build the capacity of schools.

- Provide regional, school, and district leadership with the support needed to sustain academic improvement.
- Ensure that every school and classroom has educators who meet high-quality standards.
- Promote the effective use of current resources and advocate for the resources needed to improve student achievement.
- Identify and promote educational practices that lead to improved student achievement.
- Ensure that the work of regional service providers focuses on Ohio's standards-based educational system.
- Promote high-quality educational options that lead to improved student achievement.

➢ Improve Results: Measure progress and hold educators and students responsible for higher academic achievement.
- Develop fair state tests aligned with academic content standards.
- Promote the use of data to make decisions about teaching and learning.
- Develop and implement a fair accountability system that reports results and rewards successes.

In addition to the strategic plan of the Department, the State Board adopted the following priorities for the FY 2006-2007 biennium:

- Closing achievement gaps
- Reinventing high schools
- Restructuring learning time
- Improving teacher quality
- Developing assessments
- Managing resources well
- Allocating resources appropriately
- Redesigning early childhood education

Appropriation Overview

The executive budget provides a total appropriation of $10,103.1 million in FY 2006 and $10,541.5 million in FY 2007 for the Department of Education. The following table details the Department's appropriations by fund group.[1]

[1] Funding for property tax relief programs (GRF items 200-901, Property Tax Allocation-Education, 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 analysis.

Fund	FY 2005 (estimate)	FY 2006	% Change, FYs 2005-2006	FY 2007	% Change, FYs 2006-2007
GRF	$7,432,078,253	$7,476,439,037	0.6%	$7,583,593,209	1.4%
General Services	$33,110,191	$32,859,010	-0.8%	$32,990,184	0.4%
State Special Revenue	$141,344,696	$130,591,774	-7.6%	$160,234,658	22.7%
Revenue Distribution	$116,647,522	$145,447,522	24.7%	$322,447,522	121.7%
Lottery	$639,900,000	$637,900,000	-0.3%	$637,900,000	0.0%
Federal Special Revenue	$1,593,460,847	$1,679,863,977	5.4%	$1,804,353,440	7.4%
Grand Totals	***$9,956,541,509***	***$10,103,101,320***	***1.5%***	***$10,541,519,013***	***4.3%***
GRF + Lottery	*$8,071,978,253*	*$8,114,339,037*	*0.5%*	*$8,221,493,209*	*1.3%*

It can be seen from the table that the executive budget would increase GRF appropriations by 0.6% in FY 2006 and 1.4% in FY 2007. The Lottery Profits Education Fund (LPEF) appropriations would experience a decrease of 0.3% in FY 2006 and stay flat in FY 2007. Total GRF and Lottery appropriations would increase by 0.5% in FY 2006 and 1.3 % in FY 2007.

The significant increases in the Revenue Distribution Fund Group appropriation of 24.7% in FY 2006 and 121.7% in FY 2007 are due to reimbursements to school districts of tax losses due to the phase-out of the tax on general business machinery and equipment and the acceleration of the inventory tax phase-out that are proposed in the executive budget. The mechanism for providing the replacement revenue is described below. The executive budget provides $28.8 million in FY 2006 and $220.8 million in FY 2007 to fund this replacement revenue for school districts and joint vocational school districts.

Chart 1: Department of Education Executive Recommendations by Fund Group

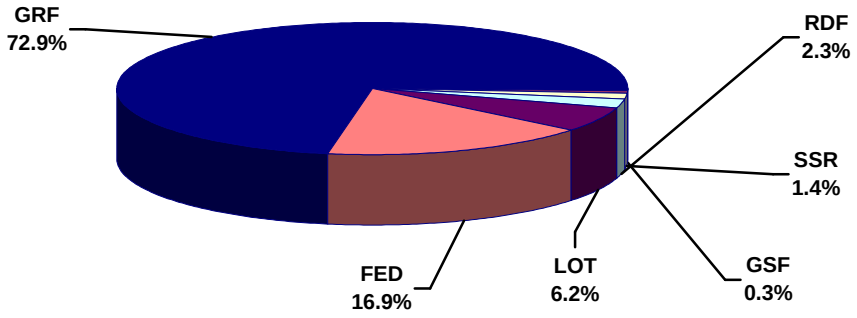


Chart 1 presents the executive budget for the Department of Education by fund group. It can be seen from the chart that the Department receives most of it's funding from the general revenue fund at 72.9%. Federal funds account for another 16.9% and the other fund groups account for a combined total of 10.2%. Federal funds actually account for a higher percentage when federal TANF dollars that are appropriated for the Early Learning Initiative through a state special revenue fund are taken into account.

If this appropriation is added to the federal fund group, federal funds actually account for approximately 17.9% of the Department's total budget.

The bulk of the Department's appropriation dollars are distributed to Ohio's 613 school districts and 49 joint vocational school districts through the foundation SF-3 formulas. Chart 2 shows the Department's GRF and LPEF appropriations by major spending area for FYs 2006 and 2007 combined. It is clear that foundation funding, representing approximately 76.3% of total GRF and LPEF appropriations, is the largest spending area within the Department's budget. Spending on the property tax rollback reimbursements represents 9.6%, spending on chartered nonpublic schools represents 2.3%, and spending on all other areas represents 11.8% of total GRF and LPEF appropriations.

Chart 2: GRF and LPEF Executive Budget Recommendations by Spending Area

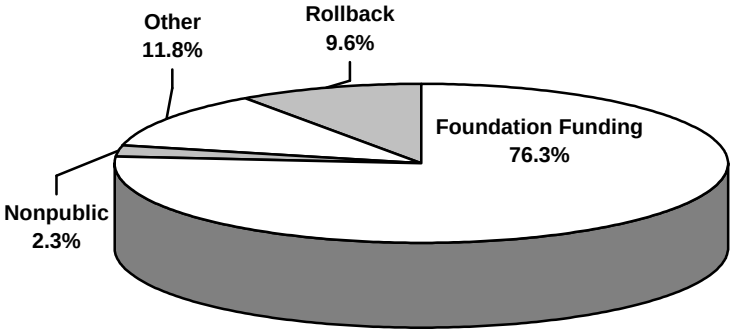
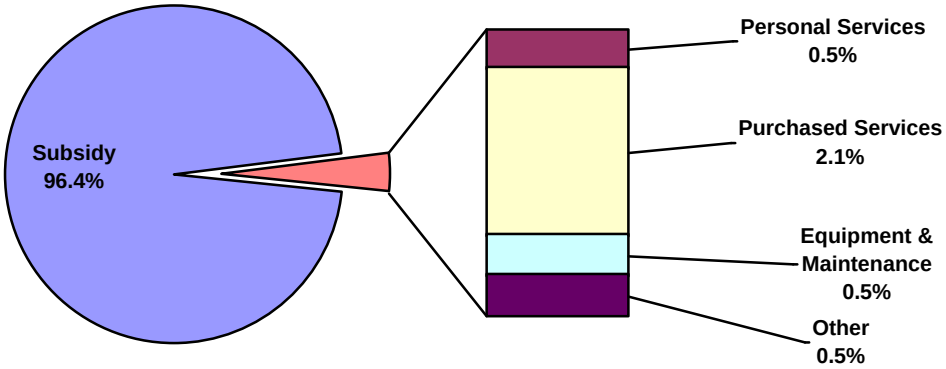


Chart 3 shows the Department's recommended budget by object code. Over 96% of the Department's budget is paid out as subsidies mainly to school districts and joint vocational school districts, but also to community schools, educational service centers, preschool providers, chartered nonpublic schools, and other education providers. The Department retains approximately $660.5 million (3.1%) of its total recommended budget for the biennium at the state level for personal service, purchased service, maintenance, and equipment spending. Personal services account for 0.5%, purchased services for 2.1%,

Chart 3: Department of Education Budget by Object Code



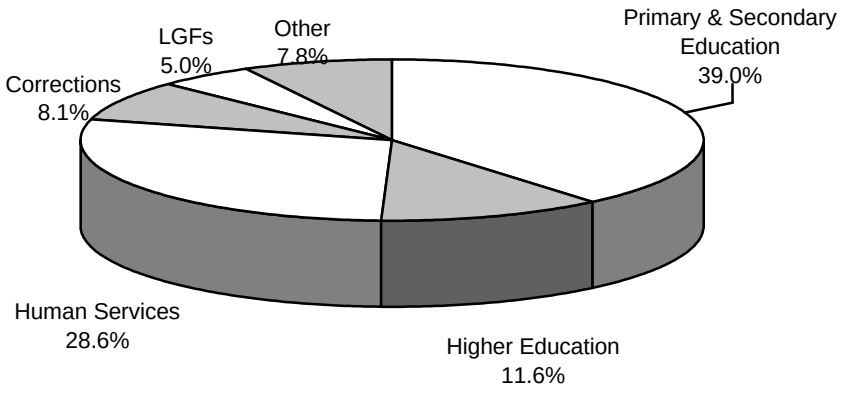
and equipment and maintenance for 0.5%. Considering only GRF funds, the Department retains approximately $253.1 million (1.9%) for personal service, purchased service, maintenance, and equipment spending. Personal services account for 0.4% of the GRF budget, purchased services for 1.2%, and equipment and maintenance for 0.2%. The majority of purchased services spending support the state's student assessment program (see program 1.3 in the Analysis of the Executive Proposal).

Education Funding Environment in the State Budget[2]

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

The executive budget proposes a total spending of $43.0 billion in the FY 2006-2007 biennium. Primary and Secondary Education continues to be the largest spending area in the state budget (see Chart 4). Approximately 39.0% of the state biennial budget is allocated to Primary and Secondary Education. The proportions for the other major spending areas are: 11.6% for Higher Education, 28.6% for Human Services, 8.1% for Corrections, 5.0% for Local Government Funds, and 7.8% for Other.

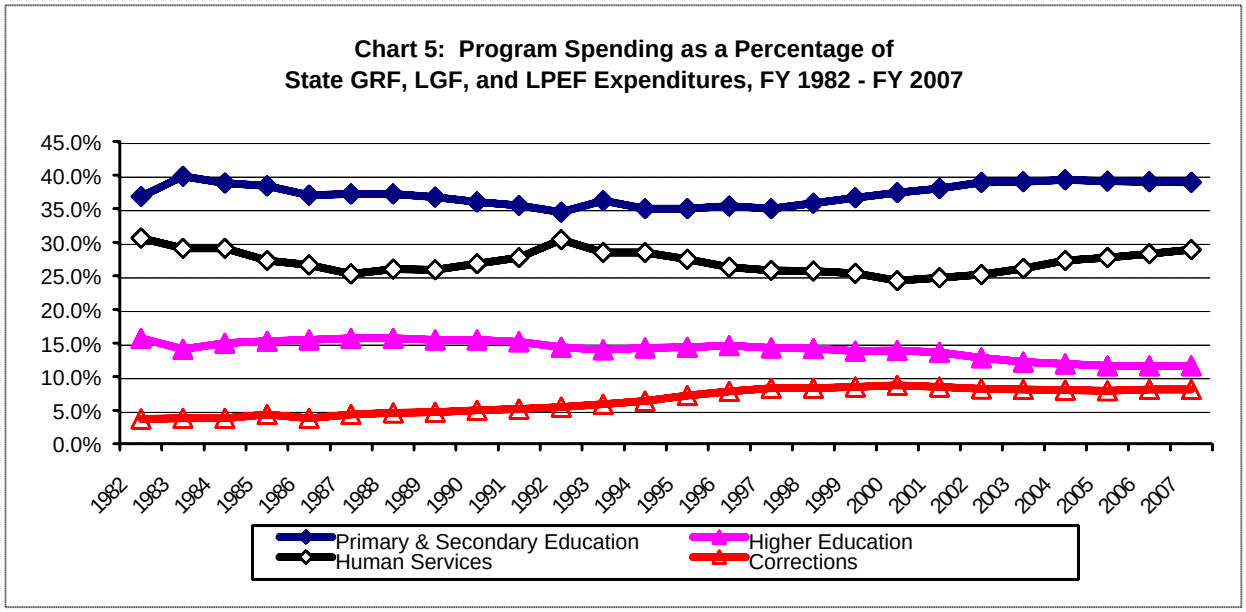
Chart 4: The FY 2006-2007 Biennial State Budget by Program Area



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

In the early 1980s, 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

[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.



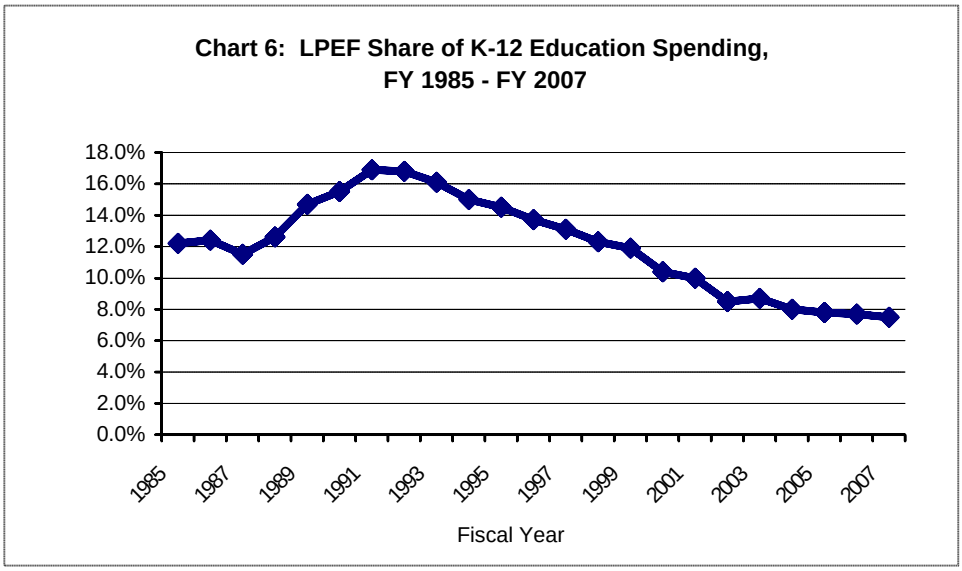
FY 1997. An estimated 38.9% of the state budget will be spent in K-12 education in FY 2007. In fact, the K-12 education share of the state budget has been around 39% since FY 2002. While Primary and Secondary Education has also experienced spending reductions in the last few years, the reductions for Primary and Secondary Education were much smaller than what the rest of state government experienced. During the period from FY 2000 to FY 2005, on average, Primary and Secondary Education expenditures increased 5.3% per year, in comparison with an average annual increase of 4.7% for the total state budget. Under the executive budget, Primary and Secondary Education spending will increase by 0.9% in FY 2006 and 1.7% in FY 2007. The total state budget will increase by 0.9% in FY 2006 and 1.9% in FY 2007.

The economy has a significant impact on 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 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 began to increase rapidly again because of the economic slowdown in the early 2000s and federal law changes expanding Medicaid eligibility. An estimated 27.7% of the state budget is devoted to Human Services in FY 2005. This share is estimated to increase to 28.9% in FY 2007.

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. Approximately 11.6% of the state budget is devoted to Higher Education in FY 2005. This share will remain unchanged in FY 2006 and FY 2007 under the executive budget. Corrections is the only major spending area that has largely shown increases since the early 1980s. However, the growth rate in Corrections appears to have begun leveling off in recent years. The portion of the state budget absorbed by Corrections increased from 3.7% in FY 1982 to 7.9% in FY 2005. Corrections is also affected by recent state government spending reductions. The Corrections' share will increase to 8.1% in FY 2006 and FY 2007 under the executive budget.

LPEF Share of Education Spending has Decreased since FY 1991

Chart 6 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 a peak of 16.9% in FY 1991 to approximately 8.6% in FY 2003, and to an estimated 7.5% in FY 2007. As the LPEF source of education funding has leveled and even declined in some years, the GRF appropriations have been making up the difference.



School Funding Formula Changes

The Governor's Blue Ribbon Task Force on Financing Student Success, which began work in August of 2003 and issued its final report in February of 2005, was charged with recommending a school funding system that promotes higher levels of student achievement and gives every child the opportunity to succeed. The Task Force had 35 members from the business and educational communities as well as from the executive and legislative branches of state government. The Task Force recommended a building-blocks, or inputs-based approach to school funding. This type of approach focuses on the inputs needed for the academic success of students, as well as giving stakeholders the ability to discuss what inputs can be bought with current funding levels. The current school funding system is largely based on outputs as described in Section II of the School Funding section of this analysis. Identifying necessary inputs and their costs is challenging and the Task Force recognized it as a continuing process. The Task Force recommended funding for the following inputs: data-based decision making, professional development, intervention, class size reduction, early learning programs, and community engagement. The executive budget generally maintains the current outputs-based approach, but moves toward an inputs-based approach by providing additional funding for some of the inputs recognized by the Task Force as described below. In addition, the executive budget creates the School Funding Advisory Council to further refine a building-blocks methodology for school funding. The Council must submit recommendations by September 30, 2006, upon which time it will cease to exist.

Base Cost Funding

Base Cost Formula Amount

Based on the recommendations of the Governor's Blue Ribbon Task Force on Financing Student Success, the executive budget proposes to break the FY 2005 formula amount of $5,169 into three different components, which are inflated with different rates to arrive at a formula amount of $5,328 in FY 2006 and $5,489 in FY 2007. There are several inflation rates calculated by the Bureau of Labor Statistics of the U.S. Department of Labor. Each rate is based on the prices of a certain group of goods or services, or the wages and benefits of a certain group of workers. The executive budget uses three of these inflation rates. The first is the Employment Cost Index (ECI) for all civilian workers, wages only. This index measures the increase in the wages of civilian employees, not including the increase in the cost of benefits for these employees. The second inflation rate is the ECI for all civilian workers, benefits only. This index measures the increase in the cost of the benefits provided to civilian employees. It does not include the increase in the wages of these employees. Finally, the third index is the Gross Domestic Product Deflator (GDP Deflator). It measures the increase in the price of all the goods and services produced in the United States.

Table 1 shows each of the three components identified in the executive budget. The first component, salaries and nonhealth care benefits, makes up 71.2% of the FY 2005 formula amount, or $3,681. It is inflated by the projected ECI for all civilian workers, wages only, which is 2.5% in FY 2006 and 2.9% in FY 2007. The second component, health care benefits, makes up 13.8% of the FY 2005 formula amount, or $713. It is inflated by the projected ECI for all civilian workers, benefits only, which is 7.2% in FY 2006 and 4.9% in FY 2007. The executive budget and the Task Force's recommendations allocate 85% of the formula amount for salaries and benefits. Finally, the third component includes all other costs of providing the state-defined basic education. This component makes up 15.0% of the FY 2005 formula amount, or $775. It is inflated by the projected GDP Deflator, which is 2.0% in FY 2006 and 1.8% in FY 2007. This methodology results in an overall increase in the formula amount of 3.1% in FY 2006 and 3.0% in FY 2007.

Table 1: Calculation of the Base Cost Formula Amount for FY 2006 and FY 2007

Component	FY 2005 Formula Amount	FY 2006 Inflation Rate	FY 2006 Formula Amount	FY 2007 Inflation Rate	FY 2007 Formula Amount
Salaries and nonhealth care benefits	$3,681	2.5%	$3,773	2.9%	$3,882
Health care benefits	$713	7.2%	$764	4.9%	$802
Other	$775	2.0%	$791	1.8%	$805
Total	$5,169	3.1%	$5,328	3.0%	$5,489

Base Funding Supplements

The executive budget also proposes a number of supplements to the base cost for certain inputs that the Blue Ribbon Task Force recommended for funding. These supplements include academic intervention services, professional development, data-based decision making, and professional development regarding data-based decision making. The Urban 21 districts (listed at the end of this section) receive a slightly higher supplement ($2.59 per pupil higher in FY 2006 and $2.67 per pupil higher in FY 2007) for professional development regarding data-based decision making than the rest of the districts in the state. The supplements for intervention and professional development are phased in at 40% in FY 2006 and 60% in FY 2007. The amount of each supplement is determined by a formula that is based on the formula amount, so, except for the phase-in period, the per pupil amount of each supplement will increase

at the same rate as the formula amount increases as described above. Table 2 shows the per pupil value of each supplement in FY 2006 and FY 2007.

Table 2: Base Funding Supplements Per Pupil, FY 2006 and FY 2007			
Supplement	**FY 2006**	**FY 2007**	**% Change, FY 2006- FY 2007**
Academic Intervention Services	$10.66	$16.47	54.5%
Professional Development	$4.74	$7.33	54.5%
Data-Based Decision Making	$5.79	$5.97	3.0%
Professional Development – Data-Based Decision Making	$6.21	$6.40	3.0%
Professional Development – Data-Based Decision Making – Urban 21	$8.80	$9.06	3.0%
Total Non-Urban 21	$27.40	$36.16	32.0%
Total Urban 21	$29.98	$38.82	29.5%

The supplement for academic intervention services provides an additional 0.5% of the formula amount for all districts to provide intervention services beyond those funded through the current formula amount. Additional funding for intervention is provided to districts with high concentrations of poor students through poverty-based assistance, which is described below. The supplement for academic intervention services is calculated according to the following formula.

Academic Intervention Services =
0.005 x Formula Amount x Formula ADM x Phase-in %
(Phase-in % equals 40% in FY 2006 and 60% in FY 2007)

The supplement for professional development provides an additional 4.4484% of the formula amount for every teacher, assuming an overall student teacher ratio of 20:1. This supplement is calculated according to the following formula.

Professional Development =
0.044484 x Formula Amount x Formula ADM/20 x Phase-in %
(Phase-in % equals 40% in FY 2006 and 60% in FY 2007)

The supplement for data-based decision making provides an additional 0.1087% of the formula amount. This supplement is calculated according to the following formula.

Data-Based Decision Making =
0.001087 x Formula Amount x Formula ADM

The supplement for professional development regarding data-based decision making provides an additional 7.9082% of the formula amount for 20% of teachers assuming a student teacher ratio of 12:1 for the Urban 21 districts and 17:1 for all other districts, and for each principal assuming a teacher to principal ratio of 20:1. This supplement is calculated according to the following formula.

Professional Development for Data-Based Decision Making =
0.2 x Teacher Factor x 0.079082 x Formula Amount
+ Principal Factor x 0.079082 x Formula Amount
(Teacher Factor = Formula ADM/12 for Urban 21 districts and Formula ADM/17 for other districts)
(Principal Factor = Teacher Factor/20)

The Urban 21 districts are: Akron, Canton, Cincinnati, Cleveland Heights-University Heights, Cleveland, Columbus, Dayton, East Cleveland, Elyria, Euclid, Hamilton, Lima, Lorain, Mansfield, Middletown, Parma, South-Western, Springfield, Toledo, Warren, and Youngstown.

Elimination of the Cost of Doing Business Factor

The executive budget proposes to eliminate the cost of doing business factor (CDBF) adjustment that is currently applied to the formula amount to determine each district's base cost per pupil. The CDBF is calculated for each county and is based on wages in the county and all contiguous counties. Currently the CDBF increases the formula amount for the highest cost county by 7.5%. It should be noted that the formula amount is based on a calculation that deflated the base cost per pupil amounts for model school districts by the CDBF. The formula amount in the executive budget does not recalculate the formula amount without the CDBF, which would result in a higher formula amount. The executive budget only eliminates the CDBF inflationary adjustment in the formula. The CDBF adjustment increased statewide base cost funding by approximately $372.0 million in FY 2004, excluding the effect of other formula factors. (See Sections II and III of the School Funding section for more information.)

Three-year average formula ADM

The executive budget reinstates the use of the greater of the current year formula ADM of a district or the average formula ADM of the current and two prior years in the funding formula. Prior to FY 2004, the greater of the current year or the three-year average formula ADM was used, but beginning in FY 2004 the current year formula ADM has been used. Using the three-year average formula ADM smoothes out state funding decreases for school districts with declining enrollments. Note, however, that the base funding supplements use the current year ADM.

Base Cost Guarantee

The executive budget guarantees that each district's total base cost does not fall below its total base cost in FY 2005. For purposes of the guarantee, total base cost for each district in FY 2005 is equal to the formula amount times the cost of doing business factor times the formula ADM. The total base cost for each district in succeeding fiscal years is equal to the formula amount times the greater of the current year or the three-year average formula ADM plus the sum of the base funding supplements. The higher of these two amounts is used as the total base cost for the district for purposes of calculating the state share of the base cost as well as the state share percentage.

Base Cost Funding Summary

In summary, the executive budget proposes a base cost formula amount of $5,328 in FY 2006 and $5,489 in FY 2007. This formula amount is multiplied by the greater of current year or three-year average formula ADM to arrive at a base cost amount for each district. The base funding supplements are added to this base cost. This amount is guaranteed to be at least as much as the total base cost in FY 2005 calculated with the CDBF adjustment and current year formula ADM. From this final base cost amount the district's local share is subtracted to obtain the state's share of the base cost. The executive budget does not change the calculation of the local share, which remains as 23 mills of recognized valuation. Note that the base cost guarantee provision under the executive budget does *not* guarantee each district receives the same amount of state base cost funding it received in FY 2005, but simply guarantees the sum of the state and local shares in any given fiscal year is no less than the sum of the state and local shares in FY 2005.

Poverty-Based Assistance

The executive budget proposes to replace current disadvantaged pupil impact aid (DPIA) with poverty-based assistance. This assistance is designed to help districts with high concentrations of students living in poverty meet the additional needs of these students. Poverty-based assistance under the executive budget consists of seven programs. The funding provided in five of these programs is based on the formula amount. After the phase-in period, this funding will increase at the same rate as the formula amount increases. Funding for the two remaining programs, class size reduction and community outreach, are based on personnel allowances that are established in the Revised Code. Funding for these programs, therefore, will not automatically increase along with the formula amount. The distribution of assistance in these programs is based on each district's poverty index, which is a measure of the relative concentration of poor students in the district. The poverty index is calculated in the same way that the current DPIA index is calculated. This is described in more detail in Section III of the School Funding section. The executive budget implements the new poverty indicator adopted by Am. Sub. H.B. 94 of the 124th General Assembly, which counts students whose families participate in at least one of the following five programs: Medicaid, food stamps, Ohio Works First (OWF), the children's health insurance program (CHIP), or disability assistance. Although this new indicator became effective in FY 2004, the DPIA formulas were not used in FY 2004 or FY 2005. Instead, districts received annual increases of 2% in DPIA in those years. Under the executive budget, therefore, FY 2006 will be the first year that the new poverty indicator will be used.

All-Day Kindergarten

The executive budget continues funding for this program as it exists in current law for FY 2006 and FY 2007. The use of the new poverty indicator, however, increases the number of districts eligible for funding in the program from about 107 to about 150. The executive budget includes $147.9 million in FY 2006 and $151.8 million in FY 2007 for this program.

Class Size Reduction

The executive budget continues this program, but makes significant changes. The program provides funding to assist districts with high concentrations of poverty to reduce the student teacher ratio in kindergarten through third grade down toward 15:1. The current DPIA program assumes districts currently have a ratio of 23:1 in those grades. The executive budget assumes a current ratio of 20:1. Under the current DPIA program, a district is eligible for this funding if its DPIA index is greater than 0.6, the executive budget is to require an index greater than 1.0 for eligibility. Additionally, the current

DPIA program provides funding on a sliding scale for districts with indices from 0.6 to 2.5. Districts with indices above 2.5 receive full funding to reduce teacher student ratios from 23:1 all the way to 15:1. The executive budget provides funding on a sliding scale for districts with indices from 1.0 to 1.5. Districts with indices above 1.5 receive funding to reduce teacher student ratios from 20:1 all the way to 15:1. Finally, the executive budget increases the salary allowance funded for each additional teacher from $43,658 in FY 2003 to $56,465 in FY 2006 and $58,667 in FY 2007. As far as the number of districts eligible for funding, these changes will not make much difference. Although districts will need a higher index (1.0 instead of 0.6) to be eligible, the new poverty indicator increases the number of districts with indices above 1.0. The assumption that districts currently have ratios of 20:1 instead of 23:1 decreases the number of teachers and the amount of funding needed to reduce class sizes further. Under the executive budget, however, more districts will receive full funding (those with indices greater than 1.5 instead of greater than 2.5). The following table summarizes the calculations for the Executive proposed class size reduction program.

Executive Proposed K-3 Class Size Reduction Funding
Step 1: Total needed teachers for districts to have pupil/teacher ratios ranging from 15:1 to 20:1 If the district's poverty index is greater than or equal to 1.5: Total needed teachers = (K-3 regular ADM)/15 If the district's poverty index is at least 1.0 but less than 1.5: Total needed teachers = (K-3 regular ADM) x (1/20+((Poverty index – 1.0)/0.5 x (1/15-1/20)))
Step 2: Total assumed current available teachers = (K-3 regular ADM)/20
Step 3: Total needed new teachers = Total needed teachers (Step 1) – Total assumed current available teachers (Step 2)
Step 4: Total K-3 class size reduction funding = Total needed new teachers x Teacher Salary Allowance
(Teacher Salary Allowance = $56,465 in FY 2006 and $58,667 in FY 2007)

Whereas approximately 14 districts receive full class size reduction funding under the current program, approximately 73 districts will receive it under the executive budget. Districts qualifying for this funding receive up to $941 per kindergarten through third grade student in FY 2006 and up to $978 per kindergarten through third grade student in FY 2007. The executive budget includes $155.9 million in FY 2006 and $161.3 million in FY 2007 for this program. In FY 2005, kindergarten through third grade class size reduction funding amounts to approximately $137.7 million for 154 districts.

Safety, Security, and Remediation

Funding for this program is completely revamped by the executive budget. Currently, districts with indices greater than 0.35 are eligible for funding. The executive budget increases eligibility to districts with indices greater than 0.25. Currently approximately 273 districts receive funding under this program, whereas under the executive budget approximately 436 districts will be eligible for funding. The current program provides $230 per poverty student to districts with indices between 0.35 and 1.0, and $230 times the district's index per poverty student to districts with indices greater than 1.0. The executive budget replaces this calculation with a two level calculation that is phased in at 40% in FY 2006 and 60% in FY 2007. The first level of funding provides funding equal to 2.0% of the formula amount per poverty student for districts with indices greater than or equal to 1.25 and funding on a sliding scale to districts with indices between 0.25 and 1.25. The second level provides funding equal to 14% of the formula amount per poverty student for districts with indices greater than or equal to 1.75 and funding on a sliding scale for districts with indices between 1.25 and 1.75. Total funding in the program is equal to the sum of the funding provided in each level. These calculations are summarized below.

Executive Proposed Safety, Security, and Remediation Funding
If the district's poverty index is greater than or equal to 1.25: Level 1 = 0.02 x formula amount If the district's poverty index is at least 0.25 but less than 1.25: Level 1 = 0.005 x formula amount + (poverty index – 0.25) x (0.02 x formula amount – 0.005 x formula amount)
If the district's poverty index is greater than or equal to 1.75: Level 2 = 0.14 x formula amount If the district's poverty index is at least 1.5 but less than 1.75: Level 2 = 0.04 x formula amount + (poverty index – 1.25)/0.5 x (0.14 x formula amount – 0.04 x formula amount)
Total Funding = (Level 1 + Level 2) x poverty student count x phase-in percentage
(Phase-in percentage = 40% in FY 2006 and 60% in FY 2007)

Districts qualifying for this funding receive up to $341 per poverty student in FY 2006 and up to $527 per poverty student in FY 2007. The executive budget provides $78.3 million in FY 2006 and $121.2 million in FY 2007 for this program. As in current law, districts must use this funding for safety, security, and remediation measures. In addition to this funding provided to districts with poverty indices greater than 0.25, all districts receive 0.5% of the formula amount per student for intervention services through the base funding supplement described above.

Limited English Proficient Student Intervention

This is a new program proposed in the executive budget. It provides funding to districts with poverty indices greater than or equal to 1.0 and with at least 2% of students who are limited English proficient (LEP). This funding is phased in at 40% in FY 2006 and 60% in FY 2007. For districts with indices greater than or equal to 2.0, funding equal to 25.702% of the formula amount is provided for each limited English proficient student. Funding is provided on a sliding scale for districts with indices between 1.0 and 2.0. The executive budget proposes to use the percentage of LEP students that was reported on each district's local report card for the 2002-2003 school year as a basis for this funding in FY 2006 and FY 2007. It requires that the Department recommend a method of identifying LEP students for use in making the payments after FY 2007. The calculations for this funding are summarized in the following table.

Executive Proposed Limited English Proficient Funding
If the qualifying district's poverty index is greater than or equal to 2.0: Per LEP student funding = 0.25702 x formula amount If the qualifying district's poverty index is at least 1.0 but less than 2.0: Per LEP student funding = 0.12851 x formula amount + (poverty index – 1.0) x (0.25702 x formula amount – 0.12851 x formula amount)
Total Funding = Per LEP student funding x LEP student count x phase-in percentage
(Qualifying districts have reported on their report cards for the 2002-2003 school year an LEP student % of at least 2% and have poverty indices at least equal to 1.0) (LEP student count is the number of LEP students used to determine the LEP student % on district report cards for the 2002-2003 school year) (Phase-in percentage = 40% in FY 2006 and 60% in FY 2007)

Districts qualifying for this funding receive from $274 to $548 per LEP student in FY 2006 and from $423 to $846 per LEP student in FY 2007. The executive budget provides $4.9 million in FY 2006 and $7.6 million in FY 2007 for this program. Districts are required to use this funding for one or more of the

following purposes: (1) to hire teachers for LEP students or other personnel to provide intervention for LEP students, (2) to contract for intervention services for LEP students, or (3) to provide other services to LEP students to assist them in passing the third-grade reading achievement test.

Teacher Professional Development

This is a new program proposed by the executive budget to provide funding for additional teacher professional development to districts with poverty indices greater than or equal to 1.0. The calculation assumes that each district's student teacher ratio is 20:1. For districts with poverty indices greater than or equal to 2.0, funding of 4.4484% of the formula amount is provided per assumed teacher. Funding per teacher is provided to districts with indices between 1.0 and 2.0 on a sliding scale. The executive budget proposes to phase in this funding at 40% in FY 2006 and 60% in FY 2007. The calculation is given below.

Executive Proposed Teacher Professional Development Funding
If the qualifying district's poverty index is greater than or equal to 2.0: Per teacher funding = 0.044484 x formula amount If the qualifying district's poverty index is at least 1.0 but less than 2.0: Per teacher funding = (poverty index – 1.0) x (0.044484 x formula amount)
Total Funding = Per teacher funding x Number of teachers x Phase-in percentage
(Number of teachers = formula ADM/20) (Phase-in percentage = 40% in FY 2006 and 60% in FY 2007)

Districts qualifying for this funding receive up to $5 per ADM in FY 2006 and up to $7 per ADM in FY 2007. The executive budget proposes $2.3 million in FY 2006 and $3.5 million in FY 2007 for this program. The executive budget does not restrict the use of these funds to the provision of professional development, but stipulates that if the funds are used for professional development that the professional development be provided in one or more of the following areas: (1) data-based decision making, (2) standards-based curriculum models, or (3) job-embedded activities that are research-based as defined by federal law. Furthermore, unless the district receives a waiver, it must select a professional development program from a list approved by the Department. Combined with professional development funded through the base cost funding supplement, the executive budget provides 8.8968% of the formula amount for districts with indices greater than or equal to 2.0, 4.4484% to almost 8.8968% of the formula amount for districts with indices at least 1.0 but less than 2.0, and 4.4484% of the formula amount for districts with indices less than 1.0.

Dropout Prevention

This is a new program proposed in the executive budget for the big eight school districts, which are Akron, Canton, Cincinnati, Columbus, Cleveland, Dayton, Toledo, and Youngstown. This program provides these districts with 0.5% of the formula amount times the district's poverty index per student. The program is phased in at 40% in FY 2006 and 60% in FY 2007. The calculation is given below.

Executive Proposed Dropout Prevention Funding =
0.005 x formula amount x poverty index x formula ADM x phase-in percentage
(Funding provided to the Big 8 districts: Akron, Canton, Cincinnati, Columbus, Cleveland, Dayton, Toledo, and Youngstown) (Phase-in percentage = 40% in FY 2006 and 60% in FY 2007)

The big eight districts will receive about $11 times their poverty indices per student in FY 2006 and about $16 times their poverty indices per student in FY 2007. Poverty indices for these districts range from about 2.0 to 3.1. Districts are required to use this funding either for dropout prevention programs approved by the Department or for safety, security, and remediation measures. The executive budget provides $14.6 million in FY 2006 and $22.6 million in FY 2007 for the dropout prevention and community outreach programs combined.

Community Outreach

This is a new program proposed in the executive budget for 21 major urban districts (Urban 21). It is phased in at 40% in FY 2006 and 60% in FY 2007. This program provides funding for a community liaison for every 1,000 students in the Urban 21 districts. The calculation is given below.

Executive Proposed Community Outreach Funding =
Formula ADM/1,000 x community liaison personnel allowance x phase-in percentage
(Funding provided to the Urban 21 districts: Akron, Canton, Cincinnati, Cleveland, Cleveland Heights, Columbus, Dayton, East Cleveland, Elyria, Euclid, Hamilton, Lima, Lorain, Mansfield, Middletown, Parma, South-Western, Springfield, Toledo, Warren, and Youngstown) (Community liaison personnel allowance = $42,729 in FY 2006 and $44,396 in FY 2007) (Phase-in percentage = 40% in FY 2006 and 60% in FY 2007)

The Urban 21 districts will receive about $17 per student in FY 2006 and about $27 per student in FY 2007. Districts with poverty indices greater than one and receiving funding under this program, must use these funds for community liaison officers, attendance or truant officers, safety and security personnel, or safety, security, and remediation measures. The executive budget provides $14.6 million in FY 2006 and $22.6 million in FY 2007 for the dropout prevention and community outreach programs combined.

Poverty-Based Assistance Guarantee

The executive budget replaces the current DPIA guarantee, which ensures every district receives at least as much DPIA as it received in FY 1998, with a new guarantee based on FY 2005. This new guarantee ensures that districts receive at least as much poverty-based assistance funding as the DPIA they received in FY 2005. The executive budget provides approximately $30.3 million in FY 2006 and $13.1 million in FY 2007 for this guarantee.

In summary, the executive budget proposes a total of $434.2 million in FY 2006 and $481.1 million in FY 2007 for poverty-based assistance. This assistance will be distributed to approximately 436 districts. In FY 2005, the current DPIA program provides approximately $328.4 million to about 348 districts. The executive budget also makes a change to the use of these funds. Current law allows districts with indices less than 1.0 and receiving safety, security, and remediation funds to spend only 70% of their DPIA on safety, security, and remediation measures. The executive budget requires they spend 100% of their assistance on these measures. The Executive maintains the current law stipulation for districts with indices above 1.0. Namely that the funds they receive are first used to provide all-day kindergarten and then they must follow the guidelines for each program as described above. The executive budget also requires that the Department review these spending requirements and recommend modifications by July 1, 2006. These recommendations must include “decreasing degrees of flexibility of spending for districts not meeting adequate progress standards...”

Other Formula Changes

Transportation

The executive budget proposes to notwithstand the current transportation funding formulas for FY 2006 and FY 2007. Instead, the executive budget provides increases of 2% per year in transportation funding to school districts receiving transportation funding in FY 2005. The Executive also requires that the Department recommend a new formula for allocating state funds for transportation by July 1, 2006.

Special Education Catastrophic Cost

The executive budget increases the special education catastrophic cost threshold from $25,700 to $26,500 in FY 2006 and FY 2007 for students in categories two through five and from $30,840 to $31,800 in FY 2006 and FY 2007 for students in category six. The state continues to fund from 50% to nearly 100% of the costs school districts incur in educating these students that fall above the threshold.

Special Education Weight Cost

The executive budget continues to phase in special education weight costs at 90% in FY 2006 and FY 2007. This is the same phase-in percentage applied in FY 2005.

Speech Service Personnel Allowance

The executive budget maintains the speech service personnel allowance at the FY 2005 level of $30,000 in FY 2006 and FY 2007.

GRADS Personnel Allowance

The executive budget maintains the GRADS personnel allowance at the FY 2005 level of $47,555 in FY 2006 and FY 2007. This allowance is used to provide funding for the program Graduation, Reality, and Dual-Role Skills for pregnant and parenting students.

Fundamental Aid Guarantee

The executive budget phases out the fundamental aid guarantee. This provision guarantees that school districts receive the same amount of fundamental aid as they received in FY 1998. The executive budget provides 50% of the funding for this guarantee in FY 2006 and completely phases out the funding in FY 2007.

Transitional Aid for School Districts

Transitional aid was provided to districts in FY 2004 and FY 2005 to ensure that their SF-3 funding plus gap aid did not drop by more than 5% in either of those years. The executive budget extends and modifies this transitional aid for FY 2006 and FY 2007. In FY 2006, transitional aid ensures that each district receives the same amount of SF-3 funding plus gap aid it received in FY 2005. In FY 2007, transitional aid ensures that each district's SF-3 funding plus gap aid does not fall by more than 2% from FY 2006 levels.

Joint Vocational School District Guarantee

The executive budget phases out the JVSD SF-3 guarantee. This program guarantees that JVSDs receive the same amount of SF-3 funding as they received in FY 1999. The executive budget provides 50% of the funding for this guarantee in FY 2006 and completely phases out the funding in FY 2007.

Transitional Aid for Joint Vocational School Districts

JVSDs did not receive transitional aid in FY 2004 and FY 2005. The executive budget, however, provides transitional aid for JVSDs in FY 2006 and FY 2007. For these two fiscal years, transitional aid ensures that each JVSD's SF-3 funding does not fall by more than 5% each year.

Parity Aid

The executive budget continues to phase in parity aid at 80% in FY 2006 and 85% in FY 2007 compared with 76% in FY 2005. The executive budget also proposes to use the greater of the current year or the three-year average formula ADM in the computation of parity aid.

Equity Aid

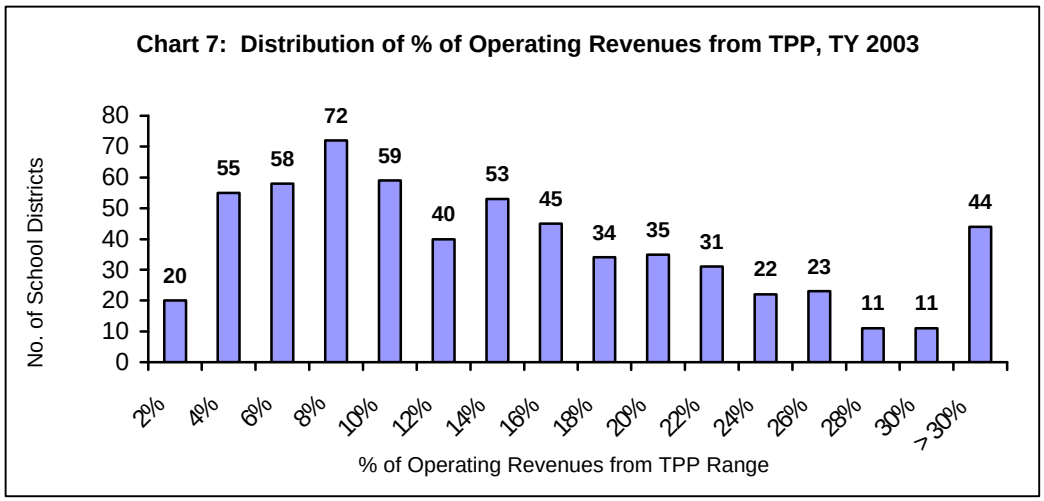
The executive budget repeals the statutes dealing with equity aid. Equity aid has been phased out in favor of parity aid. The last year for equity aid payments was FY 2005, in which 25% of the payment was made.

Phase-out of the Tangible Personal Property Tax

General business tangible personal property (TPP) includes three main categories: machinery and equipment, inventories, and furniture and fixtures. The statewide TPP value totaled approximately $22.2 billion for school districts in tax year (TY) 2003, representing approximately 9.8% of the statewide total property assessed value. School districts and joint vocational school districts received approximately $1.2 billion in TPP tax revenue in TY 2003, including approximately $1.1 billion for operating and $0.1 billion for capital.

The executive budget proposes to reduce the property tax on machinery and equipment by 50% in TY 2006 and completely eliminate this tax beginning in TY 2007. The executive budget also proposes to accelerate the phase-out of the property tax on business inventories. The current assessment rate on inventories is 23% and will generally be phased out by two percentage points per year until it reaches zero in approximately TY 2018 under current law. The executive budget proposes to reduce the inventory assessment rate from 21% in TY 2007 to 14% in TY 2008, 7% in TY 2009, and 0% beginning in TY 2010.

While all school districts and joint vocational school districts will lose local tax revenue due to the TPP tax changes proposed by the executive budget, the effect is uneven across school districts. This is due to the fact that the distribution of the TPP tax varies significantly across school districts. Per pupil TPP operating tax revenues range from $7 to over $5,000, with an average of $627 and a median of $374. The percentage of local operating revenue generated through the tax on TPP ranges from 0.1% to 54.8% with an average of 15.1% and a median of 12.1% (see Chart 7). As can be seen from the chart, while the TPP tax may be relatively minor for many school districts, there are many other districts for which it is important. One-hundred forty-two school districts receive more than 20% of their local operating



revenues from this tax; 44 of these districts receive more than 30% of their local operating revenues from this tax (see the Local Funding for Schools section (Section V) of the School Funding section for more detailed discussion of distribution of current TPP tax revenue).

As indicated earlier, general business TPP can be broken down into three main types: machinery and equipment, inventories, and furniture and fixtures. The proposal to phase-out the TPP tax in the executive budget does not affect the tax on furniture and fixtures, which would remain. Table 3 gives an estimate of the break down of general business TPP into these three components for TY 2003. Machinery and equipment account for approximately 33.6% of total general business TPP valuation, inventories account for approximately 39.2%, and furniture and fixtures for approximately 27.2%. This equates to approximately $383.0 million in school district operating revenue from machinery and equipment, approximately $447.5 million from inventories, and approximately $309.9 million from furniture and fixtures (see Table 4). As with the uneven distribution of the overall TPP tax revenue, distribution of the individual components of TPP tax revenue also varies significantly across school districts, which intensifies further the uneven effect of the elimination of the TPP tax on machinery and equipment and inventories. For two districts with the same level of overall TPP tax revenue, one with a higher percentage of TPP in furniture and fixtures will be affected less than the one having a lower percentage of TPP in furniture and fixtures.

Table 4: Estimated Breakdown of General Business Tangible Personal Property Tax, TY 2003

Component	Taxable Value	School District Operating Revenues	Percentage of Total
Machinery and Equipment	$7.5 billion	$383.0 million	33.6%
Inventories	$8.8 billion	$447.5 million	39.2%
Furniture and Fixtures	$6.1 billion	$309.9 million	27.2%
Total TPP	$22.4 billion	$1.1 billion	100.0%

The executive budget establishes a new "commercial activity tax" and deposits part of the revenue generated through this new tax in the School District Property Tax Replacement Fund to reimburse school districts and joint vocational school districts for their losses due to eliminating the property tax on machinery and equipment and the acceleration of the inventory tax phase-out.

The mechanism used to reimburse school districts and joint vocational school districts is similar to the one used for reimbursing school districts and joint vocational school districts for their revenue losses due to Am. Sub. S.B. 3 and Am. Sub. S.B. 287 of the 123rd General Assembly, which reduced the assessment rates on certain tangible personal property of electric utilities. Reimbursement is made through a combination of the state education aid offset and direct reimbursement. The base cost funding formula guarantees every district receives the same level of per pupil base cost funding (e.g., $5,328 in FY 2006) with a combination of state aid and the local 23-mill charge-off (0.5 mills for joint vocational school districts). State base cost funding is the difference between a district's total base cost funding (which equals the base cost formula amount times the number of students) and the amount of revenue generated by the 23 mills of property tax levies (which equals 0.023 times the district's total recognized property value). With a given number of students and a given level of the base cost formula amount, state base cost funding will increase when a district's property value decreases since the local share (charge-off) is fixed at 23 mills. As a result, the vast majority of school districts' state aid will automatically increase when the property tax on machinery and equipment and inventories is phased out. Without considering state education aid increases due to property value decreases, the state will end up reimbursing school districts for part of their losses twice. This is why the current reimbursement mechanism used in S.B. 3 and S.B. 287 is a combination of the state education aid offset and direct reimbursement. This is also why the executive budget uses the same mechanism to reimburse school districts and joint vocational school districts for their losses due to the TPP tax proposal.

The Department of Taxation will determine the base reimbursement amounts for school districts and joint vocational school districts for both machinery and equipment and inventory tax losses. The Department of Taxation is required to certify the tax value loss and the tax revenue loss for each school district and joint vocational school district. Tax rates used in these calculations are essentially TY 2004 effective rates plus any additional levies that are approved and become effective for TY 2005 prior to September 1, 2005. The tax value loss for machinery and equipment is the TY 2004 value. (New machinery and equipment acquired after TY 2004 will be completely exempted from the property tax under the executive budget.) The tax value loss for inventories is the product of the TY 2004 value multiplied by 82.6%. Under the current phase-out schedule, the inventory assessment rate will be 23% in TY 2006, 21% in TY 2007, and 19% in TY 2008. The 82.6% is obtained by dividing 19% by 23%. Essentially, the reimbursement base for the inventory tax loss is based on the 19% assessment rate. As with the mechanism used in S.B. 3 and S.B. 287, school levies are grouped into two categories for purposes of calculating their tax revenue losses: fixed-rate (inside mills and current expense) levies and fixed-sum (emergency and bond) levies. The fixed-rate tax revenue loss will be calculated separately for machinery and equipment and inventories for each district and joint vocational school district. There is no separate tax revenue loss calculation for machinery and equipment and inventories for fixed-sum levies. It should be noted that since fixed-sum levies (emergency and bond levies) are designed to raise a fixed amount of revenue each year, school districts will not lose tax revenue when property value decreases; the rate on the remaining taxable property will be adjusted upward to raise the same amount of revenue if there were no reimbursement mechanism. In order for a school district or a joint vocational school district to be eligible for fixed-sum levy loss reimbursement, the rate increase on the remaining property of the district has to be greater than 0.5 mills. The reimbursement base is the amount above the 0.5 mill threshold. Emergency levies are fully reimbursed from TY 2006 to TY 2010 and will be reimbursed after TY 2010 only when the levy is renewed. Bond levies are reimbursed for the duration of their lives.

Through FY 2011, school districts are held "harmless" through a combination of the state education aid offset and direct reimbursement on their fixed-rate and fixed-sum levy losses on machinery and equipment. That is, the combination of the state education aid offset and district reimbursement will be equal to the base amounts determined by the Department of Taxation for these levies. Beginning in FY 2012, direct reimbursement for these levies will be phased out at a rate of 2/15 per year and completely eliminated after FY 2018. The effect of state education aid increases as a result of the TPP tax proposal is permanent.

School districts' base reimbursement amounts on the fixed-rate inventory tax loss through FY 2011 are not very straightforward. Essentially, school districts and joint vocational schools will be held "harmless" relative to the current phase-out schedule through FY 2011 through a combination of the state education aid offset and direct reimbursement. Direct reimbursement on these levies will also be phased out beginning in FY 2012 at a rate of 2/15 per year and eliminated completely after FY 2018. Under current law, there is no reimbursement for phasing out the inventory tax although current law's phase-out period is much longer. The executive budget accelerates the phase-out schedule and reimburses school districts and joint vocational school districts for the difference between the current and accelerated phase-out schedules. For example, in TY 2008, the assessment rate on inventory will be 19% under the current phase-out schedule and 14% under the proposed accelerated phase-out schedule, reimbursement will be for the 5% difference for that year. In TY 2009, the assessment rates will be 17% and 7% under the current and accelerated phase-out schedules, respectively. Reimbursement in TY 2009 will be for the 10% difference for that year. In TY 2010, the assessment rates will be 15% and 0% under the current and accelerated phase-out schedules, respectively. Reimbursement in TY 2010 will be for the 15% difference for that year. After TY 2010, reimbursement will decrease at a rate of 2/15 per year until it reaches zero.

As indicated earlier, reimbursement will be made through a combination of the state education aid offset and direct reimbursement. The phase-out of the tax on machinery and equipment will begin affecting school districts and joint vocational school districts in TY 2006. Since TY 2006 valuation data will be used for calculating state education aid for FY 2008, the first five payments (May, August, and November 2006, and February and May 2007) will have no state education aid offset effect. The executive budget provides $28,800,000 in FY 2006 and $220,800,000 in FY 2007 for district reimbursement for school districts for their machinery and equipment tax revenue losses.

Beginning in FY 2008, every July the Department of Education will determine the state education aid offset due to the elimination of the property tax on machinery and equipment. Direct reimbursement will be made in four equal payments. The state education aid offset calculation for the inventory tax loss will begin in FY 2010. Direct reimbursement for the loss will begin in May 2008.

Other Major Initiatives

Early Learning Programs

The executive budget proposes the elimination of existing state operated Head Start and Head Start Plus (funded with federal Temporary Assistance to Needy Families (TANF) moneys allocated to the state) programs to be replaced by the TANF funded Early Learning Initiative. This initiative is to be jointly administered by the Departments of Education and Job and Family Services. The Early Learning Initiative will provide full-day, full-year services for up to 10,000 TANF-eligible children in FY 2006 and 12,000 TANF-eligible children in FY 2007. The executive budget provides $96.6 million in FY 2006 and $115.5 million in FY 2007 for this TANF funded program. The executive budget also proposes to replace the current GRF funded Public Preschool Program with the GRF funded Early Childhood Education Program. The current program serves children from families with incomes below 185% of the federal

poverty level. The new program will serve children from families with incomes below 200% of the federal poverty level. The new program will serve approximately 3,800 children in each fiscal year. The executive budget provides $19.0 million in each fiscal year for the Early Childhood Education Program. Under the executive proposal, an early learning agency must be licensed by ODE as a preschool or by ODJFS as a child day-care center. After July 1, 2005, a preschool program, school child program, or early learning program is prohibited from receiving any state funds unless at least 50% of the program's teachers are working toward an associate degree approved by ODE. In FY 2008, program funding is contingent on all teachers having obtained an associate degree.

High School Improvement

The State Board of Education's Task Force on Quality High Schools issued a set of recommendations for improving Ohio high schools in October of 2004. The executive budget includes funding for two new high school reform initiatives based on these recommendations. Early college high schools provide students from disadvantaged backgrounds the opportunity to attend a special high school program that takes place on a college campus. The executive budget provides $1.6 million in FY 2006 and $2.8 million in FY 2007 for this initiative. The Ohio High School Transformation Initiative supports transforming large urban high schools into small learning communities. The executive budget provides $3.0 million in FY 2006 and $5.0 million in FY 2007 for this initiative.

Half-Mill Maintenance Equalization

School districts participating in the Ohio School Facilities Commission's school building assistance program are required to levy one-half mill to help pay for the maintenance costs of their new or renovated buildings. The executive budget proposes to provide payments to districts whose per pupil tax revenues from this half-mill levy are less than the state average that will pay the difference between the districts' yields per pupil and the state average yield per pupil. The executive budget proposes to use excess funds from the school district property tax replacement fund (Fund 053) that are not needed to make reimbursement payments to school districts for these equalization payments and the school building assistance program. Current law would distribute these excess funds to all school districts on a per pupil basis. The executive budget provides $10.7 million in FY 2007 for equalization payments.

Value Added Progress Dimension Pilot Project

The executive budget provides $200,100 in FY 2006 and $2.8 million in FY 2007 to incorporate a statewide pilot value-added progress dimension into performance ratings for school districts and to train regional specialists. The funds are to be used by the Department in consultation with a nonprofit organization with expertise in value-added progress dimensions. A value-added progress measure measures the additional progress made by a student during one school year. Funding in FY 2006 supports the development of 76 regional value-added specialists. Funding in FY 2007 will be used to train 1,600 district value-added specialists through 38 regional training sites.

Ohio Choice Scholarships

The Ohio Choice Scholarship is a new program proposed by the executive budget, slated to begin in FY 2007. The program will provide scholarships to parents of students who attend a school where, for three or more consecutive years, at least two-thirds of enrolled students fail to attain at least a proficient score in both reading and math. Students in grades K-8 who have attended an eligible school for at least one year may apply for an initial scholarship to attend a chartered, nonpublic school. A student who receives a scholarship is eligible to continue receiving scholarships for subsequent years until the student

completes the highest grade offered by the public school where the student was enrolled prior to receiving the scholarship, as long as the student takes the applicable achievement test and demonstrates progress. The amount awarded under the program will be the lesser of the actual tuition charges of the school or $3,500 (the maximum scholarship award). Schools whose tuition exceeds the maximum must accept the $3,500 as full payment for tuition if they choose to participate in the program. The executive budget provides $9.0 million for these scholarships in FY 2007.

The No Child Left Behind Act and Federal Education Funding

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 overall education spending in Ohio. In FY 2004, federal funds amounted to 7.4% of total operating revenues for the 612 school districts, with an average per pupil funding of $634. 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 price 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 resulted from enactment of the No Child Left Behind Act of 2001 (NCLB).

Federal education funding has increased rapidly in recent years. Federal education spending for Ohio has increased by approximately 59.3% in the last four years, from approximately $1.0 billion in FY 2002 to $1.6 billion in FY 2005. Most federal grants may be spent over a period of 27 months. Federal Fiscal Year (FFY) 2004 funds begin to flow to Ohio in July 2004 – state fiscal year (SFY) 2005, and may be spent in SFYs 2005, 2006, and 2007. Total federal education spending in Ohio amounts to approximately $1,585.9 million in FY 2005. The executive budget recommends a spending authority of $1,679.8 million (an increase of 5.4%) in FY 2006 and $1,804.4 million (an increase of 7.4%) in FY 2007.

Federal education entitlement grants account for approximately 81% of all federal support for education in Ohio and 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 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 grants are funds the distribution of which is somewhat controlled by the Department of Education. The degree of control varies from grant to grant. There are three different types of discretionary federal grants: 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 2005 about 183 (or 28.0%) of 654 full-time employees of the Department are supported by federal funds. According to the

Office of Budget and Management's estimate, the Department of Education spends approximately 3.9% ($62.3 million) of its total federal fund budget ($1,593.5 million) in FY 2005 for personal services, purchased services, maintenance, and equipment.

The No Child Left Behind Act

The No Child Left Behind Act (NCLB), or the Reauthorization of the 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 and has become 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 to be applied to all public school buildings and districts. The federal accountability standard is adequate yearly progress (AYP) that measures school buildings' and districts' progress toward reaching the goal of 100% proficiency in reading and math by 2012. All public school buildings and districts are 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. Ohio has realigned its school accountability system with NCLB. AYP has been set for each year by the Department of Education. Districts and building report card ratings now take into account the number of state standards met, as well as performance index scores, improvement in performance index scores, and whether AYP has been met. The executive budget provides funding to begin incorporating a value-added progress measure. This measure will reflect the additional progress toward meeting the standards made by each student during one year of school.

The major federal education programs that are restructured along the requirements of NCLB are: Title I Part A (200-623), Reading First (200-632), Improving Teacher Quality (200-635), 21st Century Community Learning Centers (200-688), English Language Acquisition (200-689), and State Assessments (200-690). Table 5, below, shows NCLB related program funding from FY 2005 to FY 2007. As can be seen from the table, funding for NCLB related programs amounts to approximately $1,280.1 million over the FY 2006-2007 biennium, representing approximately 36.7% of total federal funding for the biennium.

Table 5 : NCLB Program Funding, FY 2005 – FY 2007*

Program Name	FY 2005	FY 2006	Percent change	FY 2007	Percent Change
Title I, Part A	$420,701,568	$440,260,178	4.6%	$461,026,070	4.7%
Reading First	$37,719,409	$31,215,798	-17.2%	$31,215,798	0.0%
Improving Teacher Quality	$104,100,000	$107,000,000	2.8%	$107,000,000	0.0%
21st Century Community Learning Centers	$33,092,303	$30,681,554	-7.3%	$30,681,554	0.0%
English Language Acquisition	$7,000,000	$7,500,000	7.1%	$8,000,000	6.7%
State Assessments	$12,489,031	$12,681,031	1.5%	$12,883,799	1.6%
Total Funding	$615,102,311	$629,338,561	2.3%	$650,807,221	3.4%

Note: FY 2005 figures are estimated spending amounts, FYs 2006 and 2007 are proposed under the executive budget

Federal Special Education Funding

Special Education, Part B funds are governed by the Individuals with Disabilities Education Act, which was last reauthorized in 2004. 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.

