Department of Education

House Primary and Secondary Education Subcommittee

Melaney Carter, Fiscal Supervisor
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Carol Whitmer, Budget Analyst
Legislative Service Commission

March 29, 2007

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LSC Redbook
for the
Department of Education

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Catalog of Budget Line Items
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Department of Education

- The base cost formula amount increases by 3.0% each year to $5,565 in FY 2008 and $5,732 in FY 2009.
- A new program in poverty-based assistance provides funding for closing achievement gaps.
- Transfers for community schools are reduced.

INTRODUCTION

The Legislative Service Commission prepares an analysis of the executive budget proposal for each agency. These analyses are commonly called "Redbooks." This brief introduction is intended to help readers navigate the Redbook for the Department of Education (ODE), which includes the following seven sections.

(1) **Overview:** Provides a brief description of ODE and summarizes the executive budget recommendations for ODE, including major new initiatives of the executive budget.

(2) **Facts and Figures:** Provides some additional data on Ohio's primary and secondary education system.[1]

(3) **Public School Funding - Operating:** Provides a detailed analysis of the current system of funding public schools in Ohio, including state, local, and federal revenues.

(4) **Master Table:** Lists executive appropriation recommendations for all ODE line items indicating the program series and programs funded by each item.

(5) **Analysis of the Executive Proposal:** Provides a detailed analysis of the executive budget recommendations for ODE, including funding for each program, earmarks, and statutory changes proposed by the executive budget. The executive budget recommendations for ODE are organized into 13 program series that include a total of 48 programs.

(6) **Requests Not Funded:** Compares ODE's budget request with the executive budget recommendations and summarizes the major differences.

(7) **Attachments:** Includes the catalog of budget line items (COBLI) for ODE, which briefly describes each line item, and the LSC budget spreadsheet for ODE.

OVERVIEW

This overview briefly describes ODE, the make up of the appropriations provided for ODE in the executive budget, the executive budget for primary and secondary education as it relates to the state budget as a whole, the impact of lottery profits on state spending on education, and the major provisions in the executive budget that affect ODE and the primary and secondary education system in Ohio. These major provisions include changes to the school funding formula, early childhood education initiatives,

[1] Much of this information is also presented in the LSC publication *Ohio Facts* that is available on the LSC web site: www.lsc.state.oh.us.

changes to the law governing community schools, dual enrollment programs, educator quality programs, and the proposed movement of adult education programs to the Board of Regents.

Agency Overview

ODE oversees a public education system consisting of 612 public school districts, 49 joint vocational school districts, and approximately 310 public community schools. This system enrolls approximately 1.8 million students in grades kindergarten through twelve and graduates approximately 125,000 students each year. In addition, ODE monitors 60 educational service centers, other regional education providers, several early learning programs, and approximately 852 state-chartered nonpublic schools.

ODE also administers the school funding system, collects school fiscal and performance data, develops academic standards and model curricula, administers the state achievement tests, issues district and school report cards, administers Ohio's voucher programs, provides professional development, and licenses teachers, administrators, treasurers, superintendents, and other education personnel.

ODE 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 ODE's day-to-day operation.

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

(1) Raise expectations: Set clear and high expectations for what all students should know and be able to do.

- (a) Raise awareness, create understanding, and generate support for what students should know and be able to do.
- (b) Promote the alignment of what we expect of students with what is taught and tested.

(2) Build capacity: Provide leadership and resources to build the capacity of schools.

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

(3) Improve results: Measure progress and hold educators and students responsible for higher academic achievement.

- (a) Develop fair state tests aligned with academic content standards.

(b) Promote the use of data to make decisions about teaching and learning.
(c) Develop and implement a fair accountability system that reports results and rewards successes.

In addition to the strategic plan of ODE, the State Board adopted the following priorities for the FY 2008 - FY 2009 biennium:

- Educator quality and capacity;
- Early childhood education;
- Education in the new global economy;
- Identification and remediation of low academic performance;
- High achieving middle and high schools;
- Modernization of school funding and resource management.

Table 1 presents ODE's staffing levels from FY 2002 to FY 2007 by fund group. As of March 5, 2007, ODE has 684 full-time equivalent (FTE) employees. In December 2006 the Office of Budget and Management increased ODE's staff ceiling from 675 to 709 FTEs. This was the first time the ceiling has been raised since 2003. Generally, agencies operate below their staff ceilings due to a natural attrition rate that results in a certain number of vacancies at any given time. ODE expects that its staffing levels in FY 2008 and FY 2009 will be near the new ceiling of 709 FTEs. The overall staffing level for ODE has increased from 609 FTEs in FY 2002 to 684 FTEs in FY 2007, an increase of 12.3%. The average staffing level is 648 during this period. The increased responsibilities associated with the federal No Child Left Behind Act of 2001, the state's school accountability system, community school oversight, and new programs such as the Early Learning Initiative and the Educational Choice Scholarship Program account for most staff increases. Much of the increase in ODE's staffing level in the last few years has been funded by the federal government. The number of federally funded staff has increased by 32.4% from FY 2005 to FY 2007, whereas the number of GRF-funded staff has decreased by 3.6% over that same time period. Looking at the change from FY 2002, however, the percentage of ODE staff funded from the federal special revenue fund group (FED) has decreased from 30.2% in FY 2002 to 28.7% in FY 2007.