Under the executive budget, federal special education funding (200-680) will increase by 18.4% in FY 2006 and 18.0% in FY 2007, from $433,479,742 in FY 2005 to $513,058,569 in FY 2006 and to $605,581,547 in FY 2008. This is partially due to the "catch-up" payments in federal special education funding that will occur in the next four years. As indicated earlier, most federal grants may be spent over a 27-month period. Historically, a given fiscal year's special education funding has not been disbursed until up to 12 months after the grant is awarded. School districts actually have only about 15 months to spend a given fiscal year's federal grant award. Beginning in July 1, 2004 and continuing over the next four fiscal years (FY 2005-FY 2008), the Department is moving to a current-year funding cycle for special education, thus reducing any potential for lapsed funds. District allocations for FY 2005 include funds from FFY 2003 grant award and 25% of the district's FFY 2004 award allocation. By FY 2009, Ohio will be in a current-year funding cycle, which means that school districts will actually have 27 months to spend a given fiscal year's federal grant award.

Summary of FYs 2006-2007 Budget by Program Series

The executive budget for the Department of Education is broken down into 21 program series. The following table summarizes the executive recommendations by these program series. Program series 8, basic aid support, dominates the budget at 60.8%. This series contains base cost funding for school districts as well as nonpublic school funding, and local tax supplements. Program series 13, special education, is second in importance at 10.2%. This series includes special education weight cost funding for school districts, joint vocational school districts, and institutions, as well as some funding for special education enhancements. Next in importance is program series 18, students at risk, at 9.3%. This series includes poverty-based assistance, as well as Title I funds and other federal programs for at risk students. Each of the other series makes up less than 5% of the total budget.

Executive Recommendations by Program Series

Program Series	Executive Recommendation FY 2006	Executive Recommendation FY 2007	Total Biennial Funding	Percentage of Total Budget for the Biennium
PS1: Academic Standards and Student Assessment	$89,236,829	$95,079,674	$184,316,503	0.9%
PS2: Educator Standards and Preparation	$2,826,738	$2,834,198	$5,660,936	0.0%
PS3: Recruitment and Retention	$10,226,740	$10,626,740	$20,853,480	0.1%
PS4: Educator Training	$149,441,039	$149,460,153	$298,901,192	1.4%
PS5: Professional Licensure and Conduct	$4,936,556	$5,054,777	$9,991,333	0.0%
PS6: School Improvement	$51,208,264	$54,537,443	$105,745,707	0.5%
PS7: School Choice	$36,643,981	$46,443,981	$83,087,962	0.4%
PS8: Basic Aid Support	$6,174,486,541	$6,376,128,308	$12,550,614,849	60.8%
PS9: Pupil Transportation	$420,930,728	$420,577,343	$841,508,071	4.1%
PS10: Finance and Management Services	$56,041,831	$55,243,935	$111,285,766	0.5%
PS11: Ohio Education Computer Network	$29,676,964	$29,676,964	$59,353,928	0.3%
PS12: School Food Services	$365,573,854	$376,532,468	$742,106,322	3.6%
PS13: Special Education	$996,040,808	$1,101,156,753	$2,097,197,561	10.2%
PS14: Student Intervention	$97,683,247	$98,183,247	$195,866,494	0.9%
PS15: Early Childhood Education	$220,456,920	$240,124,861	$460,581,781	2.2%
PS16: Career-Technical Education	$320,327,028	$331,940,373	$652,267,401	3.2%
PS17: Gifted Education	$47,999,668	$48,246,893	$96,246,561	0.5%
PS18: Students at Risk	$923,320,752	$990,960,926	$1,914,281,678	9.3%
PS19: Adult Education	$53,898,882	$53,917,051	$109,815,933	0.5%
PS20: School Accountability	$20,210,342	$22,788,782	$42,999,124	0.2%
PS 21: State Administration and Infrastructure Support	$31,933,588	$32,004,143	$63,937,731	0.3%
TOTALS	$10,103,101,300	$10,541,519,013	$20,644,620,313	100%

Staffing Levels

Department of Education Staffing Levels						
					Estimated	
Fund Group	**2002**	**2003**	**2004**	**2005***	**2006**	**2007**
GRF Operating	119	125	152	143	143	143
GRF Special Purposes	182	206	182	190	190	190
GSF/SSR	124	118	130	138	138	138
Federal	184	174	183	183	183	183
Totals	609	623	647	654	654	654

*As of February 18, 2005

- As of February 18, 2005, the Department of Education has 654 full-time employees while its authorized personnel level is 675. The Department expects that its staffing levels in FY 2006 and FY 2007 largely will remain at the FY 2005 level. However, the executive budget does provide funding to allow the Department to hire additional employees when needed in the FY 2006 - FY 2007 biennium.

- The overall full-time staffing level for the Department of Education has increased from 609 in FY 2002 to 654 in FY 2005, an increase of 7.4%. The average staffing level is 633 during this period. The increased responsibilities associated with the federal No Child Left Behind Act of 2001, the state's school accountability system, and community school oversight account for most staff increases.

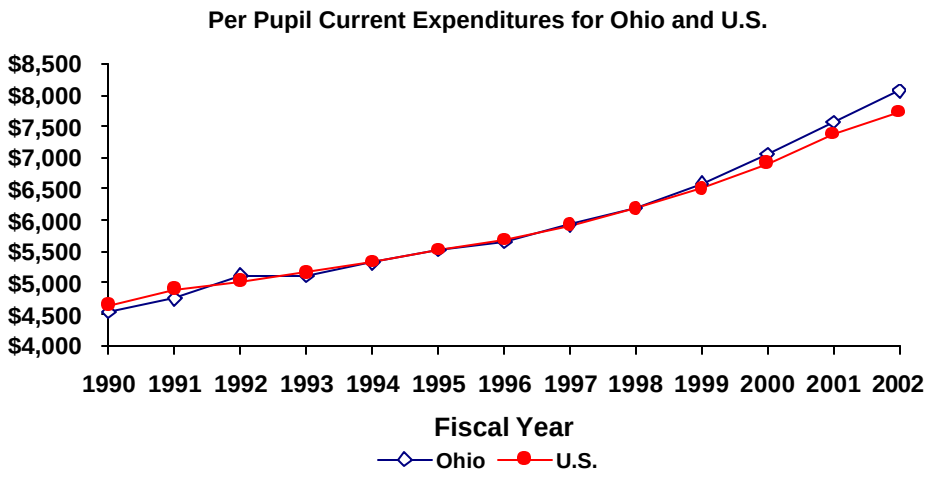
- The employees listed under GRF Operating are funded by GRF appropriation item 200-100, Personal Services. The employees listed under GRF Special Purpose are funded by GRF appropriations from 400 line items. Employees who are funded through both areas are listed in the GRF Operating row. The total number of GRF funded employees has increased by 10.6% from 301 in FY 2002 to 333 in FY 2005.

- During the same period, the number of employees funded by the general service fund (GSF) and the state special revenue fund (SSR) has increased by 11.3% from 124 in FY 2002 to 138 in FY 2005.

- During the same period, the number of federally funded employees has decreased by one at 183 in FY 2005. The Department expects that any potential new employees in the FY 2006 - FY 2007 biennium will be most likely paid for with federal funds.

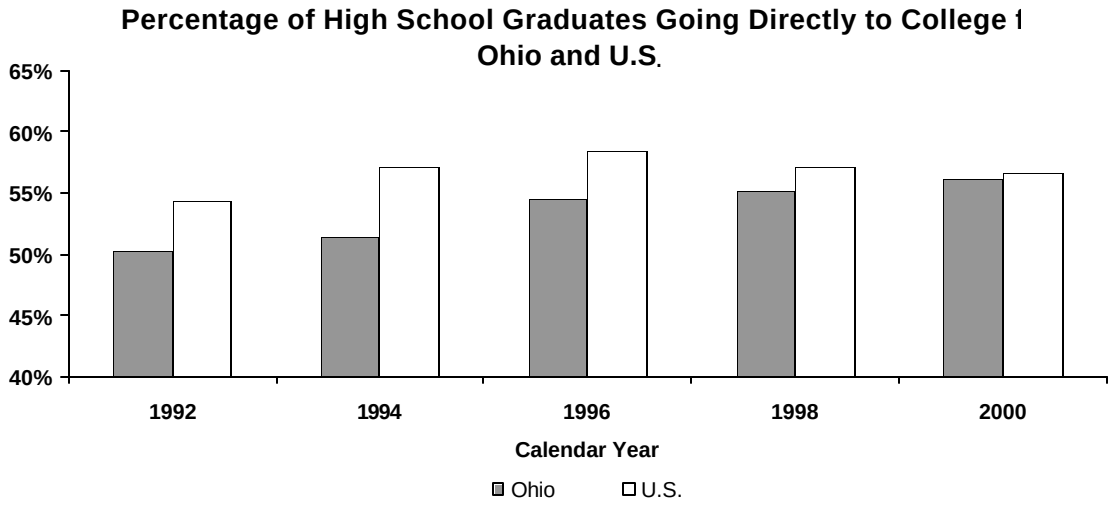
FACTS AND FIGURES

1. Ohio's Per Pupil Expenditures Exceed National Average



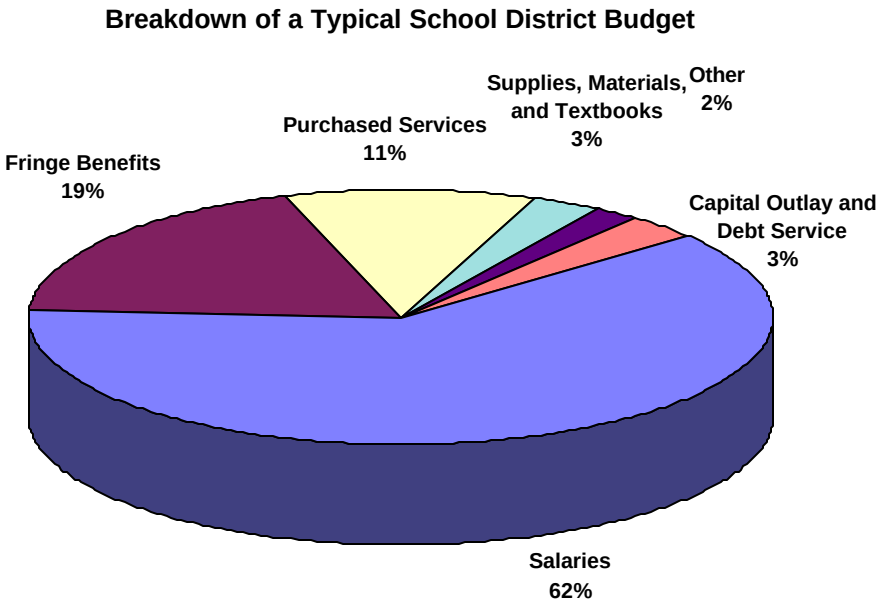
- Ohio's per pupil current expenditures increased from 2.0% below the national average in FY 1990 to 4.3% above the national average in FY 2002.
- In the period from FY 1990 to FY 2002, Ohio's per pupil current expenditures increased from $4,531 to $8,069, or 78.1%. The national average increased from $4,643 in FY 1990 to $7,734 in FY 2002, or 66.6%. Inflation, as measured by the consumer price index, was 40.3% during the same period.
- Ohio's per pupil current expenditures ranked 16th in the nation in FY 2002.
- In FY 2002, Ohio's per pupil current expenditures and ranking in the nation ($8,069, 16th) were higher than in Illinois ($7,956, 17th), Indiana ($7,734, 22nd), Kentucky ($6,523, 39th), Minnesota ($7,736, 21st), Tennessee ($5,959, 49th), and West Virginia ($7,844, 19th), but lower than in Michigan ($8,653, 12th), Pennsylvania ($8,537, 15th), and Wisconsin ($8,634, 14th).

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



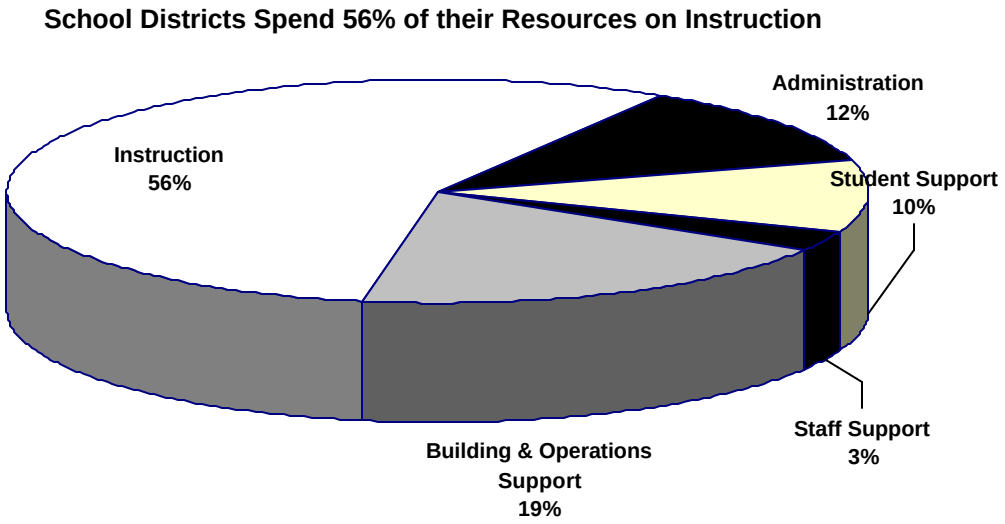
- The percentage of Ohio high school graduates going directly to college increased from 50.3% in fall 1992 to 56.1% in fall 2000, an increase of 11.5%. During the same period, the national average increased from 54.3% to 56.7%, an increase of 4.4%.
- In fall 1992, the percentage of Ohio high school graduates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

3. A Typical School Budget



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

4. A Typical School District's Spending Plan



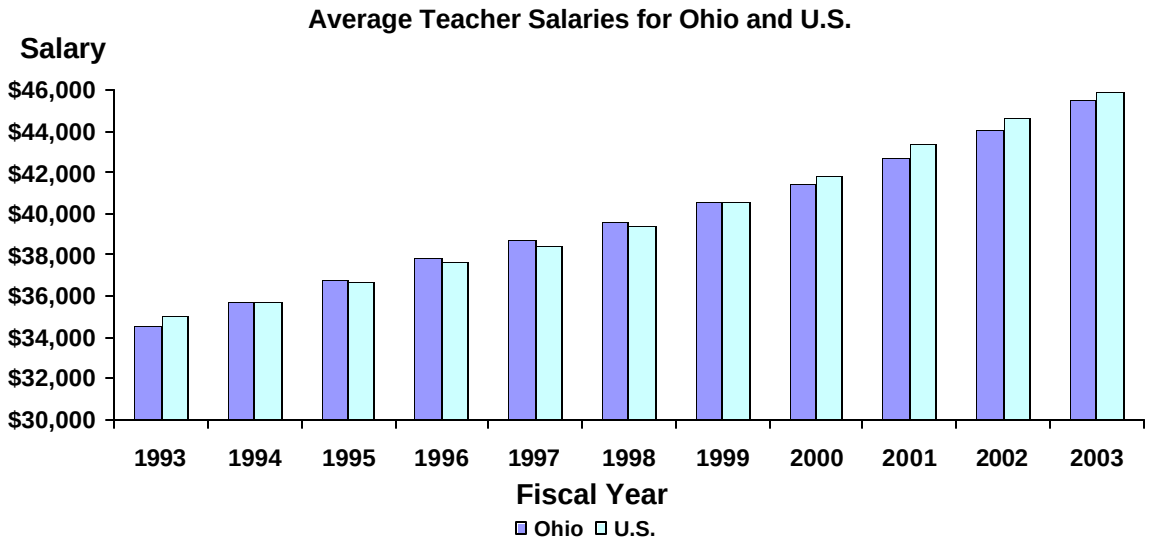
- The Expenditure Flow Model (EFM) developed by the Department of Education divides a school district's expenditures into five categories: administration, building and operations support, instruction, student support, and staff support.

- On average, instruction accounts for 55.9% of a school district's total spending. The shares of the other four categories are: 11.9% for administration, 19.0% for building and operations support, 10.3% for student support, and 2.9% for staff support.

- The weighted average per pupil EFM is $8,754 in FY 2004 and the median is $7,768.

- In FY 2004, per pupil EFMs for 377, or 62% of school districts are between $7,000 and $8,500.

5. Teacher Salary Increase in Ohio Matched U.S. Average



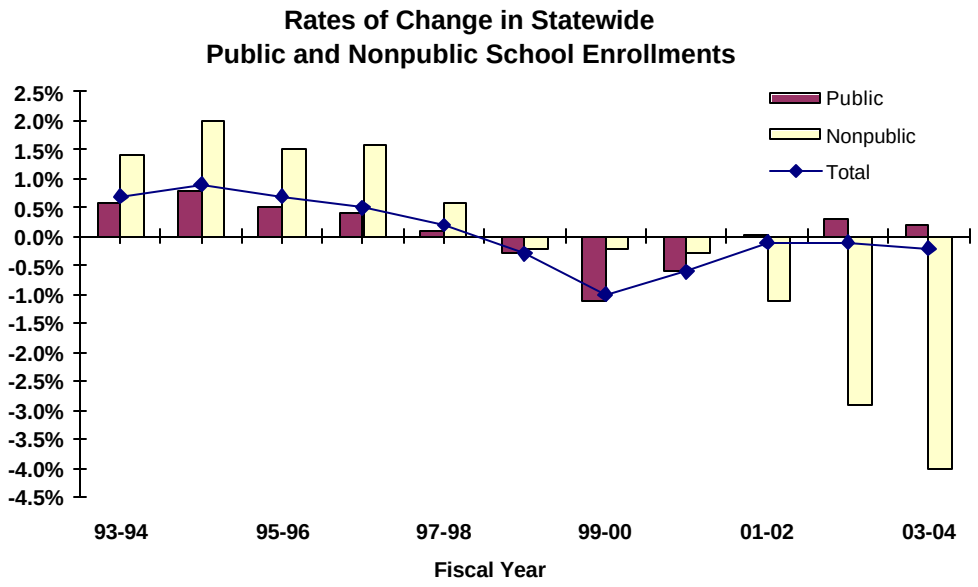
- The average salary for an Ohio teacher increased by 31.8% over the past ten years, from $34,519 in FY 1993 to $45,490 in FY 2003. The national average increased by 31.0%, from $35,029 in FY 1993 to $45,891 in FY 2003. Inflation, as measured by the consumer price index, was 27.8% during this ten-year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

6. Ohio Has Realigned its School Accountability System with the Federal No Child Left Behind Act

District and School Report Card Ratings, FY 2003-FY2004				
	Districts		Buildings	
	2003	2004	2003	2004
Excellent	85	117	630	920
Effective	177	229	771	906
Continuous Improvement	278	224	1,242	1,211
Academic Watch	52	34	237	125
Academic Emergency	16	4	338	222

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

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



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

8. Community School Enrollment Increases Significantly since its beginning in FY 1999

Growth of Community Schools, FY 1999-FY 2004

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

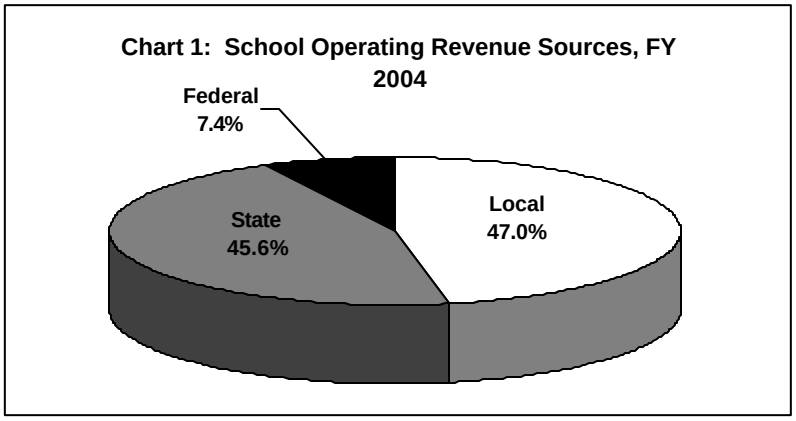
- Community schools are public schools that are not part of a school district and are exempt from some state requirements. Since the establishment of community schools in FY 1999, community school enrollment has increased from 0.1% of public school enrollment (2,245 students) in FY 1999 to 2.6% of public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

SCHOOL FUNDING – THEORY, METHOD, MODEL, AND FORMULAS

Direct formula funding to school districts and joint vocational school districts is by far the largest part of the Department of Education's GRF and LPEF budget at 76.3%. In the last several years, the theory, method, model, and formulas used to distribute this funding have been informed by the four decisions issued by the Ohio Supreme Court in the *DeRolph* case. In its last ruling on December 11, 2002 (*DeRolph IV*), 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 IV* 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 contain the General Assembly's responses to *DeRolph I* and *II*. As indicated in the Overview section, the executive budget makes a number of changes to these formulas in fiscal years 2006 and 2007, but maintains the basic outputs-based funding model. These changes were detailed in the Overview section. This part of the LSC analysis contains five sections. The first section provides a brief summary of funding sources for school operations, including state, local, and

federal funding. Following this are three sections discussing current state funding in detail. These three sections include one on the theory, method, and model used to determine the amount of spending necessary to provide all Ohio students with a state-defined basic education, the next section covers the current formulas used to distribute state funding for this state-defined basic education, and the final section covers additional funding provided by the state for an education above this basic level. Finally, local funding is discussed in the last section.



I. Summary of Funding Sources for School Operations

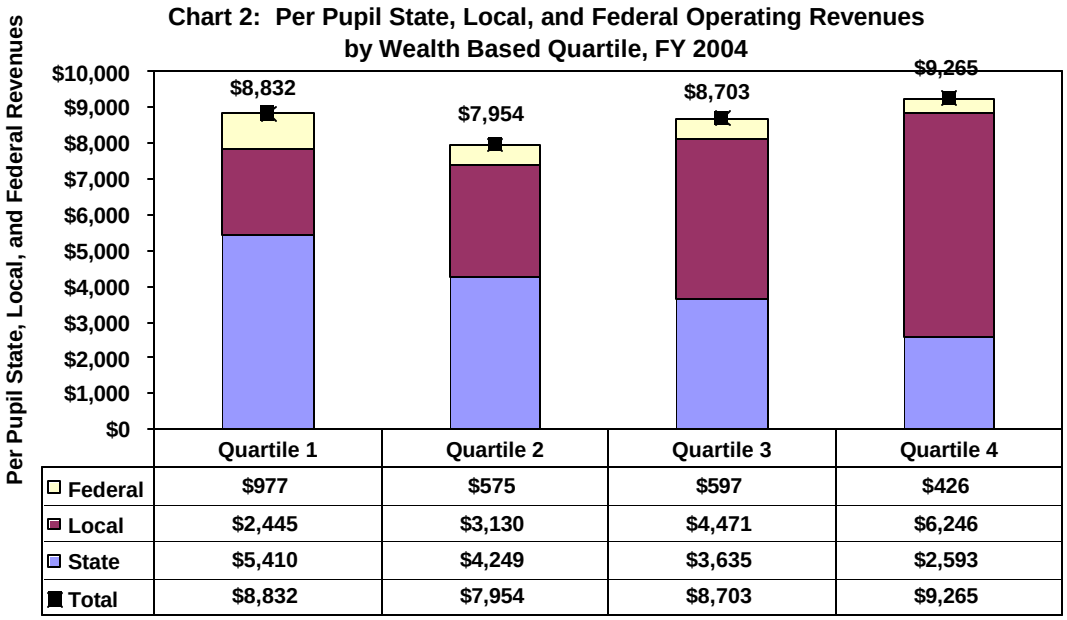
Total operating revenues for the school districts[1] in Ohio amounted to $15.0 billion in FY 2004. Chart 1 shows the distribution of the sources of this funding, which was approximately 45.6% state, 47.0% local, and 7.4% federal. Obviously, funding for school operations is primarily a partnership between the state and local school districts. 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 those with disabilities.

The primary local funding source is locally voted property tax levies (98%), supplemented by school district income tax levies (2%) in some school districts. The amount of local revenue a school district can raise, therefore, is largely dependent on the taxable property value in the district. The property wealth of school districts in Ohio varies widely. For the state as a whole, property wealth is equal to about $128,000 per pupil in FY 2004. It ranges from about $32,000 per pupil in the lowest wealth district to over $580,000 per pupil in the highest wealth district; the median district has property wealth equal to approximately $103,000 per pupil.

The bulk of the Department's GRF and lottery budget (76.3%) is for state education aid that 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 the uneven distribution of taxable property values across school districts on the educational services provided to students. Chart 2 illustrates the effect of this equalization. It presents 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 property valuations. School districts are then grouped so that each quartile includes approximately 25% of statewide total average daily membership (ADM). Quartile 1 has the lowest average value per pupil of $74,685 and quartile 4 has the highest average value per pupil of $195,235. Valuations per pupil for quartiles 2 and 3 are $104,021 and $137,010, respectively.

It can be seen from Chart 2 that, as districts become wealthier, per pupil local operating revenues increase, which is counterbalanced by per pupil state operating revenues decreasing. The local share of per pupil operating revenues increases from 27.7% for quartile 1, to 39.3% for quartile 2, 51.4% for quartile 3, and 67.4% for quartile 4. In contrast, the state share decreases from 61.3% for quartile 1, to 53.4% for quartile 2, 41.8% for quartile 3, and 28.0% for quartile 4. In fact, except for the wealthiest districts, property wealth is not a good predictor of total operating revenues. Per pupil total operating revenues for the first quartile ($8,831) are actually higher than those for the second and third quartiles ($7,954 and $8,702, respectively). Total operating revenues for the first three quartiles are actually better explained by the number of disadvantaged students served by districts. Quartile 1 contains four of the eight major urban districts in Ohio, whereas quartile 2 contains only one, quartile 3 contains two, and quartile 4 contains one. These major urban districts tend to have higher concentrations of disadvantaged students and receive more state and federal revenue to help them meet the higher costs associated with educating disadvantaged students. Quartile 1 also has several poor rural districts with relatively high transportation costs.

[1] There were a total of 612 school districts in Ohio in FY 2004. This analysis removes four districts that would skew the results due to their having so few students. The districts omitted are Kelley's Island, North Bass, Put-in-Bay, and College Corner. Beginning in FY 2005, there are 613 school districts in Ohio.



Quartile 4 districts (the wealthiest 19% of all school districts), on the other hand, have a higher amount of per pupil operating revenues ($9,265) primarily due to the fact that their local revenue per pupil ($6,246) is so much higher than that for quartile 1 ($2,445), quartile 2 ($3,130), and quartile 3 ($4,471) districts. Lower state and federal funds, however, do narrow quartile 4's local revenue advantage somewhat. As long as there is no limit on the amount of taxes local residents can approve for their schools, districts with very high wealth will likely always raise more revenue than lower wealth districts to provide a premium education to their students in order to meet the demands of their community. Instead of trying to match the revenue generated by the wealthiest districts, therefore, state funding focuses on ensuring that all districts have the revenue necessary to provide a state-defined basic education. Through parity aid, however, the state does provide additional funding above the basic education level.

II. The Current School Funding Model for a State-Defined Basic Education

Theory and Method

When considering school district expenditures and how they are funded, it is helpful to break spending down into the following three areas:

- The uniform cost of providing a state-defined basic education to "typical" students. On a per pupil basis, this cost is the same for all districts in the state, and is referred to as the per pupil base cost.
- The additional variable cost districts may face due to factors that are outside of their control. This cost includes the cost of providing a state-defined basic education to "nontypical" students, such as those in need of special, gifted, or career-technical education; or those who are disadvantaged. This cost also includes the cost of transportation, which varies greatly among districts. Finally, this cost includes geographic cost differences.
- The cost of providing a "premium" education, that is an education beyond the state-defined basic education covered in the two preceding areas.

The level of education services provided by a school district in Ohio largely depends on the amount of local revenue the district is able to raise as well as the amount of funding the district receives from the state. The amount of local revenue is dependent on the property wealth of the district and the willingness of the district's residents to approve property tax levies. School districts may also be able to institute an income tax in order to raise local revenue. As seen in the Section I, the property wealth of school districts in Ohio varies widely. The state has a responsibility to ensure funding for a state-defined basic education for all students regardless of which school district they attend. This includes the first two cost areas given above. Through parity aid, the state also provides funding for the third area.

The challenge for the state is first to measure the costs of a state-defined basic education for each district and second to determine how to distribute state funding to school districts in order to ensure that they are all able to meet these costs. This section will discuss the current theory and method used to measure costs and Section III will provide details of the current funding formula used to distribute state funding to school districts. Obviously, there exists more than one rational method to measure the costs of a state-defined basic education. The Ohio General Assembly has adopted a performance-based method with an input supplement. The underpinning theory behind the performance-based model is that most districts should be able to provide education opportunities similar to those 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. The performance-based model maximizes local control, but also allows the state to institute a statewide accountability system and to intervene when it is necessary. Details of the performance-based model used in Ohio are given below.

Basic Education Cost Model

The performance-based model adopted by the General Assembly is a model of the total cost of a state-defined basic education, including that funded through both state and local revenues. The model includes the uniform base cost – the cornerstone of the model, plus the additional variable costs faced by individual districts. 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. State funding for classroom facilities is administered separately by the Ohio School Facilities Commission.

Base Cost

The center of the model is the development of a uniform base cost for all "typical" students across the state. Expenditures related to additional variable cost pressures as well as expenditures from federal revenues are subtracted from a school district's total operating expenditures to give the district's base cost. This calculation is illustrated in Table 1. Special education, career-technical education, transportation, and federal revenues are self-explanatory. State DPIA funding represents additional funding on disadvantaged students, and the 7.5% range of the cost-of-doing-business factor (CDBF) represents geographic cost differences. The base cost is comparable and similar from one district to another.

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
And then deflated by the 7.5% range of the cost of doing business factor
= ***BASE COST***

In order to determine the base cost that the state will ensure all districts receive for each student, the performance-based model requires the selection of a group of districts that are representative of well-performing districts in the state. The model adopted by the 122nd General Assembly (H.B. 650 model) was based on the analysis of FY 1996 performance and base cost data. 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). To make sure the districts in the model were representative of districts in the state the top and bottom 5% of districts on measures of property wealth and income were removed from the analysis.[2] The H.B. 94 model then 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 127 (21% of all districts) representative high performing school districts that met at least 20 out of 27 performance indicators.[3]

In the process of updating the base cost model with the FY 1999 data, it was recognized that without some adjustments the state would end up funding similar spending twice. Under the H.B. 650 model, state grant programs (for example, professional development grants and technology grants) and local revenue for an education beyond the basic level (the state assumes a contribution to the base cost of 23 mills of local property tax levies) were not subtracted from total operating expenditures. This

[2] Forty-three of these nonrepresentative districts would have been included in the model if they had not been removed as outliers.

[3] 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. 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.

calculated base cost was then used in determining state base cost funding through the state foundation program. So, in a sense, state grants and local revenue above the basic level were included in the state foundation program. Meanwhile, these same programs were also funded outside of the foundation program since the state continued to require a 23-mill contribution 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. Calculating the base cost as described in Table 1, without any adjustment, could have resulted in a base cost that would have been 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 the 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 were 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 per pupil of $4,133 for the 436 districts meeting less than 20 performance indicators in FY 1999.

The base cost formula amount calculated for FY 1999 was then inflated at a rate of 2.8% per year to arrive at a value of $4,802 in FY 2002. An additional $12 per pupil was added to account for the state increasing the high school minimum graduation credit requirement to 20 units.[4] The base cost formula amount in FY 2002 was, therefore, $4,814. This was inflated by 2.8% to arrive at a base cost formula amount of $4,949 in FY 2003. Am. Sub. H.B. 95 of the 125th General Assembly inflated this amount by 2.2% per year for a formula amount of $5,058 in FY 2004 and $5, 169 in FY 2005.

As explained in the Overview section, the executive budget breaks the formula amount into three different components and applies different inflation rates to each component to arrive at a total increase in the formula amount of 3.1% in FY 2006 and 3.0% in FY 2007. The formula amounts proposed by the executive budget are $5,328 in FY 2006 and $5,489 in FY 2007. In addition, based on the recommendations of the Blue Ribbon Task Force, the executive budget proposes to move toward an inputs-based model. The executive budget recognizes and funds four inputs as base cost funding supplements that are in addition to the formula amount derived from the outputs-based model described in this section. The executive budget also proposes to create a School Funding Advisory Council that will be charged with further refining an inputs-based base cost model.

[4] In its final report, the Joint Committee to Re-Examine the Cost of an Adequate Education 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.

Variable Costs

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. Funding for a flat per pupil base cost will not ensure a similar state-defined basic education for every student in every district. A rational school funding model should provide additional funds above the base cost to compensate individual districts for the higher costs they may have to incur in order to provide a similar basic education to all students. The current school funding model includes a series of adjustments to the base cost to account for individual districts' unique characteristics. These adjustments mainly include geographical cost differences, special education, career-technical education, disadvantaged pupil education, and pupil transportation. Through these adjustments, all expenditures (see Table 1) that were previously excluded from a district's base cost are 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.

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. The CDBF 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 that 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, over 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. For example, the H.B. 650 model used an 18% range instead of the lower 7.5% range instituted by H.B. 94. While the 7.5% range of CDBF produces a statewide base cost formula amount of $4,814 in FY 2002, an 18% range would have produced a statewide base cost formula amount of $4,559. The 7.5% range enacted in H.B. 94 results in a flatter distribution of modeled costs (less disparities) and almost the same overall cost to the state.

One concern of the current CDBF has been that it provides the same per pupil benefits to all school districts within the same county regardless of their wealth levels and circumstances. The executive budget proposes to eliminate the inflation of each district's base cost by its CDBF, but does not recalculate the formula amount, which still reflects the deflation of the model districts' base cost amounts by the CDBF. This proposal alone would result in a decrease in state base cost funding. To partially offset this effect, the executive budget proposes a FY 2005 total base cost funding guarantee as explained in the Overview section. It also proposes new poverty-based assistance to provide more targeted funding to school districts with high concentrations of poverty students. This should also help partially offset the effect of eliminating the CDBF on high poverty districts located in high CDBF counties.

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 the higher costs required for special education services (Table 2). This six-weight system is being phased in. H.B. 95 phased in the weights at a rate of 88% in FY 2004 and 90% in FY 2005. The executive proposal maintains the current phase-in percentage at 90 % in FY 2006 and FY 2007. However, special education weighted funding will increase as a result of increases in the base cost formula amount – 3.1% in FY 2006 and 3.0% in FY 2007. State funding for special education weights is equalized based on the 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

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 the higher costs of career-technical education services. The additional weight is 0.57 for a career-technical full-time equivalent (FTE) student enrolled in a 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). State funding for career-technical education weights is also equalized based on each district's property wealth. Career-technical education weighted funding will also increase at the same rate as the base cost formula amount increases – 3.1% in FY 2006 and 3.0% in FY 2007.

Table 3: Career-Technical Education Total Weight Categories

Workforce Development Program Weight: 1 + 0.57 = 1.57

Nonworkforce Development Program Weight: 1 + 0.28 = 1.28

0.05 – All Career-Technical Education Programs Associated Service Weight

Unlike special education students, the weight for a career-technical education student is only applied to 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 or her time in career-technical programs. There are other academic course requirements for career-technical students also. Typically, a student enrolled in a workforce development program spends about 40% to 60% of his or 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 nonworkforce development programs generally spends less

than 50% of their time in career-technical education courses. It may take two, three, or four nonworkforce development program students to form one career-technical education FTE for purpose of the weight calculation.

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. The current 100% state funded DPIA program attempts 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, increased instructional attention or reduced class size in grades K-3, and safety, security, and remediation measures.

According to statute, DPIA is to be distributed based on each district's DPIA index. The DPIA index compares a district's poverty student percentage to the statewide average poverty 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 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 for any safety, security, and remediation measures districts elect to implement. Districts with an index greater than 1.0 receive $230 multiplied by their indices per DPIA eligible student.

Before FY 2004, poverty for purposes of the DPIA index was measured as the number of students whose families participate in Ohio Works First (OWF). With welfare reform, however, OWF caseloads have been decreasing. H.B. 94 adopted a new poverty indicator to stabilize DPIA funding. It is based on the recommendations of the Legislative Office of Education Oversight. The new indicator uses the unduplicated count of children whose families receive Medicaid, food stamps, or disability assistance; or whose families participate in OWF or the children's health insurance program. The likely impact of this new measure will be to increase DPIA funding and to spread it over more districts. Please see the discussion of the impact of the new indicator in Section III. The new measure was to be used starting in FY 2004. HB. 95, however, notwithstood the statutory method of calculating and distributing DPIA funding for FY 2004 and FY 2005. Instead, in general, districts receiving DPIA in FY 2003 received an annual 2% increase in funding in FY 2004 and FY 2005, unless they were on the DPIA guarantee that is described in more detail in Section III.

The executive proposal replaces current DPIA with "poverty-based assistance." Poverty-based assistance uses the new poverty indicator to calculate a poverty index in the same way the DPIA index is currently calculated. It retains the three current DPIA programs with some changes and adds other programs. A complete description of this new program is given in the Overview section.

Pupil transportation

To promote transportation efficiency, the state uses a 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. State funding is based on the transportation model cost instead of actual transportation expenditures. The state reimbursement rate is 60% or the percentage of the district's base cost that is provided by the state,

whichever is greater. 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.

The executive budget proposes to discontinue the use of the regression model. It requires the Department of Education to recommend a new method of distributing transportation funding. In FY 2006 and in FY 2007, the executive budget provides each district with an annual increase of 2.0% in state transportation aid.

Summary of the Current School Funding Model for a Basic Education

In summary, the current school funding model for a state-defined basic education includes two main components: (1) base cost and (2) variable costs that are largely outside the control of individual districts. Federal revenues that are beyond the control of state and local school districts continue to flow independently of the model. 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, which takes into account the characteristics of the district and its students. Once the total model cost 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. Section III details these formulas. As mentioned previously, the state also provides funds for costs that are beyond those of a state-defined basic education. These funds are provided through parity aid, which is described in detail in Section IV.

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 cost to account for some variable costs, decisions of which variable costs to include, and in what manner additional funding should be provided, vary widely from state to state. The base cost number tends to be higher in states with fewer adjustments to it, and vice versa. Ohio has a highly diversified school system. 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 number 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, therefore, not appropriate to draw conclusions by simply comparing two states' base cost 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 cost of a state-defined basic education is based on a model that includes a uniform per pupil base cost and various adjustments to account for uncontrollable cost factors facing the district. 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 school districts that may not be able to raise sufficient local revenues to ensure they receive the full amount they need to fund the basic education model cost. These various formulas are discussed in the following sections. In general, FY 2004 data is used in this analysis as, in most cases, it is the most recent year for which actual data exists.

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 – $5,058 in FY 2004 and $5,169 in FY 2005 – with the cost-of-doing-business factor (CDBF) adjustment. The formula neutralizes the effect of different levels of property wealth on school districts' abilities to fund the base cost. The expression of the base cost funding formula can be seen in Table 4. A discussion of various formula variables follows. As indicated earlier, the CDBF adjustment is eliminated in the total base cost calculation for FY 2006 and FY 2007 under the executive budget.

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/Charge-Off = Total Recognized Valuation x Charge-Off millage Rate (0.023)
State Share = Total Base Cost – Local Share
State Share Percentage = State Share/Total Base Cost

Base Cost Formula Amount

The calculation of the base cost formula amount is detailed in the previous section. As indicated earlier, the executive budget increases the base cost formula amount to $5,328 in FY 2006 and $5,489 in FY 2007, an increase of 3.1% in FY 2006 and 3.0% in FY 2007. The following table gives a history of the base cost formula amount over the last ten years.

Table 5: Base Cost Formula Amount

Fiscal Year	Amount	Change	% Change
1997	$3,550	$235	7.1%
1998	$3,663	$113	3.2%
1999	$3,851	$188	5.1%
2000	$4,052	$201	5.2%
2001	$4,294	$242	6.0%
2002	$4,814	$520	12.1%
2003	$4,949	$135	2.8%
2004	$5,058	$109	2.2%
2005	$5,169	$111	2.2%
2006	$5,328	$159	3.1%
2007	$5,489	$161	3.0%
Change FY 1997 – FY 2007		$1,939	54.6%

In addition to these amounts, the executive budget phases in supplements to the formula amount. These supplements total $27.40 in FY 2006 and $36.16 in FY 2007. The Urban 21 districts receive an additional $2.59 in FY 2006 and $2.67 in FY 2007 in formula amount supplements. Including these supplements, the executive proposal funds a base cost per pupil for most districts of $5,355 in FY 2006

and $5,525 in FY 2007. For the Urban 21 districts, the executive proposal funds a base cost per pupil of $5,358 in FY 2006 and $5,528 in FY 2007.

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. For each county, it is based on the weighted average weekly wage for all workers within the county itself and within all immediately surrounding counties. These wage data are reported by the Ohio Bureau of Employment Services. Each district's formula amount is adjusted by the CDBF of the county in which the district is located. In this way, the formula compensates school districts for the differences in costs incurred to provide similar education services that are caused by differences in regional labor markets. H.B. 94 permanently froze the range of CDBF at 7.5%[5]. The CDBF is generally updated every two years. In FY 2004 and FY 2005, the lowest factor of 1.0 was for Gallia County and the highest factor of 1.075 was for Hamilton County. The adjusted formula amount of $5,437 ($5,058 x 1.075) in FY 2004 for school districts in Hamilton County is viewed as equivalent to the formula amount of $5,058 in Gallia County. In other words, to ensure a similar ability to provide a comparable basic education, the formula assumes 7.5% more in base cost funding for districts in Hamilton County than it assumes for districts in Gallia County. The CDBF adjustment increased statewide base cost funding by approximately $372 million in FY 2004, excluding the effect of other formula factors. However, if the base cost formula amount had been 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, Warren, Butler, Cuyahoga, Franklin, Summit,	Gallia, Scioto, Athens, Meigs, Adams, Monroe
Clermont, Medina, Delaware, Lake	Washington, Belmont, Guernsey, Jefferson

The executive budget eliminates the use of the CDBF adjustment in the funding formula, but does not recalculate the formula amount without the CDBF. The executive budget, however, guarantees that each district's total base cost, including base funding supplements, will not fall below its total base cost in FY 2005.

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 and career-technical students attending compact school districts (CVOC) are counted at the 20% level. (JVS students are funded through separate, yet parallel, SF-3 foundation formulas. In addition, their home districts receive this 20% funding through the formula.)

Formula ADM = Kindergarten ADM x 0.5 + Grades 1-12 ADM –JVS ADM x0.8 + CVOC ADM x 0.2

[5]The actual range of county cost factors is more than 40%. By shrinking the original variation to about one-fifth its original size, the 7.5% range is obtained.

Public school enrollment started to increase in FY 2002, after declining for several years. From FY 2001 to FY 2004, total public school enrollment grew by 11,020 students, which translated into an increase in formula ADM of 9,154. This increase appears to be largely the result of a shift from nonpublic to public schools, probably due to the economic recession. In fact, from FY 2001 to FY 2004, total nonpublic school enrollment fell by 19,066 students. Total enrollment (public and nonpublic combined) has continued to decline. It fell by 8,046 students from FY 2001 to FY 2004. It is hard to predict with accuracy what will happen to formula ADM in the future. The executive proposal is based on an assumed increase in ADM of 0.3% in FY 2005, 0.2% in FY 2006, and 0.1% in FY 2007.

Prior to FY 2004, the formula used the greater of current year ADM or the average of the current year and the last two years' ADMs. This provision reduced fluctuations in state aid due to changes in enrollment. For districts with declining enrollments, it slowed down the effect of the decreases in ADM on the districts' state aid. If the three-year average ADM had been used in FY 2004, state aid would have been approximately $95.7 million higher. For more information on the effect on school district state aid from changes in ADM see the section entitled the Marginal Student Effect below. The executive proposal reinstates the use of the greater of the current year ADM or the three-year average ADM in base cost funding, except that only current year ADM is used in the calculation of the base funding supplements.

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 tangible personal property, and (4) other tangible personal property. Class I and Class II are commonly referred to as real property.

Real property values are updated every three years and reappraised every six years in Ohio. School districts generally will experience significant increases in real property values in the reappraisal or update year. Due to H.B. 920, however, revenue from voted operating mills on existing (carryover) real property does not grow with the appreciation in property values. 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. If the local share of the base cost were to be determined using total assessed valuation, the local share would generally increase sharply every three years, even though local revenues may not increase as much. This would in turn result in the state share of the base cost decreasing sharply every three years. To minimize the fluctuation in state funding due to reappraisal/update cycles, the General Assembly adopted the "recognized" valuation provision. A school district's inflationary increase in carryover real property in the reappraisal/update year is "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 total assessed valuation.

The Department of Taxation certifies the real property inflationary increase data for individual districts to the Department of Education. Below is an example of how the recognized valuation calculation might work for a hypothetical District A. District A has a reappraisal in tax year (TY) 2002, its real property inflationary increase from TY 2001 to TY 2002 is $6 million, and its total assessed value is $120 million in TY 2002. In FY 2004, its recognized value will be $116 million. Assuming District A has no other changes in valuation in the next three years, its recognized valuation will be $118 million in FY 2005, and finally in FY 2006, it will be equal to its total assessed valuation at $120 million.

District A: Reappraisal in TY 2002: Inflationary Increase of $6 million
Total Assessed Valuation in TY 2002 equals $120 million
FY 2004 Recognized Valuation = $120,000,000 – $6,000,000 x (2/3) = $116,000,000
FY 2005 Recognized Valuation = $120,000,000 – $6,000,000 x (1/3) = $118,000,000
FY 2006 Recognized Valuation = $120,000,000 = Total Assessed Valuation

Due to the recognized valuation provision, District A's local share of the base cost will be $92,000 ($4,000,000 x 0.023) lower in FY 2004 than it would have been if total assessed valuation had been used. The state share of base cost for District A is accordingly $92,000 higher in FY 2004 than it would have been otherwise. On average, the recognized valuation provision lowers the statewide local share of the base cost, and, thereby, increases the statewide state share of the base cost by approximately $160.5 million per year. The effect on state funding of reappraisals and updates is further mitigated by the reappraisal guarantee, which is described below.

Charge-off millage Rate

The 23-mill charge-off millage rate in the base cost funding formula has been in place since FY 1997. This formula assumes that school districts contribute 23-mills of recognized property valuation as the local share of the base cost. Statewide, local operating revenues (including the school district income tax) were equal to about 32.3 mills of total assessed valuation in TY 2003. The base cost formula ensures that all districts raise their base cost with 23 mills of local operating taxes. The formula, therefore, equalizes about 71.2% (23/32.3) of local operating tax levies. Additional millage is equalized through special and career-technical education weight cost funding, which is described below. Parity aid further equalizes an additional 9.5 mills above the basic education level.

Increasing the charge-off millage rate improves overall inter-district equity since a greater portion of local revenue is subject to formula equalization. Several legislative study committees in the early 1990s recommended gradually increasing the charge-off millage rate to 25 mills to help improve overall equity. In response, 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. It has remained at 23 mills since FY 1997.

Generally speaking, increasing the charge-off millage rate in conjunction with increasing the formula amount benefits low wealth districts more than simply increasing the formula amount alone. However, some districts have complained about the increase in the charge-off millage rate because of the problem of so-called formula phantom revenue. Formula phantom revenue occurred when a district levied less than the 23 mills the formula assumes it is contributing to its base cost. Districts are only required to levy 20 mills in order to participate in the state school funding program. While formula phantom revenue was a problem previously, the establishment of the charge-off supplement or gap aid eliminated this problem. Gap aid is discussed in more detail below. Basically, it fills the gap between a district's actual local operating revenues and the local operating revenues assumed by the formula with additional state funding.

Local Share of the Base Cost – 23 mill Charge-off

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

Charge-off = Total Recognized Valuation x 0.023

Unlike the state share of the base cost, the local share is not dependent on the district's enrollment or ADM, but only on the district's recognized valuation. The current charge-off method results in an upward-sloping linear relationship between each district's valuation per pupil and each district's charge-off per pupil. That is, a school district with a higher per pupil valuation will also have a higher per pupil charge-off. In this way, the formula helps to equalize district revenues.

With a formula amount of $5,058 and a 7.5% range of CDBF in FY 2004, the base cost funding formula equalizes per pupil valuations up to a range of $219,913 ($5,058/0.023) to $236,407 [($5,058 x 1.075)/0.023] depending on each district's countywide CDBF. This per pupil valuation range is called the equalization level. It represents the 96.6th percentile ranking in valuation per pupil in the state. School districts with valuations per pupil above the equalization level (21 districts or 3.4% of all districts in FY 2004) do not receive any state base cost funding from the formula calculation alone, since, for those districts, 23 mills of recognized valuation is greater or equal to the district's base cost. Under the executive budget, the equalization level will be $231,652 ($5,328/0.023) in FY 2006 and $238,652 ($5,489/0.023) in FY 2007.

State Share of the Base Cost

To determine the amount of state base cost funding for each individual district, the formula first calculates the district's total base cost, which depends on the district's CDBF and formula ADM. The formula then calculates the district's local 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 the state share of the district's base cost. Once a school district meets its 23-mill charge-off requirement, the state is required to provide the rest of the base cost calculated for the district. Table 6 shows the equalization effect of the base cost funding formula for three hypothetical districts with different levels of property wealth.

Table 6: The Base Cost Funding Formula*

		District A	District B	District C
Line 1	ADM	1,000	1,000	1,000
Line 2	Formula Amount (FY 2004)	$5,058	$5,058	$5,058
Line 3	CDBF	1.00	1.00	1.00
Line 4 = L1*L2*L3	Total Base Cost	$5,058,000	$5,058,000	$5,058,000
Line 5	Total Recognized Valuation	$32,986,957	$109,956,522	$186,926,087
Line 6 = L5/L1	Recognized Valuation Per Pupil	$52,987	$109,957	$186,926
Line 7 = L5*0.023	Total Local Share	$758,700	$2,529,000	$4,299,300
Line 8 = L7/L1	Local Share Per Pupil	$759	$2,529	$4,299
Line 9 = L4-L7	Total State Share	$4,299,300	$2,529,000	$758,700
Line 10 = L9/L1	Total State Share Per Pupil	$4,299	$2,529	$759
Line 11 = L7+L9	State Plus Local Base Cost Revenues	$5,058,000	$5,058,000	$5,058,000
Line 12 = L10+L8	Base Cost Revenues Per Pupil	$5,058	$5,058	$5,058
Line 13 = L9/L4	State Share %	85%	50%	15%
Line 14 = L7/L4	Local Share %	15%	50%	85%

**Numbers in the table are rounded.*

In this hypothetical example, Districts A, B, and C each have 1,000 students, and the CDBF is assumed to be 1.0. Total base cost for these districts is, therefore, the same at $5,058,000. However, wealth levels are very different among them. Per pupil valuation is $32,987 for District A, $109,957 for District B, and $186,926 for District C. Due to different levels of property wealth, the same 23 mills generate $759 per pupil in District A, $2,529 in District B, and $4,299 in District C. However, the formula equalizes this revenue by providing a state share per pupil equal to $4,299, $2,529, and $759 to Districts A, B, and C, respectively. With the combination of the state and local shares, base cost revenues per pupil are equal at $5,058 for all three districts. 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 for District A, 50% for District B, and 15% for District C. Conversely, local shares of the base cost 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 21 very wealthy districts. These 21 districts have a wealth level above the formula's equalization level of approximately $228,000 per pupil.

The 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. With an ADM of 1,000 students for each district, on average the state provides $4,299 per pupil to low wealth District A, $2,529 to average wealth District B, and $759 to high wealth District C. However, on the margin, 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. Table 7 illustrates the marginal student effect for the hypothetical District A from the previous example.

Table 7: The Marginal Student Effect – District A Example
Total Local Share = $758,700
Locally Funded ADM = 150 ($758,700/$5,058) – The break-even ADM number
State Base Cost Funding @150 ADM = $5,058 x 150 - $758,700 = 0
State Base Cost Funding @ 151 ADM = $5,283 x 151 - $758,700 = $5,058
State Base Cost Funding @ 152 ADM = $5,283 x 152 - $758,700 = $10,116 ($5,058x 2)
State Base Cost Funding @1,000 ADM = $5,283 x 1000 - $758,700 = $4,299,300 ($5,058x 850)
State Funded ADM ("Marginal Students") = 1,000 – 150 = 850
State Share of the Base Cost Funding percentage = 85% (850/1,000)
Local Share of the Base Cost Funding percentage = 15% (150/1,000)

Regardless of the ADM of the district, the local share is a fixed amount of local revenue generated by 23 mills of local property tax levies. This local share will fund the base cost for a certain number of students. This number of students is called the break-even ADM. For District A, the break-even ADM is 150. The greater the property wealth of the district, the greater is the break-even ADM. For District B in Table 6, the break-even ADM is 500, and for District C it is 850. If the actual ADM of a district is less than the break-even ADM (the district is very wealthy), the state share of the base cost for the district is zero. 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. Therefore, for all three districts in Table 6, an additional student above the current ADM of 1,000 would result in an increase in state base cost funding of $5,058. Likewise, for all three districts a loss of one student below the current ADM of 1,000 would result in a decrease in state base cost funding of $5,058.

The marginal student effect has several implications. First, it 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.

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 net enrollment change by the formula amount with the CDBF adjustment. This method should not be applied to "guarantee" districts, including those districts with a wealth level above the formula's equalization level, which are not funded according to the formula. 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 the formula amount by one dollar, one can multiply one dollar by the statewide formula ADM and by the statewide average CDBF plus the total weights for special and career-technical education students. For FY 2004, this works out to be approximately $2.0 million for every dollar increase in the base cost formula amount.

The State Share Percentage

The base cost funding formula produces a state share percentage for every district. This percentage is then used to determine the state share of special and career-technical education weight cost funding, transportation funding, and a portion of gifted unit funding for each district. In FY 2004, the average district's state share percentage is approximately 46.9%. However, the median state share percentage is approximately 54.4%. In other words, about 306 school districts receive more than 54.4% of their base cost from the state. Approximately 357 school districts (58.3%) have state share percentages higher than 50%. Meanwhile, the state share percentage is zero for 21 districts with wealth levels above the formula's equalization level. The state share percentage is 90.9% for the district with the lowest charge-off valuation per pupil in the state.

It can be seen in Table 7 above, that a district's state share percentage of base cost 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 the state share of the base cost changes. For example, if the hypothetical District A in Table 6 above had 1,050 instead of 1,000 students, its state share percentage of base cost would be 85.7% instead of 85.0%.

Additional Funding for Special and Career-Technical Education

Special and career-technical education students are first included in the district's formula ADM to qualify for state base cost funding. Recognizing the higher costs of these special needs programs, each student who requires special needs service is also assigned an additional weight. This weight cost funding is equalized based on each district's state share percentage of the base cost. The weights are discussed in the previous section entitled The Current School Funding Model for a State-Defined Basic Education.

Additional Funding for Special Education

As indicated earlier, in addition to being included in the base cost, special education students are grouped into six categories and assigned additional weights to reflect the higher costs of special education services (see Table 2 for details). The state share of the special education weight cost is equalized based on each district's state share percentage of the base cost (see Table 8a). The current six-weight system is being phased in at 88% in FY 2004 and 90% in FY 2005. The executive budget proposes to maintain the phase-in percentage at 90% in FY 2006 and FY 2007.

Table 8a: State Special Education Weight Funding =
Total Special Education Weights x Formula Amount x District's State Share % x State Payment %
State Payment % - 88% in FY 2004 and 90% in FY 2005, FY 2006, and FY 2007.

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

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

In FY 2004, special education student ADM was 216,567, representing 12.6% of total formula ADM for the 612 school districts. For that year, $362.3 million in additional state funding for special education (including $12.1 million in speech service supplement) was distributed. From FY 2002, when the six weights first began to be phased in, to FY 2004, total special education student ADM has increased by about 14,559 or 7.1%, with an average annual growth rate over that period of 3.5%. Formula ADM on the other hand increased over the same time span by 0.8%, with an average annual growth rate of 0.4%. Of the additional 14,559 special education ADM, approximately 67.0% were added to category two, 16.5% to category three, and 15.2% to category six.

In addition to base cost funding, 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 $30,840 per pupil for students in category six and $25,700 per pupil for students in categories two through five in FY 2004 and FY 2005. The executive proposal increases these thresholds to $26,500 for categories one through five and to $31,800 for category six for FY 2006 and FY 2007. The state reimburses 50% of the cost exceeding the thresholds and the state share percentage multiplied by the other 50% of the cost exceeding the thresholds. For an average wealth district, therefore, the state pays 75% of the catastrophic costs, as long as the total amount stays within the appropriation. In FY 2003, the Department began paying the prior year's obligations out of the current appropriation so that in FY 2002, no subsidy payment was made. In FY 2003, $11.0 million was paid for FY 2002 obligations, and in FY 2004 $15.0 million was paid for FY 2003 obligations. FY 2003 obligations totaled $17.6 million, so the state payment percentage was reduced to remain within the $15 million appropriation. The executive budget provides $18 million in FY 2006 and $19 million in FY 2007 for the catastrophic cost subsidy.

Additional Funding for Career-Technical Education

Just like special education students, career-technical education students receive additional weight funding above base cost funding. The additional weight is 0.57 for a career-technical full-time equivalent (FTE) student enrolled in a workforce development program and 0.28 for a career-technical FTE student

enrolled in any other career-technical education program. All career-technical education students also receive a 0.05 weight for associated services. As with special education weight funding, career-technical education weight funding is 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 is eventually transferred to the 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. In addition to funding the career-technical education weight cost, the state also 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 $47,555 per GRADS teacher in FY 2004 and FY 2005 (see Table 9b). The executive budget maintains the current GRADS teacher personnel allowance for FY 2006 and FY 2007. The bulk of the GRADS teacher grant funding goes to the 49 joint vocational school districts, since most GRADS teachers are employed by them.

Table 9b: State GRADS Teacher Grant =
$47,555 x Approved GRADS Teacher FTE(s) x District's State Share %

Approximately $51.0 million in additional career-technical education funding was distributed to the 612 school districts for FY 2004. 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

The state provides funding for the additional costs associated with gifted education through unit funding. H.B. 95 provides funding for up to 1,110 gifted units in FY 2004 and FY 2005. Unit funding is largely unequalized. It funds part of the calculated 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)]

The salary allowance is based on the state minimum teacher salary schedule prescribed by law, as it existed prior to FY 2002. The classroom allowance has remained steady for many years at $2,678. The supplemental allowance has also remained steady in the last few years at $5,241. 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, which comprise about 20% of the total number of units. In FY 2004, unit reimbursement value was approximately $37,087 on average.

The executive budget proposes to fund up to 1,110 gifted units in FY 2006 and FY 2007. The supplemental unit allowance remains unchanged. The average unit reimbursement would, therefore, also largely remain unchanged.

Disadvantaged Pupil Impact Aid

As mentioned in the section II, H.B. 94 adopted a new poverty indicator for the DPIA program beginning in FY 2004. The use of this new indicator was postponed in FY 2004 and FY 2005, when districts received 2% annual increases in their previous DPIA allotments. For FY 2004, 339 districts received a total of $322.8 million in DPIA. The executive proposal makes extensive changes to DPIA, including renaming it poverty-based assistance and phasing in several new programs. The current DPIA formulas specified in law are discussed in the next few sections, along with references to the changes proposed in the executive budget. Details of the executive proposal are given in the Overview. Current DPIA includes funding for three programs: all-day kindergarten, K-3 class size reduction, and safety, security, and remediation measures.

DPIA Index

The distribution of DPIA is determined by the DPIA index. To calculate each district's DPIA index, divide each district's DPIA eligible student percentage by the statewide average DPIA eligible student percentage, as shown in Table 11a below.

Table 11a: DPIA index =
% of students in district who are living in poverty / % of students in the state who are living in poverty
(Students living in poverty are those whose families participate in at least one of the following programs: Medicaid, food stamps, disability assistance; Ohio Works First, or the children's health insurance program)

The executive proposal uses the same calculation, but changes the name of the index to the poverty index.

All-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 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 11b: All-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 base cost funding)

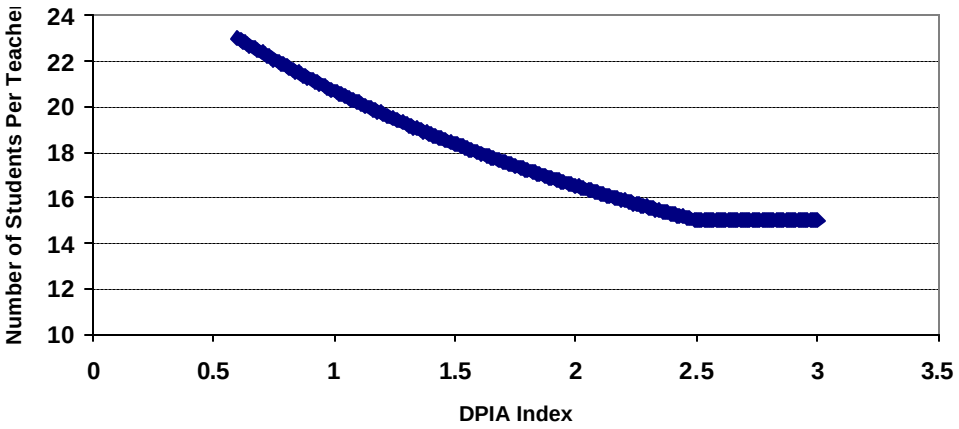
The change in a district's DPIA index from slightly above one to slightly below one or vice versa could have a significant impact on the district's all-day kindergarten funding. To stabilize this funding, districts that received all-day kindergarten funding in the previous year, i.e., districts that were eligible and actually provided all-day kindergarten services, continue to be eligible for this funding in the next year regardless of their index numbers. For FY 2004, 107 districts received a total of $102.4 million in all-day every day kindergarten funding.

The executive proposal does not change the calculation of all-day kindergarten funding. It does, however, incorporate the new poverty indicator, which is described below. As a result, the number of districts eligible for funding increases to 149. Proposed funding for the program is $147.9 million in FY 2006 and $151.8 million in FY 2007.

K-3 Class Size Reduction

School districts with a DPIA index of greater than or equal to 0.6 are eligible for funding to reduce K-3 student/teacher ratios ranging from 23:1 to 15:1 depending on the district's DPIA index. Districts with a DPIA index greater than or equal to 2.5 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 receive funding based on a sliding scale to reduce student/teacher ratios ranging from slightly above 15:1 down to 23:1 (see Chart 3). The salary allowance for hiring a new teacher was $43,658 in FY 2003.

Chart 3: Student Teacher Ratios by DPIA Index



The formula assumes that every eligible district currently has a student/teacher ratio of 23:1. Then, the formula identifies how many additional teachers would be needed to reduce an eligible district's ratio down toward 15:1 according to a sliding scale based on the district's DPIA index. Funding based on the salary allowance is given to districts to hire these additional teachers. 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 If the district's DPIA index is greater than or equal to 2.5: Total needed teachers = (K-3 regular ADM)/15 If the district's DPIA index is at least 0.6 but less than 2.5 Total needed teachers = (K-3 regular ADM) x (1/23+(((DPIA index – 0.6)/(2.5-0.6)) x (1/15-1/23)))
Step 2: Total current available teachers = (K-3 regular ADM)/23
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

For FY 2004, 154 districts received a total of $135.0 million in kindergarten through third grade class-size reduction funding.

The executive budget proposes significant changes to this program. As discussed in detail below, the use of the new poverty indicator causes the poverty index for many large urban districts to fall. The index falls below the current cut-off for full funding in the program of 2.5 for four of the eight major urban districts. The executive budget counteracts that affect by reducing the cut-off index to 1.5. In addition, it raises the index needed to qualify for any funding from 0.6 to 1.0. It also increases the teacher salary allowance used in the calculation. Finally, the executive budget assumes that districts currently have a student/teacher ratio of 20:1, instead of 23:1, which reduces the calculated number of teachers needed to reduce class sizes to 15:1. Under the executive proposal, approximately 150 districts will be eligible for funding. The executive budget includes funding totaling $155.9 million in FY 2006 and $161.3 million in FY 2007 for this program.

Safety, Security, and Remediation Funding

School districts with a DPIA index greater than or equal to 0.35 are eligible for funding for any safety measures and remediation programs districts elect to implement. Funding is $230 per DPIA eligible student for districts with DPIA indices less than one and $230 multiplied by the district's DPIA index per DPIA eligible students for districts with DPIA indices greater than one. 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, a district with an index of two would receive $460 ($230 x 2) per DPIA eligible student. For FY 2004, 264 districts received a total of $84.8 million in safety, security, and remediation funding.

The executive proposal completely changes this program. The cut-off index for eligibility is reduced to 0.25 and funding is determined through a two level system that is described in detail in the Overview section. Districts qualifying for this funding receive up to $341 per poverty student in FY 2006 and up to $527 per poverty student in FY 2007. The executive budget provides $78.3 million in FY 2006 and $121.2 million in FY 2007 for this program. In addition, the executive budget provides funding for four new programs: limited English proficient student intervention, teacher professional development, dropout prevention, and community outreach. The executive budget provides a total of $21.8 million in FY 2006 and $33.7 million in FY 2007 for these four new programs.

The Guarantee Provision

In addition to the guarantee provision included in the all-day kindergarten portion of DPIA, there is another provision that guarantees school districts receive at least their FY 1998 DPIA funding amounts. That is, the total amount of DPIA funding a district receives for all-day kindergarten, K-3 class size reduction, and safety, security, and remediation in a given year is guaranteed to be no less than the district's FY 1998 DPIA funding amount.

The executive budget proposes to guarantee that districts receive poverty assistance at least equal to the DPIA the districts received in FY 2005. The executive budget provides $30.3 million in FY 2006 and $13.1 million in FY 2007 for this guarantee.

The Effect of the New Poverty Indicator

The new poverty indicator includes many more students than the previous indicator. In fact, the percentage of students in Ohio counted as poor in FY 2004 under the old indicator was 6.8%, whereas in FY 2004, under the new indicator the percentage was 20.1%. As can be seen in Chart 4, the distribution of poverty students also changed dramatically. Under the old indicator 63.2% of poverty students resided in the 15 major urban districts. Under the new indicator this percentage falls dramatically to 48.5%. The percentage of poor students in smaller urban areas increases from 15.6% to 19.8%, in rural areas the percentage increases from 12.1% to 18.3%, and in suburban areas the percentage increases from 9.1% to 13.4%. Whereas the old indicator tended to concentrate DPIA in the major urban districts, the new indicator spreads the funding out more. Under the new indicator, the average DPIA index in the major urban districts falls 0.73 points from 3.13 to 2.40. Without changing the distribution formulas, on average, major urban districts would receive $167 per poverty student less in safety, security, and remediation funding. If fully funded, this loss would generally be counterbalanced by the increase in the number of poverty students. Four major urban districts (Akron, Canton, Cincinnati, and Columbus), however, would experience decreases in their class-size reduction funds as their indices fall below 2.5 with the new indicator. The Department of Education groups districts into seven types based on geographical and socio-economic factors. Table 11e shows how DPIA is distributed across these seven types under the old and new indicator assuming no changes in the current distribution formula. Under the old indicator, the 15 major urban districts receive approximately 71.0% of total DPIA funding versus 60.7% under the new indicator. The percentages for the other types are all higher under the new indicator. Under the current formulas, statewide total DPIA would have been approximately $104.3 million higher in FY 2004 using the new indicator than it would have been using the old indicator. The final column of Table 11e shows how this increase in funding would be distributed over the seven district types.

Chart 4: Distribution of Poverty Students under the Old and New Poverty Indicators

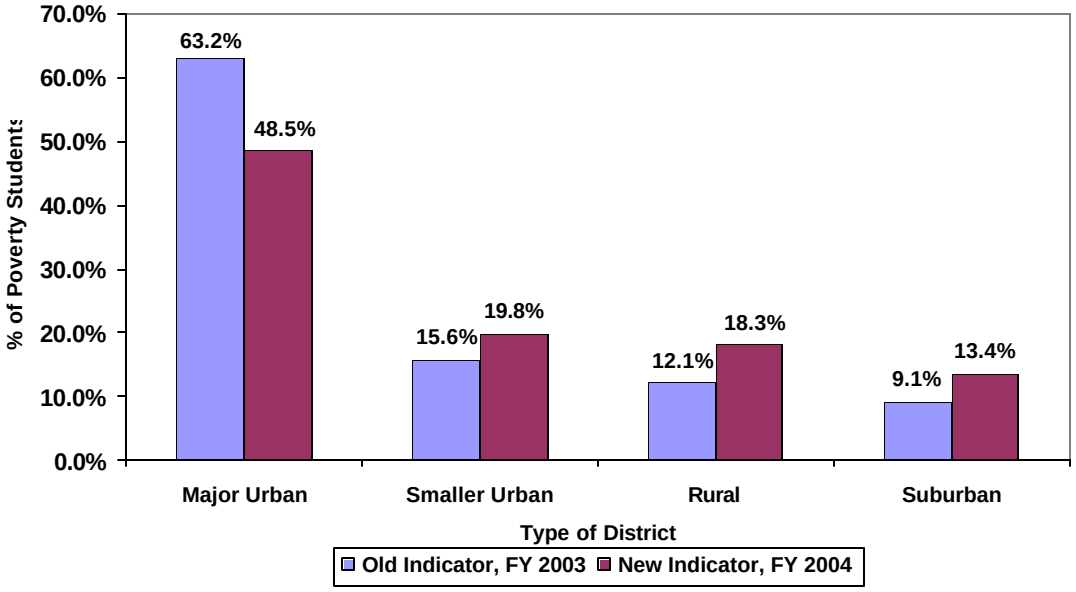


Table 11e: Distribution of DPIA Over District Types Under the Old and the New Poverty Indicator FY 2004 Data					
Type	No. SD	Type Description	% of Total DPIA under Old Poverty Indicator	% of Total DPIA under New Poverty Indicator	% of Total DPIA Increase under New Poverty Indicator
1	96	Rural/agricultural - high poverty, low median income	7.8%	10.7%	19.9%
2	161	Rural/agricultural - small student population, low poverty, low to moderate median income	1.1%	2.2%	5.7%
3	81	Rural/small town - moderate to high median income	0.1%	0.4%	1.3%
4	102	Urban - low median income, high poverty	16.9%	21.0%	34.1%
5	15	Major Urban - very high poverty	71.0%	60.7%	28.0%
6	107	Urban/Suburban - high median income	3.0%	4.8%	10.6%
7	46	Urban/Suburban - very high median income, very low poverty	0.1%	0.2%	0.5%

Pupil Transportation

Regression Model

Transportation costs are partly under the control of school districts and partly outside of their control. The number of students who are transported, geographical size of the district, and quality of the roads in the district are factors that are outside of the district's control but contribute to the district's cost of transportation. Within these constraints, the district sets its transportation policy, including scheduling which gives it some control over costs. In recognition of the dual nature of transportation costs, a statistical regression model is used to distribute the bulk of funding for regular pupil transportation. This methodology promotes efficiency by basing funding on those factors outside the district's control. In particular, 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 2003 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: Model Cost per ADM = 82.3659 + 213.9590 x Daily Miles per ADM + 133.6796 x Transported Pupil %

Step 2: Total Model Cost = Expected Cost per ADM x ADM

Step 3: State Transportation Aid = Total Model Cost x 60% or District's state share percentage, whichever is greater

Each district's model 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. For example, the model cost per ADM would be $364.49 (82.3659 + 213.9590 x 0.85 + 133.6796 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 model transportation cost is approximately $1,093,472 ($364.49 x 3,000). The district would receive about

$656,083 ($1,093,472 x 0.6) in state transportation funding. It should be noted that state reimbursements are based on an analysis of the previous year's pupil transportation expenditure data with an inflationary adjustment of 2.8%

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 these students as well as for special needs transportation are made pursuant to rules adopted by the State Board of Education. For FY 2004, pupil transportation aid was $353.3 million including the rough road supplement, which is described below.

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 a 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 this 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, the maximum rough road subsidy for a district with the highest rough road percentage in the state is $0.75 per mile. The maximum subsidy amount is scaled down to zero for a district with the statewide average rough road percentage.

A density multiplier is then applied. 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. 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 will 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 %		

For FY 2004, the rough road subsidy totaled about $3.4 million, and was distributed to 104 school districts. The rough road subsidy ranges from less than $1 to about $120 per 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 about $120 per ADM. Noble Local (Noble County) receives the second highest rough road subsidy of approximately $98 per ADM.

The executive budget proposes to notwithstand the transportation funding formulas described above for FY 2006 and FY 2007. Instead, the executive proposal provides increases of 2% per year in transportation funding to school districts receiving transportation funding in FY 2005. The executive budget also requires that the Department recommend a new formula for allocating state funds for transportation by July 1, 2006.

Excess Cost Supplement

As explained above, the state share of special education weight, career-technical education weight, and pupil transportation model costs is largely determined by the district's state share percentage. The excess cost supplement limits the local share of these costs to 3.3 mills of local property tax value. If a school district's local share of model costs for these three items exceeds 3.3 mills, the state will pay the excess cost. If the district's local share is less than 3.3 mills, it will not be affected by this provision.

The local share of special and career-technical education and transportation is already equalized based on a district's state share percentage of the base cost. 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 local share for transportation as well as special and career-technical education model costs ranged from less than one mill to almost six mills with an average of 3.0 mills in FY 2004.

By establishing the excess cost supplement, the formula effectively puts a cap of 26.3 mills on the maximum required local contribution to the basic education model cost. For FY 2004, 286 school districts were eligible for a total of $30.0 million in excess cost supplement. Per pupil benefits range from more than $150 in about 11 districts to less than $10 in 38 districts. The average benefit for districts receiving the supplement is $53 per pupil.

Although the executive proposal notwithstands the current transportation funding formulas in determining state funding for transportation in FY 2006 and FY 2007, it stipulates that the local share of transportation costs used in determining the excess cost supplement be calculated according to those formulas.

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 amounted to $14.8 million in FY 2004.

SF-3 Funding Guarantees

There are two guarantee provisions based on a district's formula (SF-3) funding. Each district's SF-3 funding amount includes: (1) base cost funding, (2) equity aid (phased out after 2005), (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. All of these components have been discussed in this section except for parity aid. Parity aid provides state funds for expenditures beyond the modeled cost of a basic education so it is treated separately in the next section.

FY 1998 Fundamental Aid Guarantee

The FY 1998 fundamental aid guarantee applies to so-called fundamental aid, which represents most components of SF-3 funding with the exception of the excess cost supplement, parity aid, and pupil transportation. Under current law, each district is guaranteed to receive fundamental aid equal to at least the same amount of fundamental aid it received in FY 1998. For FY 2004, the state paid an estimated $47.7 million in fundamental aid guarantee funding to 80 districts. Per pupil benefits range from more than $1,000 in four districts to less than $50 in 11 districts. The average benefit for these 80 districts is $401 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. 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 beyond the basic level.

The executive budget proposes to phase-out this guarantee provision by providing 50% of the guarantee in FY 2006 and completely eliminating the guarantee in FY 2007. The executive budget, however, includes transitional funding, which ensures that in FY 2006 districts receive the same total SF-3 funding plus gap aid (described below) that they received in FY 2005, and ensures that in FY 2007 districts receive no less than 98% of the total SF-3 funding plus gap aid they received in FY 2006.

The Reappraisal Guarantee

The reappraisal guarantee helps to mitigate the effects of the increase in property valuation experienced by districts during a reappraisal or update year. The section above on recognized valuation explains these effects in more detail. For a district undergoing a reappraisal or update, this provision guarantees the district receives at least the same amount of SF-3 funding it received in the previous year. In FY 2004, state funding for this guarantee totaled about $22.2 million.

Charge-off Supplement (Gap Aid)

The charge-off supplement, which is more commonly known as gap aid, assures that every district has the full amount of state and local revenues to fund the model cost of the state-defined basic education. It also effectively ensures that the local share of the base cost as well as special and career-technical education weight costs, and the transportation model cost do not depend on the locally voted property tax system. Gap aid is calculated as follows:

Table 13: Gap Aid =
+ Local share of the base cost (23 mill charge-off)
+ Local share of the special education weight cost
+ Local share of the career-technical education weight cost
+ Local share of the transportation model cost
- Excess cost supplement
- Total local operating revenues (including property taxes and school district income taxes)

Gap aid eliminates formula phantom revenue, as recognized in the Supreme Court's *DeRolph II* decision. Formula phantom revenue resulted because some districts do not have sufficient millage to meet the required local share of up to 26.3 mills. However, with gap aid the state provides supplemental funding to fill the gap. For FY 2004, $49.8 million was provided in gap aid to 130 eligible districts. Per pupil benefits ranged from more than $400 in 15 districts to less than $30 in 6 districts. The average benefit for these 130 districts was $229 per pupil.

It should be noted that the cost of gap aid and the excess cost supplement are somewhat interdependent. For example, if two districts both have the same total formula local share of 27.3 mills (23 mills for the base cost and 4.3 mills for special education, career-technical education, and pupil transportation), District 1 has an amount of local operating revenue equal to 22.3 mills of property tax levies and District 2 has 26.3 mills. District 1 would receive an amount of state subsidy equal to one mill (4.3 mills – 3.3 mills) from the excess cost supplement and the equivalent of four mills (26.3 mills – 22.3 mills) from gap aid. District 2 would be eligible for an equivalent of one mill (4.3 mills – 3.3 mills) 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 (27.3 mills – 22.3 mills) from gap aid. District 2 would also be eligible for the equivalent of one mill (27.3 mills – 26.3 mills) from gap aid.

Transitional Aid

H.B. 95 made a number of changes to the funding formula, some of which had the effect of lowering funding for certain school districts. In order to mitigate some of the negative consequences of these changes on school district budgets, H.B. 95 instituted transitional aid for FY 2004 and FY 2005. Transitional aid prevents a district's SF-3 funding plus gap aid from falling by more than 5% in one year. For FY 2004, 30 districts received a total of $4.4 million in transitional aid. Six districts received over $200 per pupil in transitional aid, and four received less than $10. The average transitional aid for the 30 districts that received it was $105 per pupil.

The executive budget continues transitional aid for FY 2006 and FY 2007. In FY 2006, the executive budget prevents a district's SF-3 funding plus gap aid from falling below its FY 2005 level and in FY 2007 it prevents it from falling more than 2% below its FY 2006 level.

Community School Formula Funding

As mentioned previously, the formula ADM for each district is based on a count of students who reside in the district. The district is legally required to provide an education for these students. Some of these students, however, will choose to be educated elsewhere. For example, some students attend other districts through open enrollment and some students attend community schools. In general, for these students, the funding they generate in the formula for the district in which they reside is deducted from the actual payment to that district and added to the payment for the district or community school where the students are actually educated. This section describes how this works for community school students.

Community schools are public schools that are exempt from certain state requirements. These schools are not part of any school district and do not have taxing authority. Community schools were first established in Ohio in FY 1999. They have grown from 15 schools educating 2,245 students (0.1% of public school enrollment) in FY 1999 to 250 schools educating approximately 61,518 students (3.4% of public school enrollment) in FY 2005. Through the current SF-3 funding formula community schools receive for each student enrolled in their schools:

(1) The formula amount multiplied by the cost-of-doing-business factor (CDBF) for the resident district;

(2) If the student is a special or career-technical education student, the weight applicable to that student in the SF-3 multiplied by the base cost formula amount;

(3) Any disadvantaged pupil impact aid (DPIA) generated by the student; and

(4) The parity aid per pupil received by the student's resident district. (Parity aid is described in Section IV. Community schools started receiving this aid in FY 2004.)

The effect on school districts of the current method of funding community school students is not straightforward. Due to the marginal student effect, discussed previously, counting the community school student in the resident district's ADM increases the state share of the base cost for the district by the formula amount multiplied by the cost of doing business factor, this amount is then transferred to the community school. The funding method, therefore, has no real effect on the resident district's base cost funding. The same is true for DPIA and parity aid funding. The marginal student effect, however, does not apply to special education and career-technical education weight costs. Counting the student in the resident district's special education or career-technical education ADM only increases state funding by the state share of the weight cost. However, both the state and local shares of the weight cost is deducted from the district and transferred to the community school. Although it would appear that the resident school district is losing state funding for special education and career-technical education weight costs through this methodology, the analysis is complicated because another effect of counting community school students in the resident district's ADM is that the resident district's state share percentage is higher than it would otherwise be. This, in turn, increases the state funding the district receives for special education and career-technical education weight costs as well as transportation modeled costs. The interaction between these two variables for each individual resident district determines whether the district receives more or less state funding due to the current method of funding community schools. In FY 2004, 9.4% of the SF-3 funds transferred to community schools were for special education and career-technical education weights. Table 15 shows the breakdown of the SF-3 transfer to community schools for FY 2004.

Table 14: Formula Transfer for Community Schools, FY 2004		
Funding Component	**Amount**	**Percentage**
Base Cost Funding	$240.0 million	79.5%
DPIA	$22.1 million	7.3%
Special Education Weights	$22.1 million	7.3%
Career-Technical Education Weights	$6.4 million	2.1%
Parity Aid	$11.3 million	3.8%
Total Transfer	**$301.9 million**	**100%**

Although the bulk of funding for community schools comes from state funding generated by students attending community schools, this is not to say that there is no fiscal effect on traditional public schools from the loss of students to community schools. State funding for school districts decreases when some of their students choose to attend community schools. School districts do not have to educate these students any longer, but their expenditures may not decrease as fast as their revenues decline. Say, for example, that one third grade student leaves District A to attend a community school. State funds totaling about $5,435 (base cost plus parity aid) in FY 2004 follow this student to the community school. District A receives $5,435 less in state funding. However, the loss of just this one student will likely not decrease District A's expenses by $5,435. It is not until a larger number of students have left that the district will be able to experience significant cost savings by perhaps having fewer classes.

Sub. H.B. 364 of the 124th General Assembly allowed school districts to increase their formula ADM to count community school students who were not enrolled during the first full week of October and, therefore, were not included in the district's October ADM count. Prior to H.B. 364, community school students were only included in the resident districts' ADM if the student was enrolled in the district or community school during the first full week of October, even though the district would still have state aid deducted if the student were to attend a community school later in the year. The change made by H.B. 364 benefits resident school districts because higher formula ADM leads to higher state aid. The Department estimated that, due to this change, the statewide ADM increased by approximately 2,651 students, resulting in an increase in state aid equal to approximately $15.2 million for resident school districts.

JVSD Foundation SF-3 Formula

There are three types of career-technical education planning districts: joint vocational education planning districts, independent (mainly 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. JVSDs' 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 is used to fund the 49 joint vocational school districts. JVSD SF-3 funding includes base cost funding, career-technical education weight cost funding, GRADS teacher grants, special education weight cost funding, and the 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. The CDBF for each JVSD is based on the county where the 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.

In FY 2004, the state share percentage of the base cost for JVSDs ranges from 0% to 90.2% with a statewide average of approximately 66.5% and a median of 72.5%. In addition to base cost funding, JVSD students also receive additional funding for special and career-technical education. The same weights applied to students in the regular school districts are also applied to students enrolled in JVSDs. Each JVSD's state share percentage of the base cost is used to equalize its state funding for special and career-technical education weight costs, the special education speech service supplement, and GRADS teacher grants.

For FY 2004, total SF-3 funding for the 49 JVSDs was $212.0 million. This funding includes $126.6 million in base cost funding, $14.8 million in additional special education (including both weight and speech service) funding, $60.0 million in additional career-technical education (including both weight and GRADS teacher) funding, and $10.7 million in guarantee funding for nine JVSDs. Guarantee funding is relatively high because funding for JVSDs had been increased substantially in the year on which the guarantee is based, FY 1999. This was the last year in which JVSDs were funded by units, and many additional units were approved and funded in that year.

The executive proposal includes the elimination of the CDBF for JVSDs and the guarantee that total base cost does not fall below total base cost in FY 2005. JVSDs do not receive the base funding supplements. In addition, the executive budget phases out the FY 1999 SF-3 guarantee over the biennium for JVSDs and provides transitional aid, which prevents a JSVD's SF-3 funding from falling more than 5% in FY 2006 and FY 2007.

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 the 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. A school district with a higher need, however, (for example, a higher concentration of poverty or special education students) will have a higher per pupil cost under the model.

Once the basic education model cost is determined, the SF-3 formulas are used to determine equitable state and local shares of the various costs. These formulas ensure every district receives the state and local revenues assumed by the model. The disparities in the per pupil basic education model level (see Chart 5) are caused by the different costs faced by different districts.

Chart 5: State & Local Shares of the Per Pupil Basic Education Model Cost by Wealth Quartile, FY 2004

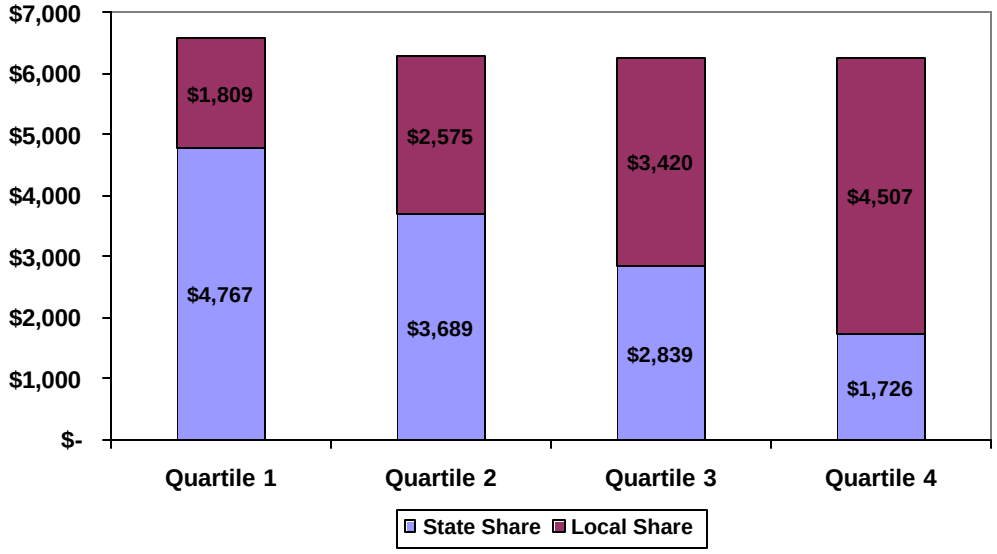
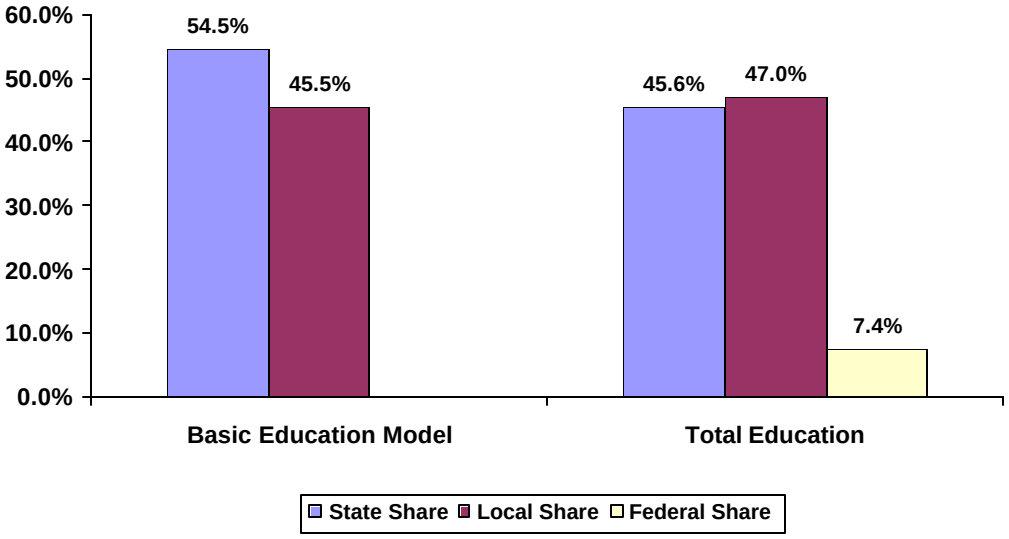


Chart 5 groups the 612 school districts into quartiles based on property wealth with quartile 1 having the lowest average per pupil recognized valuation and quartile 4 having the highest average per pupil recognized valuation. Each quartile includes approximately 25% of total students statewide. It can be seen from the chart that the per pupil basic education model cost has no relationship with a district's property 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. 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 ($6,576, $5,265, $5,259, and $5,233, respectively). The state average model cost is $6,330 per pupil.

The data shown in Chart 6 indicates a state share for the state-defined basic education cost of 72.5% for quartile 1, 58.9% for quartile 2, 45.4% for quartile 3, 27.7% for quartile 4, and 51.2% for the state as a whole. The state contribution, however, is actually higher than these percentages would suggest. The state contributes to the local share through the state's property tax relief programs, also known as rollbacks. Through these programs the state pays 10% of all property taxes and an additional 2.5% of

Chart 6: Funding Sources for Basic and Total Education Expenditures, FY 2004



household property taxes. Rollback payments to school districts totaled $745.5 million in FY 2004. Taking these payments into account, the average state contribution to the basic education model cost rises to 54.5%.

Chart 6 compares the funding sources for the modeled basic education cost with the funding sources for total education expenditures that were displayed in Chart 1. From this chart it is easy to see that state funding is focused on providing a state-defined basic education to every student in Ohio. As mentioned previously, as long as there is no limit on the amount of taxes local residents can approve for their schools, districts with very high wealth will likely always raise more revenue than lower wealth districts to provide a premium education to their students in order to meet the demands of their communities. Instead of trying to match the revenue generated by the wealthiest districts, therefore, state funding focuses on ensuring that all districts have the revenue necessary to provide a state-defined basic education. Through parity aid, however, the state does provide additional funding above that level. Parity aid is discussed in the next section. Under Ohio's school funding system, only the first 23 to 26.3 mills raised by school districts are equalized by the state's basic education cost funding formulas. The existence of unequalized local revenue (about $1.7 billion in FY 2004) is the main reason for a less than 50% state share in total education spending.

IV. Funding Model and Formula for Education Beyond the Basic Education Level – Parity Aid

Where Are The Disparities?

As shown in Chart 6, there are no disparities due to district wealth in spending on the model cost of the state-defined basic education. As was demonstrated in Chart 2, however, per pupil operating revenues for the highest wealth quartile are higher than for the other three quartiles. In fact, the average per pupil operating revenue for the highest wealth quartile ($9,265) is $769 per pupil higher than the average for the other three ($8,496). These higher revenues come from higher local revenues that are used to fund spending above the modeled basic education cost. Local revenues above the model cost are often referred to as local enhancement revenues. Quartile 4 districts on average raise $6,246 per pupil in local revenue to support their higher spending, compared to an average of $3,347 for the other three quartiles. This is a difference of $2,899 per pupil, although lower state and federal revenues reduce the total revenue advantage to the net level of $769.

The state foundation program equalizes approximately 75.3% of local operating revenues and the other 24.7% (about $1.7 billion in FY 2004) is available for local school districts to provide education services beyond basic. The 25% of students in the wealthiest districts (about 19% 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 has to somewhat equalize spending beyond the basic education level if it wishes to narrow disparities in local enhancement revenue. Parity aid was designed to do this.

Funding Model for Education beyond Basic – Parity Aid

Parity aid equalizes an additional 9.5 mills (above the basic education level) up to the wealth level of the district at the 80th percentile on a measure of district property and income wealth. What this means is that the formula looks at what each district in the bottom 80% of districts on the wealth measure can raise with 9.5 mills and what the district at the 80th percentile ranking can raise, then the state makes up the difference. If a district in the bottom 80% actually raises part or all of these 9.5 mills, parity aid will ensure that, on a per pupil basis, the amount of revenue generated by each mill is the same for the district

in the bottom 80% as that for the district at the 80th percentile. If a district in the bottom 80% does not actually raise any of these 9.5 mills, the district will still be eligible for parity aid, which is based on the wealth level of the district and does not depend on any additional mills levied by the district.

The wealth measure used 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 reflect the fact that the main local revenue source for districts is 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. 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.

H.B. 94, which instituted parity aid, also eliminated an income factor adjustment that used to be part of the base cost funding formula. The purpose of this income factor adjustment was to provide state funding for education enhancement services. After H.B. 94, this funding is provided through parity aid. A few districts, however, benefited more from the income factor adjustment than from parity aid. H.B. 94, therefore, established an alternative parity aid calculation 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

In FY 2002, parity aid started to be phased in. The phase-in or state payment percentage in FY 2004 was 58% and in FY 2005 was 76%. The executive proposal includes a state payment percentage of 80% in FY 2006 and 85% in FY 2007. It also proposes to use the greater of the current year or the three-year average formula ADM in the calculation. Under current law, parity aid uses the current year formula ADM only. 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 wealth per pupil of the district at the 80th percentile
State Payment % = 58% in FY 2004; 76% in FY 2005

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

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

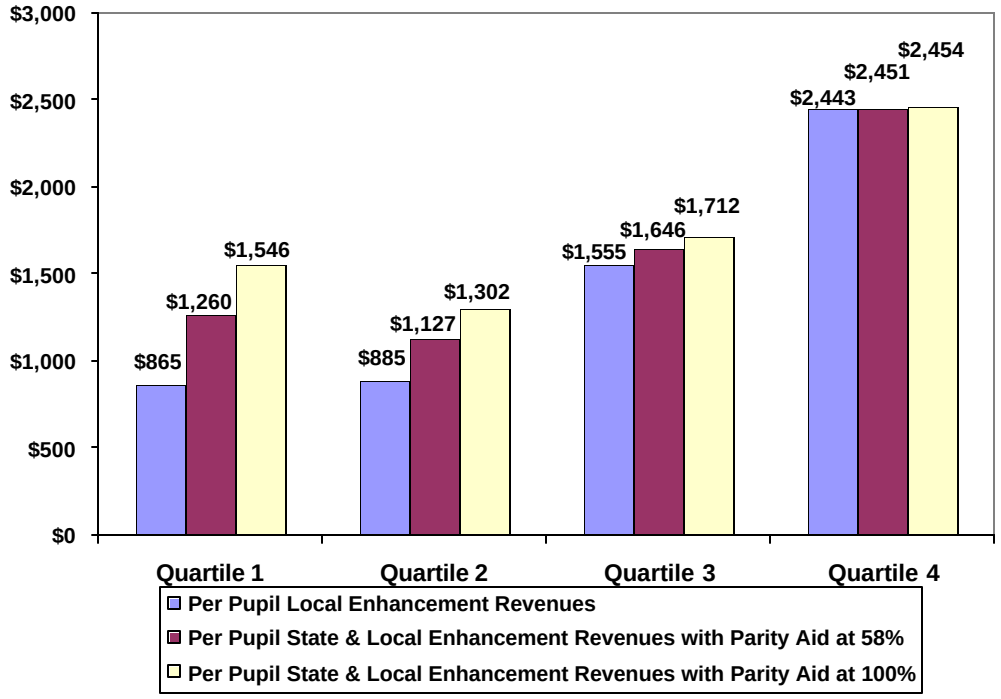
Overall, about 491 school districts are eligible for parity aid. The vast majority of these districts receive standard parity aid. Approximately $303.6 million in parity aid was distributed to these 491 districts for FY 2004. Per pupil parity aid amounts ranged from more than $500 in 18 districts to less than $30 in 12 districts. The average in FY 2004 was $271 per pupil for those districts receiving parity aid.

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 7 shows the effect of parity aid in equalizing local enhancement spending in

FY 2004 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 5. 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).

Chart 7: Per Pupil State & Local Enhancement Revenues, FY 2004



The first bars in Chart 7 show only local per pupil enhancement revenue. It varies from $865 per pupil for quartile 1 to $885 per pupil for quartile 2, $1,555 per pupil for quartile 3, and $2,443 per pupil for quartile 4. Quartile 3 has almost twice, and quartile 4 has almost three times, the amount of per pupil local enhancement revenue available for quartile 1. With parity aid phased-in at 58% in FY 2004, per pupil state and local operating revenues beyond basic (the second bars) are $1,260, $1,127, $1,646, and $2,451 for quartiles 1 to 4, respectively. Obviously, the local enhancement revenue variance has been narrowed as a result of equalized state parity aid.

The third bars in Chart 7 show per pupil state and local enhancement revenues assuming a full implementation (no phase-in) of parity aid in FY 2004. 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 third bars) for quartiles 1 to 4 would be $1,546, $1,302, $1,712, and $2,454, respectively. There would be much smaller differences in the amounts of 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 98.3% of local revenue. The other 1.7% comes from school district income taxes. In tax year 2003, school districts (including joint vocational school districts) collected a total of $8.6 billion in taxes. Of this amount, 89.2% (or $7.7 billion) was for operating and the other 10.8% (or $0.9 billion) was for permanent improvements and debt service. Locally voted property taxes, school district income taxes, and other relevant issues related to local funding for schools are discussed in more detail in this section.

The Assessed or Taxable Property Value

Property taxes are calculated on the assessed or taxable property value, which is a percentage of fair market value. This percentage is called the assessment rate. Property value in Ohio is divided into four major categories:

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

Different categories of property have different assessed rates. Real property is generally assessed at 35% of true value. Tangible personal property is assessed at rates ranging from 23% to 100% of true value,[6] which is self-reported by businesses based on certain approved methods.

Total assessed property value amounted to approximately $228.9 billion in TY 2003, including $151.1 billion in Class I, $45.4 billion in Class II, $10.0 billion in public utility tangible personal property, and $22.4 billion in general business tangible personal property. Since taxes are collected on a calendar year basis and state foundation aid is allocated on a fiscal year basis, it is important to keep in mind that, in general, the state funding formula uses the second prior year's assessed value data. Tax year 2003 assessed value data, therefore, is used in making FY 2005 foundation payments. The projected TY 2004 property assessed valuations are used in making budget appropriations for FY 2006. Tax year 2004 actual assessed valuations will be used in making foundation payments in FY 2006.

[6] The tax on inventories is being phased out. Generally, the assessment rate will decline by 2% per year until it equals zero.

School District Property Value Composition

A typical school district's property value composition in TY 2003 is as follows: 66.0% in Class I, 19.8% in Class II, 4.4% in public utility, and 9.8% in tangible personal. However, the composition for each individual district varies widely across the state. Table 15 shows the maximum, minimum, and median ranges for each category.

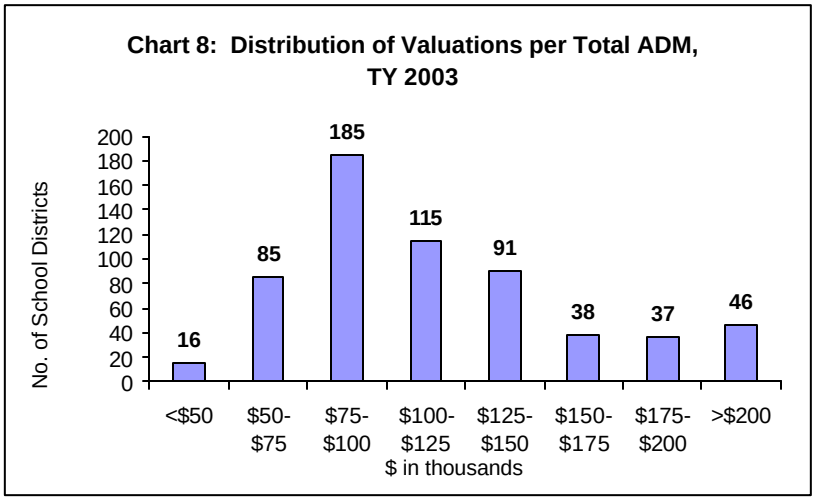
Table 15: The Assessed Property Value Composition, TY 2003

Category	Minimum	Maximum	Median
Class I	16.2%	95.7%	72.3%
Class II	1.5%	50.8%	12.9%
Public Utility	1.0%	56.5%	4.3%
Tangible Personal	0.1%	49.5%	7.6%

A change in tax policy on a particular category of property would generally have an uneven impact on districts due to the variation in property composition across districts. For example, changes made by S.B. 3 and S.B. 287 of the 123rd General Assembly reduced the assessment rates on certain tangible personal property of electric utilities and gas utilities from 50%, 88%, or 100% of true value to 25% of true value. These changes had a big impact on a small number of school districts that have relatively high percentages of public utility tangible property value, but a small impact on most districts.

School District Valuation Per Pupil

Valuation per pupil is the most important indicator of each district's ability to raise local revenues. Due to the uneven distribution of taxable property, valuation per pupil varies widely across school districts. Chart 8 shows the distribution of valuations per total ADM in TY 2003. It can be seen that valuations per total ADM range from less than $50,000 in 16 districts to more than $200,000 in 46 districts. The statewide weighted average is $125,854 per total ADM while the statewide median district's valuation per pupil is $103,488. Valuations per total ADM for the majority (385 or 62.8%) of school districts range from $50,000 to $125,000 in FY 2005. 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 307th district out of 613).



The variation in per pupil valuation obviously impacts each individual district's ability to raise local revenue. The same one mill 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. As explained in the previous sections on state formula funding, however, state base cost funding equalizes the revenues received from the first 23 mills of property tax up to the 96th percentile of valuation per pupil ($224,739 to $241,595 in FY 2005). As a result of this equalized state aid, the variation in per pupil valuation has no impact on the amount of total state plus local revenues generated from the first 23 mills of property tax levies for school districts with wealth levels that are below the formula's equalization level. In FY 2004, 21 districts had wealth levels that were above the formula's equalization level.

Growth in Property Values

While the statewide average property value growth rate is 4.7% per year from FY 2000 to FY 2005, the growth rate for each year is not even (see Table 16).

Table 16: Annual Growth Rate of Total Assessed Property Value

Fiscal Year	2000	2001	2002	2003	2004	2005
Annual growth rate	3.8%	7.5%	6.1%	1.4%	5.9%	3.5%

The property value annual growth rate is affected by real property's reappraisal and update cycles. Each county undergoes a reappraisal of real property values every six years and an update three years afterwards. For these purposes, the 88 counties in Ohio are split into three groups. Property values in these three groups are not even, however, so that growth rates in value depend somewhat on which group goes through a reappraisal or update in that year. The relatively low growth rates in FY 2000 and FY 2003 are in part due to a lower growth group of counties going through reappraisal and update in those years. In addition, FY 2003 was the first year that the lower public utility tangible personal property assessment rates enacted in S.B. 3 and S.B. 287 of the 123rd General Assembly went into affect. The relatively low growth rate in FY 2005 is largely explained by a decrease of about $2.1 billion in general business tangible personal property. In fact, real property grew in value by 5.3% from FY 2004 to FY 2005 and tangible personal property value fell in value by 6.3% over the same year.

Local Property Tax Levy Rates

School districts have the option to use five different types of levies: inside millage, current expense levies, emergency levies, permanent improvement levies, and bond levies. The Ohio Constitution prohibits governmental units from levying property taxes that in the aggregate exceed 1% of the true value of the property in their district unless the voters approve them. This is known as the 10-mill limitation and these unvoted 10 mills are called inside mills. The ten 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 referred to as voted outside levies.

Under Ohio law, taxes on each type of taxable property are calculated separately. Current operating levies and permanent improvement levies on real property are subject to the H.B. 920 reduction factors, which are described in detail below. However, the reduction factor is calculated separately for each class of real property so that the effective rates for each class are different. Levies on tangible personal property are not subject to the H.B. 920 reduction factors. Emergency and bond levies are designed to raise a fixed amount of revenue every year and, therefore, are not subject to the H.B. 920 reduction

factors either. Table 17 shows the minimum, maximum, average, and median operating tax rates for Class I, Class II, and tangible personal property. In general, school districts are required to levy at least 20 mills in order to be eligible for state foundation aid.

Table 17: Operating Property Tax Rates, TY 2003

	Class I	Class II	Tangible
Minimum	20.00	20.00	20.00
Maximum	62.91	83.70	156.73
Average	24.87	28.61	43.66
Median	23.49	26.88	41.45

By combining revenues received from all operating tax levies, including the school district income tax and property taxes levied by joint vocational school districts, it is possible to calculate equivalent overall operating tax rates. These range from 20 mills in a few districts to more than 50 mills in a few other districts in TY 2003. The Shaker Heights City SD (Cuyahoga County), the Cleveland Heights-University Heights City SD (Cuyahoga County), the Warrensville Heights City SD (Cuyahoga County), and the Bexley City SD (Franklin County) have the highest overall effective operating tax rates of 68.26, 53.00, 52.7, and 51.56 mills, respectively. The statewide average is 33.53 mills and the statewide median is 31.03 mills. Chart 9 shows the distribution of the equivalent overall effective operating tax rates. It can been seen from the chart that the equivalent overall effective rates for 354 school districts (57.7%) range from 25 to 35 mills.

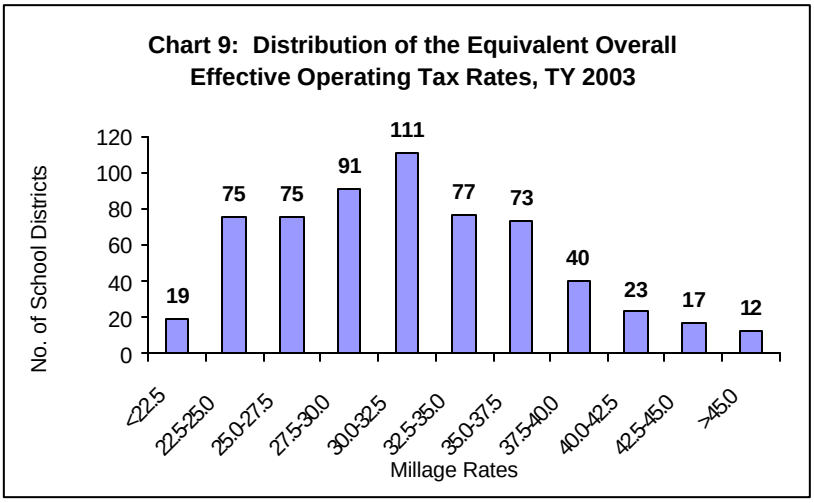
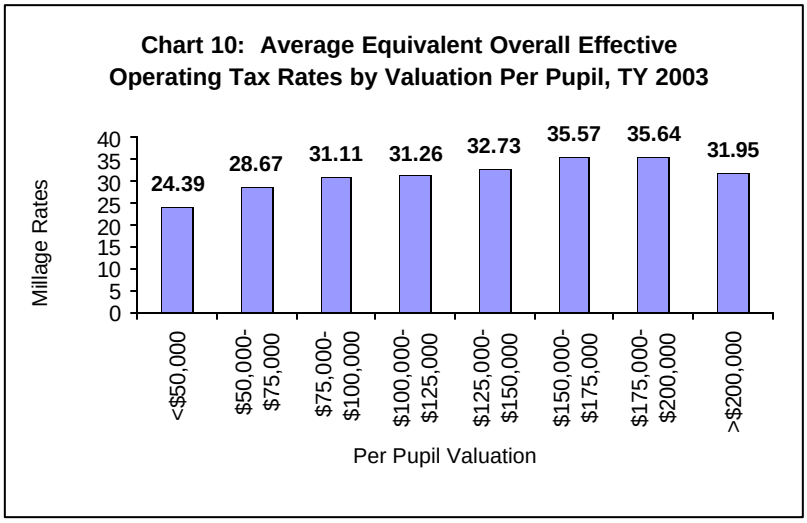
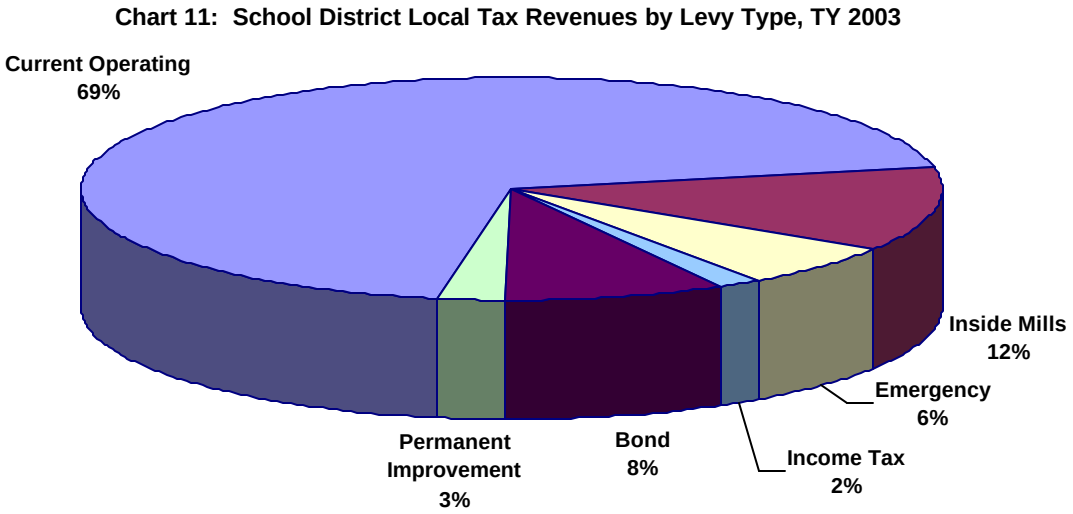


Chart 10 shows the average equivalent overall effective operating tax rates for groups of districts categorized by valuation per pupil. Average rates increase slightly as valuation per pupil increases except for the wealthiest group. Having too many low wealth districts with high levy tax rates is generally 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 basic education. This does not appear to be the pattern in Ohio.

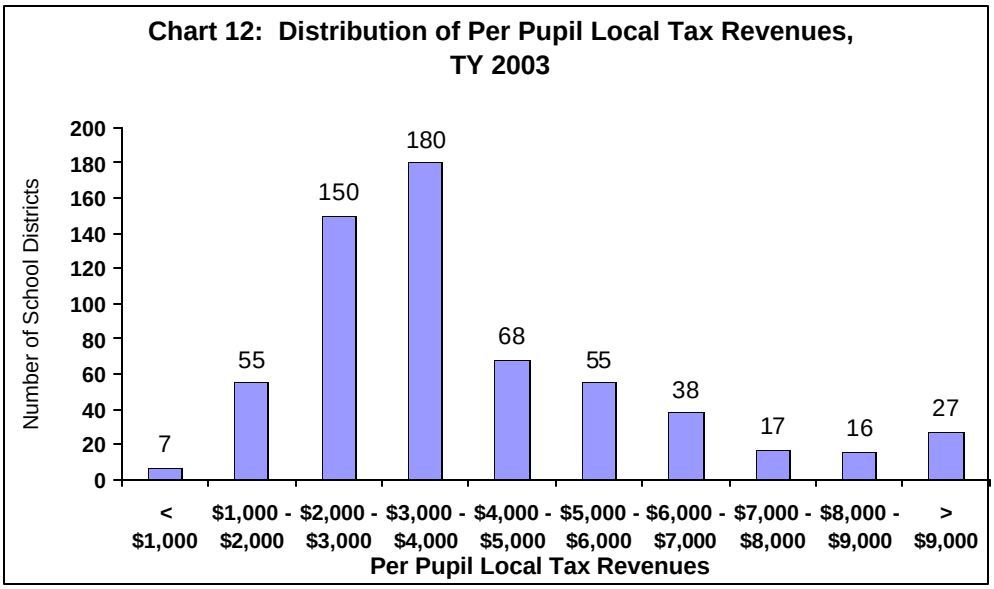


Local Property Tax Revenue

As indicated earlier, school districts (including joint vocational school districts) collected a total of $8.6 billion in taxes in TY 2003. Chart 11 shows school district local tax revenues by levy type. Current operating levies, representing approximately 69% of total tax revenues, were the largest component of local tax revenues. Inside millage generated 12% 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 8% and 3%, respectively, of local tax revenues.

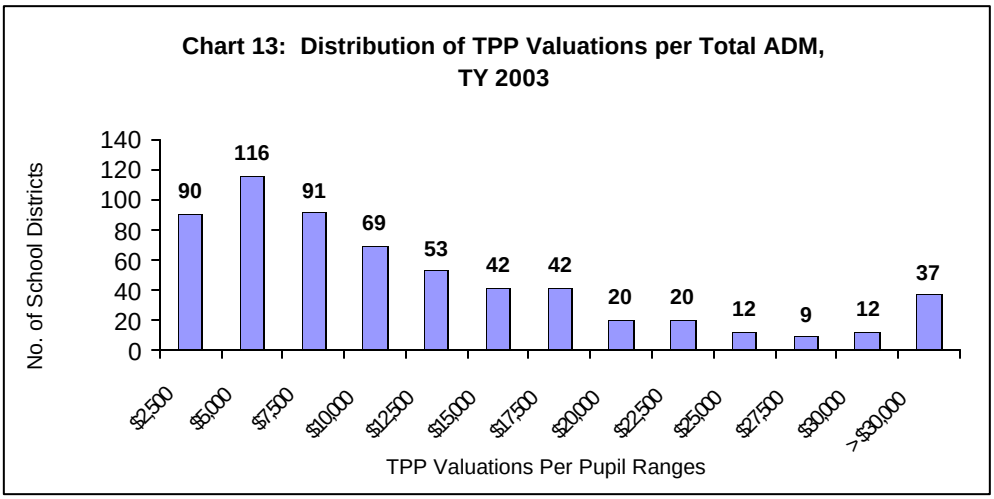


In TY 2003, local operating tax revenues per pupil (including both school district income taxes and joint vocational school district levies) range from less than $1,000 in the bottom 7 school districts to more than $9,000 in the top 27 districts. The statewide weighted average is $4,567 and the statewide median is $3,436. Chart 12 shows the distribution of per pupil local operating tax revenues. It can be seen from the chart that for 398 school districts (64.9%), per pupil local operating tax revenues range from $2,000 to $5,000. 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. Two districts with the same valuation per pupil would have different revenues per pupil when they have different tax levy rates.



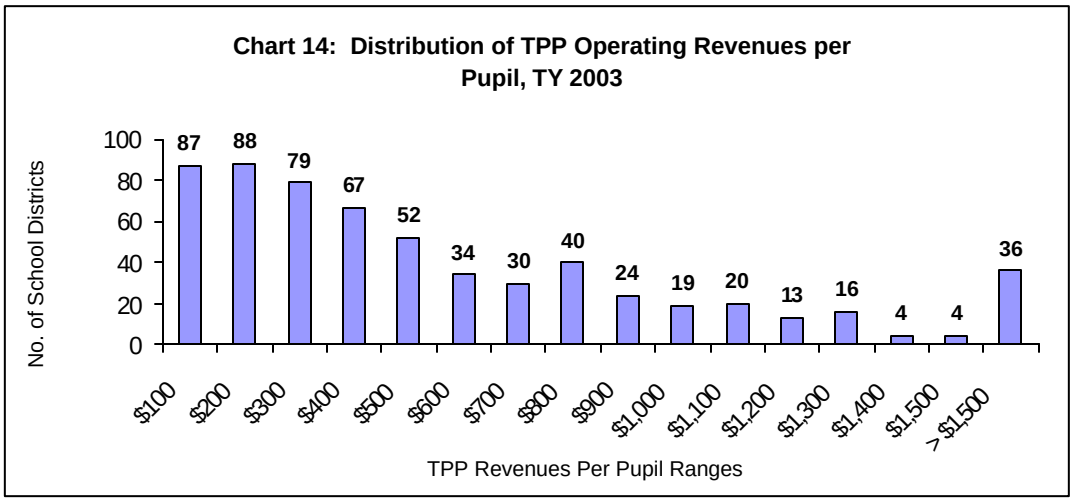
General Business Tangible Personal Property (TPP)

As described in the Overview section, the executive proposal includes a provision that will phase out the property tax on business machinery and equipment, as well as speed up the phase-out of the property tax on business inventories. This section provides more detail on the distribution of the general business tangible personal property tax. As stated above, school district total assessed valuation for general

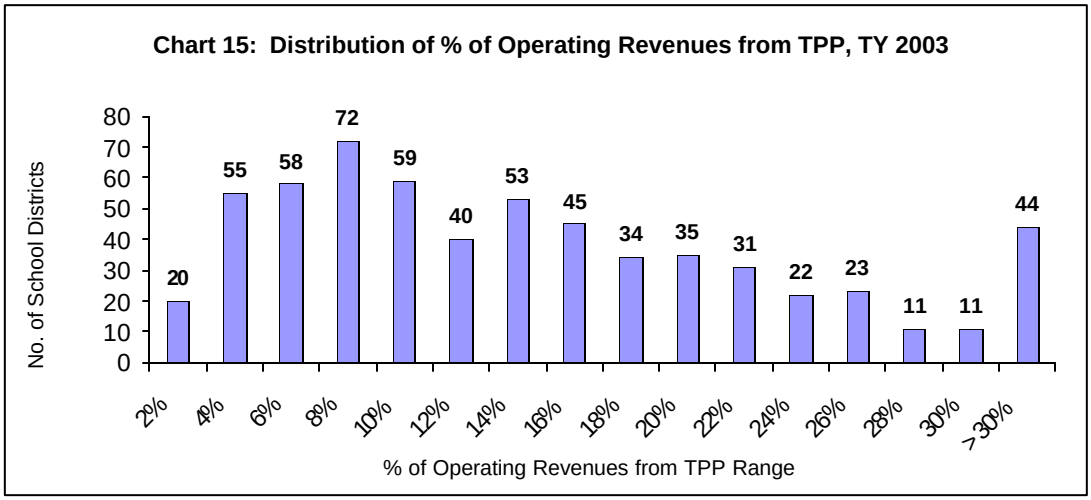


business tangible personal property totaled $22.2 billion in TY 2003. Chart 13 shows the distribution of per pupil general business tangible personal property valuation over the 613 school districts. Per pupil valuations range from $232 to $197,803 with an average of $11,477 and a median of $7,821. As can be seen in the chart, while most districts have general business tangible personal property valuations toward the low end of the distribution, a few have relatively high concentrations of business tangible personal property.

In order to gauge the importance of the general business tangible personal property tax for school districts, Chart 14 presents the distribution of per pupil general business tangible personal property operating tax revenues (including revenues collected by joint vocational school districts) over the 613



school districts in TY 2003, and Chart 15 presents the distribution of the percentage of total local operating revenues collected from this tax. Per pupil operating revenues range from $7 to over $5,000, with an average of $627 and a median of $374. The percentage of local operating revenue generated through the tax on tangible personal property ranges from 0.1% to 54.8% with an average of 15.1% and a median of 12.1%. It can be seen from these charts that, while the general business tangible personal property tax may be relatively minor for many school districts, there are some districts for which it is important. One hundred forty-two school districts receive more than 20% of their local operating revenues from this tax; 44 of these districts receive more than 30% of their local operating revenues from this tax.



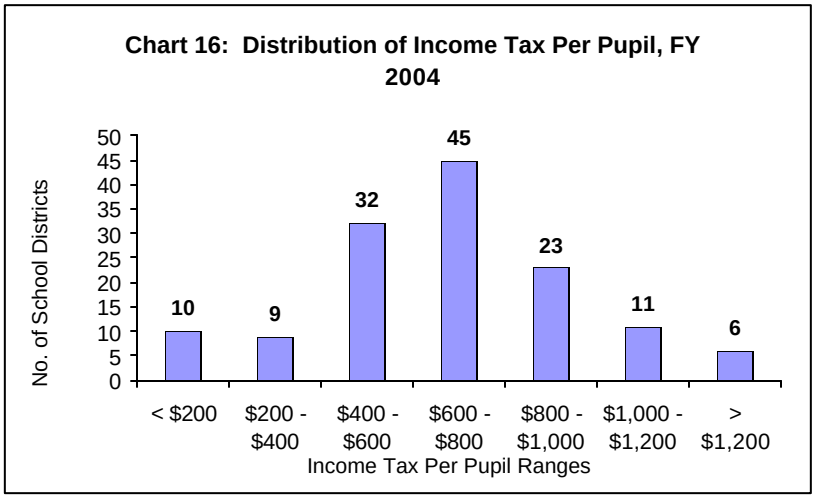
General business tangible personal property can be broken down into three main types: machinery and equipment, inventories, and furniture and fixtures. The proposal to phase out the TPP tax in the executive budget does not include the tax on furniture and fixtures, which would remain. Table 18 gives an estimate of the break down of general business TPP into these three components for TY 2003. Machinery and equipment account for approximately 33.6% of total general business TPP valuation, inventories account for approximately 39.2%, and furniture and fixtures for approximately 27.2%. This equates to approximately $383.0 million in school district operating revenue from machinery and equipment, approximately $447.5 million from inventories, and approximately $309.9 million from furniture and fixtures.