Table 1: Department of Education Staffing Levels

Fund Group	2002	2003	2004	2005	2006	2007*
GRF Operating	301	331	348	338	361	326
GSF/SSR	124	118	135	155	162	162
Federal	184	174	173	148	150	196
Totals	**609**	**623**	**656**	**641**	**674**	**684**

*As of March 5, 2007

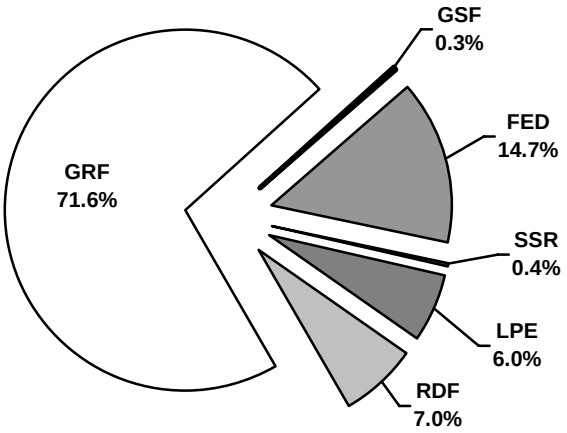
Appropriation Overview

Appropriations by Fund Group

The executive budget provides a total appropriation of $10,842.8 million in FY 2008 and $11,251.8 million in FY 2009 for ODE. Chart 1 and Table 2 present the executive recommended

appropriations by fund group.[2] It can be seen from Chart 1 that ODE receives most of it's funding from the GRF at 71.6%. The GRF combined with the lottery profits education fund (LPE), which alone makes up 6.0%, accounts for a total of 77.6% of the biennial budget recommendations. Federal funds account for another 14.7%. Appropriations from the revenue distribution fund group (RDF) make up 7.0%. These appropriations provide direct reimbursements to school districts and joint vocational school districts for their property tax losses due to the phase-out of the business tangible personal property tax and due to utility deregulation. The remaining two fund groups, state special revenue fund group and general services fund group, account for a combined total of 0.7%.

Chart 1: Executive Recommended Appropriations by Fund Group, FY 2008 - FY 2009



It can be seen from Table 2 that the executive budget increases GRF appropriations by 1.0% in FY 2008 and 4.4% in FY 2009. LPE appropriations are expected to increase by 3.1% in FY 2008 and 1.5% in FY 2009. Total GRF and LPE appropriations increase by 1.2% in FY 2008 and 4.2 % in FY 2009.

Table 2: Executive Recommended Appropriations by Fund Group

Fund	FY 2007 (estimate)	FY 2008	% Change	FY 2009	% Change
GRF	$7,658,577,679	$7,734,321,180	1.0%	$8,075,371,971	4.4%
GSF	$33,471,395	$33,201,050	-0.8%	$33,565,838	1.1%
FED	$1,651,852,503	$1,665,660,368	0.8%	$1,571,144,583	-5.7%
SSR	$55,385,406	$49,020,758	-11.5%	$49,365,797	0.7%
LPE	$637,900,000	$657,900,000	3.1%	$667,900,000	1.5%
RDF	$521,647,522	$702,720,379	34.7%	$854,440,342	21.6%
Grand Totals	**$10,558,834,505**	**$10,842,823,735**	**2.7%**	**$11,251,788,531**	**3.8%**
GRF and LPE	$8,296,477,679	$8,392,221,180	1.2%	$8,743,271,971	4.2%