Table 18: Estimated Breakdown of General Business Tangible Personal Property Tax, TY 2003

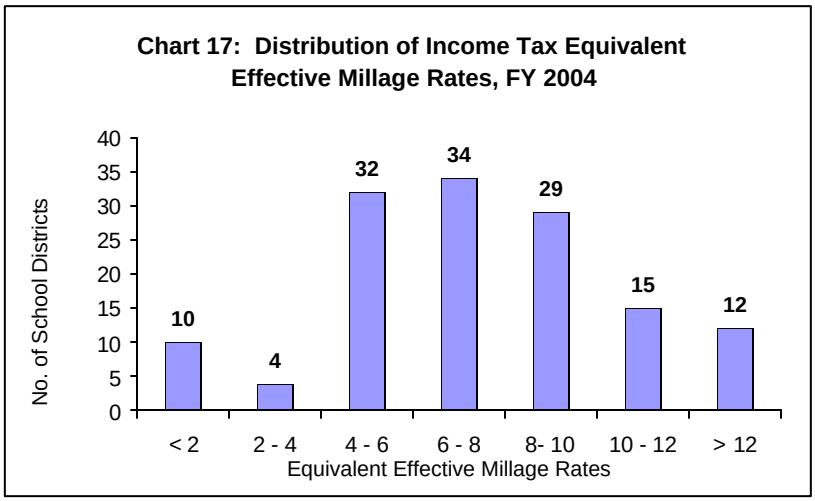
Component	Taxable Value	School District Operating Revenues	Percentage of Total
Machinery and Equipment	$7.5 billion	$383.0 million	33.6%
Inventories	$8.8 billion	$447.5 million	39.2%
Furniture and Fixtures	$6.1 billion	$309.9 million	27.2%
Total TPP	$22.4 billion	$1.1 billion	100.0%

School District Income Tax

The school district income tax is closely tied to the state income tax, having the same tax base. The tax is paid by residents of the district, regardless of where they work. Nonresidents working in the district and corporations are not taxed. A total of $146.6 million in school district income taxes was collected by 136 school districts (22.2%) in 52 counties in FY 2004. While 22.2% of all school districts collected school district income taxes in FY 2004, only 12.2% of statewide students are enrolled in these 136 districts. The average size is 1,627 students for districts with school district income taxes in comparison with the average of 2,967 students for all school districts. The average valuation per pupil is $101,648 for these 136 districts and the average for all school districts is $125,854. The school district income tax rate varies from 0.5% to 2.0%. Chart 16 shows the distribution of income tax revenues per pupil for the 126 districts with income tax revenue in FY 2004. Per pupil school district income tax collections range from less than $100 in a few districts to as high as $2,360 with an average of $687 per pupil for these 136 districts. (Per pupil amounts of less than $100 oftentimes indicate the beginning or ending of a tax levy.) By dividing income tax revenue into total property valuation the equivalent effective millage rate is



calculated. Chart 17 shows the distribution of income tax effective millage rates for the 136 districts with income tax revenues in FY 2004. Effective millage rates range from less than one mill to more than 19 mills with an average of 7.39 mills for these 136 districts. In general, school districts with income tax levies tend to have relatively low business property wealth. Farm area communities predominate the list of school districts with income tax levies.



H.B. 920 and Phantom Revenue

What is H.B. 920?

H.B. 920 is a tax policy that was enacted in 1976. It limits revenue growth from property taxes on existing (carryover) real property. Ohio has had a system to limit property tax growth since World War I. Prior to enactment of H.B. 920, the system limited growth from property taxes on tangible personal property as well as real property.

H.B. 920 uses tax reduction factors to limit property tax growth on real property. Separate tax reduction factors are applied to each class of real property. These tax reduction factors are applied when the value of existing real property in the class increases. New construction does not change the reduction factors, so tax revenue is allowed to increase when the real property valuation in a taxing unit increases due to new construction. These tax reduction factors are only applied to certain voted levies, namely current operating levies and permanent improvement levies. Unvoted millage (inside mills), emergency levies, and bond levies do not have tax reduction factors applied. Emergency levies and bond levies already produce a fixed amount of tax revenue each year. This is built into the structure of the levy so there is no reason to apply tax reduction factors as the tax revenue raised from these levies is fixed. Tax revenue from inside mills, however, does grow. Since the tax reduction factors are only applied to real property there is also growth in revenue from tangible personal property. In addition, H.B. 920 instituted a floor of 20 mills for the effective operating rates of both Class I and Class II property. If the tax reduction factors result in an effective tax rate for current operating levies plus inside mills for a school district of less than 20 mills in either class, the reduction factors are adjusted to yield a minimum of 20 effective mills in that class. The H.B. 920 floor for joint vocational school districts is 2 mills. When you combine tax revenue growth on new construction, tangible personal property, and inside mills, along with the effects of the 20-

mill floor, school districts, on average, experience annual increases of 3% in local property tax revenue without new levies.

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 two main ways include increasing the number of "inside" mills and increasing the 20-mill floor. 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.

The H.B. 920 Floor Districts

As indicated earlier, H.B. 920 guarantees a minimum of 20 effective operating 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 or Class II floor receive full tax revenue growth on growth in real property value. A total of 308 districts were at the H.B. 920 floor on at least one class of real property in TY 2003. While this indicates that approximately 50.2% of all school districts were at the floor, these 308 floor districts only represent approximately 33.2% of statewide total ADM.

The number of districts at the H.B. 920 floor increased from 218 in TY 1996 to 308 in TY 2003, an increase of 41.3%. For this analysis, a H.B. 920 floor district is defined as a district with less than 20.01 effective mills in Class I or Class II real property. Of the 308 floor districts in TY 2003, 100 districts were at the floor in both Class I and Class II real property, 192 districts were in Class I only, and the other 16 districts were in Class II only.

Table 19: The Number and Percentage of H.B. 920 Floor Districts by District Type, TY 2003

District Type	Description	Total No. of Districts	No. of Floor Districts	% of Floor Districts
Rural/agricultural	High poverty, low median income	97	66	68.0%
Rural/agricultural	Small student population, low poverty, low to moderate median income	161	101	62.7%
Rural/Small Town	Moderate to high median income	81	51	63.0%
Urban	Low median income, high poverty	102	43	42.2%
Major Urban	Very high poverty	15	0	0.0%
Urban/Suburban	High median income	107	38	35.5%
Urban/Suburban	Very high median income, very low poverty	46	6	13.0%
Outliers	Island districts	4	3	75.0%
	Total	***613***	***308***	***50.2%***

For comparison purposes, the Department of Education groups school districts into eight types based on their demographic characteristics. 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 districts tend to be higher than the others, at 68.0%, 62.7%, and 63.0%. In fact, 218 of the 308 floor districts in TY 2003 (70.7%) are rural districts.

Districts on the floor tend to supplement their current expense millage and inside millage with emergency levies and school district income tax levies. The average Class I effective operating tax rate (including joint vocational school levies, inside mills, current operating, emergency levies, and school district income taxes) for the 292 Class I floor districts was 26.07 mills in TY 2003, in comparison with 28.61 mills for all districts. A large percentage of other levies occurred in the floor districts. Table 20 shows these percentages. As can be seen from Table 20, 73.9% of district with school district income tax levies are floor districts. The percentages for emergency levies and permanent improvement levies are 65.5% and 53.2%, respectively. Of the 308 floor districts, 287 districts (93.2%) had either emergency levies, school district income taxes, or permanent improvement levies.

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

TY 2003	Total Number of School Districts	Total Number of Floor Districts	Floor Districts as a % of Total Districts
School District Income Tax (FY 2004)	134	99	73.9%
Emergency Levies	203	134	65.5%
Permanent Improvement Levies	449	239	53.2%

Types of Phantom Revenue

DeRolph II cited the existence of three types of phantom revenues. "Type III" phantom revenue refers to the previous application of the income factor to adjust valuation upward in the base cost funding formula for districts with an income greater than the state average. 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 refers 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. The formula assumes that districts contribute 23 mills of property valuation to fund their base costs and up to an additional 3.3 mills to fund their costs of special education additional weights, career-technical education additional weights, and modeled transportation. The H.B. 920 floor only guarantees 20 mills of operating revenue. School districts are also required to levy at least 20 mills to qualify to receive 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. Gap aid fills the gap between the required local share and actual operating revenues collected by districts. In FY 2004, the state provided about $50.0 million in gap aid to the 129 school districts that would otherwise experience formula phantom revenue. Another way to eliminate formula phantom revenue is to lower the charge-off from the current 23 mills to 20 mills. If this method had been chosen, it would have increased state education aid by over $600 million. Higher wealth districts would have benefited more than lower wealth districts under this method. This is due to the fact that the formula charges higher amount of charge-off from higher wealth districts than from lower wealth districts. See section III for further discussion of gap aid.

"Type II" or reappraisal phantom revenue refers to increases in districts' valuations due to property reappraisals and updates that are not matched by increases in districts' revenues due to H.B. 920 reduction factors. Although there have been changes made to the funding formula to reduce the impact of reappraisal phantom revenue, complete elimination of this phenomenon will not be possible with changes to the funding formula alone. The reason for this is, briefly, that the formula is designed to guarantee all districts receive a certain basic level of revenues. Except through parity aid, the formula does not address revenues above that basic level, referred to as local enhancement revenues. Reappraisal phantom revenue, however, affects local enhancement revenues, not the basic level of revenues, which the formula successfully guarantees for all districts. H.B. 920 is a complex tax policy designed to protect homeowners from large 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. More details on reappraisal phantom revenue are given below.

Reappraisal Phantom Revenue

As explained above, reappraisal phantom revenue affects school districts' local enhancement revenues. School districts often have to shift local enhancement revenue that existed before a reappraisal or update to meet the local share requirement after a reappraisal or update. Table 21 gives an example of this phenomenon. Hypothetical district A has 32 effective mills in the base year, including 5 inside mills and 27 current expense mills. For simplicity, we assume that district A only has Class I real property and its assessed valuation is $80 million the year before reappraisal (base year). We also assume district A has a formula ADM of 1,000, a cost-of-doing-business factor of one, and no categorical costs. In the base year, therefore, district A's base cost is equal to $4,949,000 ($4,949 x 1,000) and its charge-off or local share of its base cost is $1,840,000 ($80,000,000 x 0.023), which equals 72% of its local revenues. District A's total local revenue in the base year is $2,560,000 ($80,000,000 x 0.032) of which $400,000 ($80,000,000 x 0.005) is from inside mills and $2,160,000 ($80,000,000 x 0.027) is from current expense levies. In the base year, district A has $720,000 ($2,560,000 – $1,840,000) in local enhancement revenues after it makes its local contribution to base cost, which equals 28% of its local revenues.

In the next year, district A goes through a reappraisal and its assessed property value increases by 15% to $92,000,000 due solely to inflationary increases. Because of H.B. 920 reduction factors, district A's effective millage rate is lowered so that it receives the same amount of revenue from its current expense mills as it did before the reappraisal ($2,160,000). District A does get, however, full growth on the revenues collected from its 5 inside mills, which totals $460,000 in the reappraisal year ($92,000,000 x 0.005). District A's total local revenues in the reappraisal year, therefore, equals $2,620,000, an increase of $60,000 or 2.3%. Under the old system shown in the middle column of the table, district A's charge-off would increase by the full 15% to $2,116,000 ($92,000,000 x 0.023), and now equals 81% of its local revenues. District A's local enhancement revenue has fallen to $504,000 ($2,620,000 – $2,116,000), and now equals 19% of its local revenues. This decrease in local enhancement revenue is called reappraisal phantom revenue. As can be seen from the example, district A had $720,000 per pupil (28% of its total local revenue) available for providing an education beyond the state-defined basic education level prior to reappraisal. This revenue declined to $504,000 per pupil (19% of its total local revenue) in the reappraisal year. In both years, district A has sufficient state and local revenue to provide the state-defined basic education. There is no phantom revenue in state-defined basic education.

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

Recognized Valuation

In the base cost funding formula, the recognized valuation provision phases in the valuation growth due to a reappraisal or update over a three-year period. Continuing with the example of the hypothetical district A, the last column in Table 19 shows the effects of the recognized valuation provision. When district A's valuation increases due to the reappraisal, the funding formula recognizes only 1/3 of the increase in that year, which equals $4,000,000 (1/3 x $12,000,000). District A's charge-off, therefore, goes up to only $1,932,000 ($84,000,000 x 0.023). District A's local enhancement revenues drop to $688,000, which is 26% of its local revenues versus dropping to $504,000, which is 19% of its local revenues if total valuation were used in the formula. It can be seen from this example that the recognized valuation provision smoothes out the decrease in local enhancement revenues caused by reappraisal phantom revenue. While it does not eliminate reappraisal phantom revenue, the recognized valuation provision lessens the degree of decrease in local enhancement revenue due to reappraisals and updates. As can be seen from the example, without this provision district A's local enhancement revenue would have decreased by $216,000, a 30% decrease, from the year before reappraisal to the reappraisal year. With the recognized valuation provision, the decrease is $32,000, a 4.4% decrease.

Table 21: Reappraisal Phantom Revenue Example – District A

	Base Year	Reappraisal Year (Total Assessed Valuation - Old Method)	Reappraisal Year (Total Recognized Valuation – Current Method)
Tax Rate = 32 mills (5 inside mills + 27); Students = 1,000; CDBF = 1			
Formula Amount	$4,949	$5,058	$5,058
Base Cost	$4,949,000	$5,058,000	$5,058,000
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.			

Parity Aid

Parity aid further buffers the H.B. 920 impact on local enhancement revenue for school districts in general. It particularly lessens the H.B. 920 impact on low property and/or low income wealth districts' local enhancement revenue (see Section III for more information). Parity aid is equalized based on a school district's wealth per pupil. It does not require additional local effort. A district's overall effective tax rate may decrease as a result of a reappraisal or 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 or update effect has a lesser impact on this weighted wealth measure than it does on a wealth measure based solely on property wealth.

The Fundamental Impact of H.B. 920 on Education

Property tax revenue grew by 7.06% per year during the period from 1975 to 1995. This growth matched 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 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 if not for H.B. 920. For this to have happened, property tax revenue growth would have had to exceed personal income growth by 2.01% every year on an annual basis since 1975. This does not appear to be a realistic assumption. Since property tax revenue growth has generally matched the growth in personal income tax revenue under H.B. 920, it is likely that property tax revenue would be much the same today without H.B. 920 or another tax limiting mechanism. 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 fundamental impact of H.B. 920 on education, therefore, does not seem to be lower revenues, but rather, it seems to be the necessity of more voted levies to achieve those revenues. Having more levies 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. Spending more time on levies takes away the time school district leaders have to spend on other activities that are at the core of providing students in the districts with a quality education. On the other hand, more levies gives the voters in a district more opportunities to decide whether or not they are willing to support the district financially. In effect, levies have become a method to hold district officials more accountable to voters.

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 H.B. 920 reduction factors. 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 it appears to be somewhat equalizing for the system. School districts that have higher H.B. 920 tax reduction factors 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 reduction factors tend to have low real property value, low growth in real property value, and school district 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.

MASTER TABLE: EXECUTIVE'S RECOMMENDATIONS FOR FY 2006 AND FY 2007

The following table provides a comprehensive presentation of the Executive's recommendations for each of the agency's line items and the programs each line item supports. Please note that some line items may provide funding for multiple program series or programs. See the Analysis of Executive Proposal section for more information on specific program funding.

Executive Recommendations for FY 2006 and FY 2007, By Line Item and Program

Fund	ALI	Title	FY 2006	FY 2007
		General Revenue Fund		
GRF	**200-100**	**Personal Services**	**$ 11,311,314**	**$ 11,311,314**
		PS10: Finance and Management Services	*$ 1,255,009*	*$ 1,255,009*
		P10.01: Finance and Management Services	$ 1,255,009	$ 1,255,009
		PS12: School Food Services	*$ 202,607*	*$ 202,607*
		P12.01: School Lunch	$ 202,607	$ 202,607
		PS16: Career-Technical Education	*$ 1,581,181*	*$ 1,581,181*
		P16.01: Secondary Workforce Development	$ 1,581,181	$ 1,581,181
		PS21: Program Management	*$ 8,272,517*	*$ 8,272,517*
		P21.01: Program Management	$ 8,272,517	$ 8,272,517
GRF	**200-320**	**Maintenance and Equipment**	**$ 4,996,249**	**$ 4,996,249**
		PS12: School Food Services	*$ 60,000*	*$ 60,000*
		P12.01: School Lunch	$ 60,000	$ 60,000
		PS16: Career-Technical Education	*$ 652,014*	*$ 652,014*
		P16.01: Secondary Workforce Development	$ 652,014	$ 652,014
		PS21: Program Management	*$ 4,284,235*	*$ 4,284,235*
		P21.01: Program Management	$ 4,284,235	$ 4,284,235
GRF	**200-408**	**Early Childhood Education**	**$ 19,002,195**	**$ 19,002,195**
		PS15: Early Childhood Education	*$ 19,002,195*	*$ 19,002,195*
		P15.01: Early Learing Programs	$ 19,002,195	$ 19,002,195
GRF	**200-410**	**Educator Training**	**$ 24,131,557**	**$ 24,531,557**
		PS 3: Recruitment and Retention	*$ 9,681,740*	*$ 10,081,740*
		P 3.01:Educator Retention	$ 8,100,000	$ 8,500,000
		P 3.02: Educator Recruitment	$ 1,581,740	$ 1,581,740
		PS 4:Educator Training	*$ 14,386,817*	*$ 14,386,817*
		P 4.01:Educator Training in Schools	$ 4,871,000	$ 4,871,000
		P 4.02:Entry-Year Educators	$ 9,515,817	$ 9,515,817
		PS 6: School Improvement	*$ 63,000*	*$ 63,000*
		P 6.01: Regional Technical Assistance	$ 63,000	$ 63,000
GRF	**200-420**	**Computer/Application/Network Development**	**$ 5,361,525**	**$ 5,361,525**
		PS21: Program Management	*$ 5,361,525*	*$ 5,361,525*
		P21.01: Program Management	$ 5,361,525	$ 5,361,525
GRF	**200-421**	**Alternative Education Programs**	**$ 13,391,162**	**$ 13,391,162**
		PS14: Student Intervention	*$ 13,391,162*	*$ 13,391,162*
		P14.04: Alternative Education	$ 13,391,162	$ 13,391,162
GRF	**200-422**	**School Management Assistance**	**$ 2,683,208**	**$ 2,710,572**
		PS 6: School Improvement	*$ 1,315,000*	*$ 1,315,000*
		P 6.02: High School Improvement	$ 1,315,000	$ 1,315,000
		PS10: Finance and Management Services	*$ 1,368,208*	*$ 1,395,572*
		P10.01: Finance and Management Services	$ 1,368,208	$ 1,395,572
GRF	**200-424**	**Policy Analysis**	**$ 556,687**	**$ 556,687**
		PS20: School Accountability	*$ 556,687*	*$ 556,687*
		PS20.01: Education Accountability	$ 556,687	$ 556,687
GRF	**200-425**	**Tech Prep Consortia Support**	**$ 2,069,217**	**$ 2,069,217**
		PS16: Career-Technical Education	*$ 2,069,217*	*$ 2,069,217*
		P16.02: College-Based Career-Technical Education	$ 2,069,217	$ 2,069,217
GRF	**200-426**	**Ohio Educational Computer Network**	**$ 29,676,964**	**$ 29,676,964**
		PS11: Ohio Education Computer Network	*$ 29,676,964*	*$ 29,676,964*
		P11.01: Ohio Education Computer Network	$ 29,676,964	$ 29,676,964

Executive Recommendations for FY 2006 and FY 2007, By Line Item and Program

Fund	ALI	Title	FY 2006	FY 2007
GRF	**200-427**	**Academic Standards**	**$ 14,440,753**	**$ 14,512,181**
		PS 1:Academic Standards and Student Assessments	*$ 10,840,753*	*$ 10,912,181*
		P 1.01:Academic Content Standards	$ 2,681,546	$ 2,706,861
		P 1.02:Model Curricula	$ 8,159,207	$ 8,205,320
		PS 4:Educator Training	*$ 3,600,000*	*$ 3,600,000*
		P 4.03:Mathematics Educator Training	$ 3,600,000	$ 3,600,000
GRF	**200-431**	**School Improvement Initiatives**	**$ 19,862,484**	**$ 23,191,663**
		PS 6: School Improvement	*$ 19,862,484*	*$ 23,191,663*
		P 6.01: Regional Technical Assistance	$ 14,972,949	$ 15,122,678
		P 6.02: High School Improvement	$ 4,574,535	$ 7,753,985
		P 6.03: Urban School Improvement	$ 315,000	$ 315,000
GRF	**200-433**	**Reading/Writing Improvement - Prof. Dev.**	**$ 15,400,000**	**$ 15,400,000**
		PS 4:Educator Training	*$ 15,075,000*	*$ 15,075,000*
		P 4.04:Literacy Educator Training	$ 15,075,000	$ 15,075,000
		PS14: Student Intervention	*$ 325,000*	*$ 325,000*
		P14.03: Literacy Intervention	$ 325,000	$ 325,000
GRF	**200-437**	**Student Assessment**	**$ 63,445,234**	**$ 69,011,935**
		PS 1:Academic Standards and Student Assessments	*$ 63,445,234*	*$ 69,011,935*
		P 1.03:Student Assessment	$ 63,445,234	$ 69,011,935
GRF	**200-439**	**Accountability/Report Cards**	**$ 3,878,850**	**$ 6,457,290**
		PS20: School Accountability	*$ 3,878,850*	*$ 6,457,290*
		P20.01: Education Accountability	$ 3,878,850	$ 6,457,290
GRF	**200-442**	**Child Care Licensing**	**$ 1,302,495**	**$ 1,302,495**
		PS15: Early Childhood Education	*$ 1,302,495*	*$ 1,302,495*
		P15.03: Child Care Licensing	$ 1,302,495	$ 1,302,495
GRF	**200-445**	**OhioReads Volunteer Support**	**$ 3,905,000**	**$ 3,905,000**
		PS14: Student Intervention	*$ 3,905,000*	*$ 3,905,000*
		P14.03: Literacy Intervention	$ 3,905,000	$ 3,905,000
GRF	**200-446**	**Education Management Information System**	**$ 15,674,805**	**$ 15,674,805**
		PS20: School Accountability	*$ 15,674,805*	*$ 15,674,805*
		P20.02: Education Management Information System	$ 15,674,805	$ 15,674,805
GRF	**200-447**	**GED Testing**	**$ 1,544,360**	**$ 1,544,360**
		PS 1: Academic Standards and Student Assessments	*$ 1,544,360*	*$ 1,544,360*
		P 1.04: Adult Assessment	$ 1,544,360	$ 1,544,360
GRF	**200-448**	**Educator Preparation**	**$ 1,651,000**	**$ 1,651,000**
		PS 2: Educator Standards and Preparation	*$ 1,651,000*	*$ 1,651,000*
		P 2.01: Educator Standards and Preparation	$ 1,651,000	$ 1,651,000
GRF	**200-455**	**Community Schools**	**$ 3,942,094**	**$ 3,942,094**
		PS 7: School Choice	*$ 3,942,094*	*$ 3,942,094*
		P 7.01: Community Schools	$ 3,942,094	$ 3,942,094
GRF	**200-502**	**Pupil Transportation**	**$ 412,330,728**	**$ 420,577,343**
		PS 9: Pupil Transportation	*$ 412,330,728*	*$ 420,577,343*
		P 9.01: Transportation Operating Cost	$ 412,330,728	$ 420,577,343
GRF	**200-503**	**Bus Purchase Allowance**	**$ 8,600,000**	**$ -**
		PS 9: Pupil Transportation	*$ 8,600,000*	*$ -*
		P 9.02: Bus Purchase	$ 8,600,000	$ -
GRF	**200-505**	**School Lunch Match**	**$ 8,998,025**	**$ 8,998,025**
		PS12: School Food Services	*$ 8,998,025*	*$ 8,998,025*
		P12.01: School Lunch	$ 8,998,025	$ 8,998,025

Executive Recommendations for FY 2006 and FY 2007, By Line Item and Program

Fund	ALI	Title	FY 2006	FY 2007
GRF	**200-509**	**Adult Literacy Education**	**$ 8,539,738**	**$ 8,539,738**
		PS19: Adult Education	*$ 8,539,738*	*$ 8,539,738*
		P19.02 Adult Basic and Literacy Education	$ 8,539,738	$ 8,539,738
GRF	**200-511**	**Auxiliary Services**	**$ 130,103,294**	**$ 133,095,669**
		PS 8: Basic Aid Support	*$ 130,103,294*	*$ 133,095,669*
		P 8.02: Nonpublic School Payments	$ 130,103,294	$ 133,095,669
GRF	**200-514**	**Postsecondary Adult Career-Tech Education**	**$ 19,481,875**	**$ 19,481,875**
		PS19: Adult Education	*$ 19,481,875*	*$ 19,481,875*
		PS19.01: Adult Workforce Education	$ 19,481,875	$ 19,481,875
GRF	**200-521**	**Gifted Pupil Program**	**$ 47,474,068**	**$ 47,721,293**
		PS17: Gifted Education	*$ 47,474,068*	*$ 47,721,293*
		P17.01: Gifted Pupil Program	$ 47,474,068	$ 47,721,293
GRF	**200-530**	**Ohio Choice Scholarships**	**$ -**	**$ 9,000,000**
		PS 7: School Choice	*$ -*	*$ 9,000,000*
		P 7.03 Ohio Choice Scholarships	$ -	$ 9,000,000
GRF	**200-532**	**Nonpublic Administrative Cost Reimbursement**	**$ 56,762,916**	**$ 58,068,463**
		PS 8: Basic Aid Support	*$ 56,762,916*	*$ 58,068,463*
		P 8.02: Nonpublic School Payments	$ 56,762,916	$ 58,068,463
GRF	**200-540**	**Special Education Enhancements**	**$ 133,204,606**	**$ 134,465,125**
		PS13: Special Education	*$ 54,010,546*	*$ 54,479,124*
		P13.01: Special Education Funding	$ 46,857,775	$ 47,326,353
		P13.02: Special Education Enhancements	$ 7,152,771	$ 7,152,771
		PS15: Early Childhood Education	*$ 79,194,060*	*$ 79,986,001*
		P15.02: Pre-kindergarten Special Education	$ 79,194,060	$ 79,986,001
GRF	**200-545**	**Career-Technical Education Enhancements**	**$ 10,169,442**	**$ 9,225,569**
		PS 6: School Improvement	*$ 3,431,000*	*$ 3,431,000*
		P 6.02: High School Improvement	$ 3,431,000	$ 3,431,000
		PS16: Career-Technical Education	*$ 6,738,442*	*$ 5,794,569*
		P16.01: Secondary Workforce Development	$ 3,649,943	$ 2,706,070
		P16.02: College-Based Career-Technical Education	$ 2,621,507	$ 2,621,507
		P16.05: K-12 Career Development	$ 466,992	$ 466,992
GRF	**200-550**	**Foundation Funding**	**$ 5,560,420,663**	**$ 5,689,371,366**
		PS 7: School Choice	*$ 19,201,887*	*$ 20,501,887*
		P 7.02: Cleveland Scholarship and Tutoring	$ 19,201,887	$ 20,501,887
		PS 8: Basic Aid Support	*$ 4,427,178,125*	*$ 4,483,274,761*
		P 8.01: Formula Aid	$ 4,427,178,125	$ 4,483,274,761
		PS12: School Food Services	*$ 3,700,000*	*$ 3,700,000*
		P12.02: School Breakfast	$ 3,700,000	$ 3,700,000
		PS13: Special Education	*$ 427,110,683*	*$ 439,235,072*
		P13.01: Special Education Funding	$ 427,110,683	$ 439,235,072
		PS16: Career-Technical Education	*$ 261,003,679*	*$ 273,559,075*
		P16.01: Secondary Workforce Development	$ 83,865,659	$ 88,047,440
		P16.03: Career-Based Intervention	$ 14,250,739	$ 14,821,605
		P16.04: Work and Family Studies	$ 18,270,026	$ 18,914,461
		P16.06: JVS Base Cost Funding	$ 144,617,255	$ 151,775,569
		PS18: Students At-Risk	*$ 422,226,289*	*$ 469,100,571*
		P18.02: Poverty-Based Assistance	$ 422,226,289	$ 469,100,571
GRF	**200-558**	**Emergency Loan Interest Subsidy**	**$ 1,388,164**	**$ 651,404**
		PS 10: Finance and Management Services	*$ 1,388,164*	*$ 651,404*
		P 10.01: Finance and Management Services	$ 1,388,164	$ 651,404

Executive Recommendations for FY 2006 and FY 2007, By Line Item and Program

Fund	ALI	Title	FY 2006	FY 2007
GRF	**200-566**	**Reading/Writing Improvement - Classroom Grants**	**$ 12,062,336**	**$ 12,062,336**
		PS14: Student Intervention	*$ 12,062,336*	*$ 12,062,336*
		P14.03: Literacy Intervention	$ 12,062,336	$ 12,062,336
GRF	**200-578**	**Safe and Supportive Schools**	**$ 1,218,555**	**$ 1,218,555**
		PS 6: School Improvement	*$ 1,218,555*	*$ 1,218,555*
		P 6.04: School Safety	$ 1,218,555	$ 1,218,555
GRF	**200-901**	**Property Tax Allocation - Education**	**$ 764,626,987**	**$ 728,793,318**
		PS 8: Basic Aid Support	*$ 764,626,987*	*$ 728,793,318*
		P 8.01: Formula Aid	$ 764,626,987	$ 728,793,318
GRF	**200-906**	**Tangible Tax Exemption - Education**	**$ 42,830,487**	**$ 32,122,865**
		PS 8: Basic Aid Support	*$ 42,830,487*	*$ 32,122,865*
		P 8.01: Formula Aid	$ 42,830,487	$ 32,122,865
		General Revenue Fund Subtotal	**$ 7,476,439,037**	**$ 7,583,593,209**
		General Services Fund Group		
138	**200-606**	**Computer Services - Operational Support**	**$ 7,600,091**	**$ 7,600,091**
		PS21: Program Management	$ 7,600,091	$ 7,600,091
		P21.01: Program Management	$ 7,600,091	$ 7,600,091
452	**200-638**	**Miscellaneous Educational Services**	**$ 400,000**	**$ 400,000**
		PS21: Program Management	*$ 400,000*	*$ 400,000*
		P21.01: Program Management	$ 400,000	$ 400,000
4D1	**200-602**	**Ohio Prevention/Education Resource Center**	**$ 832,000**	**$ 832,000**
		PS 6: School Improvement	*$ 832,000*	*$ 832,000*
		P 6.04: School Safety	$ 832,000	$ 832,000
4L2	**200-681**	**Teacher Certification and Licensure**	**$ 5,497,158**	**$ 5,628,332**
		PS 2: Educator Standards and Preparation	*$ 380,458*	*$ 387,918*
		P 2.01: Educator Standards and Preparation	$ 380,458	$ 387,918
		PS 3: Recruitment and Retention	*$ 100,000*	*$ 100,000*
		P 3.02: Educator Recruitment	$ 100,000	$ 100,000
		PS 5: Professional Licensure and Conduct	*$ 4,736,556*	*$ 4,854,777*
		P 5.01: Teacher Certification and Licensure	$ 2,960,417	$ 3,030,503
		P 5.02: Professional Conduct	$ 1,776,139	$ 1,824,274
		PS21: Program Management	*$ 280,144*	*$ 285,637*
		P21.01: Program Management	$ 280,144	$ 285,637
5H3	**200-687**	**School District Solvency Assistance**	**$ 18,000,000**	**$ 18,000,000**
		PS 10: Finance and Management Services	*$ 18,000,000*	*$ 18,000,000*
		P 10.01: Finance and Management Services	$ 18,000,000	$ 18,000,000
596	**200-656**	**Ohio Career Information System**	**$ 529,761**	**$ 529,761**
		PS16: Career-Technical Education	*$ 529,761*	*$ 529,761*
		P16.05: K-12 Career Development	$ 529,761	$ 529,761
		General Services Fund Subtotal	**$ 32,859,010**	**$ 32,990,184**
		Federal Special Revenue Fund Group		
3AF	**200-603**	**Schools Medicaid Administrative Claims**	**$ 10,000,000**	**$ 10,000,000**
		PS18: Students At-Risk	*$ 10,000,000*	*$ 10,000,000*
		P18.06: Medicaid Administrative Claims	$ 10,000,000	$ 10,000,000
3C5	**200-661**	**Early Childhood Education**	**$ 23,874,338**	**$ 23,874,338**
		PS15: Early Childhood Education	*$ 23,874,338*	*$ 23,874,338*
		P15.01: Early Learing Programs	$ 7,389,659	$ 7,389,659
		P15.02: Pre-kindergarten Special Education	$ 16,484,679	$ 16,484,679
3D1	**200-664**	**Drug Free Schools**	**$ 13,347,966**	**$ 13,347,966**
		PS 6: School Improvement	*$ 13,347,966*	*$ 13,347,966*
		P 6.04: School Safety	$ 13,347,966	$ 13,347,966

Executive Recommendations for FY 2006 and FY 2007, By Line Item and Program

Fund	ALI	Title	FY 2006	FY 2007
3D2	**200-667**	**Honors Scholarship Program**	**$ 5,812,903**	**$ 5,833,965**
		PS 1:Academic Standards and Student Assessments	*$ 99,375*	*$ 101,323*
		P 1.01:Academic Content Standards	$ 24,844	$ 25,331
		P 1.02:Model Curricula	$ 74,531	$ 75,992
		PS 4:Educator Training	*$ 4,113,028*	*$ 4,132,142*
		P 4.03:Mathematics Educator Training	$ 4,113,028	$ 4,132,142
		PS14: Student Intervention	*$ 1,600,500*	*$ 1,600,500*
		P14.01: Stuent Intervention and Extended Learning	$ 1,600,500	$ 1,600,500
3H9	**200-605**	**Head Start Collaboration Project**	**$ 275,000**	**$ 275,000**
		PS15: Early Childhood Education	*$ 275,000*	*$ 275,000*
		P15.01: Early Learing Programs	$ 275,000	$ 275,000
3L6	**200-617**	**Federal School Lunch**	**$ 204,256,132**	**$ 211,583,653**
		PS12: School Food Services	*$ 204,256,132*	*$ 211,583,653*
		P12.01: School Lunch	$ 204,256,132	$ 211,583,653
3L7	**200-618**	**Federal School Breakfast**	**$ 46,382,851**	**$ 48,405,608**
		PS12: School Food Services	*$ 46,382,851*	*$ 48,405,608*
		P12.02: School Breakfast	$ 46,382,851	$ 48,405,608
3L8	**200-619**	**Child/Adult Food Programs**	**$ 66,590,622**	**$ 67,915,843**
		PS12: School Food Services	*$ 66,590,622*	*$ 67,915,843*
		P12.03: Child and Adult Care	$ 66,590,622	$ 67,915,843
3L9	**200-621**	**Career-Technical Education Basic Grant**	**$ 48,029,701**	**$ 48,029,701**
		PS 6: School Improvement	*$ 196,697*	*$ 196,697*
		P 6.02: High School Improvement	$ 196,697	$ 196,697
		PS16: Career-Technical Education	*$ 42,628,696*	*$ 42,628,696*
		P16.01: Secondary Workforce Development	$ 21,756,201	$ 21,756,200
		P16.02: College-Based Career-Technical Education	$ 3,541,066	$ 3,541,067
		P16.03: Career-Based Intervention	$ 8,013,259	$ 8,013,259
		P16.04: Work and Family Studies	$ 9,207,398	$ 9,207,398
		P16.05: K-12 Career Development	$ 110,772	$ 110,772
		PS19: Adult Education	*$ 5,204,308*	*$ 5,204,308*
		P19.01: Adult Workforce Education	$ 5,115,691	$ 5,115,691
		P19.02: Adult Basic and Literacy Education	$ 55,386	$ 55,386
		P19.03: Veteran's State Approving Services	$ 33,231	$ 33,231
3M0	**200-623**	**ESEA Title 1A**	**$ 440,260,178**	**$ 461,026,070**
		PS18: Students At-Risk	*$ 440,260,178*	*$ 461,026,070*
		P18.01: Basic Education for the Disadvantaged	$ 440,260,178	$ 461,026,070
3M1	**200-678**	**Innovative Education**	**$ 11,800,000**	**$ 11,800,000**
		PS18: Students At-Risk	*$ 11,800,000*	*$ 11,800,000*
		P18.04: Innovative Education Program Strategies	$ 11,800,000	$ 11,800,000
3M2	**200-680**	**Individuals with Disabilities Education Act**	**$ 513,058,569**	**$ 605,581,547**
		PS13: Special Education	*$ 513,058,569*	*$ 605,581,547*
		P13.01: Special Education Funding	$ 494,933,886	$ 586,810,324
		P13.02: Special Education Enhancements	$ 18,124,683	$ 18,771,223
3S2	**200-641**	**Education Technology**	**$ 20,800,000**	**$ 20,800,000**
		PS18: Students At-Risk	*$ 20,800,000*	*$ 20,800,000*
		P18.05: Educational Technology State Grants	$ 20,800,000	$ 20,800,000
3T4	**200-613**	**Public Charter Schools**	**$ 13,500,000**	**$ 13,000,000**
		PS 7: School Choice	*$ 13,500,000*	*$ 13,000,000*
		P 7.01: Community Schools	$ 13,500,000	$ 13,000,000
3U2	**200-662**	**Teacher Quality Enhancement Grants**	**$ 795,280**	**$ 795,280**
		PS 2: Educator Standards and Preparation	*$ 795,280*	*$ 795,280*
		P 2.01:Educator Standards and Preparation	$ 795,280	$ 795,280

Executive Recommendations for FY 2006 and FY 2007, By Line Item and Program

Fund	ALI	Title	FY 2006	FY 2007
3Y2	**200-688**	**21st Century Community Learning Centers**	**$ 30,681,554**	**$ 30,681,554**
		PS14: Student Intervention	*$ 30,681,554*	*$ 30,681,554*
		P14.01: Stuent Intervention and Extended Learning	$ 30,681,554	$ 30,681,554
3Y4	**200-632**	**Reading First**	**$ 31,215,798**	**$ 31,215,798**
		PS 4:Educator Training	*$ 4,139,550*	*$ 4,139,550*
		P 4.04:Literacy Educator Training	$ 4,139,550	$ 4,139,550
		PS14: Student Intervention	*$ 27,076,248*	*$ 27,076,248*
		P14.03: Literacy Intervention	$ 27,076,248	$ 27,076,248
3Y6	**200-635**	**Improving Teacher Quality**	**$ 107,000,000**	**$ 107,000,000**
		PS 3: Recruitment and Retention	*$ 45,000*	*$ 45,000*
		P 3.02: Educator Recruitment	$ 45,000	$ 45,000
		PS 4: Educator Training	*$ 106,755,000*	*$ 106,755,000*
		P 4.01: Educator Training in Schools	$ 106,755,000	$ 106,755,000
		PS 5: Professional Licensure and Conduct	*$ 200,000*	*$ 200,000*
		P 5.01: Teacher Certification and Licensure	$ 200,000	$ 200,000
3Y7	**200-689**	**English Language Acquisition**	**$ 7,500,000**	**$ 8,000,000**
		PS14: Student Intervention	*$ 7,500,000*	*$ 8,000,000*
		P14.02 English Language Readiness	$ 7,500,000	$ 8,000,000
3Y8	**200-639**	**Rural and Low Income**	**$ 1,700,000**	**$ 1,700,000**
		PS18: Students At-Risk	*$ 1,700,000*	*$ 1,700,000*
		P18.03: Targeted Education for the Disadvantaged	$ 1,700,000	$ 1,700,000
3Z2	**200-690**	**State Assessments**	**$ 12,681,031**	**$ 12,883,799**
		PS 1:Academic Standards and Student Assessments	*$ 12,681,031*	*$ 12,883,799*
		P 1.03:Student Assessment	$ 12,681,031	$ 12,883,799
3Z3	**200-645**	**Consolidated USDE Administration**	**$ 9,200,000**	**$ 9,200,000**
		PS 1:Academic Standards and Student Assessments	*$ 126,076*	*$ 126,076*
		P 1.01:Academic Content Standards	$ 31,538	$ 31,538
		P 1.02:Model Curricula	$ 94,538	$ 94,538
		PS 4:Educator Training	*$ 171,644*	*$ 171,644*
		P 4.04:Literacy Educator Training	$ 171,644	$ 171,644
		PS14: Student Intervention	*$ 741,447*	*$ 741,447*
		P14.02 English Language Readiness	$ 233,498	$ 233,498
		P14.03: Literacy Intervention	$ 507,949	$ 507,949
		PS15: Early Childhood Education	*$ 228,832*	*$ 228,832*
		P15.01: Early Learing Programs	$ 228,832	$ 228,832
		PS18: Students At-Risk	*$ 7,932,001*	*$ 7,932,001*
		P18.07: Consolidated USDE Administration	$ 7,932,001	$ 7,932,001
309	**200-601**	**Educationally Disadvantaged**	**$ 19,658,846**	**$ 19,658,846**
		PS 6: School Improvement	*$ 11,056,562*	*$ 11,056,562*
		P 6.01: Regional Technical Assistance	$ 11,056,562	$ 11,056,562
		PS18: Students At-Risk	*$ 8,602,284*	*$ 8,602,284*
		P18.03: Targeted Education for the Disadvantaged	$ 8,602,284	$ 8,602,284
366	**200-604**	**Adult Basic Education**	**$ 18,500,000**	**$ 18,500,000**
		PS19: Adult Education	*$ 18,500,000*	*$ 18,500,000*
		P19.02 Adult Basic and Literacy Education	$ 18,500,000	$ 18,500,000
367	**200-607**	**School Food Services**	**$ 11,383,637**	**$ 11,666,732**
		PS12: School Food Services	*$ 11,383,637*	*$ 11,666,732*
		P12.01: School Lunch	$ 213,510	$ 221,010
		P12.02: School Breakfast	$ 35,057	$ 35,859
		P12.03: Child and Adult Care	$ 96,446	$ 98,360
		P12.04: Summer Food Programs	$ 5,230,154	$ 5,339,360
		P12.05: Special Programs and Support	$ 5,808,470	$ 5,972,143

Executive Recommendations for FY 2006 and FY 2007, By Line Item and Program

Fund	ALI	Title	FY 2006	FY 2007
368	**200-614**	**Veterans' Training**	**$ 672,961**	**$ 691,130**
		PS19: Adult Education	*$ 672,961*	*$ 691,130*
		P19.03: Veteran's State Approving Services	$ 672,961	$ 691,130
369	**200-616**	**Career-Tech Education Federal Enhancement**	**$ 6,500,000**	**$ 6,500,000**
		PS16: Career-Technical Education	*$ 5,000,000*	*$ 5,000,000*
		P16.02: College-Based Career-Technical Education	$ 4,653,600	$ 4,653,600
		P16.05: K-12 Career Development	$ 346,400	$ 346,400
		PS19: Adult Education	*$ 1,500,000*	*$ 1,500,000*
		PS19.01: Adult Workforce Education	$ 1,500,000	$ 1,500,000
370	**200-624**	**Education of Exceptional Children**	**$ 2,386,610**	**$ 2,386,610**
		PS13: Special Education	*$ 1,861,010*	*$ 1,861,010*
		P13.02: Special Education Enhancements	$ 1,861,010	$ 1,861,010
		PS17: Gifted Education	*$ 525,600*	*$ 525,600*
		P17.01: Gifted Pupil Program	$ 525,600	$ 525,600
371	**200-631**	**EEO Title IV**	**$ 400,000**	**$ 400,000**
		PS14: Student Intervention	*$ 400,000*	*$ 400,000*
		P14.02 English Language Readiness	$ 400,000	$ 400,000
374	**200-647**	**Troops to Teachers**	**$ 400,000**	**$ 400,000**
		PS 3: Recruitment and Retention	*$ 400,000*	*$ 400,000*
		P 3.02: Educator Recruitment	$ 400,000	$ 400,000
378	**200-660**	**Math/Science Technology Investments**	**$ 1,200,000**	**$ 1,200,000**
		PS 6: School Improvement	*$ 1,200,000*	*$ 1,200,000*
		P 6.01: Regional Technical Assistance	$ 1,200,000	$ 1,200,000
		Federal Special Revenue Fund Subtotal	**$ 1,679,863,977**	**$ 1,804,353,440**
		State Special Revenue Fund Group		
4R7	**200-695**	**Indirect Cost Recovery***	**$ 5,382,864**	**$ 5,449,748**
		PS 10: Finance and Management Services	*$ 1,023,750*	*$ 1,023,750*
		P 10.01: Finance and Management Services	$ 1,023,750	$ 1,023,750
		PS21: Program Management	*$ 4,359,114*	*$ 4,425,998*
		P21.01: Program Management	$ 4,359,114	$ 4,425,998
4V7	**200-633**	**Interagency Support**	**$ 500,000**	**$ 500,000**
		PS16: Career-Technical Education	*$ 124,038*	*$ 125,860*
		P16.01: Secondary Workforce Development	$ 124,038	$ 125,860
		PS21: Program Management	*$ 375,962*	*$ 374,140*
		P21.01: Program Management	$ 375,962	$ 374,140
454	**200-610**	**Guidance and Testing**	**$ 400,000**	**$ 400,000**
		PS 1:Academic Standards and Student Assessments	*$ 400,000*	*$ 400,000*
		P 1.04:Adult Assessment	$ 400,000	$ 400,000
455	**200-608**	**Commodity Foods**	**$ 24,000,000**	**$ 24,000,000**
		PS12: School Food Services	*$ 24,000,000*	*$ 24,000,000*
		P12.01: School Lunch	$ 24,000,000	$ 24,000,000
5BB	**200-696**	**State Action for Education Leadership**	**$ 1,200,000**	**$ 1,200,000**
		PS 4:Educator Training	*$ 1,200,000*	*$ 1,200,000*
		P 4.04:Literacy Educator Training	$ 1,200,000	$ 1,200,000
5BJ	**200-626**	**Half-Mill Maintenance Equalization**	**$ -**	**$ 10,700,000**
		PS 8: Basic Aid Support	*$ -*	*$ 10,700,000*
		P 8.01: Formula Aid	$ -	$ 10,700,000
5U2	**200-685**	**National Education Statistics**	**$ 200,000**	**$ 200,000**
		PS 1:Academic Standards and Student Assessments	*$ 100,000*	*$ 100,000*
		P 1.03:Student Assessment	$ 100,000	$ 100,000
		PS20: School Accountability	*$ 100,000*	*$ 100,000*
		P20.01: Education Accountability	$ 100,000	$ 100,000

Executive Recommendations for FY 2006 and FY 2007, By Line Item and Program

Fund	ALI	Title	FY 2006	FY 2007
5W2	**200-663**	**Early Learning Initiative**	**$ 96,580,000**	**$ 115,456,000**
		PS15: Early Childhood Education	*$ 96,580,000*	*$ 115,456,000*
		P15.01: Early Learing Programs	$ 96,580,000	$ 115,456,000
598	**200-659**	**Auxiliary Services Reimbursement**	**$ 1,328,910**	**$ 1,328,910**
		PS 8: Basic Aid Support	*$ 1,328,910*	*$ 1,328,910*
		P 8.02: Nonpublic School Payments	$ 1,328,910	$ 1,328,910
620	**200-615**	**Educational Grants**	**$ 1,000,000**	**$ 1,000,000**
		PS21: Program Management	*$ 1,000,000*	*$ 1,000,000*
		P21.01: Program Management	$ 1,000,000	$ 1,000,000
		State Special Revenue Fund Subtotal	**$ 130,591,774**	**$ 160,234,658**
		Lottery Profits Education Fund Group		
017	**200-612**	**Base Cost Funding**	**$ 606,208,300**	**$ 606,296,800**
		PS 8: Basic Aid Support	*$ 606,208,300*	*$ 606,296,800*
		P 8.01: Formula Aid	$ 606,208,300	$ 606,296,800
017	**200-682**	**Lease Rental Payment Reimbursement**	**$ 31,691,700**	**$ 31,603,200**
		PS 10: Finance and Management Services	*$ 31,691,700*	*$ 31,603,200*
		P 10.01: Finance and Management Services	$ 31,691,700	$ 31,603,200
		Lottery Profits Fund Subtotal	**$ 637,900,000**	**$ 637,900,000**
		Revenue Distribution Fund Group		
047	**200-900**	**School District Prop Tax Replac - Business**	**$ 28,800,000**	**$ 220,800,000**
		PS 8: Basic Aid Support	*$ 28,800,000*	*$ 220,800,000*
		P 8.03: Local Tax Supplement	$ 28,800,000	$ 220,800,000
053	**200-900**	**School District Prop Tax Replac - Utility**	**$ 116,647,522**	**$ 101,647,522**
		PS 8: Basic Aid Support	*$ 116,647,522*	*$ 101,647,522*
		P 8.03: Local Tax Supplement	$ 116,647,522	$ 101,647,522
		Revenue Distribution Fund Subtotal	**$ 145,447,522**	**$ 322,447,522**
Agency Total Funding			**$ 10,103,101,320**	**$ 10,541,519,013**

ANALYSIS OF EXECUTIVE PROPOSAL

Program Series 1 — Academic Standards and Student Assessments

Purpose: This program series sets the standards for what students should know and be able to do and assesses students' progress toward meeting those standards.

The following table shows the line items that are used to fund the Academic Standards and Student Assessments program series, as well as the portion of the Governor's recommended funding levels for these items that are provided to the Academic Standards and Student Assessments program series. For the totals recommended for each line item, please see the master table at the beginning of the Analysis of the Executive Proposal.

Appropriation Amounts for Program Series 1: Academic Standards and Student Assessments				
Fund	**ALI**	**Title**	**FY 2006**	**FY 2007**
General Revenue Fund				
GRF	200-427	Academic Standards	$10,840,753	$10,912,181
GRF	200-437	Student Assessment	$63,445,234	$69,011,935
GRF	200-447	GED Testing	$1,544,360	$1,544,360
		General Revenue Fund Subtotal	**$75,830,347**	**$81,468,476**
State Special Revenue Fund				
454	200-610	Guidance and Testing	$400,000	$400,000
5U2	200-685	National Education Statistics	$100,000	$100,000
		State Special Revenue Fund Subtotal	**$500,000**	**$500,000**
Federal Special Revenue Fund				
3D2	200-667	Honor Scholarship Program	$99,375	$101,323
3Z2	200-690	State Assessments	$12,681,031	$12,883,799
3Z3	200-645	Consolidated USDE Administration	$126,076	$126,076
		Federal Special Revenue Fund Subtotal	**$12,906,482**	**$13,111,198**
Total Funding: Academic Standards and Student Assessments			**$89,236,829**	**$95,079,674**

The Academic Standards and Student Assessments program series contains four programs. Program 1.1, Academic Content Standards, receives 3.0% of the funding in the series, program 1.2, Model Curricula, receives 9.1%, program 1.3, Student Assessments, receives 85.8%, and program 1.4, Adult Assessment, receives 2.1%. The executive budget proposes an increase of 28.1% over estimated FY 2005 expenditures in FY 2006 and an increase of 6.5% in FY 2007 for this program series. Of the $184.3 million total biennial funding for this program series, 85.3% comes from the general revenue fund, 0.5% from the state special revenue fund group, and 14.1% from the federal special revenue fund group. Details for each program are given below.

Program 1.1 Academic Content Standards

The following table shows the portion of each line item that is used to fund this program and any earmarks that are provided for this program in the executive budget. Remainder refers to any funds left over for the program that do not receive specific earmarks.

Fund	ALI	Title/*Earmarks*	FY 2006	FY 2007
GRF	200-427	Academic Standards	$2,681,546	$2,706,861
		Ohio's Partnership for Continued Learning	*$150,000*	*$150,000*
		Remainder	*$2,531,546*	*$2,556,861*
3D2	200-667	Honor Scholarship Program	$24,844	$25,331
3Z3	200-645	Consolidated USDE Administration	$31,538	$31,538
Total Funding: Academic Content Standards			**$2,737,928**	**$2,763,730**

Academic content standards describe what the state of Ohio expects all of its students to know and be able to do each year as they progress through preschool, elementary school, middle school, and high school. The Department has developed academic content standards in seven areas: English language arts, mathematics, science, social studies, arts, foreign language, and technology. These standards are posted on the Department's web site. Now that these standards have been developed, this program concentrates on disseminating the standards to families through the booklets: *Standards Guides for Families* and on training educators in the use of the standards. The federal funds provided for this program will be used for dissemination of the mathematics content standards.

Ohio's Partnership for Continued Learning. The executive budget earmarks $150,000 in each fiscal year to be used in conjunction with funding in the Board of Regents' budget to support Ohio's Partnership for Continued Learning at the direction of the Office of the Governor. The Partnership replaces and broadens the current Joint Council of the Department of Education and the Board of Regents. The Partnership is required to advise and to make recommendations to promote collaboration among relevant state entities in an effort to help local communities develop coherent and successful "P-16" learning systems.

The executive budget proposes an increase of 6.4% in FY 2006 and 0.9% in FY 2007 for this program.

Program 1.2 Model Curricula

The following table shows the portion of each line item that is used to fund this program and any earmarks that are provided for this program in the executive budget. Remainder refers to any funds left over for the program that do not receive specific earmarks.

Fund	ALI	Title/*Earmark*	FY 2006	FY 2007
GRF	200-427	Academic Standards	$8,159,207	$8,205,320
		Teachers-on-loan	*$2,547,912*	*$2,547,912*
		Remainder	*$5,611,295*	*$5,657,408*
3D2	200-667	Honor Scholarship Program	$74,531	$75,992
3Z3	200-645	Consolidated USDE Administration	$94,538	$94,538
Total Funding: Model Curricula			**$8,328,276**	**$8,375,850**

The Department defines model curricula as model lesson plans created at the state level for use by school districts to develop local courses of study that are aligned to the academic content standards. Am. Sub. S.B. 1 of the 124th General Assembly mandated the completion of model curricula in the seven subject areas for which academic content standards have been developed. The first four of these (English language arts, mathematics, science, and social studies) have already been completed, the last three (arts, foreign language, and technology) are to be completed by the end of June 2005. The Department is disseminating these curricula through a web-based application called the Instructional Management

System (IMS). Currently the IMS contains 133 lesson plans across all grade levels pre-kindergarten through twelfth. There are 30 lesson plans for English language arts, 17 for mathematics, 36 for science, and 50 for social studies.

In FY 2006, the Department will complete the development of the initial model curricula for foreign language, arts, and technology. Throughout the biennium, the Department will work to increase the number of lesson plans in the four core subject areas that are contained on the IMS. Federal funding for this program will be used in the further development of the mathematics model curriculum.

Teachers on Loan. The earmark for the Teachers on Loan program receives an increase of 248.4% in FY 2006 from $731,250 to $2,547,912 and flat funding in FY 2007. This program takes teachers from each of 12 regions in Ohio, provides them with intense instruction in the use of the academic content standards and the model curricula, and sends them out to train other educators. According to the executive analysis this funding will increase the number of teachers in the program from 12 in FY 2005 to 24 in FY 2006 and FY 2007.

The executive budget proposes increases of 37.4% in FY 2006 and 0.6% in FY 2007 for this program.

Program 1.3 Student Assessment

The following table shows the portion of each line item that is used to fund this program.

Fund	ALI	Title	FY 2006	FY 2007
GRF	200-437	Student Assessment	$63,445,234	$69,011,935
5U2	200-685	National Education Statistics	$100,000	$100,000
3Z2	200-690	State Assessments	$12,681,031	$12,883,799
Total Funding: Student Assessments			**$76,226,265**	**$81,995,734**

This program funds the development, printing, distribution, collection, scoring, and reporting of proficiency, achievement, and diagnostic tests, as well as the Kindergarten Readiness Assessment and the Ohio Graduation Tests (OGT). Approximately 93% of the funding for this program is expended on contracts with test development and scoring companies. Once the tests are developed, scoring of the tests represents the largest on-going cost to the student assessment program. Am. Sub. S.B. 1 of the 124th General Assembly started the phase-out of the proficiency tests in favor of the achievement tests and the OGT. Am. Sub. H.B. 3 of the 125th General Assembly further modified the assessment system to conform it to the requirements of the federal No Child Left Behind Act (NCLB), and mandated the development of the Kindergarten Readiness Assessment. The following table shows the complete assessment schedule that is required to be implemented by FY 2008. The shaded boxes represent those tests that have not yet been implemented.

Final State Student Assessment Schedule					
	Reading	**Writing**	**Mathematics**	**Science**	**Social Studies**
Kindergarten	*Readiness Assessment*	*Readiness Assessment*	*Readiness Assessment*		
Grades 1 and 2	Diagnostic	Diagnostic	Diagnostic		
Grade 3	Achievement	Diagnostic	Achievement	*Diagnostic*	*Diagnostic*
Grade 4	Achievement	Achievement	*Achievement*	*Diagnostic*	*Diagnostic*
Grade 5	Achievement	*Diagnostic*	*Achievement*	*Achievement*	*Achievement*
Grade 6	*Achievement*	*Diagnostic*	*Achievement*	*Diagnostic*	*Diagnostic*
Grade 7	*Achievement*	*Achievement*	Achievement	*Diagnostic*	*Diagnostic*
Grade 8	Achievement	*Diagnostic*	Achievement	*Achievement*	*Achievement*
Grade 10	OGT	OGT	OGT	OGT	OGT
Note: Italicized and shaded tests have not yet been implemented.					

In order to remain on schedule, the Department plans to develop five new achievement tests in both FY 2006 and FY 2007. In addition, the Department will develop 11 new diagnostic assessments during the FY 2006 – FY 2007 biennium. The Kindergarten Readiness Assessment has been developed and should be fully implemented in FY 2006. After each test is developed, new test items must be continually developed and field tested.

In addition to test development, the program funds the administration and scoring of all existing tests. The proficiency tests will not be completely phased-out until FY 2008. In FY 2006, approximately 15,000 students will need to take one or more of the 9th grade proficiency tests in order to graduate. In FY 2007 and FY 2008, that number will likely fall to 4,000. The Department also anticipates the administration and scoring of 1.96 million achievement tests in FY 2006 and 2.66 million in FY 2007.

Finally, this program funds a number of test resources provided to school districts. These include test brochures for about 140,000 parents and 9,000 teachers, resource manuals by subject at each grade level, and interpretive guides for test coordinators.

The federal funds in this program are used to support the state assessments that are required by the federal government in the No Child Left Behind Act. These include mathematics and reading achievement tests in grades three through eight and the mathematics and reading portion of the OGT.

The executive budget proposes increases of 30.2% in FY 2006 and 7.6% in FY 2007 for this program.

Program 1.4 Adult Assessment

The following table shows the portion of each line item that is used to fund this program.

Fund	ALI	Title	FY 2006	FY 2007
GRF	200-447	GED Testing	$1,544,360	$1,544,360
454	200-610	Guidance and Testing	$400,000	$400,000
Total Funding: Adult Assessment			**$1,944,360**	**$1,944,360**

GED Testing. The General Education Development (GED) program provides a national standardized test that adults can take to earn the equivalent of a high school diploma. There are 79 GED test centers in Ohio. Approximately 30,000 applications are processed each year, with about 26,000 tests taken at a 70% passing rate. This program is funded through the GRF and testing fees that are deposited in state special revenue fund 454.

Operation Extend. Some GRF funds are used for Operation Extend, which reimburses districts for the cost of providing summer proficiency intervention programs for students who completed 12th grade, but failed to graduate because they did not pass all 9th grade proficiency tests. The executive budget extends this program for students who have not graduated because they have not passed the OGT.

The executive budget proposes flat GRF funding for this program in both fiscal years. Total funding for this program decreases by 22.3% in FY 2006 and is flat in FY 2007.

Program Series 2 Educator Standards and Preparation

Purpose: This program is designed to prepare educators to work in Ohio's schools.

The following table shows the line items that are used to fund the Educator Standards and Preparation program series, as well as the portion of the Governor's recommended funding levels for these items that are provided to the Educator Standards and Preparation program series. For the totals recommended for each line item, please see the master table at the beginning of the Analysis of the Executive Proposal.

Appropriation Amounts for Program Series 2: Educator Standards and Preparation				
Fund	**ALI**	**Title**	**FY 2006**	**FY 2007**
General Revenue Fund				
GRF	200-448	Educator Preparation	$1,651,000	$1,651,000
		General Revenue Fund Subtotal	**$1,651,000**	**$1,651,000**
General Services Fund				
4L2	200-681	Teacher Certification and Licensure	$380,458	$387,918
		General Services Fund Subtotal	**$380,458**	**$387,918**
Federal Special Revenue Fund				
3U2	200-662	Teacher Quality Enhancement Grants	$795,280	$795,280
		Federal Special Revenue Fund Subtotal	**$795,280**	**$795,280**
Total Funding: Educator Standards and Preparation			**$2,826,738**	**$2,834,198**

The Educator Standards and Preparation program series contains one program. Of the $5.7 million in total biennial funding for this program series, 58.3% comes from the general revenue fund, 13.6% from the general services fund group, and 28.1% from the federal special revenue fund group. Details for program 2.1, Educator Standards and Preparation, are given below.

Program 2.1 Educator Standards and Preparation

The following table shows the portion of each line item that is used to fund this program and any earmarks that are provided for this program in the executive budget.

Fund	ALI	Title/*Earmark*	FY 2006	FY 2007
GRF	200-448	Educator Preparation	$1,651,000	$1,651,000
		Teacher Quality Partnership	*$100,000*	*$100,000*
		Educator Standards Board	*$1,551,000*	*$1,551,000*
4L2	200-681	Teacher Certification and Licensure	$380,458	$387,918
3U2	200-662	Teacher Quality Enhancement Grants	$795,280	$795,280
Total Funding: Educator Standards and Preparation			**$2,826,738**	**$2,834,198**

Teacher Quality Partnership. These funds will be used in conjunction with funds from the Board of Regents budget to support the Teacher Quality Partnership. This Partnership is a research consortium of Ohio's fifty colleges and universities that have teacher education programs. The funds are to be used to support a comprehensive longitudinal study of the preparation, in-school support, and effectiveness of Ohio teachers.

Educator Standards Board. The Educator Standards Board was established by Am. Sub. S.B. 2 of the 125th General Assembly. In FY 2006 and FY 2007, this Board will develop and recommend to the State Board of Education standards for educator training and standards for entering and continuing in teacher and school leadership positions.

Teacher Certification and Licensure. The State Board has the responsibility to establish standards and courses of study for the preparation of teachers, conduct evaluations of prospective teacher preparation programs, approve continuing teacher preparation programs, and license the graduates of approved programs. These responsibilities are funded through teacher licensure fees that are deposited in general services fund 4L2.

Charter Colleges of Education. These federal funds are from a new grant, disbursed through appropriation item 200-662, Teacher Quality Enhancement Grants, to establish charter colleges of education. The grant will be used for two pilot sites, which will each be awarded almost $400,000 per year. According to the Department, charter colleges of education are exempted from some regulations, but are held accountable for the success of their graduates in the classroom. The program is designed to encourage innovation. One of the sites currently being funded incorporates on-line courses; the other has developed an apprenticeship model in which students spend much of their time in the school classroom rather than on the college campus.

The executive budget proposes increases of 6.4% in GRF funding in FY 2006 and flat GRF funding in FY 2007 for this program. Total funding for this program increases by 45.7% in FY 2006 and 0.3% in FY 2007. The increase in FY 2006 is mainly due to the new federal grant.

Program Series 3 Recruitment and Retention

Purpose: This program series is designed to attract and retain highly qualified teachers in Ohio schools.

The following table shows the line items that are used to fund the Recruitment and Retention program series, as well as the portion of the Governor's recommended funding levels for these items that are provided to the Recruitment and Retention program series. For the totals recommended for each line item, please see the master table at the beginning of the Analysis of the Executive Proposal.

Appropriation Amounts for Program Series 3: Recruitment and Retention				
Fund	**ALI**	**Title**	**FY 2006**	**FY 2007**
General Revenue Fund				
GRF	200-410	Educator Training	$9,681,740	$10,081,740
		General Revenue Fund Subtotal	**$9,681,740**	**$10,081,740**
General Services Fund				
4L2	200-681	Teacher Certification and Licensure	$100,000	$100,000
		General Services Fund Subtotal	**$100,000**	**$100,000**
Federal Special Revenue Fund				
3Y6	200-635	Improving Teacher Quality	$45,000	$45,000
374	200-647	Troops to Teachers	$400,000	$400,000
		Federal Special Revenue Fund Subtotal	**$445,000**	**$445,000**
Total Funding: Recruitment and Retention			**$10,226,740**	**$10,626,740**

The Recruitment and Retention program series contains two programs. Program 3.1, Educator Retention, receives 79.6% of the funding in the series, and program 3.2, Educator Recruitment, receives 20.4%. The executive budget proposes a decrease of 0.3% over estimated FY 2005 expenditures in FY 2006 and an increase of 3.9% in FY 2007 for this program series. Of the $20.9 million in total biennial funding for this program series, 94.8% comes from the general revenue fund, 1.0% from the general services fund group, and 4.3% from the federal special revenue fund group. Details for each program are given below.

Program 3.1 Educator Retention

The following table shows the portion of each line item that is used to fund this program and any earmarks that are provided for this program in the executive budget.

Fund	ALI	Title/*Earmark*	FY 2006	FY 2007
GRF	200-410	Educator Training	$8,100,000	$8,500,000
		National Board Teacher Certification	*$7,850,000*	*$8,250,000*
		Teacher Advancement Program	*$250,000*	*$250,000*
Total Funding: Educator Retention			**$8,100,000**	**$8,500,000**

National Board Teacher Certification. The Department supports and encourages teachers who work to obtain certification from the National Board of Professional Teaching Standards. The National Board is a nonprofit 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 the standards. Many

educators recognize the process of obtaining National Board Certification as a powerful professional development experience. A number of studies have reported modest to significant gains in the achievement of students taught by National Board certified teachers. The executive budget provides $2,000 for the $2,300 application fee for up to 400 applicants in FY 2006 and FY 2007, which is the same number that were funded in FY 2005. In addition, those Ohio teachers obtaining certification are entitled to an annual stipend for the life of the certification, which is ten years, as long as they continue to teach in Ohio. The amount of the stipend is $2,500 per year for those obtaining certification before December 31, 2004 and $1,000 per year for those obtaining certification after December 31, 2004. According to the Department, 2,172 National Board certified teachers were teaching in Ohio as of December 2004. The executive proposal increases the earmark for this program by 9.2% in FY 2006 and 5.1% in FY 2007. The earmark also provides up to $300,000 in each fiscal year for the Department to pay for the costs associated with Department activities to support candidates through the application and certification process.

Teacher Advancement Program. The Teacher Advancement Program was developed by the Milken Family Foundation. It includes a career ladder for teachers where teacher compensation is based on demonstrated skills and student achievement. Columbus City and Solon City school districts are beginning to implement this program in some of their schools. State funds are used to support this implementation. This program is a step toward the restructuring of teacher compensation systems in order to attract, retain, and motivate talented teachers. According to the Department there are five key principles for this restructuring: multiple career paths for teachers; market-based compensation systems tied to job performance; performance-based accountability; ongoing, applied professional development; and expansion of the pool of highly qualified teachers. The executive budget increases the earmark for this program by 32.9% in FY 2006 and provides flat funding in FY 2007.

The executive budget proposes overall increases of funding for this program of 9.8% in FY 2006 and 4.9% in FY 2007.

Program 3.2 Educator Recruitment

The following table shows the portion of each line item that is used to fund this program and any earmarks that are provided for this program in the executive budget.

Fund	ALI	Title/*Earmark*	FY 2006	FY 2007
GRF	200-410	Educator Training	$1,581,740	$1,581,740
		Recruitment for Shortage Areas	*$1,106,740*	*$1,106,740*
		Teacher Incentives	*$375,000*	*$375,000*
		Educator Supply and Demand Reports	*$100,000*	*$100,000*
4L2	200-681	Teacher Certification and Licensure	$100,000	$100,000
3Y6	200-635	Improving Teacher Quality	$45,000	$45,000
374	200-647	Troops to Teachers	$400,000	$400,000
Total Funding: Educator Recruitment			**$2,126,740**	**$2,126,740**

Recruitment for Shortage Areas. With this funding, the Department provides competitive grants to school districts, colleges, and universities to support efforts to recruit and retain people from underrepresented populations into the teaching profession. The executive budget increases the earmark for this program by 9.9% in FY 2006, but also expands the use of these funds to provide an alternative route to licensure for principals and other school administrators. The earmark receives flat funding in FY 2007.

Teacher Incentives. This is a new initiative proposed by the executive budget. It will provide annual stipends of $2,500 for 150 highly qualified teachers as an incentive for them to teach in schools the Department has identified as hard-to-staff. These stipends are to be provided to teachers with at least three years of experience who teach in the areas of middle or high school mathematics or science.

Educator Supply and Demand Reports. This funding supports the development and dissemination of an annual report entitled *Conditions of Teacher Supply and Demand in Ohio*. This report describes the availability of teachers in Ohio and highlights areas of critical shortages. The report is available on the Department's website. The executive budget provides a decrease of 30.6% for this earmark in FY 2006 and flat funding in FY 2007.

Web-based Recruitment System. Starting in FY 2004, the Department has maintained a website that can be used by people interested in applying to work in Ohio school districts. The system is funded through access fees that are deposited in general services fund 4L2 and disbursed through appropriation item 200-681, Teacher Certification and Licensure.

Troops to Teachers. This federal program encourages former military personnel to become teachers by providing them with tuition and stipends as they study to obtain licensure. This program is being scaled back; the executive proposal reflects a decrease of 75.7% in FY 2006 and flat funding in FY 2007.

The executive budget proposes an increase of 37.5% in GRF funding for this program in FY 2006 and flat GRF funding in FY 2007. Overall funding decreases by 26.2% in FY 2006 and is flat in FY 2007. The decrease in FY 2006 is due to the decrease in the federal Troops to Teachers program.

Program Series 4 Educator Training

Purpose: This program series includes programs that help educators increase student achievement through providing quality educator training.

The following table shows the line items that are used to fund the Educator Training program series, as well as the portion of the Governor's recommended funding levels for these items that are provided to the Educator Training program series. For the totals recommended for each line item, please see the master table at the beginning of the Analysis of the Executive Proposal.

Appropriation Amounts for Program Series 4: Educator Training				
Fund	**ALI**	**Title**	**FY 2006**	**FY 2007**
General Revenue Fund				
GRF	200-410	Educator Training	$14,386,817	$14,386,817
GRF	200-427	Academic Standards	$3,600,000	$3,600,000
GRF	200-433	Reading/Writing Improvement – Prof. Dev.	$15,075,000	$15,075,000
		General Revenue Fund Subtotal	**$33,061,817**	**$33,061,817**
State Special Revenue Fund				
5BB	200-696	State Action for Education Leadership	$1,200,000	$1,200,000
		State Special Revenue Fund Subtotal	**$1,200,000**	**$1,200,000**
Federal Special Revenue Fund				
3Y4	200-632	Reading First	$4,139,550	$4,139,550
3Y6	200-635	Improving Teacher Quality	$106,755,000	$106,755,000
3Z3	200-645	Consolidated USDE Administration	$171,644	$171,644
3D2	200-667	Honor Scholarship Program	$4,113,028	$4,132,142
		Federal Special Revenue Fund Subtotal	**$115,179,222**	**$115,198,336**
Total Funding: Educator Training			**$149,441,039**	**$149,460,153**

The Educator Training program series contains four programs. Program 4.1, Educator Training in Schools, receives 74.7% of the funding in the series, program 4.2, Entry Year Educators, receives 6.4%, program 4.3, Mathematics Educator Training, receives 5.2%, and program 4.4, Literacy Educator Training, receives 13.8%. The executive budget proposes an increase of 4.0% over estimated FY 2005 expenditures in FY 2006 and a minimal increase in FY 2007 for this program series. Of the $298.9 million total biennial funding for this program series, 22.1% comes from the general revenue fund, 0.8% from the state special revenue fund group, and 77.1% from the federal special revenue fund group. Details for each program are given below.

Program 4.1 Educator Training in Schools

The following table shows the portion of each line item that is used to fund this program and any earmarks that are provided for this program in the executive budget.

Fund	ALI	Title/*Earmarks*	FY 2006	FY 2007
GRF	200-410	Educator Training	$4,871,000	$4,871,000
		Low Performing Districts Prof. Dev.	*$4,371,000*	*$4,371,000*
		Administrator Training	*$500,000*	*$500,000*
3Y6	200-635	Improving Teacher Quality	$106,755,000	$106,755,000
Total Funding: Educator Training in Schools			**$111,626,000**	**$111,626,000**

Professional Development for Low Performing Districts. These funds support five additional professional development days for teachers of reading, writing, mathematics, science, or social studies in ninth or tenth grades. In FY 2004 funds were provided to districts in academic emergency and in FY 2005 funds were provided to districts with three-year average graduation rates of 75% or below. The executive proposal is to provide funds in FY 2006 and FY 2007 to districts that fit either of these two criteria. This program is designed to assist these teachers in helping their students pass the Ohio graduation tests. The executive budget provides flat funding for this earmark in both years of the biennium.

Administrator Training. These funds are allocated through grants to state professional associations that provide training to school administrators in order to enhance their management and leadership skills. The executive budget provides a decrease of 17.1% for this earmark in FY 2006 and flat funding in FY 2007.

Improving Teacher Quality. These federal grants can be used for professional development and class size reduction. Ninety-five percent of the funding is allocated to school districts based on a federal formula that considers enrollment and poverty in each district. One percent is used by the Department for administration and the remaining 4% is used by the Department for creating partnerships between districts and institutes of higher education in order to develop training activities around the academic content standards.

The executive budget proposes a decrease of 2.1% in GRF funding for this program in FY 2006 and flat GRF funding in FY 2007. Overall funding increases by 2.6% in FY 2006 and is flat in FY 2007.

Program 4.2 Entry Year Educators

The following table shows the portion of each line item that is used to fund this program and any earmarks that are provided for this program in the executive budget.

Fund	ALI	Title/*Earmarks*	FY 2006	FY 2007
GRF	200-410	Educator Training	$9,515,817	$9,515,817
		Entry Year Teachers	*$9,515,817*	*$9,515,817*
Total Funding: Entry Year Educators			**$9,515,817**	**$9,515,817**

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. Principals

also must complete an entry-year assessment before obtaining full licensure. Approximately 4,300 to 4,500 educators complete an entry-year program annually in Ohio. These funds provide stipends of approximately $1,100 for each entry year participant. Additional funds are used to fund the assessments.

The executive budget proposes flat funding for this program in both years of the biennium.

Program 4.3 Mathematics Educator Training

The following table shows the portion of each line item that is used to fund this program and any earmarks that are provided for this program in the executive budget.

Fund	ALI	Title/*Earmarks*	FY 2006	FY 2007
GRF	200-427	Academic Standards	$3,600,000	$3,600,000
		Ohio Math Academy	*$2,600,000*	*$2,600,000*
		Project Lead the Way	*$1,000,000*	*$1,000,000*
3D2	200-667	Honor Scholarship Program	$4,113,028	$4,132,142
Total Funding: Mathematics Educator Training			**$7,713,028**	**$7,732,142**

Ohio Mathematics Academy. The Ohio Mathematics Academy Program (OMAP) is an intensive, five-day teacher institute with two one-day sessions that focus on classroom implementation of the mathematics academic content standards. Training is focused on creating and implementing lessons and classroom assessments that are aligned with the Ohio academic content standards for mathematics. Training also includes the use of technology to support instruction. The OMAP first received funding in FY 2004 and FY 2005 from GRF appropriation item 200-433, Reading/Writing/Math Improvement. The executive proposal shifts the funding to GRF appropriation item 200-427, Academic Standards, and provides flat funding in both years of the biennium. OMAP is also supported with the federal grant Math and Science Partnerships, which is described below. In the FY 2004 – FY 2005 biennium 1,334 teachers received training. Priority is given to teachers who are in districts the Department identifies as "high need" who need additional training to be considered highly qualified.

Project Lead the Way. Project Lead the Way is a national program that provides a pre-engineering curriculum for high school and middle school students as well as teacher training materials and support. The program is designed to encourage student interest in the field of engineering and to support students who choose to pursue this field. The executive budget provides funds for oversight of this program in Ohio and for support for participating school districts.

Math and Science Partnerships. This federal grant, deposited into fund 3D2, is designed to improve the academic achievement of students in math and science. The grant stipulates that the partnership must include the Department as well as at least one institute of higher education and one high-need school district. The Department uses this funding to support the OMAP, which is described above and the Ohio Science Institute (OSCI). OSCI provides teacher training in the science content standards, standards-based instruction, and inquiry-oriented teaching. The federal grant will allow approximately 2,700 teachers to receive training over the biennium. Priority is given to teachers in high-need school districts who need additional training to be considered highly qualified. A small portion of this grant also is used to support the development of the academic content standards and model curricula in mathematics and science (see programs 1.1 and 1.2 above).

The executive budget proposes an increase of 38.5% in GRF funding for this program in FY 2006 and flat GRF funding in FY 2007. The increase in GRF funding in FY 2006 is due to the new funding provided for Project Lead the Way. Overall funding for this program increases by 15.2% in FY 2006 and 0.2% in FY 2007.

Program 4.4 Literacy Educator Training

The following table shows the portion of each line item that is used to fund this program and any earmarks that are provided for this program in the executive budget.

Fund	ALI	Title/*Earmarks*	FY 2006	FY 2007
GRF	200-433	Reading/Writing Improvement – Prof. Dev.	$15,075,000	$15,075,000
		Prof. Dev. In Literacy (SIRI)	*$10,075,000*	*$10,075,000*
		Professional Development Partnerships	*$5,000,000*	*$5,000,000*
5BB	200-696	State Action for Education Leadership	$1,200,000	$1,200,000
3Y4	200-632	Reading First	$4,139,550	$4,139,550
3Z3	200-645	Consolidated USDE Administration	$171,644	$171,644
Total Funding: Literacy Educator Training			**$20,586,194**	**$20,586,194**

Professional Development in Literacy. This activity funds the State Institutes for Reading Instruction (SIRI). This program provides intensive, year-round training opportunities for teachers statewide. Training focuses on research-based strategies in literacy instruction that are aligned with the academic content standards in English language arts. The proposed funding for this program is flat in both years of the biennium and will fund training for about 14,000 teachers each year.

Professional Development Partnerships. This funding supports four activities: (1) Eleven university and college faculty who train 90 literacy specialists in more than 150 schools, and support intervention specialists and language arts curriculum coaches, (2) Regional literacy teams that discuss, critique, study, and strengthen literacy teaching and learning in their regions, (3) The Ohio Principals' Literacy Network, which provides elementary principals with tools to assist them in implementing effective literacy programs in their schools, and (4) Development and distribution of materials designed to help teachers understand literacy development and learning in adolescents.

State Action for Education Leadership. These funds are provided through a grant awarded by the Wallace Foundation. They are used for four main purposes: (1) to develop leadership programs in the big eight major urban districts in Ohio, (2) to target training to teacher-leaders, principals, and union leaders, (3) to increase administrators' and teachers' skills in using assessment data, and (4) to align district and building budget allocations with student performance data.

Reading First. Reading First is a federal program that targets the lowest-performing and highest-poverty schools. Most of the grant is used for student intervention programs (see program 14.3). Thirteen percent, however, must be used for literacy training for classroom teachers. The Department provides these funds through a competitive grant process.

The executive budget proposes an increase in GRF funding for this program of 5.1% in FY 2006 and flat GRF funding in FY 2007. Overall funding increases by 10.4% in FY 2006 and is flat in FY 2007.

Program Series 5 Professional Licensure and Conduct

Purpose: This program series is designed to ensure that Ohio students are instructed by properly qualified and highly ethical educators.

The following table shows the line items that are used to fund the Professional Licensure and Conduct program series, as well as the portion of the Governor's recommended funding levels for these items that are provided to the Professional Licensure and Conduct program series. For the totals recommended for each line item, please see the master table at the beginning of the Analysis of the Executive Proposal.

Appropriation Amounts for Program Series 5: Professional Licensure and Conduct				
Fund	**ALI**	**Title**	**FY 2006**	**FY 2007**
General Services Fund				
4L2	200-681	Teacher Certification and Licensure	$4,736,556	$4,854,777
		General Services Fund Subtotal	**$4,736,556**	**$4,854,777**
Federal Special Revenue Fund				
3Y6	200-635	Improving Teacher Quality	$200,000	$200,000
		Federal Special Revenue Fund Subtotal	**$200,000**	**$200,000**
Total Funding: Professional Licensure and Conduct			**$4,936,556**	**$5,054,777**

The Professional Licensure and Conduct program series contains two programs. Program 5.1, Teacher Certification and Licensure, receives 64.0% of the funding in the series, and program 5.2, Professional Conduct, receives 36.0%. The executive budget proposes an increase of 4.7% over estimated FY 2005 expenditures in FY 2006 and an increase of 2.4% in FY 2007 for this program series. Of the $10.0 million total biennial funding for this program series, 96.0% comes from the general services fund group, and 4.0% from the federal special revenue fund group. Details for each program are given below.

Program 5.1 Certification and Licensure

The following table shows the portion of each line item that is used to fund this program.

Fund	ALI	Title	FY 2006	FY 2007
4L2	200-681	Teacher Certification and Licensure	$2,960,417	$3,030,503
3Y6	200-635	Improving Teacher Quality	$200,000	$200,000
Total Funding: Certification and Licensure			**$3,160,417**	**$3,230,503**

This program includes the processing of licensure applications and technical assistance to applicants regarding the licensure process. Approximately 100,000 certificates or licenses are issued by the Department each year. The Department is in the process of creating the Connected Ohio Records for Educators system, which will include an online application process. The Department is able to use a small portion of the federal Improving Teacher Quality grant for this program. The majority of funding, however, comes from licensing fees that are deposited into general services fund 4L2.

The executive budget proposes increases in funding for this program of 4.1% in FY 2006 and 2.2% in FY 2007.

Program 5.2 Professional Conduct

The following table shows the portion of the line item that is used to fund this program.

Fund	ALI	Title	FY 2006	FY 2007
4L2	200-681	Teacher Certification and Licensure	$1,776,139	$1,824,274
Total Funding: Professional Conduct			**$1,776,139**	**$1,824,274**

This program includes the administration of the teacher disciplinary process. More than 1,000 cases are investigated annually and an average of 90 cases result in a hearing each year. This program includes funding for nine hearing officers. Funding comes completely from teacher licensing fees deposited into general services fund 4L2.

The executive budget proposes increases in funding for this program of 5.8% in FY 2006 and 2.7% in FY 2007.

Program Series 6 School Improvement

Purpose: This program series provides additional assistance to districts, buildings, and students most in need of academic improvement.

The following table shows the line items that are used to fund the School Improvement program series, as well as the portion of the Governor's recommended funding levels for these items that are provided to the School Improvement program series. For the totals recommended for each line item, please see the master table at the beginning of the Analysis of the Executive Proposal.

Appropriation Amounts for Program Series 6: School Improvement				
Fund	**ALI**	**Title**	**FY 2006**	**FY 2007**
General Revenue Fund				
GRF	200-410	Professional Development	$63,000	$63,000
GRF	200-431	School Improvement Initiatives	$19,862,484	$23,191,663
GRF	200-545	Career-Technical Education	$3,431,000	$3,431,000
GRF	200-578	Safe and Supportive Schools	$1,218,555	$1,218,555
		General Revenue Fund Subtotal	**$24,575,039**	**$27,904,218**
General Services Fund				
4D1	200-602	Ohio Prevention/Education Resource	$832,000	$832,000
		General Services Fund Subtotal	**$832,000**	**$832,000**
Federal Special Revenue Fund				
309	200-601	Educationally Disadvantaged	$11,056,562	$11,056,562
3L9	200-621	Career-Technical Education Basic	$196,697	$196,697
378	200-660	Learn and Serve (Math/Science Tech)	$1,200,000	$1,200,000
3D1	200-664	Drug Free Schools	$13,347,966	$13,347,966
		Federal Special Revenue Fund Subtotal	**$25,801,225**	**$25,801,225**
Total Funding: School Improvement			**$51,208,264**	**$54,537,443**

The School Improvement program series contains five programs. Program 6.1, Regional Technical Assistance, receives 51.8% of the funding in the series, program 6.2, High School Improvement, receives 18.5%, program 6.3, Urban School Improvement, receives 0.6%, and program 6.4, School Safety, receives 29.1%. The executive budget proposes a decrease of 1.0% over estimated FY 2005 expenditures in FY 2006 and an increase of 6.5% in FY 2007 for this program series. The decrease in FY 2006 is partly due to the elimination of funding for the Family and Children First Council, which is moved to the Department of Mental Health. Of the $105.7 million total biennial funding for this program series, 49.6% comes from the general revenue fund, 1.6% from the general services fund group, and 48.8% from the federal special revenue fund group. Details for each program are given below.

Program 6.1 Regional Technical Assistance

The following table shows the portion of each line item that is used to fund this program and any earmarks that are provided for this program in the executive budget.

Fund	ALI	Title/*Earmark*	FY 2006	FY 2007
GRF	200-410	Educator Training	$63,000	$63,000
		Ohio University Leadership Program	*$63,000*	*$63,000*
GRF	200-431	School Improvement Initiatives	$14,972,949	$15,122,678
		District Technical Assistance	*$14,972,949*	*$15,122,678*
309	200-601	Educationally Disadvantaged	$11,056,562	$11,056,562
378	200-660	Math and Science Technology Investments	$1,200,000	$1,200,000
Total Funding: Regional Technical Assistance			**$27,292,511**	**$27,442,240**

Ohio University Leadership Program. The executive budget provides flat funding in both years of the biennium for the Ohio University Leadership Program.

District Technical Assistance. These funds are distributed to regional service providers to provide technical assistance and support to low performing districts as required by state and federal law. In FY 2005, intervention was provided to 38 districts and 345 buildings that were identified as in either academic watch or academic emergency based on their performance on the Local Report Card. Regional service providers help districts and schools analyze student performance data, develop school and district continuous improvement plans, monitor progress, and update plans as needed. The Department expects an increase in low-performing districts in FY 2006. The executive budget combines funding for regional professional development that is provided in the FY 2004 –FY 2005 biennium through appropriation item 200-410, Professional Development, into this earmark. This will allow the regional service providers to align and integrate technical assistance and professional development services and to target these services to low performing districts. The executive budget provides an increase of 0.5% in FY 2006 and 1.0% in FY 2007 for these activities.

Comprehensive School Reform. This federal grant is deposited into fund 309 and disbursed through appropriation item 200-601, Educationally Disadvantaged. These funds are used to provide three-year competitive grants of up to $150,000 annually to approximately 100 Title I schools. With these grants, school districts adopt research-based comprehensive school reform programs.

Learn & Serve America. This federal grant is deposited into fund 378 and disbursed through appropriation item 200-660, Math and Science Technology Investments. This program provides grants to school districts for programs that combine classroom instruction and community service for at-risk youth.

The executive budget proposes an increase in funding for this program of 0.1% in FY 2006 and 0.5% in FY 2007.

Program 6.2 High School Improvement

The following table shows the portion of each line item that is used to fund this program and any earmarks that are provided for this program in the executive budget.

Fund	ALI	Title/*Earmark*	FY 2006	FY 2007
GRF	200-431	School Improvement Initiatives	$4,574,535	$7,753,985
		Early College High Schools	*$1,574,535*	*$2,753,985*
		Ohio High School Transformation	*$3,000,000*	*$5,000,000*
GRF	200-545	Career-Technical Education	$3,431,000	$3,431,000
		High Schools That Work	*$3,431,000*	*$3,431,000*
3L9	200-621	Career-Technical Education Basic Grant	$196,697	$196,697
Total Funding: High School Improvement[1]			**$8,202,232**	**$11,381,682**

The State Board of Education's Task Force on Quality High Schools issued a set of recommendations for improving Ohio high schools in October of 2004. The executive budget includes funding for two new high school reform initiatives based on these recommendations: early college high schools and the Ohio High School Transformation Initiative. The executive budget also continues funding for High Schools that Work. These programs are described in more detail below.

Early College High Schools. This funding is combined with funding provided in the Board of Regent's budget to support partnerships between school districts and universities. These partnerships provide students from disadvantaged backgrounds the opportunity to attend a special high school program that takes place on a college campus. The goal of each program is to enroll about 100 students in each high school grade level. These students will follow individualized learning plans in order to graduate from high school with at least a two-year post-secondary degree. Currently programs are operating in Dayton, Lorain, and Youngstown.

Ohio High School Transformation. This initiative supports transforming large urban high schools into small learning communities. According to the Department, there are about 30 high schools in Ohio that are in the transformation process largely with the financial assistance of the Knowledge Works and the Bill and Melinda Gates foundations. The funds proposed in the executive budget would support an additional 70 small high school projects. The Task Force on Quality High Schools identified the development of small learning communities as a key initiative for the improvement of learning conditions in Ohio high schools.

High Schools That Work. The High Schools That Work (HSTW) school improvement initiative of the Southern Regional Education Board (SREB) is funded in the executive budget with a combination of GRF funds and federal funds deposited into fund 3L9 and disbursed through appropriation item 200-621, Career-Technical Education Basic Grant. HSTW is designed to accelerate learning and raise standards through rigorous course work, counseling, parental and community involvement, and teacher collaboration. Currently, 92 sites in Ohio are implementing HSTW and nine additional sites are in the planning phase. State funds are used to provide grants to middle and high schools to assist them in implementing the program. Approximately 1/3 of the funds are used to support four regional HSTW

[1] These totals differ from those given in the OBM analysis (Blue Book) because funding for performance audits from GRF appropriation item 200-422 was inadvertently added to this program. This funding actually appears in program 10.1: Finance and Management Services.

centers that provide technical support and coordinate services within the region. The state also pays an annual consortium fee to the SREB for leadership development, network, and information sharing activities. The executive budget provides flat funding for this initiative in FY 2006 and FY 2007.

The executive budget proposes increases of 162.3% in FY 2006 and 33.4% in FY 2007 for the program. The significant increase in FY 2006 is largely due to the proposed GRF funding for early college high schools and Ohio high school transformation initiative.

Program 6.3 Urban School Improvement

The following table shows the portion of each line item that is used to fund this program and any earmarks that are provided for this program in the executive budget.

Fund	ALI	Title/*Earmark*	FY 2006	FY 2007
GRF	200-431	School Improvement Initiatives	$315,000	$315,000
		Project GRAD	*$315,000*	*$315,000*
Total Funding: Urban School Improvement			**$315,000**	**$315,000**

Project GRAD (Graduation Really Achieves Dreams). This project is designed to address both the academic and social problems of inner-city youth with the goal of reducing the dropout rate. There are five program components: (1) a privately funded scholarship program, (2) community and parental involvement, (3) interactive instruction and classroom management, (4) new methods of teaching mathematics; and 5) an instructional model to teach verbal, writing, and reading skills.

The executive budget proposes flat funding for the program in both years of the biennium.

Program 6.4 School Safety

The following table shows the portion of each line item that is used to fund this program and any earmarks that are provided for this program in the executive budget. Remainder refers to any funds left over for the program that do not receive specific earmarks.

Fund	ALI	Title/*Earmark*	FY 2006	FY 2007
GRF	200-578	Safe and Supportive Schools	$1,218,555	$1,218,555
		Safe School Center	*$224,250*	*$224,250*
		Remainder	*$994,305*	*$994,305*
4D1	200-602	Ohio Prevention/Education Resource	$832,000	$832,000
3D1	200-664	Drug Free Schools	$13,347,966	$13,347,966
Total Funding: School Safety			**$15,398,521**	**$15,398,521**

Safe School Center & Ohio Resource Network. This activity provides resource materials for school climate initiatives. Funding is provided through the GRF and also through a grant the Department receives from the Ohio Department of Alcohol and Drug Addiction Services, which is deposited into general services fund 4D1.

Safe and Supportive Schools. The remainder of appropriation item 200-578, Safe and Supportive Schools, is used to assist school districts in implementing the Ohio school climate guidelines. These guidelines describe how schools can create environments that are conducive to student learning. They are available on the Department's website. Districts use the funds for school resource officers, safe and drug-

free school coordinators, evaluation, needs assessment, staff in-service, character education and school conflict management programs.

Drug Free Schools. This federal grant provides funds to all districts in Ohio, with 60% going to Title I eligible students. The grants are to be used to prevent violence in and around schools, strengthen programs that prevent the illegal use of alcohol, tobacco, and drugs, involve parents in schools, and foster collaboration among various efforts and resources.

The executive budget proposes a decrease in GRF funding of 0.1% in FY 2006 for this program due to the elimination of funding for the Eddie Eagle Gun Safety Pilot Program, and flat funding in FY 2007. Overall funding decreases by 11.5% in FY 2006 and is flat in FY 2007.

Program Series 7 School Choice

Purpose: This program meets the diverse educational needs of Ohio students by promoting and supporting educational options and choices.

The following table shows the line items that are used to fund the School Choice program series, as well as the portion of the Governor's recommended funding levels for these items that are provided to the School Choice program series. For the totals recommended for each line item, please see the master table at the beginning of the Analysis of the Executive Proposal.

Appropriation Amounts for Program Series 7: School Choice				
Fund	**ALI**	**Title**	**FY 2006**	**FY 2007**
General Revenue Fund				
GRF	200-455	Community Schools	$3,942,094	$3,942,094
GRF	200-530	Ohio Choice Scholarships	$0	$9,000,000
GRF	200-550	Foundation Funding	$19,201,887	$20,501,887
		General Revenue Fund Subtotal	**$23,143,981**	**$33,443,981**
Federal Special Revenue Fund				
3T4	200-613	Public Charter Schools	$13,500,000	$13,000,000
Total Funding: School Choice			**$36,643,981**	**$46,443,981**

The School Choice program series contains three programs. Program 7.1, Community Schools, receives 41.4% of the funding in the series, program 7.2, Cleveland Scholarship and Tutoring, receives 47.8%, and program 7.3, Ohio Choice Scholarships, receives 10.8%. The executive budget proposes a decrease of 23.7% over estimated FY 2005 expenditures in FY 2006 and an increase of 26.7% in FY 2007 for this program series. The 23.7% decrease in FY 2006 is a result of the 48.4% reduction in federal funding for line item 200-613 Public Charter Schools, discussed in more detail below. The 26.7% increase in FY 2007 is due to the creation of the Ohio Choice Scholarships program, also discussed in more detail below. Of the $83.1 million total biennial funding for this program series, 68.1% comes from the general revenue fund and 31.9% from the federal special revenue fund. Details for each program are given below.

Program 7.1 Community Schools

The following table shows the portion of each line item that is used to fund this program and any earmarks that are provided for this program in the executive budget.

Fund	ALI	Title/*Earmarks*	FY 2006	FY 2007
GRF	200-455	Community Schools	$3,942,094	$3,942,094
		Community School Grants	*$2,408,433*	*$2,408,433*
		Technical Assistance	*$1,308,661*	*$1,308,661*
		Community School Sponsor Training	*$225,000*	*$225,000*
3T4	200-613	Public Charter Schools	$13,500,000	$13,000,000
Total Funding: Community Schools			**$17,442,094**	**$16,942,094**

Community schools, also referred to as charter 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. A sponsor can be a school district, a joint vocational school board, an educational service center, a state university board of trustees, or a qualifying tax-exempt entity. Two types of community schools exist – new start-ups or conversions. A conversion community school is one that has been converted from all or part of a public school. Community schools can be sponsored in any of the big eight school districts, schools districts under academic watch or academic emergency, and Lucas County. As of February 2005, 250 total (new start-ups and conversions) community schools were in operation in 32 counties, including 45 conversion schools and 205 start-up schools. Forty-nine of these community schools are virtual "E" schools and the other 201 are traditional classroom based schools. Approximately 61,518 students are currently enrolled in these community schools, representing approximately 3.4% of total public K-12 student enrollment in the state. Over 13,500 of these students are enrolled in the 49 "E" schools. According to the Department, five additional community schools have received start-up grants. Three of them will open by the end of FY 2005, and the other two will open around July 2005.

Community schools are primarily funded by the state through foundation payment transfers. Community school students are included in their resident districts' ADM to qualify for state foundation payments, which are then deducted from students' resident districts and transferred to community schools where students are enrolled. (For a more detailed discussion of foundation payment transfers for community schools, see the Community School Funding Formula section of the School Funding section.) In addition, community schools are funded by federal and state start-up grants, private donations, and other governmental grants.

Federal and State Start-up Grants. Community schools receive both state and federal start-up grants from GRF appropriation item 200-455 and federal Fund 3T4 appropriation item 200-613. The executive budget provides $2,408,433 in each fiscal year in GRF funds, and $13,500,000 in FY 2006 and $13,000,000 in FY 2007 in federal funds for start-up grants. Temporary law associated with GRF appropriations specifies that 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. First awarded in FY 2001, federal start-up grants are also used to provide financial assistance for the planning, development, and initial implementation of community schools. While temporary law associated with GRF appropriations prohibits a community school receiving federal start-up grants from receiving state start-up grants, many start-up community schools apply for state grants first in order to receive both federal and state grants. With the combination of federal and state funding, many new start-up community schools have received up to $450,000 in start-up grants over a three-year period.

As mentioned above, the federal funding level in FY 2006 represents a 48.4% reduction from FY 2005 spending estimates. However, this may not affect the total amount of start-up grants for each new start-up community school over the FY 2006 – FY 2007 biennium. ODE estimates that 50 schools will receive first-year start-up grant awards in each year. Through July 1, 2005, the total number of new start-up community schools that are sponsored by entities other than school districts are capped at 225 under current law. As indicated earlier, there are currently 205 start-up community schools. The vast majority of them are sponsored by entities other than school districts. Including the five additional community schools that will open in the next few months, the current number of start-up schools that are counted toward the cap is 208. Without changing the cap number, the number of community schools that will be eligible for start-up grants may decrease in the FY 2006-FY 2007 biennium, as only new start-up community schools are eligible for start-up grants. ODE discussions with the federal government indicate that additional federal funding may be available if there are more new start-up community schools than

expected in Ohio in the FY 2006-FY 2007 biennium. Federal funds also include up to $2.0 million for ten dissemination grants for best practices in administration and instruction. A maximum of 5% of federal grant funds may be used for state level activities and administration.

Technical Assistance. In addition to funding start-up grants, the executive budget provides funds for ODE oversight of community schools. A set aside of $1,308,661 in each fiscal year is provided in GRF appropriation item 200-455 to facilitate the management of the community schools program. This includes providing technical assistance and information to potential community school sponsors, to governing authorities of community schools and to public entities sponsoring or considering sponsoring a community school.

Sponsor Training. The executive budget also provides an earmark of $250,000 in each fiscal year in GRF appropriation item 200-455 to be used by ODE to develop and conduct training sessions for sponsors or prospective sponsors of community schools. Training sessions consist of best practices used by existing sponsors of independent charter schools in Ohio as well as other states.

The executive budget proposes overall decreases of funding for this program of 42.1% in FY 2006 and 2.9% in FY 2007. The executive budget proposes flat funding for the GRF funded portion of this program in FY 2006 and FY 2007.

Program 7.2 Cleveland Scholarship and Tutoring

The following table shows the portion of each line item that is used to fund this program and any earmarks that are provided for this program in the executive budget.

Fund	ALI	Title/*Earmarks*	FY 2006	FY 2007
GRF	200-550	Foundation Funding	$19,201,887	$19,201,887
		Cleveland DPIA Funds	*$11,901,887*	*$11,901,887*
		School Choice Program	*$7,300,000*	*$8,600,000*
Total Funding: Cleveland Scholarship and Tutoring			**$19,201,887**	**$20,501,887**

The Cleveland Scholarship and Tutoring Program (CSTP) provides scholarships for students residing in the Cleveland Municipal School District to attend private schools or public schools in adjacent school districts. CSTP has served students in grades K-8 with grades 9 and 10 added to the program in the current biennium for students who previously participated in the program. Under the executive proposal the program is expanded to include grades 11 and 12. In addition to scholarships, the program also allows students to remain in the Cleveland Municipal School District and receive tutoring services. Both the scholarship and tutoring components of the program give priority to students from low-income families. The executive budget earmarks $11,901,887 in each year from funds allocated to the Cleveland Municipal School District under poverty-based assistance for CSTP. In addition, $7,300,000 in FY 2006 and $8,600,000 in FY 2007 are set-aside from GRF appropriation item 200-550, Foundation Funding, for this program.

With the proposed expansion of the scholarship to include grades 11 and 12, scholarship students starting in grades kindergarten through eighth will be able to continue in the program through the completion of high school. Scholarship awards are based on a school's tuition cost. The state contributes 90% or 75% of the lesser of the actual tuition or $3,000 – depending on the recipient's income – with a maximum award of $2,700. In FY 2004, 5,597 students participated with an estimated average scholarship of $2,033. In FY 2005, 5,623 students received scholarships from the program, with estimated spending for the scholarship component of the program at approximately $14.0 million. The amount available per student

for tutoring services is limited by law to 20% of the average scholarship amount, which is slightly less than $400 per student. In FY 2004, 2,736 students received tutoring grants. The executive budget codifies the current practice of awarding initial scholarships for students in kindergarten through eighth grade.

The executive budget proposes overall increases of funding for this program of 7.3% in FY 2006 and 6.8% in FY 2007.

Program 7.3 Ohio Choice Scholarships

The following table shows the portion of each line item that is used to fund this program.

Fund	ALI	Title	FY 2006	FY 2007
GRF	200-530	Ohio Choice Scholarships	$0	$9,000,000
Total Funding:	**Ohio Choice Scholarships**		**$0**	**$9,000,000**

The Ohio Choice Scholarships is a new program proposed by the executive budget, slated to begin in FY 2007. The program will provide scholarships to parents of students who attend a school where, for three or more consecutive years, at least two-thirds of enrolled students fail to attain at least a proficient score in both reading and math. Students in grades K-8 who have attended an eligible school for at least one year may apply for an initial scholarship to attend a chartered, nonpublic school. The amount awarded under the program will be the lesser of the actual tuition charges of the school or $3,500 (the maximum scholarship award). Schools whose tuition exceeds the maximum must accept the $3,500 as full payment for tuition if they choose to participate in the program.

Under the executive proposal, a student who receives a scholarship is eligible to continue receiving scholarships for subsequent school years until the student completes the highest grade offered by the public school in which the student was enrolled immediately prior to receiving the scholarship, as long as the student takes each achievement test administered to the student's grade level and demonstrates progress. In other words, if a student was attending a kindergarten through fifth grade school when the student first received a scholarship, the student may continue to receive scholarships until the student finishes the fifth grade as long as the student takes the applicable achievement test and demonstrates progress. A scholarship student may continue to participate in the program even if the public school where the student was enrolled prior to receiving the scholarship improves its reading and mathematics test scores and its students are no longer eligible for scholarships.

By July 1 of each year, ODE will be required to notify schools whose students are eligible to apply for scholarships in the following year. Each eligible school is required to provide information about the Ohio Choice Scholarship program to all students enrolled in grades K-8. Scholarships may be awarded to as many students as can be funded given the amount appropriated for the program. If there are insufficient funds to award scholarships to all applicants, a lottery system will be used to determine which applicants will be awarded a scholarship. Unlike the Cleveland Scholarship and Tutoring Program, a family's income will not be used as criteria for awarding Ohio Choice Scholarships. ODE is required to notify students whether they have received a scholarship no later than August 1 of each year.

Chartered nonpublic schools that enroll students as part of the program are required to provide monthly program enrollment figures to ODE detailing the number of students continuously enrolled since the beginning of the school year and the number of students transferred to the school during the course of the school year. Participating schools must administer state achievement tests to each scholarship student enrolled. The scholarship student's school district of residence is responsible for transporting the student in accordance with existing rules for nonpublic, chartered schools. As indicated earlier, the Ohio Choice Scholarship Program is to begin in FY 2007. The Department is required to determine eligible schools for school year 2006-2007 by July 1, 2006, and scholarships for that school year must be awarded by August 1, 2006.

Program Series 8 Basic Aid Support

Purpose: This program series provides the majority of state aid for the general operations of school districts. Funding is also provided for nonpublic schools and property tax supplements.

The following table shows the line items that are used to fund the Basic Aid Support program series, as well as the portion of the Governor's recommended funding levels for these items that are provided to the Basic Aid Support program series. For the totals recommended for each line item, please see the master table at the beginning of the Analysis of the Executive Proposal.

Appropriation Amounts for Program Series 8: Basic Aid Support				
Fund	**ALI**	**Title**	**FY 2006**	**FY 2007**
General Revenue Fund				
GRF	200-511	Auxiliary Services	$130,103,294	$133,095,669
GRF	200-532	Nonpublic Admin Cost Reimbursement	$56,762,916	$58,068,463
GRF	200-550	Foundation Funding	$4,427,178,125	$4,483,274,761
GRF	200-901	Property Tax Allocation – Education*	$764,626,987	$728,793,318
GRF	200-906	Tangible Tax Exemption – Education*	$42,830,487	$32,122,865
		General Revenue Fund Subtotal	**$5,421,501,809**	**$5,435,355,076**
State Special Revenue Fund				
5BJ	200-626	Half-Mill Maintenance Equalization	$0	$10,700,000
598	200-659	Auxiliary Services Reimbursement	$1,328,910	$1,328,910
		State Special Revenue Fund Subtotal	**$1,328,910**	**$12,028,910**
Lottery Profits Fund				
017	200-612	Base Cost Funding	$606,208,300	$606,296,800
		General Services Fund Subtotal	**$606,208,300**	**$606,296,800**
Revenue Distribution Fund				
047	200-900	School Dist. Prop. Tax Replace. - Business	$28,800,000	$220,800,000
053	200-900	School District Prop. Tax Replace. - Utility	$116,647,522	$101,647,522
		Revenue Distribution Fund Subtotal	**$145,447,522**	**$322,447,522**
Total Funding: Basic Aid Support			**$6,174,486,541**	**$6,376,128,308**

* The basic aid support program series under the executive analysis excludes these two items.

The Basic Aid Support program series contains three programs. Program 8.1, Formula Aid, receives 93.2% of the funding in the series, program 8.2, Nonpublic School Payments, receives 3.0%, and program 8.3, Local Tax Supplement, receives 3.7%. The executive budget proposes a decrease of 0.6% over estimated FY 2005 expenditures in FY 2006 and an increase of 3.3% in FY 2007 for this program series. Of the $12,550.6 million total biennial funding for this program series, 86.5% comes from the general revenue fund, 0.1% from the state special revenue fund group, 9.7% from the lottery profits fund group, and 3.7% from the revenue distribution fund group. Details for each program are given below.

Program 8.1 Formula Aid

The following table shows the portion of each line item that is used to fund this program and any earmarks that are provided for this program in the executive budget. Remainder refers to any funds left over for the program that do not receive specific earmarks.

Fund	ALI	Title/*Earmark*	FY 2006	FY 2007
GRF	200-550	Foundation Funding	$4,427,178,125	$4,483,274,761
		Court Payments	*$425,000*	*$425,000*
		Recomputation of State Aid due to Taxable Value Changes	*$30,000,000*	*$30,000,000*
		Youth Services Tuition	*$2,000,000*	*$2,000,000*
		Educational Service Centers	*$52,000,000*	*$52,000,000*
		Private Treatment Facility Project	*$1,000,000*	*$1,000,000*
		Remainder	*$4,341,753,125*	*$4,397,849,761*
5BJ	200-626	Half-Mill Maintenance Equalization	$0	$10,700,000
017	200-612	Base Cost Funding	$606,208,300	$606,296,800
Total Funding: Formula Aid			**$5,033,386,425**	**$5,100,271,561**

The executive budget combines four current GRF appropriation items into one GRF item, 200-550, Foundation Funding. The four current items are: 200-501, Base Cost Funding; 200-520, Disadvantaged Pupil Impact Aid; 200-525, Parity Aid; and 200-546, Charge-Off Supplement. Item 200-550 together with appropriation item 200-612, Base Cost Funding, from the lottery profits education fund 017, provide the main source of state foundation formula payments to school districts and joint vocational school districts. These funds are distributed through several program series. After the earmarks that are described below, the majority of the remainder of funds appropriated to these items in this program provides the state share of each district's base cost. As described in detail in the Overview section, the executive budget proposes a base cost formula amount of $5,328 in FY 2006 and $5,489 in FY 2007 and a number of new base funding supplements.

In addition to the base cost and earmarks, the remainder of funds these two appropriation items funds the excess cost supplement, the teacher training and experience adjustment, the fundamental aid guarantee, the reappraisal guarantee, the charge-off supplement (gap aid), transitional aid, and parity aid. The current formulas for distributing this aid are described in the School Funding section. The executive budget's proposed changes to these formulas are described in detail in the Overview section.

Court Payments. These funds are used to help defray the cost of educating children who are placed in a private institution, school, or residential treatment center by the order of an Ohio court.

Recomputation of State Aid due to Changes in Taxable Value. 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 personal property tax changes. The executive budget makes two changes to these payments. The first change bases the reimbursement on all SF-3 payments instead of a more restrictive base cost and weight cost funding. The second change is in the date of the reimbursement. Currently reimbursements are to be made by the end of the fiscal year. The executive budget moves this date to July 31 of the following fiscal year. This means the reimbursement for FY 2005 payments will be paid out of the appropriation for FY 2006 instead of from the FY 2005 appropriation.

Youth Services Tuition. These funds are used for state payments to school districts that are required to pay tuition for a child in an institution maintained by the Department of Youth Services. The amount of the earmark is the same as in FY 2005.

Educational Service Centers. Sixty educational service centers (ESCs) currently serve 561 of the 613 school districts in Ohio (91.5%), representing almost 70% of all pupils in the state. State funding for ESCs is $40.52 per pupil for an ESC serving three or more counties and $37 per pupil for all other ESCs.

Private Treatment Facility Project. These funds pay for educational services for youth who have been assigned to a facility participating in the Private Treatment Facility Project. These funds pay for educational services for youth who have been assigned to a facility participating in the Private Treatment Facility Project.

Half-Mill Maintenance Equalization. School districts participating in the Ohio School Facilities Commission's school building assistance program are required to levy one-half mill to help pay for the maintenance costs of their new or renovated buildings. The executive budget proposes to provide payments to districts whose per pupil tax revenues from this half-mill levy are less than the state average. Computations of the district's average yield from the half-mill levy and the state average yield are to be performed when the Commission enters into a project agreement with the district. These funds will pay the difference between district's yield per pupil and the state average yield per pupil at the time the district enters into the project agreement. Districts already having project agreements will also receive the payments retroactively. The executive budget proposes to transfer excess funds from the school district property tax replacement fund (Fund 053) that are not needed to make reimbursement payments to school districts as described below in program 8.3. If the funds are not needed for the half-mill equalization they are to be used for the school building assistance program. Current law would distribute these excess funds to all school districts on a per pupil basis.

Program 8.2 Nonpublic School Payments

The following table shows the portion of each line item that is used to fund this program and any earmarks that are provided for this program in the executive budget. Remainder refers to any funds left over for the program that do not receive specific earmarks.

Fund	ALI	Title/*Earmark*	FY 2006	FY 2007
GRF	200-511	Auxiliary Services	$130,103,294	$133,095,669
		Post-Secondary Enrollment Options	*$2,000,000*	*$2,000,000*
		Remainder	*$128,103,294*	*$131,095,669*
GRF	200-532	Nonpublic Admin Cost Reimbursement	$56,762,916	$58,068,463
598	200-659	Auxiliary Services Reimbursement	$1,328,910	$1,328,910
Total Funding: Nonpublic School Payments			**$188,195,120**	**$192,493,042**

Postsecondary Enrollment Options. The postsecondary enrollment options program allows qualified Ohio high school students to take college courses at state expense for both college and high school credit. These funds are used to pay the costs of the program for participants from chartered nonpublic schools. The executive budget proposes to limit participation in this program to residents of Ohio.

Auxiliary Services. This funding, which is distributed on a per pupil basis, supports secular services provided to chartered nonpublic schools. Services include health, counseling, special education, standardized testing, and test scoring. Funds may also be used to purchase secular textbooks, materials, and equipment.

Nonpublic Administrative Cost Reimbursement. Chartered nonpublic schools are required by the state to perform some administrative and clerical activities. These funds reimburse the schools for the costs of these mandated activities. The reimbursement is based on the actual costs from the prior year with a maximum reimbursement rate of $250 per pupil.

Auxiliary Services Reimbursement. These funds are used to replace and repair mobile units that are used to provide auxiliary services. The revenue for these expenses comes from transfers from the Auxiliary Services Personnel Unemployment Compensation Fund of money that is estimated to be in excess of the amount needed to pay unemployment claims.

Program 8.3 Local Tax Supplement

The following table shows the portion of each line item that is used to fund this program.

Fund	ALI	Title	FY 2006	FY 2007
GRF	200-901	Property Tax Allocation – Education	$764,626,987	$728,793,318
GRF	200-906	Tangible Tax Exemption – Education	$42,830,487	$32,122,865
047	200-900	School Dist. Prop. Tax Replace. - Business	$28,800,000	$220,800,000
053	200-900	School Dist. Prop. Tax Replacement - Utility	$116,647,522	$101,647,522
Total Funding: Local Tax Supplement[2]			**$145,447,522**	**$322,447,522**

Property Tax Allocation – Education. Current law specifies that the state will pay 10% of locally levied property taxes for all real property owners and an additional 2.5% for homeowners, thus decreasing property taxes paid by individual property tax payers in Ohio. This provision is often referred to as property tax "rollbacks." This item funds the rollback reimbursements for school districts and joint vocational 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 proposes to eliminate the 10% rollback on commercial and industrial real property. This provision will not affect the amount of tax revenues received by school districts, as businesses will be required to pay 100% under the executive budget instead of 90% under current law of their tax liabilities.

Tangible Tax Exemption – Education. The state exempts the first $10,000 of tangible personal property from taxation. This item reimburses school districts for this exemption. The reimbursement is being phased out ten percentage points per year. School districts will be reimbursed at a rate of 70% in FY 2006 and 60% in FY 2007.

School District Property Tax Replacement – Business. These funds reimburse school districts for losses they incur due to the elimination of the tax on machinery and equipment and the acceleration of the phase-out of the tax on inventories, which are proposed in the executive budget. This reimbursement mechanism is described in the Overview section.

School District Property Tax Replacement – Utility. Am. Sub. S.B. 3 and Am. Sub. S.B. 287 of the 123rd General Assembly deregulated electric and natural gas utilities in Ohio, reduced the property tax assessment rates on utility property, and created new taxes on utility output. A portion of the revenues

[2] Funding for property tax relief programs (items 200-901, Property Tax Allocation-Education, and 200-906, Tangible Tax Exemption-Education) is included in this table. The executive budget excludes these two line items in its analysis of the Department's budget. For this reason, the totals for this program are higher than those in the OBM analysis.

from these new taxes is deposited into state special revenue fund 053. The decrease is 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 loss through an increase in state aid (the state education offset described in the Overview section). The value of the loss above the increase in state aid is paid to districts through this program. The executive budget proposes three changes to permanent law related to these replacement payments. The first change specifies a method whereby property tax replacements are determined when school districts merge or transfer property. The second change is a proposal in the executive budget to increase the kilowatt hour tax, part of which is deposited in this fund for the purpose of making these payments. In addition to increasing the tax, the executive budget reduces the percentage of the tax allocated to this fund from 25.4% to 19.538%. The additional funds raised by the increase in the tax are to be deposited in the general revenue fund. Finally, the executive budget proposes to change the use of the excess funds in fund 053. Under current law, the excess funds are to be distributed to school districts on a per pupil basis for capital maintenance and improvements. Under the executive budget, the excess funds are first to be used to fund the newly established half-mill equalization program and then for the school building assistance program of the School Facilities Commission.

Program Series 9 Pupil Transportation

Purpose: This program partially reimburses districts for the operating costs of transporting public and nonpublic school students to and from school.

The following table shows the line items that are used to fund the Pupil Transportation program series, as well as the portion of the Governor's recommended funding levels for these items that are provided to the Pupil Transportation program series. For the totals recommended for each line item, please see the master table at the beginning of the Analysis of the Executive Proposal.

Appropriation Amounts for Program Series 9: Pupil Transportation				
Fund	**ALI**	**Title**	**FY 2006**	**FY 2007**
General Revenue Fund				
GRF	200-502	Pupil Transportation	$412,330,728	$420,577,343
GRF	200-503	Bus Purchase Allowance	$8,600,000	$0
Total Funding: Pupil Transportation			**$420,930,728**	**$420,577,343**

The Pupil Transportation program series contains two programs. Program 9.1, Transportation Operating Cost, receives 99.0% of the funding in the series and program 9.2, Bus Purchase, receives 1.0%. The executive budget proposes an increase of 2.0% over estimated FY 2005 expenditures in FY 2006 and an increase of 2.0% in FY 2007 for this program series. Of the $841.5 million total biennial funding for this program series, 100% comes from the general revenue fund.

Program 9.1 Transportation Operating Cost

The following table shows the portion of each line item that is used to fund this program and any earmarks that are provided for this program in the executive budget.

Fund	ALI	Title/*Earmark*	FY 2006	FY 2007
GRF	200-502	Pupil Transportation	$412,330,728	$420,577,343
		Driver Training	*$822,400*	*$822,400*
		Special Education Transportation	*$58,115,428*	*$59,277,737*
		District Transportation Reimbursement	*$353,392,900*	*$360,477,206*
Total Funding: Transportation Operating Cost			**$412,330,728**	**$420,577,343**

Driver Training. An earmark of $822,400 in each fiscal year supports the driver training program. This program ensures that new bus drivers receive appropriate pre-service training and returning drivers receive recertification training. In FY 2004 the program provided standardized training for 2,339 new bus drivers, recertification training for 3,506 returning bus drivers, and annual in-service training for all (11,954) bus drivers. New drivers receive 12 hours of on-the-bus instruction and a minimum of 15 hours of pre-service class instruction through the standardized Ohio Pre-service Driver Training Program.

Special Education Transportation. The executive budget earmarks $58,115,428 in FY 2006 and $59,277,737 in FY 2007 for special education transportation. School districts are required to transport students with disabilities when the disability would prevent their participation in public education without transportation support. The state also supports the transportation of students with disabilities by providing funding assistance to county boards of Mental Retardation and Developmental Disabilities (MRDD). As

the table below illustrates, the state funds approximately 37.2% of actual special education transportation costs for school districts and 52.0% of actual transportation costs for county MRDD boards.

Special Education and MRDD Transportation Reimbursements, FY 2003				
Transport Type	**Number of Students Transported**	**Actual Cost per Student**	**State Reimbursement per student**	**Reimbursement %**
Special Education	48,871	$2,635	$986	37.2%
MRDD	6,595	$2,527	$1,315	52.0%

While school districts and education service centers are currently receiving state subsidies for transporting students with disabilities, current law refers only to "developmentally handicapped" students in authorizing this additional payment. The executive budget provides instead that it applies to all disabled students.

District Transportation Reimbursement. The bulk of the funding (86% of the total biennial amount) in item 200-502, Pupil Transportation, is used to reimburse school districts for the operating costs of transporting public and nonpublic students to and from school. The operating cost reimbursement has been distributed based on a statistical regression model that estimates 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 to promote efficiency on the part of districts. Under current law, districts are reimbursed the greater of 60% or the district's state share percentage of the modeled cost plus an additional rough road supplement provided to school districts with a low pupil density and a high rough road percentage. The executive budget notwithstands the formula and provides all districts receiving transportation funding in FY 2005 a 2% increase in funding in FY 2006 and an additional 2% increase in FY 2007. Districts that did not receive transportation funding in FY 2005 will not receive any transportation funding in FY 2006 or FY 2007. The executive budget requires the Department, by July 1, 2006, to recommend a new transportation funding formula.