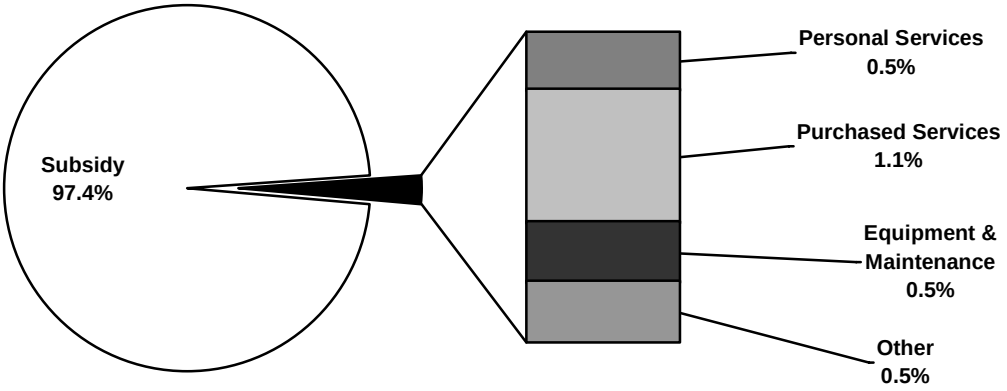
[2] Funding for property tax relief programs (GRF items 200-901, Property Tax Allocation-Education, and 200-906, Tangible Tax Exemption-Education) is included in both Chart 1 and Table 2. The executive budget excludes these two line items in its GRF funding analysis. For this reason, GRF increase percentages cited in this analysis are different than those shown in the executive analysis.

The significant increases in the RDF appropriation of 34.7% in FY 2008 and 21.6% in FY 2009 are due to reimbursements to school districts of tax losses resulting from the phase-out of the tax on general business tangible personal property instituted by Am. Sub. H.B. 66 of the 126th General Assembly. The executive budget provides $611.6 million in FY 2008 and $763.3 million in FY 2009 to fund this replacement revenue for school districts and joint vocational school districts. The decrease in the SSR appropriation of 11.5% in FY 2008 is largely due to the appropriation for Early Learning Initiative provider grants being transferred to the Department of Job and Family Services.

Appropriations by Object of Expense

Chart 2 shows the executive recommended appropriations by object of expense. Over 97% of ODE's budget is paid out as subsidies mainly to school districts and joint vocational school districts, but also to community schools, educational service centers, chartered nonpublic schools, and other education providers.

Chart 2: Executive Recommended Appropriations by Object of Expense



ODE retains approximately $454.7 million (2.1%) of its total recommended budget for the biennium at the state level for personal services, purchased services, maintenance, and equipment spending. Personal services account for 0.5%, purchased services for 1.1%, and equipment and maintenance for 0.5%. Considering only GRF funds, ODE retains approximately $269.1 million (1.7%) for personal services, purchased services, maintenance, and equipment spending. Personal services account for 0.4% of the GRF budget, purchased services for 1.1%, and equipment and maintenance for 0.2%. The majority of purchased services spending (84.5% of GRF and 75.4% of the total) supports the state's student assessment program.

Appropriations by Program Series

The executive budget for ODE is organized into 13 program series. Table 3 summarizes the executive recommended appropriations by these program series. Details for each program series are provided in the Analysis of the Executive Proposal section of this Redbook. Program Series 5, Basic Aid Support, dominates the budget at 59.0%. This series contains base cost funding for school districts and joint vocational school districts, as well as nonpublic school funding and local tax supplements. Program Series 7, Special Education, is second in importance at 9.5%. This series includes special education

weighted cost funding for school districts, joint vocational school districts, and institutions, as well as some funding for special education enhancements. Next is Program Series 8, School Operation Support, at 8.5%. This series includes transportation funding as well as support for school food services, finance and management services, and information technology services. Program Series 11, Students at Risk, makes up 5.9% of the recommended appropriations. 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.

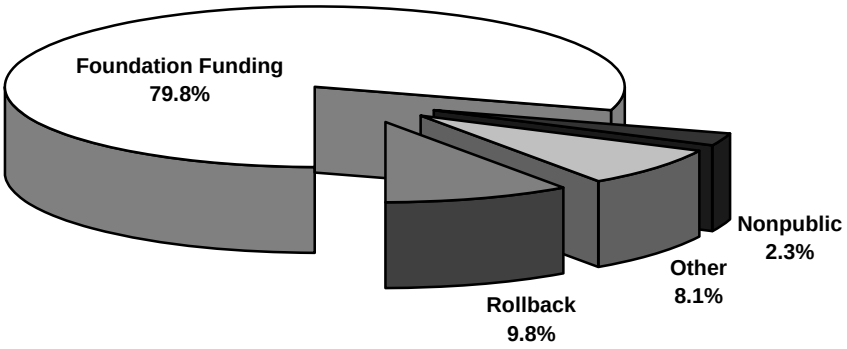
Table 3: Executive Recommended Appropriations by Program Series