The executive budget proposes overall increases of funding for this program of 2.0% in FY 2006 and 2.0% in FY 2007.

Program 9.2 Bus Purchase

The following table shows the portion of each line item that is used to fund this program and any earmarks that are provided for this program in the executive budget.

Fund	ALI	Title/*Earmark*	FY 2006	FY 2007
GRF	200-503	Bus Purchase Allowance	$8,600,000	$0
		Special Ed. and Nonpublic Bus	*$2,408,000*	$0
		Public School Bus	*$6,192,000*	$0
Total Funding: Transportation Operating Cost			**$8,600,000**	**$0**

Bus Purchase Allowance. 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 $8,600,000 in FY 2006 for this item, a decrease of 50% from FY 2005 and proposes no funding in FY 2007.

The executive proposal earmarks 28% of the appropriation ($2,408,000) in FY 2006 to be used to reimburse school districts and educational service centers for the purchase of buses used 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 proposed funding will fund approximately 40 buses for the transportation of handicapped and nonpublic school students, assuming a per bus cost of approximately $60,000.

The remaining 72% of the appropriation ($6,192,000) in FY 2006 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.

The executive budget proposes overall decreases of funding for this program of 50.0% in FY 2006 and 100.0% in FY 2007.

Program Series 10 Finance and Management Services

Purpose: The program assists school districts with the restoration and maintenance of fiscal solvency and the implementation of sound management practices.

The following table shows the line items that are used to fund the Finance and Management Services program series, as well as the portion of the Governor's recommended funding levels for these items that are provided to the Finance and Management Services program series. For the totals recommended for each line item, please see the master table at the beginning of the Analysis of the Executive Proposal.

Appropriation Amounts for Program Series 10: Finance and Management Services				
Fund	**ALI**	**Title**	**FY 2006**	**FY 2007**
General Revenue Fund				
GRF	200-100	Personal Services	$1,255,009	$1,255,009
GRF	200-422	School Management Assistance	$2,683,208	$2,710,572
GRF	200-558	Emergency Loan Interest Subsidy	$1,388,164	$651,404
		General Revenue Fund Subtotal	**$5,326,381**	**$4,616,985**
State Special Revenue Fund				
4R7	200-695	Indirect Operational Support	$1,023,750	$1,023,750
General Services Fund				
5H3	200-687	School District Solvency Assistance	$18,000,000	$18,000,000
Lottery Profits Fund				
017	200-682	Lease Rental Payments Reimbursement	$31,691,700	$31,603,200
Total Funding: Finance and Management Services			**$56,041,831**	**$55,243,935**

The Finance and Management Services program series contains one program, program 10.1, Finance and Management Services. The executive budget proposes an increase of 0.4% over estimated FY 2005 expenditures in FY 2006 and a decrease of 1.4% in FY 2007 for this program series. Of the $111.3 million total biennial funding for this program series, 8.9% comes from the general revenue fund, 1.8% from the state special revenue fund group, 32.3% from the general services fund group, and 56.9% from the lottery profits fund group. Details for the program are given below.

Program 10.1 Finance and Management Services

The following table shows the portion of each line item that is used to fund this program and any earmarks that are provided for this program in the executive budget.

Fund	ALI	Title/*Earmark*	FY 2006	FY 2007
GRF	200-100	Personal Services	$1,255,009	$1,255,009
GRF	200-422	School Management Assistance	$2,683,208	$2,710,572
		*State Auditor**	*$1,315,000*	*$1,315,000*
		Fiscal Management and Assistance	*$1,368,208*	*$1,395,572*
GRF	200-558	Emergency Loan Interest Subsidy	$1,388,164	$651,404
4R7	200-695	Indirect Operational Support	$1,023,750	$1,023,750
5H3	200-687	School District Solvency Assistance	$18,000,000	$18,000,000
017	200-682	Lease Rental Payments Reimbursement	$31,691,700	$31,603,200
Total Funding: Finance and Management Services			**$56,041,831**	**$55,243,935**

*While it is mentioned in the analysis of program 10.1, the Blue Book inadvertently places the State Auditor earmark in Program 6.2, High School Improvement.

Finance and Management Services. GRF funding from items 200-100 and 200-422 are used to support the following activities: (1) providing fiscal management and assistance to help school districts effectively use their financial resources, (2) funding area coordinators that serve as field representatives to school districts and act as liaisons between ODE, school districts, and parents on school funding issues, (3) funding the fiscal accountability system to provide assistance to districts in fiscal caution, fiscal watch, or fiscal emergency to ensure these districts provide an adequate education and efficient educational program within budgetary constraints, (4) funding the coordination of the bi-monthly payments to school districts to ensure that the payments are accurate and conform to accounting requirements, and (5) supporting the simulations of the proposed school funding formula changes and technical assistance on the operation of the foundation payment program. The table below shows the number of districts experiencing fiscal difficulties since FY 2002.

Districts Experiencing Fiscal Difficulties, FY 2002 – FY 2005

	2002	2003	2004	2005
Districts with potential current year deficits	47	61	115	124
Districts placed in Fiscal Caution, Fiscal Watch, or Fiscal Emergency	4	10	18	To be determined
Districts receiving advances from the Solvency Assistance Fund	1	3	5	To be determined

State Auditor. An earmark of $1,315,000 in each fiscal year in item 200-422 is used by the Auditor of State to conduct performance audits of districts in fiscal caution, fiscal watch, or fiscal emergency. While appropriated to ODE, these funds are passed directly to the State Auditor for expenses associated with performing school district audits. This funding level includes an additional $1,000,000 in each fiscal year over FY 2005 funding to conduct an additional ten financial or five comprehensive performance audits per year.

Emergency Loan Interest Subsidy. 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 $1,388,164 in FY 2006 and $651,404 in FY 2007 for this program. Funding decreases of 3.5% in FY 2006 and 53.1% in FY 2007 reflect the fact that the program is coming to an end as obligations are being paid off.

School District Solvency Assistance. The executive budget requests appropriations of $18,000,000 for this item in each year of the biennium. 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.

In FY 2003, Southern Local (Meigs County), East Cleveland City (Cuyahoga County), and Trimble Local (Athens County) received a total of $8.7 million in solvency advancements.

In FY 2004, Bristol Local (Trumbull County), Barnesville Exempted Village (Belmont County), East Liverpool City (Columbiana County), Mentor Exempted Village (Lake County), and Southern Local (Meigs County) received a total of $22.6 million in solvency advancements. Swanton Local (Fulton County) received a grant totaling approximately $212,000.

In FY 2005, the Controlling Board has already approved two districts for solvency assistance: Bristol Local (Trumbull County) for $718,000 and Huron City (Erie County) for $430,000. In addition the following districts may require some level of assistance from the fund in FY 2005: Sheffield-Sheffield Lake City (Lorain County), Shelby City (Richland County), Struthers City (Mahoning County), Niles City (Trumbull County), Springfield City (Clark County), London City (Madison County), Barberton City (Summit County), and Southern Local (Meigs County).

Lease Rental Payments Reimbursement. The executive budget proposes $31,691,700 in FY 2006 and $31,603,200 in FY 2007 for this item (Lottery Profits fund group item 200-682), 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 help pay debt service from bonds issued for the classroom facilities assistance program.

The executive budget proposes a GRF funding decrease for this program of 22.6% in FY 2006 and an increase of 0.7% in FY 2007.

Program Series 11 — Ohio Education Computer Network

Purpose: The Ohio Education Computer Network (OECN) consists of 23 data acquisition sites that provide services to facilitate the use of computers and information in both administrative and instructional settings for member school districts.

The following table shows the line items that are used to fund the Ohio Education Computer Network program series, as well as the portion of the Governor's recommended funding levels for these items that are provided to the Ohio Education Computer Network Services program series. For the totals recommended for each line item, please see the master table at the beginning of the Analysis of the Executive Proposal.

Appropriation Amounts for Program Series 11: Ohio Educational Computer Network				
Fund	**ALI**	**Title**	**FY 2006**	**FY 2007**
General Revenue Fund				
GRF	200-426	Ohio Educational Computer Network	$29,676,964	$29,676,964
		General Revenue Fund Subtotal	**$29,676,964**	**$29,676,964**
Total Funding: Ohio Education Computer Network			**$29,676,964**	**$29,676,964**

The Ohio Education Computer Network Services program series contains one program, program 11.1, Ohio Education Computer Network. The executive budget proposes a decrease of 5.2% in FY 2006 over estimated FY 2005 expenditures and flat funding in FY 2007 for this program series. Of the $59.3 million total biennial funding for this program series, 100% comes from the general revenue fund. Details for the program are given below.

Program 11.1 Ohio Education Computer Network

The following table shows the portion of each line item that is used to fund this program and any earmarks that are provided for this program in the executive budget. Remainder refers to any funds left over for the program that do not receive specific earmarks.

Fund	ALI	Title/*Earmark*	FY 2006	FY 2007
GRF	200-426	Ohio Educational Computer Network	$29,676,964	$29,676,964
		School Building Connectivity	*$18,136,691*	*$18,136,691*
		Union Catalog/INFOhio Network	*$1,700,000*	*$1,700,000*
		Data Acquisition Sites	*$8,338,468*	*$8,338,468*
		Remainder	*$1,501,805*	*$1,501,805*
Total Funding: Ohio Education Computer Network			**$29,676,964**	**$29,676,964**

School Building Connectivity. The executive budget earmarks $18,136,691 in each fiscal year to connect school buildings to the state education network, to each other, and to the Internet. These funds are provided to support ONEnet Ohio that connects the 23 data acquisition sites, school districts, community schools, and some nonpublic charter schools. Funds are allocated through a formula developed by ODE. The estimated per building funding for FY 2006 and FY 2007 is $3,000.

Union Catalog and INFOhio Network. An earmark of $1,700,000 in each fiscal year will be used to support the Union Catalog and the INFOhio Network. 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 students. 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.

Data Acquisition Sites. An earmark of $8,338,468 in each fiscal year will be used to support the 23 data acquisition sites, commonly known as "DA sites," that provide computer support, software products, and information services to their member districts. In addition, DA sites collect, process, store, and transfer data to and from member districts for EMIS data reporting. Funds are distributed to DA sites using a per-pupil formula, based on the enrollments of member districts and software usage.

State Software Support. The remainder of the appropriation ($1,501,805) in each fiscal year in appropriation item 200-426 is to be used to support development, maintenance, and operation of a network of uniform and compatible computer-based information and instructional systems at the state level. Among other things, this includes the development and maintenance of adequate computer software systems to support network activities to replace the current EMIS system.

The executive budget proposes an overall decrease of funding for this program of 5.2% in FY 2006 and flat funding in FY 2007.

Program Series 12 School Food Services

Purpose: This program provides federal and state funds and commodity foods to provide a nutritious lunch, breakfast, and after-school snack for school-age children and some adults.

The following table shows the line items that are used to fund the School Food Services program series, as well as the portion of the Governor's recommended funding levels for these items that are provided to the School Food Services program series. For the totals recommended for each line item, please see the master table at the beginning of the Analysis of the Executive Proposal.

Appropriation Amounts for Program Series 12: School Food Services				
Fund	**ALI**	**Title**	**FY 2006**	**FY 2007**
General Revenue Fund				
GRF	200-100	Personal Services	$202,607	$202,607
GRF	200-320	Maintenance and Equipment	$60,000	$60,000
GRF	200-505	School Lunch Match	$8,998,025	$8,998,025
GRF	200-550	Foundation Funding	$3,700,000	$3,700,000
		General Revenue Fund Subtotal	**$12,960,632**	**$12,960,632**
State Special Revenue Fund				
455	200-608	Commodity Foods	$24,000,000	$24,000,000
Federal Special Revenue Fund				
367	200-607	School Food Services	$11,383,617	$11,666,732
3L6	200-617	Federal School Lunch	$204,256,132	$211,583,653
3L7	200-618	Federal School Breakfast	$46,382,851	$48,405,608
3L8	200-619	Child/Adult Food Programs	$66,590,622	$67,915,843
		Federal Special Revenue Fund Subtotal	**$328,613,222**	**$339,571,836**
Total Funding: School Food Services			**$365,573,854**	**$376,532,468**

The School Food Services program series contains five programs. Program 12.1, School Lunch, receives 65.1% of the funding in the series, program 12.2, School Breakfast, receives 13.8%, program 12.3, Child and Adult Care, receives 18.2%, program 12.4, Summer Food Programs, receives 1.4%, and program 12.5, Special Programs and Support, receives 1.6%. The executive budget proposes an increase of 4.6% over estimated FY 2005 expenditures in FY 2006 and an increase of 3.0% in FY 2007 for this program series. Of the $742.1 million total biennial funding for this program series, 3.5% comes from the general revenue fund, 6.5% from the state special revenue fund group, and 90.0% from the federal special revenue fund group.

Program 12.1 School Lunch

The following table shows the portion of each line item that is used to fund this program.

Fund	ALI	Title/*Earmark*	FY 2006	FY 2007
GRF	200-100	Personal Services	$202,607	$202,607
GRF	200-320	Maintenance and Equipment	$60,000	$60,000
GRF	200-505	School Lunch Match	$8,998,025	$8,998,025
367	200-607	School Food Services	$213,510	$221,010
455	200-608	Commodity Foods	$24,000,000	$24,000,000
3L6	200-617	Federal School Lunch	$204,256,132	$211,583,653
Total Funding: School Lunch			**$237,730,274**	**$245,065,295**

School Lunch. This program provides subsidized meals to over 600,000 low-income students at 4,166 public and nonprofit private schools, camps, and institutions. In FY 2003, approximately 64 million free lunches and 13 million reduced-price lunches were served through this program. Federal reimbursements for the program are estimated at $204,256,132 in FY 2006 and $211,583,653 in FY 2007. These funds are deposited in federal line item 200-617, Federal School Lunch (Fund 3L6). In addition to federal funding, state matching is required and funded through GRF line item 200-505, School Lunch Match at $8,998,025 in FYs 2006 and 2007. The state matching funds are used to support the lunch reimbursement and provides for additional funding for administrative and technical support above what is provided through the federal program.

The executive budget proposes flat GRF funding for this program in FY 2006 and FY 2007.

Program 12.2 School Breakfast

The following table shows the portion of each line item that is used to fund this program and any earmarks that are provided for this program in the executive budget.

Fund	ALI	Title/*Earmark*	FY 2006	FY 2007
GRF	200-550	Foundation Funding	$3,700,000	$3,700,000
		Child Nutrition Program Participation	*$900,000*	*$900,000*
		School Breakfast Program	*$2,800,000*	*$2,800,000*
367	200-607	School Food Services	$35,057	$35,859
3L7	200-618	Federal School Breakfast	$46,382,851	$48,405,608
Total Funding: School Breakfast			**$50,117,908**	**$52,141,467**

School Breakfast. This program provides federally assisted meals to more than 220,000 low-income students at 2,340 public and nonprofit private schools, camps, and institutions. In FY 2003 approximately 27 million free breakfasts and 2.3 million reduced-price breakfasts were served. Federal reimbursements for the program are estimated at $46,382,851 in FY 2006 and $48,405,608 in FY 2007. These funds are deposited in federal line item 200-618, Federal School Breakfast (Fund 3L7). State funds for this program are appropriated from GRF line item 200-550, Foundation Funding. Of the state funds, $2,800,000 in each fiscal year is used to partially reimburse school buildings within school districts that are required to have school breakfast programs pursuant to section 3313.813 of the Revised Code. The remaining $900,000 in each fiscal year is earmarked for an outreach effort to increase participation in child nutrition programs. The outreach effort is conducted by ODE in collaboration with the Children's Hunger Alliance.

The executive budget proposes flat GRF funding for this program in FY 2006 and FY 2007.

Program 12.3 Child and Adult Care

The following table shows the portion of each line item that is used to fund this program.

Fund	ALI	Title/*Earmark*	FY 2006	FY 2007
367	200-607	School Food Services	$96,446	$98,360
3L8	200-619	Child/Adult Food Programs	$66,590,622	$67,915,843
Total Funding: Child and Adult Care			**$66,687,068**	**$68,014,203**

Child and Adult Care. This program provides reimbursement for nutritious snacks as well as breakfast, lunch, and dinner meals to children or adults enrolled at participating day care centers, after-school programs, or adult day care centers. In FY 2003, approximately 56 million meals were served under this program. Federal reimbursements, deposited in item 200-607, School Food Services, are estimated at $66,687,068 in FY 2006 and $68,014,203 in FY 2007.

Program 12.4 Summer Food Programs

The following table shows the portion of each line item that is used to fund this program.

Fund	ALI	Title/*Earmark*	FY 2006	FY 2007
367	200-607	School Food Services	$5,230,154	$5,339,360
Total Funding: Summer Food Programs			**$5,230,154**	**$5,339,360**

Summer Food Programs. This program provides meals to children during extended school vacations and summer school. In FY 2003, approximately 2.5 million meals were served under this program. Federal reimbursements, deposited in item 200-607, School Food Services, are estimated at $5,230,154 in FY 2006 and $5,339,360 in FY 2007.

Program 12.5 Special Programs and Support

The following table shows the portion of each line item that is used to fund this program.

Fund	ALI	Title/*Earmark*	FY 2006	FY 2007
367	200-607	School Food Services	$5,808,470	$5,972,143
Total Funding: Special Programs and Support			**$5,808,470**	**$5,972,143**

Special Programs and Support. This program supports the Special Milk Program. The Special Milk Program (SMP) provides milk to children in schools and childcare institutions that do not participate in other Federal meal service programs by reimbursing them for the milk they serve. Schools in the National School Lunch or School Breakfast Programs may also participate in SMP to provide milk to children in half-day pre-kindergarten and kindergarten programs where children do not have access to the school meal programs. The program also provides for administrative support and monitoring of school food programs, especially the child nutrition programs listed above. The federal grant that funds this program, Federal reimbursements, is deposited in item 200-607, School Food Services, and is estimated at $5,808,470 in FY 2006 and $5,972,143 in FY 2007.

Program Series 13 Special Education

Purpose: This program series supports the provision of a free and appropriate education for all students with disabilities as required by the federal Individuals with Disabilities Education Act (IDEA).

The following table shows the line items that are used to fund the Special Education program series, as well as the portion of the Governor's recommended funding levels for these items that are provided to the Special Education program series. For the totals recommended for each line item, please see the master table at the beginning of the Analysis of the Executive Proposal.

Appropriation Amounts for Program Series 13: Special Education				
Fund	**ALI**	**Title**	**FY 2006**	**FY 2007**
General Revenue Fund				
GRF	200-540	Special Education Enhancements	$54,010,546	$54,479,124
GRF	200-550	Foundation Funding	$427,110,683	$439,235,072
		General Revenue Fund Subtotal	**$481,121,229**	**$493,714,196**
Federal Special Revenue Fund				
370	200-624	Education of Exceptional Children	$1,861,010	$1,861,010
3M2	200-680	Individuals with Disabilities Educational	$513,058,569	$605,581,547
		Federal Special Revenue Fund Subtotal	**$514,919,579**	**$607,442,557**
Total Funding: Special Education			**$996,040,808**	**$1,101,156,753**

The Special Education program series contains two programs. Program 13.1, Special Education Funding, receives 97.4% of the funding in the series, and program 13.2, Special Education Enhancements, receives 2.6%. The executive budget proposes an increase of 10.0% over estimated FY 2005 expenditures in FY 2006 and an increase of 10.6% in FY 2007 for this program series. Of the $2,097.2 million total biennial funding for this program series, 46.5% comes from the general revenue fund, and 53.5% from the federal special revenue fund group. Details for each program are given below.

Program 13.1 Special Education Funding

The following table shows the portion of each line item that is used to fund this program and any earmarks that are provided for this program in the executive budget. Remainder refers to any funds left over for the program that do not receive specific earmarks.

Fund	ALI	Title/*Earmarks*	FY 2006	FY 2007
GRF	200-540	Special Education Enhancements	$46,857,775	$47,326,353
		Institution/MR/DD Weights	*$46,857,775*	*$47,326,353*
GRF	200-550	Foundation Funding	$427,110,683	$439,235,072
		Catastrophic Cost Supplement	*$18,000,000*	*$19,000,000*
		Remainder	*$409,110,683*	*$420,235,072*
3M2	200-680	Individuals with Disabilities Educational	$494,933,886	$586,810,324
Total Funding: Special Education Funding			**$968,902,344**	**$1,073,371,749**

Institution/MR/DD Weights. These funds are paid to institutions operated by the county boards of Mental Retardation and Developmental Disabilities (MR/DD), the Department of Health, the Department of Rehabilitation and Correction, and the Department of Youth Services for the special education weight cost of students educated in those institutions. MR/DD boards have been receiving special education weight funding since FY 1999. This earmark pays for the same number of special education students who were served by the MR/DD boards in FY 1998. Students above this number are funded by adding the student to their resident district's ADM and transferring the funds to the county MR/DD boards. Each county MR/DD board is guaranteed to receive at least the same per pupil amount in weight funding it received in FY 1998 under the old system. Currently the other institutions are funded through unit funding. The executive budget proposes to start to fund them with weight funding in FY 2006. These weights are the same that apply to special education students in school districts and are listed below. These institutions currently provide services to approximately 1,050 special education students. They are currently allocated 57 special education units at an average funding amount of $43,020 per unit for a total cost of approximately $2.5 million. Students at these institutions tend to have less severe disabilities than those served by the MR/DD boards, but until ADM in each category is reported it is difficult to predict the additional cost of providing weight funding. Unlike unit funding, weight funding increases along with the formula amount. The executive proposal guarantees that each institution receives at least the amount it received for unit funding in FY 2005.

Foundation Funding. Special education students receive additional formula funding to cover the additional costs of providing them with the state-defined basic education. This funding is calculated by applying a weight to the formula amount for each special education student. The state pays the district's state share percentage multiplied times the weighted formula amount. There are six weights based on different categories of disability. These weights are given in the table below. The executive budget proposes to continue phasing in these weights at 90% in FY 2006 and FY 2007, the same phase-in percentage used in FY 2005. For detailed information on formula calculations, see Section III of the School Funding section.

Special Education Formula Weights		
Category	**Disabling Conditions**	**Weight**
1	Speech-only	0.2892
2	Specific learning disabled, developmentally handicapped, other health – minor	0.3691
3	Hearing impaired, vision impaired, severe behavior handicapped	1.7695
4	Orthopedically handicapped, other health – major	2.3646
5	Multihandicapped	3.1129
6	Autism, traumatic brain injury, both visually and hearing disabled	4.7342

Currently, joint vocational school districts (JVSDs) must report to the Department any costs they incur in providing special education and related services that are greater than the weight cost and the catastrophic cost supplement. The Department then transfers funds from the resident district to cover these excess costs. The executive budget makes the reporting of these costs by the JVSD optional. The executive budget also proposes to allow a school district that provides special education and related services to a student who is placed in a residential facility by a court order to report any excess costs of providing these services to the Department. The Department is then required to deduct the excess cost from the student's district of residence and transfer it to the educating district.

Catastrophic Cost Supplement. These funds provide additional funding for high-cost special education students. The state reimburses 50% to almost 100% of the cost of providing services to students above certain thresholds. The executive budget raises these thresholds from $25,700 to $26,500 for students in categories 2 through 5 and from $30,840 to $31,800 for students in category 6.

Individuals with Disabilities Education Act. The federal Individuals with Disabilities Act (IDEA) requires that school districts provide a free appropriate education to all children with disabilities from the age of 3 to the age of 21. These funds are provided to school districts, county MR/DD boards, the Ohio State School for the Blind, the Ohio State School for the Deaf, the Department of Youth Services, community schools, and chartered nonpublic schools to assist in the provision of this mandated education. The Ohio Department of Education has been distributing these funds on a delayed basis, so that the funds that are allocated for FY 2004 would not be distributed until FY 2005. The U.S. Department of Education allows up to 27 months to use the funds from any year. The Ohio Department of Education has decided to bring distribution of funds into a current year basis. In order to do this they are distributing an extra 25% starting in FY 2005 and ending in FY 2008. In FY 2009, therefore, only funds for FY 2009 will be distributed. As a result, for the FY 2006 – FY 2007 biennium districts and other educational entities will receive an extra 25% per year in federal funds for special education.

The executive budget proposes increases in GRF funding for this program of 2.6% in FY 2006 and 2.7% in FY 2007. Overall funding increases by 10.3% in FY 2006 and 10.8% in FY 2007.

Program 13.2 Special Education Enhancements

The following table shows the portion of each line item that is used to fund this program and any earmarks that are provided for this program in the executive budget.

Fund	ALI	Title/*Earmarks*	FY 2006	FY 2007
GRF	200-540	Special Education Enhancements	$7,152,771	$7,152,771
		Home Instruction	*$2,906,875*	*$2,906,875*
		Parent Mentoring	*$1,462,500*	*$1,462,500*
		School Psych. Intern Services	*$2,783,396*	*$2,783,396*
370	200-624	Education of Exceptional Children	$1,861,010	$1,861,010
3M2	200-680	Individuals with Disabilities Educational	$18,124,683	$18,771,223
Total Funding: Special Education Enhancements			**$27,138,464**	**$27,785,004**

Home Instruction. This activity reimburses districts for half the cost of providing home instruction to disabled students.

Parent Mentors. These funds support about 70 parents of children with disabilities who serve as mentors to other parents and school district staff. These mentors offer support and information to other parents and help them to become more involved in their children's education.

School Psychology Intern Services. These funds support approximately 100 school psychology interns each year. These interns spend one year in the schools serving students with disabilities and receiving supervised on-the-job training prior to obtaining licensure as school psychologists.

State Improvement Grant. This federal grant is deposited into fund 370 and disbursed through appropriation item 200-624, Educational of Exception Children. The purpose of the grant is to assist the Department and its partners in reforming their systems to improve results for children with disabilities.

Individuals with Disabilities Education Grant. This portion of the federal grant is used by the Department to fund 16 regional resource centers that provided special education related educator training and technical assistance to districts and families.

The executive budget proposes a decrease in GRF funding of 17.0% in FY 2006 due to elimination of funding for American Sign Language, and flat GRF funding in FY 2007. Overall funding decreases by 1.3% in FY 2006 and increases by 2.4% in FY 2007.

Program Series 14 Student Intervention

Purpose: This program series provides intervention services to students with academic needs.

The following table shows the line items that are used to fund the Student Intervention program series, as well as the portion of the Governor's recommended funding levels for these items that are provided to the Student Intervention program series. For the totals recommended for each line item, please see the master table at the beginning of the Analysis of the Executive Proposal.

Appropriation Amounts for Program Series 14: Student Intervention				
Fund	**ALI**	**Title**	**FY 2006**	**FY 2007**
General Revenue Fund				
GRF	200-421	Alternative Education Programs	$13,391,162	$13,391,162
GRF	200-433	Reading/Writing Improvement – Prof. Dev.	$325,000	$325,000
GRF	200-445	OhioReads Volunteer Support	$3,905,000	$3,905,000
GRF	200-566	Reading/Writing Improve. – Class. Grants	$12,062,336	$12,062,336
		General Revenue Fund Subtotal	**$29,683,498**	**$29,683,498**
Federal Special Revenue Fund				
371	200-631	Immigrant Education Opportunities	$400,000	$400,000
3Y4	200-632	Reading First	$27,076,248	$27,076,248
3Z3	200-645	Consolidated USDE Administration	$741,447	$741,447
3D2	200-667	Honor Scholarship Program	$1,600,500	$1,600,500
3Y2	200-688	21st Century Community Learning Ctr	$30,681,554	$30,681,554
3Y7	200-689	English Language Acquisition	$7,500,000	$8,000,000
		Federal Special Revenue Fund Subtotal	**$67,999,749**	**$68,499,749**
Total Funding: Student Intervention			**$97,683,247**	**$98,183,247**

The Student Intervention program series contains four programs. Program 14.1, Student Intervention and Extended Learning, receives 33.0% of the funding in the series, program 14.2, English Language Readiness, receives 8.6%, program 14.3, Literacy Intervention, receives 44.8%, and program 14.4, Alternative Education Programs, receives 13.7%. The executive budget proposes a decrease of 35.7% over estimated FY 2005 expenditures in FY 2006 and an increase of 0.5% in FY 2007 for this program series. The large decrease in FY 2006 is due to the elimination of funds provided through this program for student intervention in favor of base funding supplements provided in program 8.1 and additional funding for poverty-based assistance provided in program 18.2. Of the $195.9 million total biennial funding for this program series, 30.3% comes from the general revenue fund, and 69.7% from the federal special revenue fund group. Details for each program are given below.

Program 14.1 Student Intervention and Extended Learning

The following table shows the portion of each line item that is used to fund this program.

Fund	ALI	Title	FY 2006	FY 2007
3D2	200-667	Honor Scholarship Program	$1,600,500	$1,600,500
3Y2	200-688	21st Century Community Learning Ctr	$30,681,554	$30,681,554
Total Funding: Student Intervention and Extended Learning			**$32,282,054**	**$32,282,054**

Honors Scholarship Program. The Robert C. Byrd Honors Scholarship is a federal grant that provides awards of $1,500 each year for four years to Ohio students graduating from high school with exemplary academic effort. The awards help to support the students' ongoing studies in post-secondary institutions.

21st Century Community Learning Centers. These federal funds are distributed to competitively selected grantees for a five-year period. The grants are used to establish or expand community learning centers that provide academic enrichment opportunities for students in low-performing schools. In FY 2004, 46 grantees received an average of $225,000.

The executive budget proposes a decrease of 7.4% for this program in FY 2006 and flat funding in FY 2007.

The executive budget also eliminates GRF appropriation item 200-513, Student Intervention, and reallocates this funding to intervention funding in base funding supplements and poverty-based assistance. See the Overview section for details on hese two new programs. The GRF Student Intervention item funded two main activities in FY 2005, student kindergarten through fourth grade intervention services and low-performing district high school intervention.

Program 14.2 English Language Readiness

The following table shows the portion of each line item that is used to fund this program.

Fund	ALI	Title	FY 2006	FY 2007
371	200-631	Immigrant Education Opportunities	$400,000	$400,000
3Z3	200-645	Consolidated USDE Administration	$233,498	$233,498
3Y7	200-689	English Language Acquisition	$7,500,000	$8,000,000
Total Funding: English Language Readiness			**$8,133,498**	**$8,633,498**

Immigrant Education Opportunities. This federal grant helps to provide equal educational opportunities for refugee students attending Ohio schools, supports supplementary English as a second language instruction, and provides additional instructional and assessment materials.

English Language Acquisition. This federal grant provides assistance to school districts in meeting the language needs of limited English proficient (LEP) students. Funding is provided to school districts to assist them in closing the achievement gap between LEP students and their peers. The executive budget provides new GRF funding to high poverty districts with high concentrations of LEP students through poverty-based assistance (see the Overview section for further details).

The executive budget proposes increases of 6.6% for this program in FY 2006 and 6.1% in FY 2007.

Program 14.3 Literacy Intervention

The following table shows the portion of each line item that is used to fund this program.

Fund	ALI	Title	FY 2006	FY 2007
GRF	200-433	Reading/Writing Improvement – Prof. Dev.	$325,000	$325,000
GRF	200-445	OhioReads Volunteer Support	$3,905,000	$3,905,000
GRF	200-566	Read/Write Improvement – Grants	$12,062,336	$12,062,336
3Y4	200-632	Reading First	$27,076,248	$27,076,248
3Z3	200-645	Consolidated USDE Administration	$507,949	$507,949
Total Funding: Literacy Intervention			**$43,876,533**	**$43,876,533**

Reading/Writing Improvement – Professional Development. These funds are used by the Department to provide administrative support of literacy professional development programs.

OhioReads Volunteer Support. OhioReads is a state sponsored reading program that uses volunteers to assist students in learning to read. These funds support volunteer coordinators, background checks for volunteers, and program evaluation for the approximately 1,800 schools with OhioReads programs.

Reading/Writing Improvement – Grants. Under the executive budget, these grants replace the OhioReads grants currently being provided to schools. The OhioReads Council that administered the OhioReads Classroom Grants Program ceased to exist on July 1, 2004. The executive budget changes the name of this program to the Classroom Reading Improvement Grants Program and specifies that it is administered by the Department of Education. The grant programs are similar except that whereas OhioReads served students in kindergarten through fourth grade, these grants will be provided to serve students in kindergarten through twelfth grade. The grants will be provided to school districts, community schools, and educational service centers to help students improve their reading skills, to improve reading outcomes in low-performing schools, and to help close achievement gaps.

Reading First. This federal program targets the lowest-performing and highest-poverty schools. It funds research-based reading instruction plans, staff development, student assessments, technology, and materials. The funds are awarded through a competitive grant process to eligible districts. This program started in FY 2004. During the first funding cycle, 26 districts were eligible and grants were awarded to 12 districts serving 66 schools and 15,271 students. Participants in this program are required to administer federal diagnostic tests. The executive budget proposes to allow the administration of these federal diagnostic tests to meet the requirement in state law that districts administer state diagnostic assessments.

The executive budget proposes a decrease in GRF funding for this program of 15.1% in FY 2006 and flat GRF funding in FY 2007. Overall funding for this program increases by 17.7% in FY 2006 and is flat in FY 2007.

Program 14.4 Alternative Education Programs

The following table shows the portion of each line item that is used to fund this program and any earmarks that are provided for this program in the executive budget.

Fund	ALI	Title/*Earmark*	FY 2006	FY 2007
GRF	200-421	Alternative Education Programs	$13,391,162	$13,391,162
		Rural Alternative Challenge Grants	*$6,408,074*	*$6,408,074*
		Urban Alternative Challenge Grants	*$6,302,310*	*$6,302,310*
		Alternative Ed Administration	*$422,281*	*$422,281*
		Center for Learning Excellence	*$258,497*	*$258,497*
Total Funding: Alternative Education Programs			**$13,391,162**	**$13,391,162**

Alternative Challenge Grants. These funds provide grants to 21 urban school districts and approximately 100 rural school districts. The grants are used to develop and implement strategies for at-risk children and youth who have been suspended or expelled, have dropped out of school or are at risk of dropping out, are habitually or chronically truant, are disruptive in class, are on probation from the juvenile court, or are on parole from a Department of Youth Services facility.

Alternative Education Administration. These funds are used to provide technical assistance and support of the grant program, including monitoring and oversight of the grants.

Center for Learning Excellence. The Department contracts with Center for Learning Excellence at the Ohio State University to provide additional technical support and grant evaluation.

The executive budget proposes a decrease of 11.6% for this program in FY 2006 and flat funding in FY 2007.

Program Series 15 Early Childhood Education

Purpose: This program series includes developmental and educational services for low-income preschool children.

The following table shows the line items that are used to fund the Early Childhood Education program series, as well as the portion of the Governor's recommended funding levels for these items that are provided to the Early Childhood Education program series. For the totals recommended for each line item, please see the master table at the beginning of the Analysis of the Executive Proposal.

Appropriation Amounts for Program Series 15: Early Childhood Education				
Fund	**ALI**	**Title**	**FY 2006**	**FY 2007**
General Revenue Fund				
GRF	200-408	Early Childhood Education	$19,002,195	$19,002,195
GRF	200-442	Child Care Licensing	$1,302,495	$1,302,495
GRF	200-540	Special Education Enhancements	$79,194,060	$79,986,001
		General Revenue Fund Subtotal	**$99,498,750**	**$100,290,691**
State Special Revenue Fund				
5W2	200-663	Early Learning Initiative	$96,580,000	$115,456,000
Federal Special Revenue Fund				
3H9	200-605	Head Start Collaboration Project	$275,000	$275,000
3Z3	200-645	Consolidated USDE Administration	$228,832	$228,832
3C5	200-661	Early Childhood Education	$23,874,338	$23,874,338
		Federal Special Revenue Fund Subtotal	**$24,378,170**	**$24,378,170**
Total Funding: Early Childhood Education			**$220,456,920**	**$240,124,861**

The Early Childhood Education program series contains three programs. Program 15.1, Early Learning Programs, receives 57.7% of the funding in the series, program 15.2, Pre-kindergarten Special Education, receives 41.7%, and program 15.3, Child Care Licensing, receives 0.6%. The executive budget proposes a decrease of 5.7% over estimated FY 2005 expenditures in FY 2006 and an increase of 8.9% in FY 2007 for this program series. Of the $460.6 million total biennial funding for this program series, 43.4% comes from the general revenue fund, 46.0% from the state special revenue fund group, and 10.6% from the federal special revenue fund group.

Program 15.1 Early Learning Programs

The following table shows the portion of each line item that is used to fund this program and any earmarks that are provided for this program in the executive budget.

Fund	ALI	Title/Earmark	FY 2006	FY 2007
GRF	200-408	Early Childhood Education	$19,002,195	$19,002,195
		Early Childhood Education	*$18,662,151*	*$18,662,151*
		ECE Program Support/Technical Assistance	*$380,044*	*$380,044*
5W2	200-663	Early Learning Initiative	$96,580,000	$115,456,000
		Early Learning Initiative	*$94,380,000*	*$113,256,000*
		Administrative Functions	*$2,200,000*	*$2,200,000*
3H9	200-605	Head Start Collaboration Project	$275,000	$275,000
3Z3	200-645	Consolidated USDE Administration	$228,832	$228,832
3C5	200-661	Early Childhood Education	$7,389,659	$7,389,659
Total Funding: Early Learning Programs			**$123,475,686**	**$142,351,686**

The executive budget proposes the elimination of existing state operated Head Start and Head Start Plus (funded with federal Temporary Assistance to Needy Families (TANF) moneys allocated to the state) programs to be replaced by the TANF funded Early Learning Initiative. The Initiative is to be jointly administered by the Department of Education (ODE) and the Department of Jobs and Family Services (ODJFS) to provide services to TANF eligible children. Head Start programs provide education, health, nutrition, and social services to preschool children from low-income families. In addition to the state operated Head Start programs, there are federally funded Head Start programs. Programs funded by direct federal aid, serving approximately 38,500 children, are not affected by the executive proposal. The executive budget also proposes the GRF funded Early Childhood Education Program to replace the current GRF funded Public Preschool Program. Under the executive proposal, an early learning agency must be licensed by ODE as a preschool or by ODJFS as a child day-care center. After July 1, 2005, a preschool program, school child program, or early learning program is prohibited from receiving any state funds unless at least 50% of the program's teachers are working toward an associate degree approved by ODE. In FY 2008, program funding is contingent on all teachers having obtained an associate degree.

Early Learning Initiative. This program focuses on elements proven to help children make gains in early learning including: an assessment system aligned to Ohio's early learning standards; qualified and competent teachers; meaningful professional development requirements; and parental support. The Early Learning Initiative will provide full-day, full-year services for up to 10,000 TANF-eligible children in FY 2006 and 12,000 TANF-eligible children in FY 2007.

ODE and ODJFS will jointly administer the Initiative in accordance with an interagency agreement and rules adopted jointly by the two agencies. ODE will be responsible for defining the services provided to children through the program, establishing guidelines for school readiness to evaluate early learning programs, and developing an application form and criteria for the selection of early learning agencies to provide early learning programs. Providers must be approved by ODE as a preschool or by ODJFS as a child day-care center and can not use more than 15% of the total proposed program costs for developing and administering an early learning program. If an early learning agency, or a provider with which the agency subcontracts, substantially fails to meet ODE guidelines, the early learning agency must implement a corrective plan approved by ODE. Failure to do so will result in the withholding of funding or the suspension or termination of the early learning agency's contract.

Total funding for the program is $96,580,000 in FY 2006 and $115,456,000 in FY 2007 through TANF funds in state special revenue fund (5W2) item, 200-661. An earmark of $2,200,000 in each fiscal year is provided to ODE for administrative costs of the Early Learning Initiative. Actual subsidies for early learning providers will be disbursed by ODJFS. Temporary law associated with the program allows the Director of Budget and Management to transfer the appropriations for ODE to ODJFS as needed, for reimbursing early learning providers.

Early Childhood Education (ECE). The current public preschool program serves three and four year old children from low-income families. Under current law, children from families with incomes below 185% of the federal poverty level are eligible for the public preschool program. The executive budget replaces the current public preschool program with the Early Childhood Education Program to serve three and four year old children from families with incomes at or below 200% of the federal poverty level. The program will serve approximately 3,800 children in each fiscal year. Total funding for this program is $19,002,195 in each fiscal year through GRF appropriation item 200-408. The executive budget sets aside 2.0% ($380,044) of the total program funding appropriated in each fiscal year for ODE to provide program support and technical assistance. The remainder of the funds in GRF appropriation item 200-408 ($18,622,151) is to be disbursed by ODE to early childhood education providers. In distributing these funds, priority is first given to previous program recipients. Funding is to be distributed on a per-pupil basis, which may be adjusted by ODE, so that the total number of children being served multiplied by the per-pupil amount equals the total available funding.

Early childhood education programs may be administered by school districts, educational service centers, or community-based entities licensed by ODE as a preschool or by ODJFS as a child-care center. Each program must align its curriculum to early learning program guidelines for school readiness developed by ODE, administer diagnostic assessments adopted by the State Board of Education, require all teachers annually to attend at least 20 hours of professional development, and document and report child progress in meeting guidelines for school readiness. In addition, proposed language requires ODE to compile an annual report regarding GRF funded early learning education programs and early learning guidelines for school readiness.

Head Start Collaboration. This federal grant provides funding for the coordination of federal, state, and local policies to support a coordinated early care and education system. Funds are used to support the Head Start, child care, and preschool communities. The project involves the dissemination of information, the support of partnerships between Head Start and child care providers to increase services to families, and leadership services. Currently, each grantee receives a base grant of $225,000 plus a $50,000 supplemental grant. This level of funding is expected to continue under the executive budget.

Even Start. This program funds a unified family literacy program that integrates early childhood education, adult literacy or adult basic education, and parenting education. In FY 2003, 34 even start programs served approximately 1,350 families and 1,900 children. Funding is estimated at $7.6 million in both FY 2006 and FY 2007.

Consolidated USDE Administration. This portion of federal funds from item 200-645, Consolidated USDE Administration provides administrative support of the Early Learning Initiative.

The executive budget proposes flat GRF funding for this program in FY 2006 and FY 2007.

Program 15.2 Pre-kindergarten Special Education

The following table shows the portion of each line item that is used to fund this program and any earmarks that are provided for this program in the executive budget.

Fund	ALI	Title/*Earmark*	FY 2006	FY 2007
GRF	200-540	Special Education Enhancements	$79,194,060	$79,986,001
3C5	200-661	Early Childhood Education	$16,484,679	$16,484,679
Total Funding: Pre-kindergarten Special Education			**$95,678,739**	**$96,470,680**

State Preschool Special Education Funding. The state preschool special education program serves children with disabilities, ages three through five. Districts are mandated under federal law to provide a free and appropriate public education to these students. 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 2004, the state provided approximately $78 million and funded 2,042 preschool special education units. The number of actual units reported to be in operation in the state in FY 2003 totaled 3,294. There are some federal funds available for preschool special education (see below). Proposed funding under the executive budget will continue to fund approximately 2,042 units.

Federal Preschool Special Education Grants. Spending authority for this program, funded from federal special revenue fund (3C5) item 200-661, Early Childhood Education, for each fiscal year is $16,484,679. Approximately 75% 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 the Department's administration of the program.

The executive budget proposes GRF funding increases for this program of 1.1% in FY 2006 and 1.0% in FY 2007.

Program 15.3 Child Care Licensing

The following table shows the portion of each line item that is used to fund this program and any earmarks that are provided for this program in the executive budget.

Fund	ALI	Title/*Earmark*	FY 2006	FY 2007
GRF	200-442	Child Care Licensing	$1,302,495	$1,302,495
Total Funding: Child Care Licensing			**$1,302,495**	**$1,302,495**

Child Care Licensing. The executive budget proposes $1,302,495 in FY 2006 and FY 2007 for this item. These funds are used by the Department to license and inspect over 1,900 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.

The executive budget proposes flat GRF funding for this program in FY 2006 and FY 2007.

Program Series 16 Career-Technical Education

Purpose: This program series supports the provision of the academic and technical knowledge and skills needed to prepare students for further education and careers in current or emerging employment sectors.

The following table shows the line items that are used to fund the Career-Technical Education program series, as well as the portion of the Governor's recommended funding levels for these items that are provided to the Career-Technical Education program series. For the totals recommended for each line item, please see the master table at the beginning of the Analysis of the Executive Proposal.

Appropriation Amounts for Program Series 16: Career-Technical Education				
Fund	**ALI**	**Title**	**FY 2006**	**FY 2007**
General Revenue Fund				
GRF	200-100	Personal Services	$1,581,181	$1,581,181
GRF	200-320	Maintenance & Equipment	$652,014	$652,014
GRF	200-425	Tech-Prep Consortia Support	$2,069,217	$2,069,217
GRF	200-545	Career-Technical Education Enhancements	$6,738,442	$5,794,569
GRF	200-550	Foundation Funding	$261,003,679	$273,559,075
		General Revenue Fund Subtotal	**$272,044,533**	**$283,656,056**
State Special Revenue Fund				
4V7	200-633	Interagency Support	$124,038	$125,860
General Services Fund				
596	200-656	Ohio Career Information System	$529,761	$529,761
Federal Special Revenue Fund				
369	200-616	Career-Tech Education Federal	$5,000,000	$5,000,000
3L9	200-621	Career-Technical Education Basic	$42,628,696	$42,628,696
		Federal Special Revenue Fund Subtotal	**$47,628,696**	**$47,628,696**
Total Funding: Career-Technical Education			**$320,327,028**	**$331,940,373**

The Career-Technical Education program series contains six programs. Program 16.1, Secondary Workforce Development, receives 34.7% of the funding in the series, program 16.2, College-Based Career-Technical Education, receives 4.0%, program 16.3, Career-Based Intervention, receives 6.9%, program 16.4, Work and Family Studies, receives 8.5%, program 16.5, K-12 Career Development, receives 0.4%, and program 16.6, JVS Base Cost Funding, receives 45.4%. The executive budget proposes a decrease of 3.4% over estimated FY 2005 expenditures in FY 2006 and an increase of 3.6% in FY 2007 for this program series. Of the $652.3 million total biennial funding for this program series, 85.2% comes from the general revenue fund, less than 0.1% from the state special revenue fund group, 0.2% from the general services fund group, and 14.6% from the federal special revenue fund group.

Program 16.1 Secondary Workforce Development

The following table shows the portion of each line item that is used to fund this program and any earmarks that are provided for this program in the executive budget.

Fund	ALI	Title/*Earmark*	FY 2006	FY 2007
GRF	200-100	Personal Services	$1,581,181	$1,581,181
GRF	200-320	Maintenance and Equipment	$652,014	$652,014
GRF	200-545	Career-Tech Education Enhancements	$3,649,943	$2,706,070
		Agriculture 5th Quarter	*$270,000*	*$270,000*
		Equipment Replacement	*$943,873*	*$0*
		Institutional Units	*$2,436,070*	*$2,436,070*
GRF	200-550	Foundation Funding	83,865,659	$88,047,440
3L9	200-621	Career-Tech Education Basic Grant	$21,756,201	$21,756,200
4V7	200-633	Interagency Support	$124,038	$125,860
Total Funding: Secondary Workforce Development			**$111,629,036**	**$114,868,765**

Federal Vocational Administration Match. Under the executive proposal, $1,581,181 in each fiscal year is earmarked from GRF item 200-100, Personal Services, and $652,014 in each fiscal year is earmarked from GRF item 200-320, Maintenance and Equipment, to provide vocational administration matching funds as required by federal law.

Agriculture 5th Quarter. Under the executive proposal, $270,000 in each fiscal year is earmarked to enable students to enroll in a fifth quarter of instruction based on the agricultural education model of delivering work-based learning through supervised agricultural experience.

Equipment Replacement. Under the executive proposal, $943,873 is set aside in FY 2006 to help eligible districts replace instructional equipment for career-technical job skills programs. Under this program, equipment may be purchased or leased by districts. ODE is responsible for reviewing district equipment replacement requests and allots funds based on need and the number of students served. The executive proposal provides no funds for this activity in FY 2007.

Institutional Units. Under the executive budget, $2,436,070 in each fiscal year is earmarked to provide instructional programming at institutions. Incarcerated students are provided instructional programming in work and family literacy, career-based intervention, and workforce development. Funding is distributed in the form of units. Forty programs are funded in the Department of Youth Services at approximately $31,500 per unit. Eleven additional programs are funded in adult prisons.

Secondary Workforce Development Weighted Funding. As discussed in the School Funding section, career-technical education students receive additional weighted funding, in addition to base cost funding, to account for the higher costs of providing career-technical education services. The additional weight is 0.57 for a full-time equivalent (FTE) student enrolled in a workforce development program. GRF item 200-550, Foundation Funding, provides $83,865,659 in FY 2006 and $88,047,440 in FY 2007 to provide the state share of weighted funding for students who are enrolled in workforce development programs. The state share of career-technical education weighted funding is equalized based on each district's state share percentage of base cost funding (see the Section III of the School Funding section for further information on the career-technical education weight funding formula). Approximately 46,027 workforce development FTE students are served in joint vocational school districts, community schools, and comprehensive high school programs.

Federal Career-Technical Education Basic Grant. Federal funds provide an additional $21,756,201 in each fiscal year for secondary workforce development programs. This federal funding is used to ensure the integration of career-technical instruction with a rigorous academic program. It also supports local programs that serve students in 587 school districts and that meet the workforce development needs of business and industry. The majority of these funds flow as entitlement grants to school districts and joint vocational school districts based on career-technical education student enrollment.

The executive budget proposes increases of GRF funding for this program of 10.0% in FY 2006 and 3.6% in FY 2007.

Program 16.2 College-Based Career-Technical Education

The following table shows the portion of each line item that is used to fund this program.

Fund	ALI	Title/*Earmark*	FY 2006	FY 2007
GRF	200-425	Tech Prep Consortia Support	$2,069,217	$2,069,217
GRF	200-545	Career-Tech Education Enhancements	$2,621,507	$2,621,507
3L9	200-621	Career-Tech Education Basic Grant	$3,541,066	$3,541,067
369	200-616	Career-Tech Education Federal Enhancement	$4,653,600	$4,653,600
Total Funding: College-Based Career-Technical Education			**$12,885,390**	**$12,885,391**

College-based career-technical education programs, also referred to as Tech Prep, extend career paths from the high school to the postsecondary level. Students enroll in a seamless career-technical program that begins in high school and continues through an associate's degree in college and beyond.

Tech Prep Consortia Support. This program provides support to maintain a quality Tech Prep system that includes a 26 consortia network (44 higher education institutions and 92 career-technical education planning districts) necessary to ensure Tech Prep program design and expansion. Funds are based on performance and disbursed by formula to Ohio's consortia administered by higher education public institutions. GRF item 200-425, Tech Prep Consortia Support, is appropriated $2,069,217 in each fiscal year under the executive budget.

Tech Prep Expansion Grants. Under the executive budget, $2,621,507 in each fiscal year is earmarked from GRF item 200-545, Career-Tech Education Enhancements to support Tech Prep Expansion grants. These competitive grants support Tech Prep enrollment expansion and new Tech Prep programming in school districts. Eligible grantees include school districts, postsecondary entities, and other eligible recipients. The Ohio Board of Regents and ODE co-administer the program.

Federal Grants. A total of $8,194,667 in each fiscal year is provided to the college-based career-technical education program from federal fund 3L9 (200-621, Career-Tech Education Basic Grant) and fund 369 (200-616, Career-Tech Education Federal Enhancement). This federal funding is provided to ensure the integration of career-technical instruction with a rigorous academic program and to support over 13,000 college Tech Prep students enrolled in programs linking secondary and postsecondary career-technical programs that transition students to college and careers.

The executive budget proposes flat GRF funding for this program in FY 2006 and FY 2007.

Program 16.3 Career-Based Intervention

The following table shows the portion of each line item that is used to fund this program.

Fund	ALI	Title	FY 2006	FY 2007
GRF	200-550	Foundation Funding	$14,250,739	$14,821,605
3L9	200-621	Career-Tech Education Basic Grant	$8,013,259	$8,013,259
Total Funding: Career-Based Intervention			**$22,263,998**	**$22,834,864**

Career-Based Intervention Weighted Funding. The Career-Based Intervention Program (CBIP) helps disadvantaged students overcome barriers to career and academic success. The program includes paid work experience or other work-based learning such as service learning and academic instruction for credit or remediation. In addition to base cost funding, a FTE student enrolled in the CBIP receives an additional weight of 0.28. GRF item 200-550, Foundation Funding, provides $14,250,739 in FY 2006 and $14,821,605 in FY 2007 to provide the state share of weighted funding to approximately 12,500 FTE students served by career-based intervention programs in joint vocational school districts, school districts, and community schools. The state share of career-technical education weighted funding is equalized based on each district's state share percentage of base cost funding (see Section III of the School Funding section for further information on the career-technical education weight funding formula).

Federal Career-Tech Education Basic Grant. Federal funds provide an additional $8,013,259 in each fiscal year for career-based intervention programs. This federal funding supports local programs in 365 school districts that prepare disadvantaged youth at risk for dropping out of high school for high skill, high wage careers and to integrate career-technical instruction with a rigorous academic program.

The executive budget proposes a decrease of GRF funding for this program of 11.1% in FY 2006 and an increase of 4.0% in FY 2007.

Program 16.4 Work and Family Studies

The following table shows the portion of each line item that is used to fund this program.

Fund	ALI	Title	FY 2006	FY 2007
GRF	200-550	Foundation Funding	$18,270,026	$18,914,461
3L9	200-621	Career-Tech Education Basic Grant	$9,207,398	$9,207,398
Total Funding: Work and Family Studies			**$27,477,424**	**$28,121,859**

Work and Family Studies Weighted Funding. The Work and Family Studies program teaches knowledge and skills that foster adolescent transition into the adult roles of worker, family member, and community member. Students learn the core competencies of solving problems, making decisions, reflective thinking, managing resources, communicating effectively and developing leadership skills. They also learn about nutrition and wellness, family and worker relationships, parenting and child development, life planning, and career development. In addition to base cost funding, a FTE student enrolled in a work and family studies program receives an additional weight of 0.28. GRF item 200-550, Foundation Funding, provides approximately $14.3 million in FY 2006 and $14.9 million in FY 2007 to provide the state share of weighted funding to approximately 13,300 FTE students served by work and family studies programs in school districts, community schools, and joint vocational school districts. The state share of career-technical education weighted funding is equalized based on each district's state share percentage of base cost funding (see Section III of the School Funding section for further information on the career-technical education weight funding formula).

Graduation, Reality, and Dual-Role Skills (GRADS). GRADS is an in-school instructional and intervention program for pregnant and parenting students. The program encourages students to remain in school, have healthy pregnancies, learn parenting and child development skills, gain orientation to work, and balance work and family. In FY 2003, 6,429 pregnant and parenting students (male and female) were served. GRF item 200-550, Foundation Funding, provides approximately $4.0 million in each fiscal year for the program. It funds equalized state grants for up to 225 FTE GRADS teachers approved by ODE. The grant funds the state share of the personnel allowance of $47,555 per GRADS teacher in FY 2006 and FY 2007, which is the same level as in FY 2005 (see Section III of the School Funding section of this analysis for further information on the GRADS funding formula).

Federal Career-Tech Education Basic Grant. Federal funds provide an additional $9,207,398 in each fiscal year to the Work and Family Studies Program. This federal funding supports over 11,000 local family and consumer science programs that prepare students for adult work and family roles and integrate career-technical instruction with a rigorous academic program.

The executive budget proposes a decrease of GRF funding for this program of 7.6% in FY 2006 and an increase of 3.5% in FY 2007.

Program 16.5 K-12 Career Development

The following table shows the portion of each line item that is used to fund this program.

Fund	ALI	Title	FY 2006	FY 2007
GRF	200-545	Career-Tech Education Enhancements	$466,992	$466,992
596	200-656	Ohio Career Information System	$529,761	$529,761
369	200-616	Career-Tech Education Federal Enhancement	$346,400	$346,400
3L9	200-621	Career-Tech Education Basic Grant	$110,772	$110,772
Total Funding: K-12 Career Development			**$1,453,925**	**$1,453,925**

Ohio Career Information System (OCIS). The executive budget sets aside $466,992 in each fiscal year for OCIS through GRF appropriation item, 200-545, Career-Tech Education Enhancements. OCIS 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. OCIS has Internet links to other employment and education related sites. Currently, OCIS is used at more than 1,600 sites in Ohio. OCIS also receives funding through site license fees charged to users and deposited in item 200-656, Ohio Career Information System (Fund 596). The executive budget appropriates $529,761 in each fiscal year from this line item.

Federal Career-Tech Education Basic Grant. This program also receives a total of $640,533 in each fiscal year from federal fund 3L9 (200-621, Career-Tech Education Basic Grant), and federal fund 369 (200-616, Career-Tech Education Federal Enhancement).

The executive budget proposes a decrease of GRF funding for this program of 82.9% in FY 2006 and flat funding in FY 2007. The significant decrease in FY 2006 is due to the elimination of the $2.3 million funding for the ICP (individual career plan) and Passport Program.

Program 16.6 JVS Base Cost Funding

The following table shows the portion of each line item that is used to fund this program.

Fund	ALI	Title	FY 2006	FY 2007
GRF	200-550	Foundation Funding	$144,617,255	$151,775,569
Total Funding: JVS Base Cost Funding			**$144,617,255**	**$151,775,569**

JVS Base Cost Funding. As discussed in programs 16.1, 16.3, and 16.4, career-technical education students receive weighted funding in addition to base cost funding. Base cost funding is the main source of state funding for 49 joint vocational school districts (JVSDs) in the state. The base cost formula amount for JVSD students is the same as that for students in the 613 school districts - $5,328 in FY 2006 and $5,489 in FY 2007. Base cost funding for JVSDs is also a partnership between the state and JVSDs. The base cost charge-off (local share) for JVSD's is 0.5 mills. The executive budget eliminates the cost of doing business factor (CDBF) adjustment in the base cost funding formula for both school districts and joint vocational school districts. This change alone decreases state base cost funding for school districts and joint vocational school districts. To partially offset this effect, the executive budget institutes a guarantee provision that guarantees each JVSDs total base cost in FY 2006 and FY 2007 to be no less than its total base cost in FY 2005 (including the CDBF adjustment). The local share (the 0.5-mill charge-off) is subtracted from the total base cost to derive a JVSD's state base cost funding. The executive budget does not guarantee each JVSD to its FY 2005 state base cost funding level. Rather it simply guarantees the sum of state and local shares of base cost funding in FY 2006 and FY 2007 is no less than the sum of state and local shares of base cost funding in FY 2005. The executive budget also phases out the JVSD FY 1999 SF-3 funding guarantee over the biennium (50% in FY 2006 and 0% in FY 2007) and replaces it with a new JVSD transitional aid, which will prevent a JVSD's SF-3 funding from decreasing more than 5% in FY 2006 and FY 2007. The executive budget provides $144,617,255 in FY 2005 and $151,775,569 in FY 2007 from GRF appropriation item 200-550, Foundation Funding, for state base cost funding, guarantee funding, and transitional aid for JVSDs (please see the Overview section and Section III of the School Funding section for more discussions on the CDBF change as well as other formula changes and the JVSD SF-3 funding formula).

The executive budget proposes overall increases of funding for this program of 8.8% in FY 2006 and 4.9% in FY 2007.

Program Series 17 Gifted Education

Purpose: This program series focuses on identifying and serving students who perform, or show potential for performing, at remarkably high levels of accomplishment.

The following table shows the line items that are used to fund the Gifted Education program series, as well as the portion of the Governor's recommended funding levels for these items that are provided to the Gifted Education program series. For the totals recommended for each line item, please see the master table at the beginning of the Analysis of the Executive Proposal.

Appropriation Amounts for Program Series 17: Gifted Education				
Fund	**ALI**	**Title**	**FY 2006**	**FY 2007**
General Revenue Fund				
GRF	200-521	Gifted Pupil Program	$47,474,068	$47,721,293
		General Revenue Fund Subtotal	**$47,474,068**	**$47,721,293**
Federal Special Revenue Fund				
370	200-624	Education of Exceptional Children	$525,600	$525,600
		Federal Special Revenue Fund Subtotal	**$525,600**	**$525,600**
Total Funding: Gifted Education			**$47,999,668**	**$48,246,893**

The Gifted Education program series contains one program. Of the $96.2 million total biennial funding for this program series, 98.9% comes from the general revenue fund, and 1.1% from the federal special revenue fund group. Details for program 17.1, Gifted Education, are given below.

Program 17.1 Gifted Education

The following table shows the portion of each line item that is used to fund this program and any earmarks that are provided for this program in the executive budget. Remainder refers to any funds left over for the program that do not receive specific earmarks.

Fund	ALI	Title/*Earmark*	FY 2006	FY 2007
GRF	200-521	Gifted Pupil Program	$47,474,068	$47,721,293
		Identification of Gifted Students	*$4,700,000*	*$4,700,000*
		Research and Demonstration Project	*$564,000*	*$564,000*
		Summer Honors Institute	*$940,000*	*$940,000*
		Summer School for Gifted Students	*$65,800*	*$65,800*
		Remainder	*$41,204,268*	*$41,451,493*
370	200-624	Education of Exceptional Children	$525,600	$525,600
Total Funding: Gifted Education			**$47,999,668**	**$48,246,893**

Identification of Gifted Students. Districts are required by state law to identify students who are gifted, although they are not required to provide gifted services. This funding assists districts in the purchase of test materials and equipment, in-service and staff training, and employment of additional personnel that are needed to perform this identification.

Research and Demonstration Project. In FY 2005, this activity included research and evaluation of the effectiveness of gifted education programs in Ohio. In FY 2006 and FY 2007, the Department plans on using the funding to help Ohio gifted education programs meet the goals of the "State Board of Education Policy Statement on the Future of Gifted Education."

Summer Honors Institute. These institutes provide enrichment opportunities for gifted students who have completed their freshman or sophomore years. They are held at universities and colleges throughout Ohio.

Summer School for Gifted Students. These funds support the Martin W. Essex School for the Gifted, which provides an enrichment opportunity for approximately 70 11th-grade gifted students in Ohio each year.

Gifted Unit Funding. The remainder of the GRF funds for this program provide funding for 1,110 gifted units. In FY 2005, the average funding per unit was $37,400. Units are awarded to districts and educational service centers that provide gifted services. One gifted coordinator unit is provided per 5,000 students and one teacher unit is provided per 2,000 students. Section III of the School Funding section of this analysis provides more information on the distribution of this funding.

Advanced Placement Grants. These federal funds are deposited into fund 370 and disbursed through appropriation item 200-624, Education of Exceptional Children. This program increases access to advanced placement courses and examinations for low-income students. Funds are used to reimburse students for AP test fees, provide online AP classes, online AP exam review, and teacher and classroom support.

The executive budget proposes a decrease in funding for this program of 1.5% in FY 2006 and an increase of 0.5% in FY 2007.

Program Series 18 — Students At Risk

Purpose: This program series helps schools improve the teaching and learning of students who are failing or who are most at-risk of failing to meet the state academic standards.

The following table shows the line items that are used to fund the Students At Risk program series, as well as the portion of the Governor's recommended funding levels for these items that are provided to the Students At Risk program series. For the totals recommended for each line item, please see the master table at the beginning of the Analysis of the Executive Proposal.

Appropriation Amounts for Program Series 18: Students at Risk				
Fund	**ALI**	**Title**	**FY 2006**	**FY 2007**
General Revenue Fund				
GRF	200-550	Foundation Funding	$422,226,289	$469,100,571
		General Revenue Fund Subtotal	**$422,226,289**	**$469,100,571**
Federal Special Revenue Fund				
309	200-601	Educationally Disadvantaged	$8,602,284	$8,602,284
3AF	200-603	Schools Medicaid Admin Claims	$10,000,000	$10,000,000
3M0	200-623	ESEA Title 1A	$440,260,178	$461,026,070
3Y8	200-639	Rural and Low Income	$1,700,000	$1,700,000
3S2	200-641	Education Technology	$20,800,000	$20,800,000
3Z3	200-645	Consolidated USDE Administration	$7,932,001	$7,932,001
3M1	200-678	Innovation Education	$11,800,000	$11,800,000
		Federal Special Revenue Fund Subtotal	**$501,094,463**	**$521,860,355**
Total Funding: Students At Risk			**$923,320,752**	**$990,960,926**

The Students At Risk program series contains seven programs. Program 18.1, Basic Education for the Disadvantaged, receives 47.1% of the funding in the series, program 18.2, Poverty-Based Assistance, receives 46.6%, program 18.3, Targeted Education for the Disadvantaged, receives 1.1%, program 18.4, Innovative Education Program Strategies, receives 1.2%, program 18.5, Educational Technology State Grants, receives 2.2%, program 18.6, Medicaid Administrative Claims, receives 1.0%, and program 18.7, Consolidated USDE Administration, receives 0.8%. The executive budget proposes an increase of 15.9% over estimated FY 2005 expenditures in FY 2006 and an increase of 7.3% in FY 2007 for this program series. Of the $1,914.3 million total biennial funding for this program series, 46.6% comes from the general revenue fund, and 53.4% from the federal special revenue fund group. Details for each program are given below.

Program 18.1 Basic Education for the Disadvantaged

The following table shows the portion of the line item that is used to fund this program.

Fund	ALI	Title	FY 2006	FY 2007
3M0	200-623	ESEA Title I A	$440,260,178	$461,026,070
Total Funding:	**Basic Education for the Disadvantaged**		**$440,260,178**	**$461,026,070**

Elementary and Secondary Education Act Title I A. This federal funding is distributed based on a federal formula to school districts in Ohio. Nearly all Ohio districts receive basic grants, which are based on the state's per pupil education expenditure and the number of school-age children from low income families. Four other types of grants are targeted to districts with high concentrations of poor students. One percent of the grant award is used by the Department to administer the program. Schools use the money they receive to provide educational services to disadvantaged students. Districts who have not made the federal designation of "adequate yearly progress" (AYP) for two years in a row are required to use up to 20% of their allocation to provide transportation to students from failing schools that choose to attend a school in the district that is not failing. After three years of failing to make AYP, districts are required to use up to 20% of their allocation to provide transportation as before and to provide supplemental services to children in failing schools.

This program receives increases of 4.6% in FY 2006 and 4.7% in FY 2007.

Program 18.2 Poverty-Based Assistance

The following table shows the portion of the line item that is used to fund this program.

Fund	ALI	Title	FY 2006	FY 2007
GRF	200-550	Foundation Funding	$422,226,289	$469,100,571
Total Funding:	**Disadvantaged Pupil Impact Aid**		**$422,226,289**	**$469,100,571**

Poverty-Based Assistance. The executive budget proposes to replace the current Disadvantaged Pupil Impact Aid (DPIA) with this new program. This program provides funds to school districts that incur higher educational costs because of a high concentration of economically disadvantaged students. Funding is provided for the three current DPIA programs: all-day kindergarten; kindergarten through grade three class-size reduction; and safety, security, and remediation, plus four new programs: limited English proficient student intervention, teacher professional development, dropout prevention, and community outreach. Eligibility and funding for each program is determined by a district's poverty index, which measures the concentration of disadvantaged students in a district relative to the concentration of disadvantaged students in the state as a whole. Funding for dropout prevention is only provided to eight major urban districts (Big Eight) and funding for community outreach is only provided to 21 urban districts (Urban 21). The Overview section describes this new funding in detail. The current DPIA program is described in Section III of the School Funding section.

The executive budget provides increases of 33.9% in FY 2006 and 11.1% in FY 2007 for this program.

Program 18.3 Targeted Education for the Disadvantaged

The following table shows the portion of the line item that is used to fund this program.

Fund	ALI	Title	FY 2006	FY 2007
309	200-601	Educationally Disadvantaged	$8,602,284	$8,602,284
3Y8	200-639	Rural and Low Income	$1,700,000	$1,700,000
Total Funding: Targeted Education for the Disadvantaged			**$10,302,284**	**$10,302,284**

Educationally Disadvantaged. This federally funded program includes grants to assist the state in ensuring that all homeless children have access to a free and appropriate education; to support programs for migrant children to help reduce the educational disruptions and other problems that result from frequent moves; and to provide financial assistance to state or local institutions that serve neglected and delinquent children to help meet their educational needs.

Rural and Low Income. These federal grants are provided to rural districts with high concentrations of low income families. They are designed to help these districts attract qualified teachers and provide professional development appropriate to teaching low-income students.

This program is flat funded in both FY 2006 and FY 2007.

Program 18.4 Innovative Education Program Strategies

The following table shows the portion of the line item that is used to fund this program.

Fund	ALI	Title	FY 2006	FY 2007
3M1	200-678	Innovation Education	$11,800,000	$11,800,000
Total Funding: Innovative Education Program Strategies			**$11,800,000**	**$11,800,000**

Innovative Educational Program Strategies Title V-A. These federal grants are provided to approximately 800 school districts, community schools, joint vocational school districts, and nonpublic schools in Ohio. The grants are designed to help schools implement promising educational reform programs to meet the special needs of at-risk and high-cost students. The funds are also used for professional development in the use of technology related to implementation of the reform programs.

This program is flat funded in both FY 2006 and FY 2007.

Program 18.5 Educational Technology State Grants

The following table shows the portion of the line item that is used to fund this program.

Fund	ALI	Title	FY 2006	FY 2007
3S2	200-641	Education Technology	$20,800,000	$20,800,000
Total Funding: Educational Technology State Grants			**$20,800,000**	**$20,800,000**

Educational Technology State Grants Title II-D. This federal program funds two types of grants. The entitlement grants, which are administered by the Department, are distributed to districts based on the number of Title I eligible students served by the district. The others are awarded as competitive grants, which are administered jointly by the Department of Education and the SchoolNet Commission. In both cases, the grants are used for hardware, software, professional development, curriculum management

tools, and other resources that assist districts in integrating technology into their language arts and mathematics curricula in grades kindergarten through eighth.

Funding for this program increases by 1.6% in FY 2006 and is flat in FY 2007.

Program 18.6 Medicaid Administrative Claims

The following table shows the portion of the line item that is used to fund this program.

Fund	ALI	Title	FY 2006	FY 2007
3AF	200-603	Schools Medicaid Admin Claims	$10,000,000	$10,000,000
Total Funding: Medicaid Administrative Claims			**$10,000,000**	**$10,000,000**

Medicaid Administrative Claims. This program provides districts with reimbursement for administrative services associated with providing services to Medicaid-eligible students.

The executive budget proposes to eliminate the Community Alternative Funding System (CAFS) through which many school districts were able to receive reimbursements through Medicaid for some federally mandated services provided to Medicaid-eligible students with mental retardation or developmental disabilities. CAFS has been found to be out of compliance with federal Medicaid statutes and it has been determined that it would be too costly to continue the program and to bring it into compliance. In FY 2003, school districts received approximately $52 million in Medicaid reimbursement through CAFS. Districts may be able to find other ways to receive reimbursements for these services under Medicaid, but according to the Department of Mental Retardation and Developmental Disabilities, reimbursement rates will likely be lower than what was received under CAFS.

This program is flat funded in both FY 2006 and FY 2007.

Program 18.7 Consolidated USDE Administration

The following table shows the portion of the line item that is used to fund this program.

Fund	ALI	Title	FY 2006	FY 2007
3Z3	200-645	Consolidated USDE Administration	$7,932,001	$7,932,001
Total Funding: Consolidated USDE Administration			**$7,932,001**	**$7,932,001**

Consolidated U.S. Department of Education Administration. The federal No Child Left Behind Act (NCLB) allowed for the consolidation of administrative funds from various NCLB grants. These administrative funds support the technical assistance, coordination, and administrative activities of the state related to these federal grants. These funds are also used for state-level program activities and the dissemination of information about model programs and practices. Money from this fund is used for a variety of programs as can be seen in each program's funding table. The majority of these funds are used for programs for at-risk students.

This program is flat funded in both FY 2006 and FY 2007.

Program Series 19 Adult Education

Purpose: This program provides education and training for adults through full-time and part-time adult career-technical training programs.

The following table shows the line items that are used to fund the Career-Technical Education program series, as well as the portion of the Governor's recommended funding levels for these items that are provided to the Career-Technical Education program series. For the totals recommended for each line item, please see the master table at the beginning of the Analysis of the Executive Proposal.

Appropriation Amounts for Program Series 19: Adult Education				
Fund	**ALI**	**Title**	**FY 2006**	**FY 2007**
General Revenue Fund				
GRF	200-509	Adult Literacy Education	$8,539,738	$8,539,738
GRF	200-514	Postsecondary Adult Career-Technical	$19,481,875	$19,481,875
		General Revenue Fund Subtotal	**$28,021,613**	**$28,021,613**
Federal Special Revenue Fund				
366	200-604	Adult Basic Education	$18,500,000	$18,500,000
368	200-614	Veterans' Training	$672,961	$691,130
369	200-616	Career-Tech Education Federal	$1,500,000	$1,500,000
3L9	200-621	Career-Technical Education Basic	$5,204,308	$5,204,308
		Federal Special Revenue Fund Subtotal	**$25,877,269**	**$25,895,438**
Total Funding: Adult Education			**$53,898,882**	**$53,917,051**

The Adult Education program series contains three programs. Program 19.1, Adult Workforce Education, receives 48.4% of the funding in the series, program 19.2, Adult Literacy and Basic Education, receives 50.3%, and program 19.3, Veteran's State Approving Service, receives 1.3%. The executive budget proposes a decrease of 6.7% over estimated FY 2005 expenditures in FY 2006 and virtually flat funding in FY 2007 for this program series. Of the $107.8 million total biennial funding for this program series, 52.0% comes from the general revenue fund and 48.0% from the federal special revenue fund group. Details for each program are given below.

Program 19.1 Adult Workforce Education

Fund	ALI	Title	FY 2006	FY 2007
GRF	200-514	Postsecondary Adult Career-Technical	$19,481,875	$19,481,875
369	200-616	Career-Tech Education Federal	$5,115,691	$5,115,691
3L9	200-621	Career-Technical Education Basic	$1,500,000	$1,500,000
Total Funding: Adult Workforce Education			**$26,097,566**	**$26,097,566**

GRF funding for this program is allocated to districts in part through a formula that supports local career-technical education programs. Forty adult centers provide approximately 75% of the education and training programs within the state, serving more than 130,000 adults. GRF funding totals $19,481,875 each fiscal year under the executive budget. Federal funding for this program ($6,615,691 in each fiscal year) is provided from federal funds 3L9 and 369. These federal grants support the development of

academic, vocational, and technical skills of secondary and postsecondary students who enroll in vocational and technical programs.

The executive budget proposes a decrease of GRF funding for this program of 0.1% in FY 2006 and flat funding in FY 2007.

Program 19.2 Adult Basic and Literacy Education

Fund	ALI	Title/*Earmark*	FY 2006	FY 2007
GRF	200-509	Adult Literacy Education	$8,539,738	$8,539,738
		Adult Basic and Literacy Education	*$7,876,701*	*$7,876,701*
		State Literacy Resource Center	*$488,037*	*$488,037*
		Adult High School	*$175,000*	*$175,000*
366	200-604	Adult Basic Education	$18,500,000	$18,500,000
3L9	200-621	Career-Technical Education Basic	$55,386	$55,386
Total Funding: Adult Basic and Literacy Education			**$27,095,124**	**$27,095,124**

Adult Basic and Literacy Education (ABLE). GRF funding for this program provides grants to 134 instructional programs serving approximately 60,000 adults in FY 2005 all across Ohio. Free instruction is given to eligible people who have less than a 12th grade education, but are not subject to the state compulsory school attendance law. Instruction includes basic literacy, workplace literacy, family literacy, English for speakers of other languages, and preparation for the General Education Development (GED) test. The cost of the program is approximately $458 per enrollee per year. The state pays about 1/3 of the cost. The GRF funds provide a required match for the federal funds that also support the program. Federal funds provide support to eligible providers to assist adults in obtaining literacy proficiency and skills necessary for employment and self-sufficiency. These funds are distributed based on the state's qualifying adult population.

State Literacy Resource Center. This Center serves as a resource for state agencies, professional organizations, literacy coalitions, public libraries, and other adult literacy providers.

Adult High School. This activity funds reimbursements to districts for the cost of conducting high school credit classes for adults. Currently, 13 districts receive the reimbursement. These districts serve approximately 1,400 participants and issue more than 200 high school diplomas each year. The reimbursement is limited by state law to $10 per instructional hour for a 120 hour course.

The executive budget proposes a decrease of GRF funding for this program of 1.5% in FY 2006 and flat funding in FY 2007.

Program 19.3 Veteran's State Approving Service

Fund	ALI	Title	FY 2006	FY 2007
368	200-614	Veterans' Training	$672,961	$691,130
3L9	200-621	Career-Technical Education Basic	$33,231	$33,231
Total Funding: Veteran's State Approving Service			**$706,192**	**$724,361**

Veteran's Training. This federal program funds the reviewing, approving, and supervising of school apprenticeships and on-the-job training programs for veterans and their eligible dependents.

Program Series 20 School Accountability

Purpose: This program series supports an effective accountability system that assigns responsibility, reports results, and rewards successes.

The following table shows the line items that are used to fund the School Accountability program series, as well as the portion of the Governor's recommended funding levels for these items that are provided to the School Accountability program series. For the totals recommended for each line item, please see the master table at the beginning of the Analysis of the Executive Proposal.

Appropriation Amounts for Program Series 20: School Accountability				
Fund	**ALI**	**Title**	**FY 2006**	**FY 2007**
General Revenue Fund				
GRF	200-424	Policy Analysis	$556,687	$556,687
GRF	200-439	Accountability/Report Cards	$3,878,850	$6,457,290
GRF	200-446	Education Management Information System	$15,674,805	$15,674,805
		General Revenue Fund Subtotal	**$20,110,342**	**$22,688,782**
State Special Revenue Fund				
5U2	200-685	National Education Statistics	$100,000	$100,000
Total Funding: School Accountability			**$20,210,342**	**$22,788,782**

The School Accountability program series contains two programs. Program 20.1, Education Accountability, receives 27.1% of the funding in the series, and program 20.2, Education Management Information System, receives 72.9%. The executive budget proposes a decrease of 0.2% in FY 2006 over estimated FY 2005 expenditures and flat funding in FY 2007 for this program series. Of the $40.4 million total biennial funding for this program series, 99.5% comes from the general revenue fund, and 0.5% from the federal special revenue fund group. Details for each program are given below.

Program 20.1 Education Accountability

The following table shows the portion of each line item that is used to fund this program and any earmarks that are provided for this program in the executive budget.

Fund	ALI	Title/Earmark	FY 2006	FY 2007
GRF	200-424	Policy Analysis	$556,687	$556,687
GRF	200-439	Accountability/Report Cards	$3,878,850	$6,457,290
		Value Added Progress Methodology	*$200,100*	*$2,778,540*
		Report Cards	*$3,678,750*	*$3,678,750*
5U2	200-685	National Education Statistics	$100,000	$100,000
Total Funding: Education Accountability			**$4,535,537**	**$7,113,977**

Policy Analysis. 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 policymakers of current trends in educational practices, efficient and effective use of resources, and evaluations of programs to improve educational results. This item receives flat funding in FY 2006 and FY 2007.

Report Cards. These funds are used to produce local report cards for every school district and public school building in the state. These report cards present data on the state's performance indicators as well as descriptive and financial data. These report cards 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 state report card contains the state's results and specific education improvement priorities. The Department also publishes a report called "The Condition of Education in Ohio" that synthesizes information about Ohio's educational system.

Value Added Progress Methodology. The executive proposal earmarks $200,100 in FY 2006 and $2,778,540 in FY 2007 to incorporate a statewide pilot value-added progress dimension into performance ratings for school districts and to train regional specialists. The funds are to be used by ODE in consultation with a nonprofit organization with expertise in value-added progress dimensions. Funding in FY 2006 supports the development of 76 regional value-added specialists. Funding in FY 2007 will be used to train 1,600 district value-added specialists through 38 regional training sites.

National Education Statistics. 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. Funding for data collection tasks associated with NAEP is included within this program and funded at $100,000 in FY 2006 and FY 2007. Funding for the state coordinator position is included in program series 1, Academic Content Standards.

The executive budget proposes increases of GRF funding for this program of 4.7% in FY 2006 and 58.1% in FY 2007.

Program 20.2 Education Management Information System

The following table shows the portion of each line item that is used to fund this program and any earmarks that are provided for this program in the executive budget. Remainder refers to any funds left over for the program that do not receive specific earmarks.

Fund	ALI	Title	FY 2006	FY 2007
GRF	200-446	Education Management Information System	$15,674,805	$15,674,805
		Data Acquisition Site Subsidy	*$1,295,857*	*$1,295,857*
		School District Subsidy	*$8,055,189*	*$8,055,189*
		Remainder	*$6,323,759*	*$6,323,759*
Total Funding: Education Management Information System			**$15,674,805**	**$15,674,805**

Education Management Information System (EMIS). EMIS is ODE's primary system for collecting student, staff, course, program, and financial data from Ohio's public schools. The data collected via EMIS are used to determine both state and federal performance accountability designations, to produce the Local Report Cards, to calculate and administer state funding to school districts, to determine federal funding allocations, and to meet federal reporting requirements.

Data Acquisition Site Subsidy. An earmark of $1,295,857 in each fiscal year is appropriated for distribution to data acquisition sites for costs related to processing, storing, and transferring data for the effective operation of EMIS. The costs include (among other things): personnel, hardware purchases, software development, communications connectivity, professional development, support services, and the

provision of services related to the State Education Technology Plan. Funds are distributed to the 23 DA sites using a per-pupil formula, based on the enrollments of member districts.

School District Subsidy. An earmark of $8,055,189 in each fiscal year is used to provide school districts, community schools, educational service centers, joint vocational school districts, and other entities that report data through EMIS. These funds are generally distributed on a per pupil basis. School districts and community schools that enroll at least 100 students receive a minimum of $5,000 each fiscal year. School districts and community schools with less than 100 students enrolled, educational service centers, and county boards of mental retardation and developmental disabilities that report data through EMIS receive $3,000 each fiscal year.

Data Exchange/Data Standards/Software Certification. The remaining appropriation of $6,323,759 in each fiscal year is used to develop and support a common core of data definitions and standards as adopted by the Education Data Advisory Council, including the ongoing development and maintenance of the data dictionary and data warehouse. These funds are also used to support the development and implementation of data standards and the design, development, and implementation of a new data exchange system to replace the current EMIS system.

The executive budget proposes a decrease of funding for this program of 1.5% in FY 2006 and flat funding in FY 2007.

Program Series 21 — Program Management

Purpose: This program series includes functions that support agency operations and administration.

The following table shows the line items that are used to fund the Program Management program series, as well as the portion of the Governor's recommended funding levels for these items that are provided to the Program Management program series. For the totals recommended for each line item, please see the master table at the beginning of the Analysis of the Executive Proposal.

Appropriation Amounts for Program Series 21: Program Management				
Fund	**ALI**	**Title**	**FY 2006**	**FY 2007**
General Revenue Fund				
GRF	200-100	Personal Services	$8,272,517	$8,272,517
GRF	200-320	Maintenance and Equipment	$4,284,235	$4,284,235
GRF	200-420	Computer/Application/Network Development	$5,361,525	5,361,525
		General Revenue Fund Subtotal	**$17,918,277**	**$17,918,277**
State Special Revenue Fund				
620	200-615	Educational Improvement Grants	$1,000,000	$1,000,000
4V7	200-633	Interagency Support	$375,962	$374,140
4R7	200-695	Indirect Operational Support	$4,359,114	$4,425,998
		State Special Revenue Fund Subtotal	**$5,735,076**	**$5,800,138**
General Services Fund				
138	200-606	Computer Services Operational Support	$7,600,091	$7,600,091
452	200-638	Miscellaneous Educational Services	$400,000	$400,000
4L2	200-681	Teacher Certification and Licensure	$280,144	$285,637
		General Services Fund Subtotal	**$8,280235**	**$8,285,728**
Total Funding: Program Management			**$31,933,588**	**$32,004,143**

The School Accountability program series contains one program, Program 20.1, Program Management. The executive budget proposes a decrease of 0.9% over estimated FY 2005 expenditures in FY 2006 and an increase of 0.2% in FY 2007 for this program series. Of the $63.9 million total biennial funding for this program series, 56.0% comes from the general revenue fund, 18.0% from the state special revenue fund group, and 25.9% from the general services fund group. Details for the program are given below.

Program 21.1 Program Management

The following table shows the portion of each line item that is used to fund this program and any earmarks that are provided for this program in the executive budget.

Fund	ALI	Title/*Earmark*	FY 2006	FY 2007
GRF	200-100	Personal Services	$8,272,517	$8,272,517
GRF	200-320	Maintenance and Equipment	$4,284,235	$4,284,235
		State Board Travel Expenses	*$25,000*	*$25,000*
		Maintenance and Equipment	*$4,295,235*	*$4,295,235*
GRF	200-420	Computer/Application/Network Development	$5,361,525	5,361,525
620	200-615	Educational Improvement Grants	$1,000,000	$1,000,000
4V7	200-633	Interagency Support	$375,962	$374,140
4R7	200-695	Indirect Operational Support	$4,359,114	$4,425,998
138	200-606	Computer Services Operational Support	$7,600,091	$7,600,091
452	200-638	Miscellaneous Educational Services	$400,000	$400,000
4L2	200-681	Teacher Certification and Licensure	$280,144	$285,637
Total Funding: Program Management			**$31,933,588**	**$32,004,143**

Administrative Support. Funds in GRF appropriation items 200-100 and 200-320 support the administrative functions not directly related to a single program, such as human resources, accounting, board relations and communications. This program also includes support for ODE's five administrative centers: Curriculum and Assessment; School Reform; Teaching Profession; Students, Families and Communities; and School Finance. General revenue fund line items 200-100, Personal Services, and 200-320, Maintenance and Equipment, fund this activity for a total of $12,556,752 in each fiscal year. An earmark of $25,000 each fiscal year from the GRF Maintenance and Equipment item is to be used for State Board of Education out-of-state travel expenses.

Non-GRF funded line items which fund this activity include: 200-633, Interagency Support (Fund 4V7), 200-606, Computer Services Operational Support (Fund 138), 200-638, Miscellaneous Educational Services (Fund 452), and 200-681, Teacher Certification and Licensure (Fund 4L2). Non-GRF funding sources provide $8,656,197 in FY 2006 and $8,659,868 in FY 2007 for this activity.

Computer/Application/Network Development. This GRF funded activity includes the development and implementation of new information technologies to meet the strategic needs of the agency's business centers, making the Department's information accessible and enhancing the agency's Internet and intranet services. The interactive Local Report Card, interactive continuous improvement planning and other online applications are also included. This activity is funded through GRF item 200-420 with $5,361,525 provided in each fiscal year.

Educational Improvement Grants. This state special revenue fund group (Fund 620) item receives grants from various donors for special projects, such as the Jennings Schools of Promise Network. The executive budget recommends $1,000,000 in spending authority for both FY 2006 and FY 2007.

Indirect Operational Support. This state special revenue fund (Fund 4R7) group item consolidates indirect costs associated with certain departmental functions that incur administrative costs in managing federal grants and contracts, such as human resources and accounts. These indirect administrative costs

are combined into a single fund, which simplifies the recouping of indirect costs. The executive budget recommends $4,359,114 in spending authority in FY 2006 and $4,425,998 in FY 2007.

Computer Services Operational Support. This activity provides information technology services and support to ODE programs. This includes development and maintenance of the network infrastructure and software, purchase of all computer hardware and software, project management, and programming services. Programs pay fees for these services, which are deposited into the Computer Services line item.

The executive budget proposes flat GRF funding for this program in FY 2006 and FY 2007.

REQUESTS NOT FUNDED

The Department of Education budget consists of 21 program series. Tables 1 and 2 below summarize the differences between the State Board of Education's budget requests and the executive recommendations and the differences between the OBM approved budget requests and the executive recommendations by program series. The analysis of requests not funded will focus on the differences between the State Board requests and the executive recommendations.

Table 1 - FY 2006 Requests Not Funded by Program Series

Program Series	State Board Request	OBM Approved Request	Executive Recommendation	Difference – State Board Request to Executive Recommendation	Difference – OBM Approved Request to Executive Recommendation
PS1: Academic Standards and Student Assessment	$92,144,930	$73,130,455	$89,236,829	($2,908,101)	$16,106,374
PS2: Educator Standards and Preparation	$2,999,738	$2,726,738	$2,826,738	($173,000)	$100,000
PS3: Recruitment and Retention	$12,065,000	$9,073,677	$10,226,740	($1,838,260)	$1,153,063
PS4: Educator Training	$159,246,606	$146,044,039	$149,441,039	($9,805,567)	$3,397,000
PS5: Professional Licensure and Conduct	$4,936,556	$4,936,556	$4,936,556	$0	$0
PS6: School Improvement	$70,026,947	$51,562,404	$51,208,264	($18,818,683)	($354,140)
PS7: School Choice	$36,684,061	$35,343,981	$36,643,981	($40,080)	$1,300,000
PS8: Basic Aid Support	$6,687,627,075	$6,359,677,135	$6,174,486,541	($513,140,534)	($185,190,594)
PS9: Pupil Transportation	$500,082,705	$502,428,453	$420,930,728	($79,151,977)	$81,497,725
PS10: Finance and Management Services	$56,578,271	$55,486,839	$56,041,831	($536,440)	$554,992
PS11: Ohio Education Computer Network	$31,305,052	$31,305,052	$29,676,964	($1,628,088)	($1,628,088)
PS12: School Food Services	$365,581,978	$365,573,874	$365,573,854	($8,124)	($20)
PS13: Special Education	$1,022,606,095	$997,781,023	$996,040,808	($26,565,287)	($1,740,215)
PS14: Student Intervention	$189,250,648	$161,240,870	$97,683,247	($91,567,401)	($63,557,623)
PS15: Early Childhood Education	$315,796,971	$246,038,341	$220,456,920	($95,340,051)	($25,581,421)
PS16: Career-Technical Education	$328,052,729	$323,022,700	$320,327,028	($7,725,701)	($2,695,672)
PS17: Gifted Education	$55,759,401	$48,982,001	$47,999,668	($7,759,733)	($982,333)
PS18: Students at Risk	$875,072,854	$852,759,314	$923,320,752	$48,247,898	$70,561,438
PS19: Adult Education	$53,898,882	$53,898,882	$53,898,882	$0	$0
PS20: School Accountability	$20,572,279	$20,010,242	$20,210,342	($361,937)	$200,100
PS 21: State Administration and Infrastructure Support	$32,372,489	$32,033,588	$31,933,588	($438,901)	($100,00)
TOTALS	$10,912,661,267	$10,373,056,164	$10,103,101,300	($809,559,967)	($269,954,864)

As can be seen from Table 1, in FY 2006 the executive recommendations have fully funded requests for the Professional Licensure and Conduct and Adult Education program series and have exceeded the requested funding level for the Student at Risk program series. However, the executive recommendations have not fully funded the remaining 18 program series. The total difference between the State Board

requests and the executive recommendations amounts to $809.6 million in FY 2006. Approximately $805.8 million (99.5%) of this difference occurs in the following four program series: $513.1 million (63.4%) in the Basic Aid Support program series; $79.2 million (9.8%) in the Pupil Transportation program series; $26.6 million (3.3%) in the Special Education program series; $91.6 million (11.3%) in the Student Intervention program series; and $95.3 million (11.8%) in the Early Learning Initiative program series.

Table 2 - FY 2007 Requests Not Funded by Program Series

Program Series	State Board Request	OBM Approved Request	Executive Recommendation	Difference – State Board Request to Executive Recommendation	Difference – OBM Approved Request to Executive Recommendation
PS1: Academic Standards and Student Assessment	$101,993,238	$73,335,171	$95,079,674	($6,913,564)	$21,744,503
PS2: Educator Standards and Preparation	$3,007,198	$2,734,198	$2,834,198	($173,000)	$100,000
PS3: Recruitment and Retention	$14,615,000	$9,073,677	$10,626,740	($3,988,260)	$1,553,063
PS4: Educator Training	$163,139,979	$146,063,153	$149,460,153	($13,679,826)	$3,397,000
PS5: Professional Licensure and Conduct	$5,054,777	$5,054,777	$5,054,777	$0	$0
PS6: School Improvement	$72,876,947	$51,562,404	$54,537,443	($18,339,504)	$2,975,039
PS7: School Choice	$37,504,902	$34,843,981	$46,443,981	$8,939,079	$11,600,000
PS8: Basic Aid Support	$7,311,935,633	$6,509,359,529	$6,376,128,308	($935,807,325)	($133,231,221)
PS9: Pupil Transportation	$562,796,408	$539,271,648	$420,577,343	($142,219,065)	($118,694,305)
PS10: Finance and Management Services	$56,725,815	$55,486,839	$55,243,935	($1,481,880)	($242,904)
PS11: Ohio Education Computer Network	$31,305,052	$31,305,052	$29,676,964	($1,628,088)	($1,628,088)
PS12: School Food Services	$376,544,786	$376,532,468	$376,532,468	($12,318)	$0
PS13: Special Education	$1,178,121,122	$1,097,697,348	$1,101,156,753	($76,964,369)	$3,459,405
PS14: Student Intervention	$174,717,142	$142,181,031	$98,183,247	($76,533,895)	($43,997,784)
PS15: Early Childhood Education	$332,332,869	$248,450,779	$240,124,861	($92,208,008)	($8,325,918)
PS16: Career-Technical Education	$359,877,369	$333,706,755	$331,940,373	($27,936,996)	($1,766,382)
PS17: Gifted Education	$56,041,408	$49,267,008	$48,246,893	($7,794,515)	($1,020,115)
PS18: Students at Risk	$907,800,812	$873,525,206	$990,960,926	$83,160,114	$117,435,720
PS19: Adult Education	$53,917,051	$53,917,051	$53,917,051	$0	$0
PS20: School Accountability	$24,313,327	$20,010,242	$22,788,782	($1,524,545)	$2,778,540
PS 21: State Administration and Infrastructure Support	$32,619,273	$32,104,143	$32,004,143	($615,130)	($100,000)
TOTALS	$11,857,240,108	$10,685,482,460	$10,541,519,013	($1,315,721,095)	($143,963,447)

As can be seen from Table 2, in FY 2007 the executive recommendations have fully funded requests for the Professional Licensure and Conduct and Adult Education program series and have exceeded the requested funding levels for the Student at Risk and School Choice program series. However, the executive recommendations have not fully funded the remaining 17 program series. The differences in the following five program series amount to $1,351.7 million in FY 2007: $935.8 million in the Basic Aid Support program series; $142.2 million in the Pupil Transportation program series; $77.0 million in the Special Education program series; $76.5 million in the Student Intervention program series; and $92.9

million in the Early Learning Initiative program series. The differences in these five series and other series are somewhat offset by higher recommended levels for the Student at Risk and School Choice program series. The total difference between the State Board requests and the executive recommendations amounts to $1,315.7 million in FY 2007.

The following section provides an analysis of the major requested items that are either not fully funded or not funded by the executive budget.

Base Cost Funding

It should be noted that the amount of foundation payments received by a school district depends on many formula factors that are interdependent. Often times, the sum of the estimates of individual factors does not equal the estimates of the overall formula changes. As a result, the estimates provided in this section and the parity aid section below should be viewed as preliminary. The State Board proposes a base cost formula amount of $5,376 in FY 2006 and $5,778 in FY 2007. The executive budget recommends a base cost formula amount of $5,328 in FY 2006 and $5,489 in FY 2007. The State Board's proposal is $48 higher in FY 2006 and $289 higher in FY 2007. In addition, the State Board request maintains the current 7.5% range of the cost of doing business factor (CDBF) adjustment in the base cost funding formula while the executive recommendations eliminate this adjustment (see the Overview section for further information). These two differences account for approximately $470 million in FY 2006 total difference and $920 million in FY 2007 total difference.

The average daily membership (ADM) projections used for the State Board requests are higher than the ones used for the executive recommendations by approximately 7,840 students in FY 2006 and 14,770 students in FY 2007. This further increases base cost funding requested by the State Board by approximately $42 million in FY 2006 and approximately $85 million in FY 2007.

The State Board also recommends that community school students be excluded from their resident districts' ADM and be funded directly by the state. The Department estimates this cost at $38 million in FY 2006 and $68 million in FY 2007 based on the formula amounts adopted by the State Board.

Parity Aid

The State Board proposes 100% funding for parity aid for both FY 2006 and FY 2007. The executive recommendations fund parity aid at 80% in FY 2006 and 85% in FY 2007. This difference accounts for approximately $100 million in FY 2006 total difference and $85 million in FY 2007 total difference.

Special Education Weighted Funding

The State Board proposes to fund the six special education weights at 95% in FY 2006 and 100% in FY 2007. The executive recommendations maintain the current 90% level for both FYs 2006 and 2007. Assuming the same base cost formula amount, a five percentage point difference in the phased-in percentage costs about $22 million.

Preschool Special Education

The State Board requests $89.4 million in FY 2006 and $98.5 million in FY 2007 for preschool special education unit funding. The executive budget recommends $79.2 million in each fiscal year for preschool special education. This difference accounts for $10.2 million in FY 2006 total difference and $19.2 million in FY 2007 total difference.

Early Learning Initiative/Early Childhood Education

In addition to continuing the TANF funded early learning initiative, the State Board requests $89.6 million in FY 2006 and $94.0 million in FY 2007 in GRF funding for the early learning initiative/early childhood education. The executive recommendations provide $19.0 million GRF funding per year for the early learning initiative/early childhood education. This difference accounts for $70.6 million in FY 2006 total difference and $75.0 million in FY 2007 total difference.

Pupil Transportation

The State Board requests $482.9 million in FY 2006 and $520.6 million in FY 2007 for pupil transportation operating cost reimbursement. The executive budget notwithstands the current pupil transportation funding formula and provides each district a 2% increase per year in the FY 2006-2007 biennium. It provides $412.3 million in FY 2006 and $420.6 million in FY 2007. This difference accounts for $70.3 million in FY 2006 total difference and $100.0 million in FY 2007 total difference.

The State Board requests $17.2 million in FY 2006 and $42.2 million in FY 2007 to purchase buses for schools. The executive budget provides $8.6 million in FY 2006 for school bus purchases and eliminates this funding in FY 2007. The State Board also requests $25.0 million in FY 2007 to replace old school buses. The executive budget does not contain funding for this request. These differences account for $8.6 million in FY 2006 total difference and $33.6 million in FY 2007 total difference.

Student Intervention

The State Board requests $65.2 million in FY 2006 and $69.7 million in FY 2007 through GRF appropriation item 200-513, Student Intervention, for intervention/extended learning opportunities. The executive budget eliminates funding for item 200-513 and provides approximately $10.7 per pupil in FY 2006 and $16.5 per pupil in FY 2007 for basic intervention as one of the four base funding supplement components. Base intervention funding equals approximately $19.4 million in FY 2006 and $29.9 million in FY 2007. This difference accounts for approximately $45.8 million in FY 2006 total difference and $50.4 million in FY 2007 total difference.

Poverty-based Assistance

The State Board phases in the new poverty indicator, but maintains the current disadvantaged pupil impact aid formula to distribute additional state subsides for school districts with high concentrations of poverty students. It requests $374.0 million in FY 2006 and $385.9 million in FY 2007 for DPIA. The executive budget also phases in the new poverty indicator, but proposes new poverty-based assistance to replace current DPIA (see the Overview section for further information on new poverty-based assistance). The executive budget provides $422.2 million in FY 2006 and $469.1 million in FY 2007 for new poverty-based assistance. The executive recommendations exceed the requested levels by approximately $48.2 million in FY 2006 and $83.2 million in FY 2007.

Academic Standards and Student Assessments

The State Board request includes approximately $1.3 million over the biennium for the development of physical education content standards. The executive does not provide funding for this activity. The State Board request includes funding to expand the number of teachers in the Teachers on Loan program from 12 to 38, the executive increases the number from 12 to 24.

Educator Recruitment and Retention

The State Board requested increasing the stipend for teachers receiving National Board certification from $1,000 back to the $2,500 level that existed before FY 2005. The executive maintains the stipend at $1,000. The State Board requested $620,000 more in FY 2006 and $1.3 million more in FY 2007 for these stipends. The State Board request would also have funded more stipends for teachers in hard to staff schools than the 150 stipends funded by the executive budget.

Educator Training

The State Board requested approximately $2.3 million more per year for professional development in low performing districts than is provided by the executive budget, approximately $0.9 million more per year for the entry year program, and approximately $2.2 million more per year for literacy educator training. In addition, the State Board requested approximately $2.5 million more per year for math and science educator training. The additional funds would have expanded the Ohio Science Institute (OSCI), which only receives federal funding under the executive budget.

School Improvement

The State Board requested approximately $5.6 million more per year for providing regional technical assistance to districts in academic watch and academic emergency than was provided in the executive budget. The Department predicts that the number of districts needing assistance will rise in FY 2006 and requested additional funds to meet this expected additional need. The State Board also requested approximately $5.0 million more per year for high school improvement initiatives than was provided in the executive budget, including funding to increase participation in the advanced placement (AP) program. The State Board requested $0.5 million per year for urban school improvement that was not included in the executive budget. In addition, the State Board requested funding to study schools of promise and additional funds for safe and supportive schools that was not funded in the executive budget. Finally, the State Board request includes funding for Ohio Family and Children First county councils that was moved in the executive budget to the Department of Mental Health's budget.

General Revenue Fund

GRF 200-100 Personal Services

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$10,531,142	$10,142,648	$11,213,947	$11,311,314	**$11,311,314**	**$11,311,314**
	-3.7%	10.6%	0.9%	**0.0%**	**0.0%**

Source: GRF

Legal Basis: ORC 3301.13; Section 41.01 of Am. Sub. H.B. 95 of the 125th G.A.

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. This line item includes a set-aside for career-technical education previously funded in line item 200-416, Career-Technical Education Match.

GRF 200-320 Maintenance and Equipment

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$4,367,532	$3,797,203	$4,989,036	$4,996,249	**$4,996,249**	**$4,996,249**
	-13.1%	31.4%	0.1%	**0.0%**	**0.0%**

Source: GRF

Legal Basis: ORC 3301.13; Section 41.01 of Am. Sub. H.B. 95 of the 125th 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. This line item includes a set-aside for career-technical education previously funded in line item 200-416, Career Technical Education Match.

GRF 200-406 Head Start

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$90,945,956	$88,128,462	$1,945,982	$0	**$0**	**$0**
	-3.1%	-97.8%	-100.0%	**N/A**	**N/A**

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

Legal Basis: Discontinued line item

Purpose: These funds were 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 FY 2004, the traditional Head Start program, and in FY 2005, the traditional Head Start program and a new Head Start Plus program which combined traditional Head Start with child care services were funded by TANF dollars. Funds were provided through a State Special Revenue Fund line item 200-663, Head Start Plus/Head Start (Fund 5W2).

GRF 200-408 Early Childhood Education

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$19,645,352	$18,988,832	$17,825,893	$19,002,195	**$19,002,195**	**$19,002,195**
	-3.3%	-6.1%	6.6%	**0.0%**	**0.0%**

Source: GRF

Legal Basis: Section 41.02 of Am. Sub. H.B. 95 of the 125th G.A.

Purpose: This line item provides funds to help school districts finance comprehensive preschool programs for children at least age 3 and not kindergarten age eligible. 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.

Under the Executive proposal this line item will support Early Childhood Education (ECE) programs. ECE programs may be administered by school districts, educational service centers, or community-based entities licensed by ODE as a preschool or by ODJFS as a child-care center. Each ECE program must align its curriculum to early learning program guidelines for school readiness developed by ODE, administer diagnostic assessments adopted by the State Board of Education, require all teachers annually to attend at least 20 hours of professional development annually, and document and report child progress in meeting guidelines for school readiness. The Executive proposal raises the eligibility level for family income to 200 percent of the federal poverty level.

GRF 200-410 Educator Training

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$20,318,867	$22,899,551	$23,347,712	$27,761,495	**$24,131,557**	**$24,531,557**
	12.7%	2.0%	18.9%	**-13.1%**	**1.7%**

Source: GRF

Legal Basis: Section 41.03 of Am. Sub. H.B. 95 of the 125th 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 the incorporation of cultural competency as a component of professional development, National Board teacher certification, entry-year programs for beginning teachers, grants for local knowledge/skills-based compensation systems, training for school administrators, treasurers, and business officials, educator supply and demand reports, educator recruitment programs, incentives for highly qualified teachers to teach in hard-to-staff school districts, the Ohio University Leadership Program, and professional development for 9th and 10th grade teachers of core subjects in academic watch and academic emergency districts. 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

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$3,610,414	$3,337,000	$3,324,750	$3,125,265	**$0**	**$0**
	-7.6%	-0.4%	-6.0%	**-100.0%**	**N/A**

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. The executive budget moves funding for this item to the Department of Mental Health.

GRF 200-416 Career-Technical Education Match

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$2,514,676	$2,320,440	$39,269	$0	**$0**	**$0**
	-7.7%	-98.3%	-100.0%	**N/A**	**N/A**

Source: GRF

Legal Basis: Discontinued line item (originally established by Am. Sub. H.B. 191 of the 112th G.A.)

Purpose: Moneys in this line item supported the Office 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 were used to provide vocational administration matching funds for federal funds (deposited in Fund 369, line item 200-616). Since FY 2004, the required matching funds have been provided through set-asides within line items 200-100, Personal Services, and 200-320, Maintenance and Equipment.

GRF 200-420 Computer/Application/Network Development

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$5,444,897	$4,777,259	$5,423,991	$5,361,525	**$5,361,525**	**$5,361,525**
	-12.3%	13.5%	-1.2%	**0.0%**	**0.0%**

Source: GRF

Legal Basis: Section 41.04 of Am. Sub. H.B. 95 of the 125th 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

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$17,916,669	$15,463,104	$15,304,184	$15,140,927	**$13,391,162**	**$13,391,162**
	-13.7%	-1.0%	-1.1%	**-11.6%**	**0.0%**

Source: GRF

Legal Basis: Section 41.04 of Am. Sub. H.B. 95 of the 125th G.A. (originally established by Am. Sub. H.B. 640 of the 123rd G.A.)

Purpose: These funds primarily provide alternative education program grants to urban, rural, and suburban districts. Programs must focus on youth who have been expelled or suspended, are at risk of 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, as well as other related programs.

GRF 200-422 School Management Assistance

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$1,357,008	$1,488,696	$1,822,044	$1,671,320	**$2,683,208**	**$2,710,572**
	9.7%	22.4%	-8.3%	**60.5%**	**1.0%**

Source: GRF

Legal Basis: ORC 3301.073 and 3316; Section 41.04 of Am. Sub. H.B. 95 of the 125th 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 caution, fiscal watch, and fiscal emergency.

GRF 200-424 Policy Analysis

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$626,310	$534,757	$565,861	$556,687	**$556,687**	**$556,687**
	-14.6%	5.8%	-1.6%	**0.0%**	**0.0%**

Source: GRF

Legal Basis: Section 41.04 of Am. Sub. H.B. 95 of the 125th 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

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$2,544,635	$1,928,060	$1,537,926	$2,069,217	**$2,069,217**	**$2,069,217**
	-24.2%	-20.2%	34.5%	**0.0%**	**0.0%**

Source: GRF

Legal Basis: Section 41.04 of Am. Sub. H.B. 95 of the 125th G.A. (originally established by Controlling Board in FY 2001 and modified by 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 FY 2001, these activities were funded through an earmark within line item 200-545, Career-Technical Education Enhancements.

GRF 200-426 Ohio Educational Computer Network

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$36,570,537	$33,225,168	$28,051,278	$31,305,052	**$29,676,964**	**$29,676,964**
	-9.1%	-15.6%	11.6%	**-5.2%**	**0.0%**

Source: GRF

Legal Basis: ORC 3301.07(N); Section 41.04 of Am. Sub. H.B. 95 of the 125th G.A.

Purpose: These funds are used to maintain and provide technical assistance for a system of information technology throughout Ohio in support of the State Education Technology Plan. The bulk of funds is 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 “DA-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

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$5,585,331	$6,117,709	$6,358,178	$8,415,554	**$14,440,753**	**$14,512,181**
	9.5%	3.9%	32.4%	**71.6%**	**0.5%**

Source: GRF

Legal Basis: ORC 3301.079 (A) and (B); Section 41.04 of Am. Sub. H.B. 95 of the 125th G.A.

Purpose: Funding in this line item is used to support the teachers-on-loan program, Ohio's Partnership for Learning in coordination with the Ohio Board of Regents (through GRF funded line item 235-321, Operating Expenses), Project Lead the Way program, intensive professional development for teachers focused on classroom implementation of mathematic standards, and to develop and disseminate academic standards, create curriculum models, and communicate these standards and curriculum models to school districts.

GRF 200-431 School Improvement Initiatives

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$11,633,254	$9,100,175	$10,014,950	$10,578,457	**$19,862,484**	**$23,191,663**
	-21.8%	10.1%	5.6%	**87.8%**	**16.8%**

Source: GRF

Legal Basis: ORC 3302.03 and 3302.04; Section 41.05 of Am. Sub. H.B. 95 of the 125th 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 and implement their continuous improvement plans and to school buildings not meeting new federal accountability measures. In addition, these funds are used to support Project GRAD to address the academic and social problem of inner-city students, to create early college high schools in conjunction with funding from GRF line item 235-434, College Readiness and Access, of the Board of Regents, and in partnership with nonprofit groups that possess expertise in converting large urban high schools into small personalized high schools to assist Urban 21 high schools.

GRF 200-432 School Conflict Management

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$650,112	$556,006	$20,832	$0	**$0**	**$0**
	-14.5%	-96.3%	-100.0%	**N/A**	**N/A**

Source: GRF

Legal Basis: Discontinued line item (originally established by Sub. H.B. 715 of the 120th G.A.)

Purpose: Funds were 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 - Professional Development

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$17,752,384	$17,694,082	$14,022,917	$20,004,968	**$15,400,000**	**$15,400,000**
	-0.3%	-20.7%	42.7%	**-23.0%**	**0.0%**

Source: GRF

Legal Basis: Section 41.05 of Am. Sub. H.B. 95 of the 125th G.A. (originally established by Am. Sub. H.B. 94 of the 124th G.A.)

Purpose: These funds are used primarily for professional development in literacy for classroom teachers, administrators, and literacy specialists and intensive summer training for mathematics teachers. In addition, the funds are used to support literacy professional development partnerships between the Department of Education, higher education institutions, literacy networks, and school districts. The remaining funds are used for other activities and programs designed to improve literacy instruction in Ohio public schools.

GRF 200-437 Student Assessment

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$20,537,754	$26,640,902	$35,276,452	$45,953,391	**$63,445,234**	**$69,011,935**
	29.7%	32.4%	30.3%	**38.1%**	**8.8%**

Source: GRF

Legal Basis: ORC 3301.0710, 3301.0711, and 3301.27 (originally established by Am. Sub. H.B. 111 of the 118th G.A.)

Purpose: These funds are primarily 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

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$2,047,833	$1,292,483	$0	$0	**$0**	**$0**
	-36.9%	-100.0%	N/A	**N/A**	**N/A**

Source: GRF

Legal Basis: Discontinued line item

Purpose: These funds were 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 contained 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 safe schools is now contained in line item 200-578, Safe and Supportive Schools.

GRF 200-439 Accountability/Report Cards

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$0	$0	$1,913,474	$3,678,750	**$3,878,850**	**$6,457,290**
	N/A	N/A	92.3%	**5.4%**	**66.5%**

Source: GRF

Legal Basis: ORC 3302.03 (originally established by Am. Sub. H.B. 95 of the 125th G.A.)

Purpose: This line item funds the development of an accountability system that includes the preparation and distribution of 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

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$305,781	$112,768	$136,943	$195,254	**$0**	**$0**
	-63.1%	21.4%	42.6%	**-100.0%**	**N/A**

Source: GRF

Legal Basis: ORC 3323.17; Section 41.05 of Am. Sub. H.B. 95 of the 125th 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. Under the executive proposal, this line item receives no funding in FY 2006 and FY 2007.

GRF 200-442 Child Care Licensing

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$1,455,487	$1,141,777	$970,074	$1,302,495	**$1,302,495**	**$1,302,495**
	-21.6%	-15.0%	34.3%	**0.0%**	**0.0%**

Source: GRF

Legal Basis: ORC 3301.52 through 3301.59 (originally established by 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 200-444 Professional Recruitment

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$1,201,899	$1,036,990	$124,150	$0	**$0**	**$0**
	-13.7%	-88.0%	-100.0%	**N/A**	**N/A**

Source: GRF

Legal Basis: Discontinued line item

Purpose: Funds in this line item were used by the department to establish programs targeted at recruiting underrepresented populations and second-career and mid-career individuals into the teaching profession. Funds were 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. Funding for some of these activities is now provided through line item 200-410, Educator Training.

GRF 200-445 OhioReads Volunteer Support

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$5,070,365	$4,830,977	$4,350,749	$4,230,000	**$3,905,000**	**$3,905,000**
	-4.7%	-9.9%	-2.8%	**-7.7%**	**0.0%**

Source: GRF

Legal Basis: Section 41.05 of Am. Sub. H.B. 95 of the 125th G.A. (originally established by Am. Sub. H.B. 1 and modified by Am. Sub. H.B. 282 of the 123rd G.A.)

Purpose: These funds are allocated by the Department for volunteer coordinators in public school buildings, for background checks for volunteers, for program evaluation, and to develop, implement, and support literacy improvement activities and interventions for students in grades K-12.

GRF 200-446 Education Management Information System

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$14,106,466	$14,490,683	$14,673,921	$15,913,232	**$15,674,805**	**$15,674,805**
	2.7%	1.3%	8.4%	**-1.5%**	**0.0%**

Source: GRF

Legal Basis: ORC 3301.0714; Section 41.06 of Am. Sub. H.B. 95 of the 125th 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 and develop a common core of data definitions and standards as adopted by the Education Data Advisory Council. 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

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$2,093,048	$1,483,570	$1,738,152	$1,719,360	**$1,544,360**	**$1,544,360**
	-29.1%	17.2%	-1.1%	**-10.2%**	**0.0%**

Source: GRF

Legal Basis: ORC 3313.531; Section 41.06 of Am. Sub. H.B. 95 of the 125th G.A. (originally established by Controlling Board on January 8, 1990)

Purpose: Funds are used to provide General Educational Development (GED) testing at no cost to applicants who qualify, 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. Under the executive proposal, the Adult High School program is moved to GRF funded line item 200-509, Adult Literacy Education. ORC 3313.531 authorizes school districts to offer such adult education programs, and limits state reimbursement to $10 per instructional hour.

GRF 200-448 Educator Preparation

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$0	$0	$9,038	$22,912	**$1,651,000**	**$1,651,000**
	N/A	N/A	153.5%	**7105.8%**	**0.0%**

Source: GRF

Legal Basis: Section 41.06 of Am. Sub. H.B. 95 of the 125th G.A.

Purpose: These funds are used to support the Teacher Quality Partnership project in conjunction with GRF funded line item 235-435, Teacher Improvement Initiatives, of the Board of Regents. Funds are used to support a comprehensive longitudinal study of the preparation, in-school support and effectiveness of Ohio teachers. In addition, these funds are used to support the Educator Standards Board as it develops and recommends standards for educator training and leadership positions.

GRF 200-449 Head Start/Head Start Plus Start Up

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$0	$0	$11,000,000	$4,809,930	**$0**	**$0**
	N/A	N/A	-56.3%	**-100.0%**	**N/A**

Source: GRF

Legal Basis: Section 41.06 of Am. Sub. H.B. 95 of the 125th G.A.

Purpose: This line item provides start-up grants to Head Start and Head Start Plus providers. These funds allow providers to start to receive TANF reimbursements. Grantees would spend these GRF funds on start-up expenditures that are completely eligible for TANF reimbursement. Funds appropriated must be reimbursed to the GRF when the Title IV-A Head Start or the Title IV-A Head Start Plus programs cease or are no longer funded with Title IV-A funds. Tile IV-A Head Start/Head Start Plus has been replaced by the Early Learning Initiative under the executive budget.

GRF 200-452 Teaching Success Commission Initiatives

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$0	$0	$266,157	$1,551,000	**$0**	**$0**
	N/A	N/A	482.7%	**-100.0%**	**N/A**

Source: GRF

Legal Basis: Section 41.06 of Am. Sub. H.B. 95 of the 125th G.A.

Purpose: Am. Sub. S.B. 1 of the 124th G.A. 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. These funds were used to begin investing into the new initiatives recommended by the Commission.

GRF 200-455 Community Schools

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$3,879,159	$3,866,793	$4,057,754	$3,942,093	**$3,942,094**	**$3,942,094**
	-0.3%	4.9%	-2.9%	**0.0%**	**0.0%**

Source: GRF

Legal Basis: ORC 3314.11; Section 41.06 of Am. Sub. H.B. 95 of the 125th 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 and to develop and conduct training sessions for community school sponsors. The balance is used for administration associated with oversight and technical assistance.

GRF 200-500 School Finance Equity

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$22,649,115	$18,924,026	$13,371,385	$7,105,137	**$0**	**$0**
	-16.4%	-29.3%	-46.9%	**-100.0%**	**N/A**

Source: GRF

Legal Basis: ORC 3317.0213

Purpose: This line item provides funds to distribute a subsidy to low wealth and small school 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 values with an income adjustment. Distribution formulas are given in ORC 3317.0213. 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. 95 of the 125th G.A., equity aid will be completely phased out beginning in FY 2006.

GRF 200-501 Base Cost Funding

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$4,275,243,309	$4,376,553,639	$4,506,711,651	$4,579,124,869	**$0**	**$0**
	2.4%	3.0%	1.6%	**-100.0%**	**N/A**

Source: GRF

Legal Basis: ORC 3317; Section 41.08 of Am. Sub. H.B. 95 of the 125th 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 Department of Education, with the approval of the Controlling Board. The amounts paid to each eligible district are determined under guidelines contained in ORC 3317.022 and temporary law in the biennial budget bill. In addition to base cost funding for all school children, moneys in this line item are also used for special and career-technical education weighted cost funding, per-pupil payments to educational service centers, the foundation aid guarantee, and various other purposes. Starting in FY 1988, under Am. Sub. H.B. 789 of the 117th G.A., these funds were 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. Under the executive proposal, this line item is merged into GRF funded line item 200-550, Foundation Funding.

GRF 200-502 Pupil Transportation

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$334,065,252	$367,530,294	$420,271,400	$404,245,812	**$412,330,728**	**$420,577,343**
	10.0%	14.4%	-3.8%	**2.0%**	**2.0%**

Source: GRF

Legal Basis: ORC 3317.022(D) and 3317.02(J) and (K); Section 41.09 of Am. Sub. H.B. 95 of the 125th 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 FY 2003, the state reimbursement rate applied to the cost predicted by the regression formula 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. In both FY 2006 and FY 2007, all districts previously receiving transportation funding will receive a 2% increase over the prior fiscal year's reimbursement rate, notwithstanding the regression formula.

GRF 200-503 Bus Purchase Allowance

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$34,790,655	$33,855,064	$18,674,944	$17,199,960	**$8,600,000**	**$0**
	-2.7%	-44.8%	-7.9%	**-50.0%**	**-100.0%**

Source: GRF

Legal Basis: ORC 3317.07; Section 41.09 of Am. Sub. H.B. 95 of the 125th 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. The priority for reimbursement funding is based on the condition, mileage, and age of buses. Up to 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. The executive budget eliminates this funding in FY 2007.

GRF 200-505 School Lunch Match

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$8,929,403	$9,101,127	$9,033,592	$8,998,025	**$8,998,025**	**$8,998,025**
	1.9%	-0.7%	-0.4%	**0.0%**	**0.0%**

Source: GRF

Legal Basis: ORC 3313.81 and 3317.024(K)

Purpose: This line item is used to match federal funds deposited in line item 200-617, Federal School Lunches. 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

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$8,739,607	$8,805,234	$8,774,250	$8,496,363	**$8,539,738**	**$8,539,738**
	0.8%	-0.4%	-3.2%	**0.5%**	**0.0%**

Source: GRF

Legal Basis: ORC 3317.024(H); Section 41.10 of Am. Sub. H.B. 95 of the 125th 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, Adult Basic Education.

GRF 200-510 County Commissioners Reimbursement

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$0	$1,029,995	$693,938	$0	**$0**	**$0**
	N/A	-32.6%	-100.0%	**N/A**	**N/A**

Source: GRF

Legal Basis: As needed line item (originally established by Controlling Board on July 1, 2002)

Purpose: These transferred funds are 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

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$122,606,208	$123,058,286	$127,903,356	$127,903,356	**$130,103,294**	**$133,095,669**
	0.4%	3.9%	0.0%	**1.7%**	**2.3%**

Source: GRF

Legal Basis: ORC 3317.024(L) and 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 200-513 Student Intervention Services

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$5,685,846	$38,021,766	$36,666,759	$41,075,815	**$0**	**$0**
	568.7%	-3.6%	12.0%	**-100.0%**	**N/A**

Source: GRF

Legal Basis: ORC 3303.608; Section 41.10 of Am. Sub. H.B. 95 of the 125th 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. This line item also includes earmarked funds to be distributed to school districts in academic emergency to provide intervention services to 9th graders in FY 2004 and to 9th and 10th graders in FY 2005. In FYs 2002 and 2003, expenditures were funded through TANF eligible reimbursements. Under the executive proposal, basic intervention services are funded in GRF line item 200-550, Foundation Funding.

GRF 200-514 Postsecondary Adult Career-Technical Education

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$23,958,167	$21,200,354	$20,044,319	$19,517,875	**$19,481,875**	**$19,481,875**
	-11.5%	-5.5%	-2.6%	**-0.2%**	**0.0%**

Source: GRF

Legal Basis: ORC 3313.52 and 3313.53; Section 41.10 of Am. Sub. H.B. 95 of the 125th G.A.

Purpose: This line item provides funds for full-time and part-time adult career-technical training programs and full-service center funding 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 program formula.

GRF 200-520 Disadvantaged Pupil Impact Aid

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$345,638,782	$320,722,966	$347,031,124	$350,033,005	**$0**	**$0**
	-7.2%	8.2%	0.9%	**-100.0%**	**N/A**

Source: GRF

Legal Basis: ORC 3317.029; Section 41.10 of Am. Sub. H.B. 95 of the 125th 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 executive budget proposes new poverty-based assistance to replace DPIA. Funding for poverty based assistance is contained in GRF appropriation item 200-550, Foundation Funding.

GRF 200-521 Gifted Pupil Program

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$44,553,303	$45,089,424	$46,709,389	$47,228,317	**$47,474,068**	**$47,721,293**
	1.2%	3.6%	1.1%	**0.5%**	**0.5%**

Source: GRF

Legal Basis: ORC 3317.024(P); Section 41.11 of Am. Sub. H.B. 95 of the 125th 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 200-525 Parity Aid

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$97,467,789	$201,492,689	$316,164,258	$424,854,670	**$0**	**$0**
	106.7%	56.9%	34.4%	**-100.0%**	**N/A**

Source: GRF

Legal Basis: ORC 3317.0217

Purpose: This line item provides additional state aid above the basic education level to eligible school districts. It equalizes an additional 9.5 mills (above the 23 mills of the basic 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. It was phased in at 58% in FY 2004, 76% in FY 2005. The proposed executive budget continues to phase in parity aid at 80% in FY 2006 and 85% in FY 2007. Under the executive proposal, this line item is merged into GRF funded line item 200-550, Foundation Funding.

GRF 200-530 Ohio Choice Scholarships

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$0	$0	$0	$0	**$0**	**$9,000,000**
	N/A	N/A	N/A	**N/A**	**N/A**

Source: GRF

Legal Basis: Proposed in H.B. 66 of the 126th G.A.

Purpose: The funds are to be used to fund the Ohio Choice Scholarships program. The program will provide scholarships to parents of students who attend a school where, for three or more consecutive years, at least two-thirds of enrolled students fail to attain at least a proficient score in both reading and math. Scholarships may be used by students to attend chartered, nonpublic schools.

GRF 200-532 Nonpublic Administrative Cost Reimbursement

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$53,520,200	$55,561,342	$55,765,047	$55,803,103	**$56,762,916**	**$58,068,463**
	3.8%	0.4%	0.1%	**1.7%**	**2.3%**

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

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$102,087	$0	$0	$0	**$0**	**$0**
	-100.0%	N/A	N/A	**N/A**	**N/A**

Source: GRF

Legal Basis: Discontinued line item (originally established in ORC 3301.59 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

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$32,925,509	$458	$0	$0	**$0**	**$0**
	-100.0%	-100.0%	N/A	**N/A**	**N/A**

Source: GRF

Legal Basis: Discontinued line item (originally established in ORC 3301.18)

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 were used for transportation costs and other court-directed purposes. State funds paid 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

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$133,528,920	$130,906,483	$133,821,049	$130,638,577	**$133,204,606**	**$134,465,125**
	-2.0%	2.2%	-2.4%	**2.0%**	**0.9%**

Source: GRF

Legal Basis: ORC 3317.20, 3317.052, and 3317.05(B), (C), and (D); Section 41.13 of Am. Sub. H.B. 95 of the 125th 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 other special education related programs.

GRF 200-545 Career-Technical Education Enhancements

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$23,662,201	$21,006,699	$13,079,934	$13,354,785	**$10,169,442**	**$9,225,569**
	-11.2%	-37.7%	2.1%	**-23.9%**	**-9.3%**

Source: GRF

Legal Basis: Section 41.14 of Am. Sub. H.B. 95 of the 125th G.A. (originally established by Am. Sub. H.B. 650 of the 122nd G.A.)

Purpose: Funds from this line item are used to fund career-technical education units at institutions, the career-technical education equipment replacement program, Tech Prep expanded enrollment grants, High Schools that Work, the Agriculture 5th Quarter Project, and the Ohio Career Information System. In FY 1999, this line item provided state funding for joint vocational school districts. Beginning in FY 2000, foundation funding for joint vocational school districts (JVSDs) has been paid out of funds in line item 200-501, Base Cost Funding. Under the executive budget, foundation funding for JVSDs will be paid out of funds in GRF appropriation item 200-550, Foundation Funding.

GRF 200-546 Charge-Off Supplement

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$39,306,115	$36,494,973	$49,812,720	$58,395,040	**$0**	**$0**
	-7.2%	36.5%	17.2%	**-100.0%**	**N/A**

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 weighted 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. Under the executive proposal, this line item is merged into GRF funded line item 200-550, Foundation Funding.

GRF 200-547 Power Equalization

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$52,495	$0	$0	$0	**$0**	**$0**
	-100.0%	N/A	N/A	**N/A**	**N/A**

Source: GRF

Legal Basis: Discontinued line item (originally established by Am. Sub. H.B. 650 of the 122nd G.A.; ORC 3317.0215)

Purpose: These funds were used to provide subsidies to school districts that had below the state average valuation per pupil but had 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). Under the executive proposal, funding for education beyond the foundation program is now contained in GRF appropriation item 200-550, Foundation Funding.

GRF 200-550 Foundation Funding

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$0	$0	$0	$0	**$5,560,420,663**	**$5,689,371,366**
	N/A	N/A	N/A	**N/A**	**2.3%**

Source: GRF

Legal Basis: Proposed in the Main Operating Appropriations Bill of the 126th G.A.

Purpose: This line item will be the main source of state foundation payments to all school districts and joint vocational school districts in the state. Allocations are based on the school foundation (SF-3) formulas, and are administered by the Department of Education, with the approval of the Controlling Board. The amounts paid to each eligible district are determined under guidelines contained in Chapter 3317. of the Revised Code and temporary law in the biennial budget bill. In addition to base cost funding for all school children, moneys in this line item are also used for base cost funding supplements, parity aid, poverty-based assistance, the charge-off supplement, special and career-technical education weighted cost funding, the excess cost supplement, per-pupil payments to educational service centers, the foundation aid guarantee, transitional aid, and various other purposes.

GRF 200-552 County MR/DD Boards Vehicle Purchases

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$1,410,153	$1,148,261	$0	$0	**$0**	**$0**
	-18.6%	-100.0%	N/A	**N/A**	**N/A**

Source: GRF

Legal Basis: Discontinued line item (originally established in ORC 3317.07)

Purpose: These funds were 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. Funding for county MR/DD boards school bus purchases is now provided in line item 200-503, Bus Purchase Allowance.

GRF 200-553 County MR/DD Boards Transportation Operating

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$8,623,588	$8,849,536	$0	$0	**$0**	**$0**
	2.6%	-100.0%	N/A	**N/A**	**N/A**

Source: GRF

Legal Basis: Discontinued line item (originally established in ORC 3317.024(M))

Purpose: These funds were 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. Funding for county MR/DD boards transportation operating costs is now provided in line item 200-502, Pupil Transportation.

GRF 200-558 Emergency Loan Interest Subsidy

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$4,156,147	$3,304,902	$2,728,900	$2,162,000	**$1,388,164**	**$651,404**
	-20.5%	-17.4%	-20.8%	**-35.8%**	**-53.1%**

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 Read/Write Improvement - Grants

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$27,140,498	$26,476,783	$12,874,776	$12,062,336	**$12,062,336**	**$12,062,336**
	-2.4%	-51.4%	-6.3%	**0.0%**	**0.0%**

Source: GRF

Legal Basis: Section 41.16 of Am. Sub. H.B. 95 of the 125th G.A. (originally established by Am. Sub. H.B. 1 and modified by Am. Sub. H.B. 282 of the 123rd G.A.)

Purpose: These funds are used by the Department of Education 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 and close achievement gaps.

GRF 200-570 School Improvement Incentive Grants

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$837,500	$836,202	$0	$0	**$0**	**$0**
	-0.2%	-100.0%	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 were used to fund a variety of grant programs aimed at school improvements.

GRF 200-572 Teacher Incentive Grants

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$265,500	$0	$0	$0	**$0**	**$0**
	-100.0%	N/A	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 funded one-time incentives for teachers to become reading specialists and to support the enhancement of skills for math and science teachers.

GRF 200-574 Substance Abuse Prevention

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$1,962,800	$1,618,147	$0	$0	**$0**	**$0**
	-17.6%	-100.0%	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 supported 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

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$0	$0	$3,497,353	$3,362,457	**$1,218,555**	**$1,218,555**
	N/A	N/A	-3.9%	**-63.8%**	**0.0%**

Source: GRF

Legal Basis: Section 41.16 of Am. Sub. H.B.95 of the 125th G.A.

Purpose: This line item is used to help ensure safe and supportive educational environments for students. These funds are 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 include school resource officers and safe and drug free school coordinators, 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

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$65,000	$65,000	$0	$0	**$0**	**$0**
	0.0%	-100.0%	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 funds were 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 were 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 - Education

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$705,731,854	$736,647,353	$782,182,369	$822,360,000	**$764,626,987**	**$728,793,318**
	4.4%	6.2%	5.1%	**-7.0%**	**-4.7%**

Source: GRF

Legal Basis: ORC 319.301 and 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

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$66,925,963	$67,610,856	$60,849,770	$53,538,109	**$42,830,487**	**$32,122,865**
	1.0%	-10.0%	-12.0%	**-20.0%**	**-25.0%**

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. Am. Sub. H.B. 95 of the 125th G.A. begins to phase out the state's reimbursements of the cost of this exemption over a 10-year period beginning in FY 2004. The amount will be reduced to 90% of the FY 2003 amount in FY 2004, then to 80% in FY 2005, and then eliminated entirely in FY 2013.However, school districts will recover about one-half of their losses through state formula aid.

General Services Fund Group

138 200-606 Computer Services Operational Support

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$4,975,341	$6,053,815	$7,218,332	$7,635,949	**$7,600,091**	**$7,600,091**
	21.7%	19.2%	5.8%	**-0.5%**	**0.0%**

Source: GSF: Proceeds from the sale of technology services

Legal Basis: Section 41 of Am. Sub. H.B. 95 of the 125th G.A. (originally established by Controlling Board on July 20, 1961)

Purpose: This line item receives the proceeds from the sale of computer services to various offices in the Department of Education and the sale of education directories and labels. The moneys are used to collect, process and disseminate statistical information concerning schools, and to provide data-processing services to offices 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 Educational Services

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$294,508	$387,027	$191,540	$750,000	**$400,000**	**$400,000**
	31.4%	-50.5%	291.6%	**-46.7%**	**0.0%**

Source: GSF: Registration fees for conferences sponsored by the Department of Education; sale of publications

Legal Basis: Section 41 of Am. Sub. H.B. 95 of the 125th G.A. (originally established by Controlling Board on April 13, 1972)

Purpose: This line item receives the registration fees paid by those participating in conferences sponsored by the Department, and made for specific purposes, such as environmental, consumer, and nutrition education. Moneys are used for materials and facilities for conferences, and for the purposes specified by gifts or bequests. It also includes fees for the purchase of publications and other miscellaneous items.

4D1 200-602 Ohio Prevention/Education Resource Center

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$370,082	$827,500	$506,100	$957,900	**$832,000**	**$832,000**
	123.6%	-38.8%	89.3%	**-13.1%**	**0.0%**

Source: GSF: Transfer from the Ohio Department of Alcohol and Drug Addiction Services

Legal Basis: Section 41 of Am. Sub. H.B. 95 of the 125th G.A. (originally established by Controlling Board on September 21, 1992)

Purpose: These funds are passed through the Department of Education to operate the Ohio Prevention/Education Resource Center, located at the University of Cincinnati. The center is the state clearinghouse for information, materials, and training about tobacco, alcohol and other drugs, and violence prevention.

4L2 200-681 Teacher Certification and Licensure

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$4,000,236	$3,973,112	$3,953,093	$5,236,581	**$5,497,158**	**$5,628,332**
	-0.7%	-0.5%	32.5%	**5.0%**	**2.4%**

Source: GSF: Sale of certificates and licenses

Legal Basis: Section 41 of Am. Sub. H.B. 95 of the 125th 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

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$434,661	$438,323	$460,208	$529,761	**$529,761**	**$529,761**
	0.8%	5.0%	15.1%	**0.0%**	**0.0%**

Source: GSF: Service fees

Legal Basis: Section 41 of Am. Sub. H.B. 95 of the 125th 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 students, counselors, and the public. 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. Education institutions, libraries, agencies and others 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

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$197,303	$142,171	$70,813	$0	**$0**	**$0**
	-27.9%	-50.2%	-100.0%	**N/A**	**N/A**

Source: GSF: Transfers from line item 600-411, TANF Federal Block Grant in the Department of Job and Family Services.

Legal Basis: Section 41 of Am. Sub. H.B. 95 of the 125th G.A. (originally established by Am. Sub. H.B. 282 of the 123rd G.A.)

Purpose: These funds are 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 may not 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.

5H3 200-687 School District Solvency Assistance

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$1,989,988	$8,742,000	$22,825,412	$18,000,000	**$18,000,000**	**$18,000,000**
	339.3%	161.1%	-21.1%	**0.0%**	**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. Grants do not have to be paid back unless the district is reimbursed by a third party. 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

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$18,449,596	$18,270,274	$18,222,752	$22,899,001	**$19,658,846**	**$19,658,846**
	-1.0%	-0.3%	25.7%	**-14.1%**	**0.0%**

Source: FED: CFDA 84.011, Migrant Education; CFDA 84.013, Title I Program for Neglected & Delinquent Children; CFDA 84.196, Education for Homeless Children & Youth; CFDA 84.332, Comprehensive School Reform

Legal Basis: Section 41 of Am. Sub. H.B. 95 of the 125th G.A. (originally established by 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 areas 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.

366 200-604 Adult Basic Education

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$17,432,788	$20,499,344	$21,039,810	$22,023,820	**$18,500,000**	**$18,500,000**
	17.6%	2.6%	4.7%	**-16.0%**	**0.0%**

Source: FED: CFDA 84.002, Adult Education/State Grant Programs

Legal Basis: Section 41 of Am. Sub. H.B. 95 of the 125th G.A. (authorized by Adult Education and Family Literacy Act, Title II of Public Law 105-220, The Workforce Investment Act of 1998).

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

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$10,581,675	$8,704,579	$9,422,788	$11,144,631	**$11,383,637**	**$11,666,732**
	-17.7%	8.3%	18.3%	**2.1%**	**2.5%**

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 41 of Am. Sub. H.B. 95 of the 125th G.A. (originally established by Controlling Board on October 27, 1967)

Purpose: These funds support special milk programs, which provide free milk to qualifying children when 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

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$576,478	$558,716	$517,641	$655,587	**$672,961**	**$691,130**
	-3.1%	-7.4%	26.6%	**2.7%**	**2.7%**

Source: FED: CFDA 64.124, All-Volunteer Force Educational Assistance

Legal Basis: Section 41 of Am. Sub. H.B. 95 of the 125th G.A. (originally established by Controlling Board on August 18, 1965; authorized by Title 38, US Code, Veterans Benefits; Chapter 36, Subchapter 1, State Approving Agencies)

Purpose: These funds are reimbursed to the state by the Department of Veterans Affairs and 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

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$4,112,166	$8,390,141	$6,551,994	$8,165,672	**$6,500,000**	**$6,500,000**
	104.0%	-21.9%	24.6%	**-20.4%**	**0.0%**

Source: FED: CFDA 84.243, Tech-Prep Education; CFDA 84.346 Vocational Education - Occupational and Employment Information; CFDA 84.923, Appalachian Regional Commission

Legal Basis: Section 41 of Am. Sub. H.B. 95 of the 125 G.A. (originally established by Controlling Board on September 23, 1964)

Purpose: These funds support the Career Resource Network to develop and disseminate career information and 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

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$1,171,454	$2,164,775	$2,198,286	$2,007,850	**$2,386,610**	**$2,386,610**
	84.8%	1.5%	-8.7%	**18.9%**	**0.0%**

Source: FED: CFDA 84.323, Special Education State Program Improvement Grant; CFDA 84.330, Advanced Placement Program

Legal Basis: Section 41 of Am. Sub. H.B. 95 of the 125th G.A. (originally established by 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

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$981,137	$495,745	$198,371	$400,000	**$400,000**	**$400,000**
	-49.5%	-60.0%	101.6%	**0.0%**	**0.0%**

Source: FED: CFDA 84.162, Immigrant Education; CFDA 84.194, Bilingual Education Support Services; CFDA 93.576, Refugee and Entrant Assistance Grant

Legal Basis: Discontinued line item (originally established by Controlling Board on August 24, 1971)

Purpose: These funds supported the provision of technical assistance, guidelines, training and resources in the areas of English as a Second Language (ESL), bilingual, and multicultural education. The ESL program is now funded in line item 200-689, English Language Acquisition

374 200-647 Troops to Teachers

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$86,096	$71,746	$187,796	$1,200,000	**$400,000**	**$400,000**
	-16.7%	161.8%	539.0%	**-66.7%**	**0.0%**

Source: FED: CFDA 84.215 Troops to Teachers (USDE)

Legal Basis: Section 41 of Am. Sub. H.B. 95 of the 125th G.A. (originally established by Controlling Board in FY 1976)

Purpose: These funds are used to recruit eligible military personnel into the teaching profession.

378 200-660 Math/Science Technology Investments

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$13,196,410	$3,970,420	$1,467,889	$1,200,000	**$1,200,000**	**$1,200,000**
	-69.9%	-63.0%	-18.2%	**0.0%**	**0.0%**

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: Discontinued line item. (originally established by Controlling Board on July 29, 1985)

Purpose: Moneys in this line item were 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. Eisenhower Professional Development Funds are now part of line item 200-635, Improving Teacher Quality (fund 345)

3AF 200-603 School Medicaid Administrative Claims

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$0	$0	$0	$10,000,000	**$10,000,000**	**$10,000,000**
	N/A	N/A	N/A	**0.0%**	**0.0%**

Source: FED: CFDA 93.778 Medical Assistance Program

Legal Basis: Originally established by Controlling Board on September 22, 2003

Purpose: These funds are used to provide financial assistance for payment of medical assistance on behalf of children and other recipients who meet income and resource requirements. Funds may also be used to reimburse school districts for the costs associated with services to Medicaid-eligible students. The program is designed to help schools with a large number of Medicaid-eligible students.

3AK 200-692 State Homeland Security

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$0	$0	$0	$100,000	**$0**	**$0**
	N/A	N/A	N/A	**-100.0%**	**N/A**

Source: FED: CFDA 97.004, Domestic Preparedness

Legal Basis: Proposed in H.B. 66 of the 126th G.A. (originally established by Controlling Board on February 9, 2004)

Purpose: These funds are used to enhance the capability of State and local jurisdictions to prepare for and respond to terrorist acts including events of terrorism involving weapons of mass destruction and biological, nuclear, radiological, incendiary, chemical, and explosive devices.

3C5 200-661 Early Childhood Education

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$17,954,770	$20,835,677	$21,217,863	$21,508,746	**$23,874,338**	**$23,874,338**
	16.0%	1.8%	1.4%	**11.0%**	**0.0%**

Source: FED: CFDA 84.173, Special Education Preschool Grants; CFDA 84.213, Even Start; CFDA 93.575, Child Care and Development Block Grant

Legal Basis: Section 41 of Am. Sub. H.B. 95 of the 125th G.A. (originally established by Controlling Board on November 11, 1986)

Purpose: These funds are used for three 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, 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

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$12,490,673	$13,294,978	$12,594,085	$13,347,966	**$13,347,966**	**$13,347,966**
	6.4%	-5.3%	6.0%	**0.0%**	**0.0%**

Source: FED: CFDA 84.186, Safe and Drug Free Schools & Communities

Legal Basis: Section 41 of Am. Sub. H.B. 95 of the 125th G.A. (originally established by 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, which are coordinated with other school and community-based services and programs that will foster a safe and drug-free learning environment that supports academic achievement, prevents or reduces violence, the use, as well as possession and distribution of illegal drugs, and creates a well disciplined environment conducive to learning.

3D2 200-667 Honors Scholarship Program

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$1,673,000	$1,570,008	$1,853,985	$5,991,845	**$5,812,903**	**$5,833,965**
	-6.2%	18.1%	223.2%	**-3.0%**	**0.4%**

Source: FED: CFDA 84.185, Byrd Honors Scholarships

Legal Basis: Section 41 of Am. Sub. H.B. 95 of the 125th G.A. (originally established by Controlling Board on April 20, 1987)

Purpose: These funds are used to provide a merit scholarship for 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

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$0	$0	$67	$0	**$0**	**$0**
	N/A	N/A	-100.0%	**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 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

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$238,056	$94,073	$204,990	$385,000	**$275,000**	**$275,000**
	-60.5%	117.9%	87.8%	**-28.6%**	**0.0%**

Source: FED: CFDA 93.600, Head Start

Legal Basis: Section 41 of Am. Sub. H.B. 95 of the 125th G.A. (authorized by the 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 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

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$169,651,990	$178,548,675	$186,502,818	$191,898,528	**$204,256,132**	**$211,583,653**
	5.2%	4.5%	2.9%	**6.4%**	**3.6%**

Source: FED: CFDA 10.555, School Lunch Program

Legal Basis: Section 41 of Am. Sub. H.B. 95 of the 125th 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. State matching funds are provided through GRF appropriation item 200-505, School Lunch Match.

3L7 200-618 Federal School Breakfast

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$36,523,743	$38,709,804	$41,538,213	$44,521,254	**$46,382,851**	**$48,405,608**
	6.0%	7.3%	7.2%	**4.2%**	**4.4%**

Source: FED: CFDA 10.553, School Breakfast Program

Legal Basis: Section 41 of Am. Sub. H.B. 95 of the 125th 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 breakfast programs.

3L8 200-619 Child/Adult Food Programs

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$52,840,562	$57,921,272	$59,570,746	$65,293,830	**$66,590,622**	**$67,915,843**
	9.6%	2.8%	9.6%	**2.0%**	**2.0%**

Source: FED: CFDA 10.558, Child and Adult Care Food Program

Legal Basis: Section 41 of Am. Sub. H.B. 95 of the 125th 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.

3L9 200-621 Career-Technical Education Basic Grants

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$43,522,748	$48,268,600	$47,649,091	$48,029,701	**$48,029,701**	**$48,029,701**
	10.9%	-1.3%	0.8%	**0.0%**	**0.0%**

Source: FED: CFDA 84.048, Vocational Education - Basic Grants to States

Legal Basis: Section 41 of Am. Sub. H.B. 95 of the 125th 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 formula grants to districts and post secondary institutions administering career-technical programs. State matching funds are provided through set-aside within GRF appropriation items 200-100, Personal Services, and 200-320, Maintenance and Equipment.

3M0 200-623 ESEA Title 1A

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$285,941,101	$321,638,342	$391,410,430	$420,701,568	**$440,260,178**	**$461,026,070**
	12.5%	21.7%	7.5%	**4.6%**	**4.7%**

Source: FED: CFDA 84.010, Title I Grants to Local Educational Agencies

Legal Basis: Section 41 of Am. Sub. H.B. 95 of the 125th 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 to 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 to 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

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$13,516,811	$14,054,445	$14,851,925	$16,094,937	**$11,800,000**	**$11,800,000**
	4.0%	5.7%	8.4%	**-26.7%**	**0.0%**

Source: FED: CFDA 84.298, Innovative Education Program Strategies

Legal Basis: Section 41 of Am. Sub. H.B. 95 of the 125th G.A. (originally established by Am. Sub. H.B. 152 of the 120th G.A. and authorized 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

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$176,829,543	$226,640,545	$288,124,038	$433,479,742	**$513,058,569**	**$605,581,547**
	28.2%	27.1%	50.4%	**18.4%**	**18.0%**

Source: FED: CFDA 84.027, Special Education - Grants to States (Part B, Individuals with Disabilities Education Act)

Legal Basis: Section 41 of Am. Sub. H.B. 95 of the 125th G.A. (originally established by Am. Sub. H.B. 152 of the 120th G.A. and authorized by the Individuals with Disabilities Act; Public Laws 91-230, 93-380, 94-142, 98-199, 99-457, 100-630)

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.

3N7 200-627 School-To-Work

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$1,261,383	$494,652	$0	$0	**$0**	**$0**
	-60.8%	-100.0%	N/A	**N/A**	**N/A**

Source: FED: CFDA 17.250, Job Training Partnership Act (JTPA)

Legal Basis: Discontinued line item (originally established by Am. Sub. H.B. 152 of the 120th G.A. and authorized by the Job Training Partnership Act of 1982, as amended; Public Law 102-367)

Purpose: These funds were used 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.

3R3 200-654 Goals 2000

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$6,006,502	$896,815	$216,007	$1,547	**$0**	**$0**
	-85.1%	-75.9%	-99.3%	**-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 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

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$17,902,804	$6,664,124	$18,159,398	$20,469,339	**$20,800,000**	**$20,800,000**
	-62.8%	172.5%	12.7%	**1.6%**	**0.0%**

Source: FED: CFDA 84.318, Education Technology Title III

Legal Basis: Section 41 of Am. Sub. H.B. 95 of the 125th 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 percent 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.

3T4 200-613 Public Charter Schools

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$15,928,769	$13,605,505	$15,241,842	$26,187,113	**$13,500,000**	**$13,000,000**
	-14.6%	12.0%	71.8%	**-48.4%**	**-3.7%**

Source: FED: CFDA 84.282, Charter Schools

Legal Basis: Section 41 of Am. Sub. H.B. 95 of the 125th 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.

3T6 200-611 Class Size Reduction

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$60,849,889	$11,178,929	$3,028,708	$244,132	**$0**	**$0**
	-81.6%	-72.9%	-91.9%	**-100.0%**	**N/A**

Source: FED: CFDA 84.340, Class Size Reduction

Legal Basis: Discontinued line item (originally established by Controlling Board on August 21, 2000)

Purpose: These funds were 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. These funds are now part of line item 200-635, Improving Teacher Quality (Fund 3Y6).

3U2 200-662 Teacher Quality Enhancement Grants

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$814,332	$351,518	$1,052,893	$0	**$795,280**	**$795,280**
	-56.8%	199.5%	-100.0%	**N/A**	**0.0%**

Source: FED: CFDA 84.336, Teacher Quality Enhancement Grants

Legal Basis: Section 41 of Am. Sub. H.B. 95 of the 125th 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

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$13,347,010	$2,414,940	$0	$163,876	**$0**	**$0**
	-81.9%	-100.0%	N/A	**-100.0%**	**N/A**

Source: FED: CFDA 84.338, Reading Excellence

Legal Basis: Discontinued line item (originally established by Controlling Board on June 9, 2000)

Purpose: These funds were used to provide children with the readiness skills and support they need in early childhood to learn how 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

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$93,160	$0	$0	$0	**$0**	**$0**
	-100.0%	N/A	N/A	**N/A**	**N/A**

Source: FED: CFDA 10.522, National School Lunch Program

Legal Basis: Discontinued line item (originally established by Controlling Board on August 14, 2000)

Purpose: This line item provided 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

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$0	$12,061,228	$16,743,837	$0	**$0**	**$0**
	N/A	38.8%	-100.0%	**N/A**	**N/A**

Source: FED: CFDA 84.352 School Renovation Grants

Legal Basis: Discontinued line item (originally established by Controlling Board on October 29, 2001)

Purpose: These funds were distributed to school districts to be used mainly for urgent school repairs.

3Y2 200-688 21st Century Community Learning Ctr

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$0	$7,217,553	$15,880,676	$33,092,303	**$30,681,554**	**$30,681,554**
	N/A	120.0%	108.4%	**-7.3%**	**0.0%**

Source: FED: CFDA 84.287 21st-Century Community Learning Centers

Legal Basis: Section 41 of Am. Sub. H.B. 95 of the 125th G.A. (originally established by Controlling Board on July 29, 2002)

Purpose: These funds are used to create community learning centers that provide academic enrichment opportunities for children, particularly students who attend high-poverty and low-performing schools. The program helps students meet state and local student standards in core academic subjects, such as reading and math; offers students a broad array of enrichment activities that can complement their regular academic programs; and offers literacy and other educational services to the families of participating children.

3Y4 200-632 Reading First

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$0	$165,177	$23,083,588	$37,719,409	**$31,215,798**	**$31,215,798**
	N/A	13875.1%	63.4%	**-17.2%**	**0.0%**

Source: FED: CFDA 84.357 Reading First

Legal Basis: Section 41 of Am. Sub. H.B. 95 of the 125th G.A. (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

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$0	$305,458	$1,515,155	$44,419	**$0**	**$0**
	N/A	396.0%	-97.1%	**-100.0%**	**N/A**

Source: FED: CFDA 84.184 Safe and Drug-Free Schools

Legal Basis: Section 41 of Am. Sub. H.B. 95 of the 125th G.A. (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

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$0	$70,742,971	$97,688,454	$104,100,000	**$107,000,000**	**$107,000,000**
	N/A	38.1%	6.6%	**2.8%**	**0.0%**

Source: FED: CFDA 84.367 Improving Teacher Quality State Grants

Legal Basis: Section 41 of Am. Sub. H.B. 95 of the 125th G.A. (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. Two and one-half percent of the funds are retained by the Department of Education for administration of the program, and 2.5% is used by the Board of Regents to fund partnership of higher education institutions.

3Y7 200-689 English Language Acquisition

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$0	$2,433,854	$4,855,665	$7,000,000	**$7,500,000**	**$8,000,000**
	N/A	99.5%	44.2%	**7.1%**	**6.7%**

Source: FED: CFDA 84.365 English Language Acquisition

Legal Basis: Section 41 of Am. Sub. H.B. 95 of the 125th G.A. (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

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$0	$1,129,979	$1,438,327	$1,700,000	**$1,700,000**	**$1,700,000**
	N/A	27.3%	18.2%	**0.0%**	**0.0%**

Source: FED: CFDA 84.358 Rural Education

Legal Basis: Section 41 of Am. Sub. H.B. 95 of the 125th G.A. (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

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$0	$10,698,229	$3,552,270	$12,489,031	**$12,681,031**	**$12,883,799**
	N/A	-66.8%	251.6%	**1.5%**	**1.6%**

Source: FED: CFDA 84.369 State Assessments

Legal Basis: Section 41 of Am. Sub. H.B. 95 of the 125th G.A. (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.

3Z3 200-645 Consolidated USDE Administration

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$0	$0	$5,492,946	$9,200,000	**$9,200,000**	**$9,200,000**
	N/A	N/A	67.5%	**0.0%**	**0.0%**

Source: FED: CFDA 84.011, Migrant Education; CFDA 84.013, Title I Program for Neglected & Delinquent Children; CFDA 84.196, Education for Homeless Children & Youth; CFDA 84.332, Comprehensive School Reform; CFDA 84.282, Charter Schools; CFDA 84.010, Title I Grants to Local Educational Agencies; CFDA 84.357 Reading First; CFDA 84.184 Safe and Drug-Free Schools; CFDA 84.367 Improving Teacher Quality State Grants; CFDA 84.358 Rural and Low Income; CFDA 84.318, Education Technology Title III; CFDA 84.173, Special Education Preschool Grants; CFDA 84.213, Even Start; CFDA 84.186, Drug Free Schools & Community; CFDA 84.298, Innovative Education Program Strategies; CFDA 84.027, Special Education - Grants to States (Part B, Individuals with Disabilities Education Act); CFDA 84.287 21st-Century Community Learning Centers; CFDA 84.365 English Language Acquisition; CFDA 84.215, Improvement of Education; CFDA 84.369, State Assessment Title IV

Legal Basis: Established by Controlling Board on July 7, 2003

Purpose: This item allows the Department of Education to consolidate administrative spending that is allowable under various federal grants.

State Special Revenue Fund Group

454 200-610 Guidance & Testing

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$481,341	$192,794	$161,105	$956,761	**$400,000**	**$400,000**
	-59.9%	-16.4%	493.9%	**-58.2%**	**0.0%**

Source: SSR: Test and test service proceeds

Legal Basis: Section 41 of Am. Sub. H.B. 95 of the 125th 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 Department to develop, administer, score, and report ability, achievement, and career education tests for pupils.

455 200-608 Commodity Foods

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$9,646,991	$12,777,743	$17,534,994	$23,624,624	**$24,000,000**	**$24,000,000**
	32.5%	37.2%	34.7%	**1.6%**	**0.0%**

Source: SSR: Food Processing and Handling charges

Legal Basis: Section 41 of Am. Sub. H.B. 95 of the 125th G.A. (originally established by Controlling Board in September 1978)

Purpose: This line item receives the processing and 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.

4R7 200-695 Indirect Operational Support

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$3,525,941	$4,025,064	$3,918,828	$5,250,400	**$5,382,864**	**$5,449,748**
	14.2%	-2.6%	34.0%	**2.5%**	**1.2%**

Source: SSR: Indirect payment for the Department's role in running federal projects (allowed by the federal government)

Legal Basis: Section 41 of Am. Sub. H.B. 95 of the 125th G.A. (originally established by Controlling Board in December 1993)

Purpose: This line item receives funds from all Department line items (both GRF and Federal) that spend funds on personnel and maintenance. These funds are used for a variety of administrative purposes including accounting, human resources, grants management and internal auditing functions. The rate is approved annually by the U.S. Department of Education.

4V7 200-633 Interagency Support

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$472,554	$258,576	$128,062	$800,001	**$500,000**	**$500,000**
	-45.3%	-50.5%	524.7%	**-37.5%**	**0.0%**

Source: SSR: Funds received from the Department of Youth Services, the Department of Rehabilitation and Corrections, and the Department of Drug and Alcohol Addiction Services

Legal Basis: Section 41 of Am. Sub. H.B. 95 of the 125th G.A. (originally established by Controlling Board in June 1995)

Purpose: This line item receives funding from other agencies for specific programs such as Training for At Risk Youth, Child Abuse Detection, Building Inspection, Commission on Fatherhood.

598 200-659 Auxiliary Services Reimbursement

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$1,144,208	$1,227,792	$1,104,135	$1,328,910	**$1,328,910**	**$1,328,910**
	7.3%	-10.1%	20.4%	**0.0%**	**0.0%**

Source: SSR: Auxiliary Services Personnel Unemployment Compensation Fund

Legal Basis: ORC 3317.064 (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 auxiliary service programs.

5BB 200-696 State Action for Education Leadership

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$0	$0	$0	$0	**$1,200,000**	**$1,200,000**
	N/A	N/A	N/A	**N/A**	**0.0%**

Source: SSR: Grants from the Wallace Foundation

Legal Basis: Am. Sub. H.B. 16 of the 126th General Assembly

Purpose: Funds in this line item are used to develop leadership programs for the Big Eight school districts; to target training to teacher-leaders, principals, and union leaders; to increase administrators' and teachers' skills in using student assessment data to improve instructional decisions; and to align district and building budget allocations with student performance data.

5BJ 200-626 Half-Mill Maintenance Equalization

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$0	$0	$0	$0	**$0**	**$10,700,000**
	N/A	N/A	N/A	**N/A**	**N/A**

Source: SSR:

Legal Basis: Proposed in H.B. 66 of the 126th G.A.

Purpose: These funds are used to provide equalized subsidies to school districts that have passed one-half mill maintenance requirement for participation in the Classroom Facilities Assistance Program (CFAP) pursuant to Chapter 3318. of the Revised Code. School districts with below statewide average valuation per pupil are eligible for this funding.

5U2 200-685 National Education Statistics

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$0	$78,619	$130,098	$200,000	**$200,000**	**$200,000**
	N/A	65.5%	53.7%	**0.0%**	**0.0%**

Source: SSR: Grant for NAEP

Legal Basis: Section 41 of Am. Sub. H.B 95 of the 125th G.A. (originally established by Controlling Board on May 6, 2002)

Purpose: The No Child Left Behind Act of 2001 requires states to participate in the National Assessment of Educational Progress (NAEP). This item funds the position of NAEP state coordinator as well as other specific data collection tasks associated with NAEP. The state coordinator position provides technical assistance to state and local education agencies on the collection of education statistics.

5W2 200-663 Early Learning Initiative

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$0	$0	$47,411,106	$108,184,000	**$96,580,000**	**$115,456,000**
	N/A	N/A	128.2%	**-10.7%**	**19.5%**

Source: SSR: Federal Title IV-A funds

Legal Basis: Section 41.19 of Am. Sub. H.B. 95 of the 125th G.A.

Purpose: This item provides federal TANF funds for the state administered Head Start Plus and Head Start programs. Starting in FY 2005, Head Start Plus provides children with access to full-day, full-year programming designed to 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 continues the traditional, partial-day and partial-year program. It provides comprehensive developmental services through local community action organizations, schools, and single purpose agencies. The target population are children at least 3 years of age and not kindergarten age eligible. The program targets families earning not more than 100% of the federal poverty level and those subsidized from ODJFS for child care.

620 200-615 Educational Improvement Grants

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$486,255	$855,577	$778,341	$1,000,000	**$1,000,000**	**$1,000,000**
	76.0%	-9.0%	28.5%	**0.0%**	**0.0%**

Source: SSR: Miscellaneous education grants

Legal Basis: Section 41 of Am. Sub. H.B. 95 of the 125th G.A. (originally established by Am. Sub. H.B. 282 of the 123rd G.A.)

Purpose: Moneys in this line item are provided from miscellaneous educational grants from private foundations for specified purposes, such as grants from the Jennings Foundation for innovative early childhood education and parent involvement initiatives.

Lottery Profits/Education Fund Group

017 200-612 Base Cost Funding

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$604,000,000	$637,000,000	$606,123,500	$606,123,500	**$606,208,300**	**$606,296,800**
	5.5%	-4.8%	0.0%	**0.0%**	**0.0%**

Source: LPE: Lottery Profits Education Fund

Legal Basis: Section 41.20 of Am. Sub. H.B. 95 of the 125th 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 200-550, Foundation Funding, to fund state foundation payments to school districts and other education subsidies. Also see description for line item 200-550, Foundation 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

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$29,722,100	$35,722,600	$31,776,500	$31,776,500	**$31,691,700**	**$31,603,200**
	20.2%	-11.0%	0.0%	**-0.3%**	**-0.3%**

Source: LPE: Lottery Profits Education Fund

Legal Basis: ORC 3318.01 through 3318.20 (originally established by Am. Sub. H.B. 152 of the 120th G.A.)

Purpose: These funds were transferred to the Department's GRF 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.

020 200-620 Vocational School Building Assistance

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$1,207,564	$800,000	$3,000,000	$2,000,000	**$0**	**$0**
	-33.8%	275.0%	-33.3%	**-100.0%**	**N/A**

Source: LPE: Funds are transferred by the Controlling Board, as needed

Legal Basis: As needed line item (originally established in ORC 3317.22 and 3317.23)

Purpose: This line item provides interest-free loans to eligible school districts and joint vocational school districts, under ORC 3317.22 and 3317.23, 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. This program is transferred to the School Facilities Commission under the executive budget.

Revenue Distribution Fund Group

047 200-900 School District Property Tax Replacement - Business

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$0	$0	$0	$0	**$28,800,000**	**$220,800,000**
	N/A	N/A	N/A	**N/A**	**666.7%**

Source: RDF: Transfers from the proposed commercial activity tax

Legal Basis: Proposed under H.B. 66 of the 126th General Assembly

Purpose: These funds are use to reimburse school districts and joint vocational school districts for their losses due to the phase-out of general tangible personal property tax pursuant to proposed Revised Code 5751.20.

053 200-900 School District Property Tax Replacement - Utility

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$99,000,108	$106,853,446	$108,710,848	$116,647,522	**$116,647,522**	**$101,647,522**
	7.9%	1.7%	7.3%	**0.0%**	**-12.9%**

Source: RDF: Kilowatt-hour taxes on electricity and MCF taxes on natural gas

Legal Basis: ORC 5727.84 and 5727.85 (originally established by Am. Sub. S.B. 3 of the 123rd G.A.)

Purpose: This line item is 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.

LSC Budget Spreadsheet by Line Item, FY 2006 - FY 2007

Fund	ALI	ALI Title	2004	Estimated 2005	Executive 2006	% Change 2005 to 2006	Executive 2007	% Change 2006 to 2007
EDU Education, Department of								
GRF	200-100	Personal Services	$ 11,213,947	$11,311,314	$ 11,311,314	0.0%	$ 11,311,314	0.0%
GRF	200-320	Maintenance and Equipment	$ 4,989,036	$4,996,249	$ 4,996,249	0.0%	$ 4,996,249	0.0%
GRF	200-406	Head Start	$ 1,945,982	$0	$ 0	N/A	$ 0	N/A
GRF	200-408	Early Childhood Education	$ 17,825,893	$19,002,195	$ 19,002,195	0.0%	$ 19,002,195	0.0%
GRF	200-410	Educator Training	$ 23,347,712	$27,761,495	$ 24,131,557	-13.1%	$ 24,531,557	1.7%
GRF	200-411	Family and Children First	$ 3,324,750	$3,125,265	$ 0	-100.0%	$ 0	N/A
GRF	200-416	Career-Technical Education Match	$ 39,269	$0	$ 0	N/A	$ 0	N/A
GRF	200-420	Computer/Application/Network Development	$ 5,423,991	$5,361,525	$ 5,361,525	0.0%	$ 5,361,525	0.0%
GRF	200-421	Alternative Education Programs	$ 15,304,184	$15,140,927	$ 13,391,162	-11.6%	$ 13,391,162	0.0%
GRF	200-422	School Management Assistance	$ 1,822,044	$1,671,320	$ 2,683,208	60.5%	$ 2,710,572	1.0%
GRF	200-424	Policy Analysis	$ 565,861	$556,687	$ 556,687	0.0%	$ 556,687	0.0%
GRF	200-425	Tech Prep Consortia Support	$ 1,537,926	$2,069,217	$ 2,069,217	0.0%	$ 2,069,217	0.0%
GRF	200-426	Ohio Educational Computer Network	$ 28,051,278	$31,305,052	$ 29,676,964	-5.2%	$ 29,676,964	0.0%
GRF	200-427	Academic Standards	$ 6,358,178	$8,415,554	$ 14,440,753	71.6%	$ 14,512,181	0.5%
GRF	200-431	School Improvement Initiatives	$ 10,014,950	$10,578,457	$ 19,862,484	87.8%	$ 23,191,663	16.8%
GRF	200-432	School Conflict Management	$ 20,832	$0	$ 0	N/A	$ 0	N/A
GRF	200-433	Reading/Writing Improvement - Professional Develo	$ 14,022,917	$20,004,968	$ 15,400,000	-23.0%	$ 15,400,000	0.0%
GRF	200-437	Student Assessment	$ 35,276,452	$45,953,391	$ 63,445,234	38.1%	$ 69,011,935	8.8%
GRF	200-439	Accountability/Report Cards	$ 1,913,474	$3,678,750	$ 3,878,850	5.4%	$ 6,457,290	66.5%
GRF	200-441	American Sign Language	$ 136,943	$195,254	$ 0	-100.0%	$ 0	N/A
GRF	200-442	Child Care Licensing	$ 970,074	$1,302,495	$ 1,302,495	0.0%	$ 1,302,495	0.0%
GRF	200-444	Professional Recruitment	$ 124,150	$0	$ 0	N/A	$ 0	N/A
GRF	200-445	OhioReads Volunteer Support	$ 4,350,749	$4,230,000	$ 3,905,000	-7.7%	$ 3,905,000	0.0%
GRF	200-446	Education Management Information System	$ 14,673,921	$15,913,232	$ 15,674,805	-1.5%	$ 15,674,805	0.0%
GRF	200-447	GED Testing	$ 1,738,152	$1,719,360	$ 1,544,360	-10.2%	$ 1,544,360	0.0%
GRF	200-448	Educator Preparation	$ 9,038	$22,912	$ 1,651,000	7,105.8%	$ 1,651,000	0.0%
GRF	200-449	Head Start/Head Start Plus Start Up	$ 11,000,000	$4,809,930	$ 0	-100.0%	$ 0	N/A

LSC Budget Spreadsheet by Line Item, FY 2006 - FY 2007

Fund	ALI	ALI Title	2004	Estimated 2005	Executive 2006	% Change 2005 to 2006	Executive 2007	% Change 2006 to 2007
EDU Education, Department of								
GRF	200-452	Teaching Success Commission Initiatives	$ 266,157	$1,551,000	$ 0	-100.0%	$ 0	N/A
GRF	200-455	Community Schools	$ 4,057,754	$3,942,093	$ 3,942,094	0.0%	$ 3,942,094	0.0%
GRF	200-500	School Finance Equity	$ 13,371,385	$7,105,137	$ 0	-100.0%	$ 0	N/A
GRF	200-501	Base Cost Funding	$ 4,506,711,651	$4,579,124,869	$ 0	-100.0%	$ 0	N/A
GRF	200-502	Pupil Transportation	$ 420,271,400	$404,245,812	$ 412,330,728	2.0%	$ 420,577,343	2.0%
GRF	200-503	Bus Purchase Allowance	$ 18,674,944	$17,199,960	$ 8,600,000	-50.0%	$ 0	-100.0%
GRF	200-505	School Lunch Match	$ 9,033,592	$8,998,025	$ 8,998,025	0.0%	$ 8,998,025	0.0%
GRF	200-509	Adult Literacy Education	$ 8,774,250	$8,496,363	$ 8,539,738	0.5%	$ 8,539,738	0.0%
GRF	200-510	County Commissioners Reimbursement	$ 693,938	$0	$ 0	N/A	$ 0	N/A
GRF	200-511	Auxiliary Services	$ 127,903,356	$127,903,356	$ 130,103,294	1.7%	$ 133,095,669	2.3%
GRF	200-513	Student Intervention Services	$ 36,666,759	$41,075,815	$ 0	-100.0%	$ 0	N/A
GRF	200-514	Postsecondary Adult Career-Technical Education	$ 20,044,319	$19,517,875	$ 19,481,875	-0.2%	$ 19,481,875	0.0%
GRF	200-520	Disadvantaged Pupil Impact Aid	$ 347,031,124	$350,033,005	$ 0	-100.0%	$ 0	N/A
GRF	200-521	Gifted Pupil Program	$ 46,709,389	$47,228,317	$ 47,474,068	0.5%	$ 47,721,293	0.5%
GRF	200-525	Parity Aid	$ 316,164,258	$424,854,670	$ 0	-100.0%	$ 0	N/A
GRF	200-530	Ohio Choice Scholarships	----	$0	$ 0	N/A	$ 9,000,000	N/A
GRF	200-532	Nonpublic Administrative Cost Reimbursement	$ 55,765,047	$55,803,103	$ 56,762,916	1.7%	$ 58,068,463	2.3%
GRF	200-540	Special Education Enhancements	$ 133,821,049	$130,638,577	$ 133,204,606	2.0%	$ 134,465,125	0.9%
GRF	200-545	Career-Technical Education Enhancements	$ 13,079,934	$13,354,785	$ 10,169,442	-23.9%	$ 9,225,569	-9.3%
GRF	200-546	Charge-Off Supplement	$ 49,812,720	$58,395,040	$ 0	-100.0%	$ 0	N/A
GRF	200-550	Foundation Funding	----	$0	$ 5,560,420,663	N/A	$ 5,689,371,366	2.3%
GRF	200-558	Emergency Loan Interest Subsidy	$ 2,728,900	$2,162,000	$ 1,388,164	-35.8%	$ 651,404	-53.1%
GRF	200-566	Read/Write Improvement - Grants	$ 12,874,776	$12,062,336	$ 12,062,336	0.0%	$ 12,062,336	0.0%
GRF	200-578	Safe and Supportive Schools	$ 3,497,353	$3,362,457	$ 1,218,555	-63.8%	$ 1,218,555	0.0%
GRF	200-901	Property Tax Allocation - Education	$ 782,182,369	$822,360,000	$ 764,626,987	-7.0%	$ 728,793,318	-4.7%
GRF	200-906	Tangible Tax Exemption-Education	$ 60,849,770	$53,538,109	$ 42,830,487	-20.0%	$ 32,122,865	-25.0%
General Revenue Fund Total			**$ 7,206,987,897**	**$ 7,432,078,253**	**$ 7,476,439,037**	**0.6%**	**$ 7,583,593,209**	**1.4%**

LSC Budget Spreadsheet by Line Item, FY 2006 - FY 2007

Fund	ALI	ALI Title	2004	Estimated 2005	Executive 2006	% Change 2005 to 2006	Executive 2007	% Change 2006 to 2007
EDU Education, Department of								
138	200-606	Computer Services Operational Support	$ 7,218,332	$7,635,949	$ 7,600,091	-0.5%	$ 7,600,091	0.0%
452	200-638	Miscellaneous Educational Services	$ 191,540	$750,000	$ 400,000	-46.7%	$ 400,000	0.0%
4D1	200-602	Ohio Prevention/Education Resource Center	$ 506,100	$957,900	$ 832,000	-13.1%	$ 832,000	0.0%
4L2	200-681	Teacher Certification and Licensure	$ 3,953,093	$5,236,581	$ 5,497,158	5.0%	$ 5,628,332	2.4%
596	200-656	Ohio Career Information System	$ 460,208	$529,761	$ 529,761	0.0%	$ 529,761	0.0%
5B1	200-651	Child Nutrition Services	$ 70,813	$0	$ 0	N/A	$ 0	N/A
5H3	200-687	School District Solvency Assistance	$ 22,825,412	$18,000,000	$ 18,000,000	0.0%	$ 18,000,000	0.0%
General Services Fund Group Total			**$ 35,225,498**	**$ 33,110,191**	**$ 32,859,010**	**-0.8%**	**$ 32,990,184**	**0.4%**
309	200-601	Educationally Disadvantaged	$ 18,222,752	$22,899,001	$ 19,658,846	-14.1%	$ 19,658,846	0.0%
366	200-604	Adult Basic Education	$ 21,039,810	$22,023,820	$ 18,500,000	-16.0%	$ 18,500,000	0.0%
367	200-607	School Food Services	$ 9,422,788	$11,144,631	$ 11,383,637	2.1%	$ 11,666,732	2.5%
368	200-614	Veterans' Training	$ 517,641	$655,587	$ 672,961	2.7%	$ 691,130	2.7%
369	200-616	Career-Technical Education Federal Enhancement	$ 6,551,994	$8,165,672	$ 6,500,000	-20.4%	$ 6,500,000	0.0%
370	200-624	Education of Exceptional Children	$ 2,198,286	$2,007,850	$ 2,386,610	18.9%	$ 2,386,610	0.0%
371	200-631	EEO Title IV	$ 198,371	$400,000	$ 400,000	0.0%	$ 400,000	0.0%
374	200-647	Troops to Teachers	$ 187,796	$1,200,000	$ 400,000	-66.7%	$ 400,000	0.0%
378	200-660	Math/Science Technology Investments	$ 1,467,889	$1,200,000	$ 1,200,000	0.0%	$ 1,200,000	0.0%
3AF	200-603	School Medicaid Administrative Claims	$ 0	$10,000,000	$ 10,000,000	0.0%	$ 10,000,000	0.0%
3AK	200-692	State Homeland Security	$ 0	$100,000	$ 0	-100.0%	$ 0	N/A
3C5	200-661	Early Childhood Education	$ 21,217,863	$21,508,746	$ 23,874,338	11.0%	$ 23,874,338	0.0%
3D1	200-664	Drug Free Schools	$ 12,594,085	$13,347,966	$ 13,347,966	0.0%	$ 13,347,966	0.0%
3D2	200-667	Honors Scholarship Program	$ 1,853,985	$5,991,845	$ 5,812,903	-3.0%	$ 5,833,965	0.4%
3E2	200-668	AIDS Education Project	$ 67	$0	$ 0	N/A	$ 0	N/A
3H9	200-605	Head Start Collaboration Project	$ 204,990	$385,000	$ 275,000	-28.6%	$ 275,000	0.0%
3L6	200-617	Federal School Lunch	$ 186,502,818	$191,898,528	$ 204,256,132	6.4%	$ 211,583,653	3.6%
3L7	200-618	Federal School Breakfast	$ 41,538,213	$44,521,254	$ 46,382,851	4.2%	$ 48,405,608	4.4%
3L8	200-619	Child/Adult Food Programs	$ 59,570,746	$65,293,830	$ 66,590,622	2.0%	$ 67,915,843	2.0%

LSC Budget Spreadsheet by Line Item, FY 2006 - FY 2007

Fund	ALI	ALI Title	2004	Estimated 2005	Executive 2006	% Change 2005 to 2006	Executive 2007	% Change 2006 to 2007
EDU		**Education, Department of**						
3L9	200-621	Career-Technical Education Basic Grants	$ 47,649,091	$48,029,701	$ 48,029,701	0.0%	$ 48,029,701	0.0%
3M0	200-623	ESEA Title 1A	$ 391,410,430	$420,701,568	$ 440,260,178	4.6%	$ 461,026,070	4.7%
3M1	200-678	Innovative Education	$ 14,851,925	$16,094,937	$ 11,800,000	-26.7%	$ 11,800,000	0.0%
3M2	200-680	Individuals with Disabilities Education Act	$ 288,124,038	$433,479,742	$ 513,058,569	18.4%	$ 605,581,547	18.0%
3R3	200-654	Goals 2000	$ 216,007	$1,547	$ 0	-100.0%	$ 0	N/A
3S2	200-641	Education Technology	$ 18,159,398	$20,469,339	$ 20,800,000	1.6%	$ 20,800,000	0.0%
3T4	200-613	Public Charter Schools	$ 15,241,842	$26,187,113	$ 13,500,000	-48.4%	$ 13,000,000	-3.7%
3T6	200-611	Class Size Reduction	$ 3,028,708	$244,132	$ 0	-100.0%	$ 0	N/A
3U2	200-662	Teacher Quality Enhancement Grants	$ 1,052,893	$0	$ 795,280	N/A	$ 795,280	0.0%
3U3	200-665	Reading Excellence Grant Program	$ 0	$163,876	$ 0	-100.0%	$ 0	N/A
3X5	200-684	School Renovation/IDEA	$ 16,743,837	$0	$ 0	N/A	$ 0	N/A
3Y2	200-688	21st Century Community Learning Ctr	$ 15,880,676	$33,092,303	$ 30,681,554	-7.3%	$ 30,681,554	0.0%
3Y4	200-632	Reading First	$ 23,083,588	$37,719,409	$ 31,215,798	-17.2%	$ 31,215,798	0.0%
3Y5	200-634	Community Service Grants	$ 1,515,155	$44,419	$ 0	-100.0%	$ 0	N/A
3Y6	200-635	Improving Teacher Quality	$ 97,688,454	$104,100,000	$ 107,000,000	2.8%	$ 107,000,000	0.0%
3Y7	200-689	English Language Acquisition	$ 4,855,665	$7,000,000	$ 7,500,000	7.1%	$ 8,000,000	6.7%
3Y8	200-639	Rural and Low Income	$ 1,438,327	$1,700,000	$ 1,700,000	0.0%	$ 1,700,000	0.0%
3Z2	200-690	State Assessments	$ 3,552,270	$12,489,031	$ 12,681,031	1.5%	$ 12,883,799	1.6%
3Z3	200-645	Consolidated USDE Administration	$ 5,492,946	$9,200,000	$ 9,200,000	0.0%	$ 9,200,000	0.0%
Federal Special Revenue Fund Group Total			**$ 1,333,275,344**	**$ 1,593,460,847**	**$ 1,679,863,977**	**5.4%**	**$ 1,804,353,440**	**7.4%**
454	200-610	Guidance & Testing	$ 161,105	$956,761	$ 400,000	-58.2%	$ 400,000	0.0%
455	200-608	Commodity Foods	$ 17,534,994	$23,624,624	$ 24,000,000	1.6%	$ 24,000,000	0.0%
4R7	200-695	Indirect Operational Support	$ 3,918,828	$5,250,400	$ 5,382,864	2.5%	$ 5,449,748	1.2%
4V7	200-633	Interagency Support	$ 128,062	$800,001	$ 500,000	-37.5%	$ 500,000	0.0%
598	200-659	Auxiliary Services Reimbursement	$ 1,104,135	$1,328,910	$ 1,328,910	0.0%	$ 1,328,910	0.0%
5BB	200-696	State Action for Education Leadership	----	$0	$ 1,200,000	N/A	$ 1,200,000	0.0%
5BJ	200-626	Half-Mill Maintenance Equalization	----	$0	$ 0	N/A	$ 10,700,000	N/A

LSC Budget Spreadsheet by Line Item, FY 2006 - FY 2007

Fund	ALI	ALI Title	2004	Estimated 2005	Executive 2006	% Change 2005 to 2006	Executive 2007	% Change 2006 to 2007
EDU Education, Department of								
5U2	200-685	National Education Statistics	$ 130,098	$200,000	$ 200,000	0.0%	$ 200,000	0.0%
5W2	200-663	Early Learning Initiative	$ 47,411,106	$108,184,000	$ 96,580,000	-10.7%	$ 115,456,000	19.5%
620	200-615	Educational Improvement Grants	$ 778,341	$1,000,000	$ 1,000,000	0.0%	$ 1,000,000	0.0%
State Special Revenue Fund Group Total			**$ 71,166,669**	**$ 141,344,696**	**$ 130,591,774**	**-7.6%**	**$ 160,234,658**	**22.7%**
017	200-612	Base Cost Funding	$ 606,123,500	$606,123,500	$ 606,208,300	0.0%	$ 606,296,800	0.0%
017	200-682	Lease Rental Payments Reimbursement	$ 31,776,500	$31,776,500	$ 31,691,700	-0.3%	$ 31,603,200	-0.3%
020	200-620	Vocational School Building Assistance	$ 3,000,000	$2,000,000	$ 0	-100.0%	$ 0	N/A
Lottery Profits/Education Fund Group Total			**$ 640,900,000**	**$ 639,900,000**	**$ 637,900,000**	**-0.3%**	**$ 637,900,000**	**0.0%**
047	200-900	School District Property Tax Replacement - Busines	----	$0	$ 28,800,000	N/A	$ 220,800,000	666.7%
053	200-900	School District Property Tax Replacement - Utility	$ 108,710,848	$116,647,522	$ 116,647,522	0.0%	$ 101,647,522	-12.9%
Revenue Distribution Fund Group Total			**$ 108,710,848**	**$ 116,647,522**	**$ 145,447,522**	**24.7%**	**$ 322,447,522**	**121.7%**
Total All Budget Fund Groups			***$ 9,396,266,256***	***$ 9,956,541,509***	***$ 10,103,101,320***	***1.5%***	***$ 10,541,519,013***	***4.3%***