Program Series	Executive Recommendation FY 2006	Executive Recommendation FY 2007	Total Biennial Funding	Percentage of Total Budget
PS01 Curricula-Assessment-Accountability	$125,162,556	$123,548,433	$248,710,989	1.1%
PS02 Educator Quality	$182,136,133	$181,366,196	$363,502,329	1.6%
PS03 Academic Achievement	$315,178,580	$320,735,392	$635,913,972	2.9%
PS04 School Choice	$466,794,451	$501,999,901	$968,794,352	4.4%
PS05 Basic Aid Support	$6,325,386,497	$6,715,990,169	$13,041,376,666	59.0%
PS06 School Operation Support	$938,913,668	$932,648,892	$1,871,562,560	8.5%
PS07 Special Education	$1,074,121,983	$1,015,327,280	$2,089,449,263	9.5%
PS08 Early Childhood Education	$274,277,473	$281,032,037	$555,309,510	2.5%
PS09 Career-Technical Education	$352,097,678	$366,792,693	$718,890,371	3.3%
PS10 Gifted Education	$47,608,030	$48,008,613	$95,616,643	0.4%
PS11 Students At-Risk	$645,664,709	$666,461,505	$1,312,126,214	5.9%
PS12 Adult Education	$49,936,346	$50,943,115	$100,879,461	0.5%
PS13 State Administration and Infrastructure Support	$45,545,631	$46,934,305	$92,479,936	0.4%
TOTALS	**$10,842,823,735**	**$11,251,788,531**	**$22,094,612,266**	**100.0%**

GRF and LPE Appropriations by Major Spending Area

Chart 3 shows just the executive recommended GRF and LPE appropriations for the biennium broken down by major spending area. About 79.8% of ODE's GRF and LPE appropriation dollars are distributed through the foundation formulas to Ohio's 612 school districts, 49 joint vocational school districts, and 310 community schools. Foundation funding includes base cost funding, special education

Chart 3: Executive Recommended GRF and LPE Appropriations by Major Spending Area



weighted cost funding, career-technical education weighted cost funding, poverty-based assistance, pupil transportation, and other state formula aid components. Spending on the property tax rollback and homestead exemption reimbursements represents 9.8%, spending on chartered nonpublic schools represents 2.3%, and spending on all other areas represents 8.1% of total GRF and LPE appropriations.

Primary and Secondary Education's Share of the State GRF Budget[3]

Funding primary and secondary education[4] is one of the many functions of state government. The four major spending areas of the state budget are: primary and secondary education, human services, higher education, and corrections. The executive GRF budget recommendations for the state total $45.0 billion for the FY 2008-FY 2009 biennium. Chart 4 breaks these recommendations into program areas. Under the executive budget, primary and secondary education continues to be the largest spending area. Approximately 39.6% of the executive recommendations is allocated to primary and secondary education. The proportions for the other major spending areas are: 21.7% for human services, 11.8% for higher education, 8.1% for corrections, 5.5% for local government funds, and 7.9% for all other areas.

Chart 4: The FY 2008-FY 2009 Biennial State Budget by Program Area

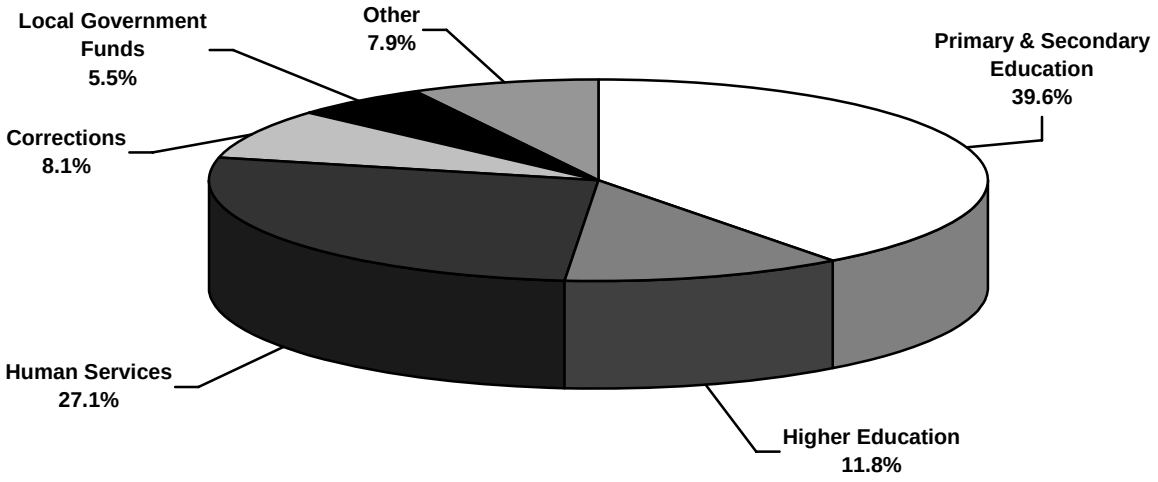


Chart 5 shows how the composition of state GRF spending has changed since FY 1990. Primary and secondary education's share of the state GRF budget remained at approximately 35% to 36% in the early 1990s, then started to increase in FY 1997 and has hovered around 39% in the 2000s. An estimated 39.0% of the state GRF budget is devoted to primary and secondary education in FY 2007. Under the executive budget, this share will increase to 39.7% by FY 2009.

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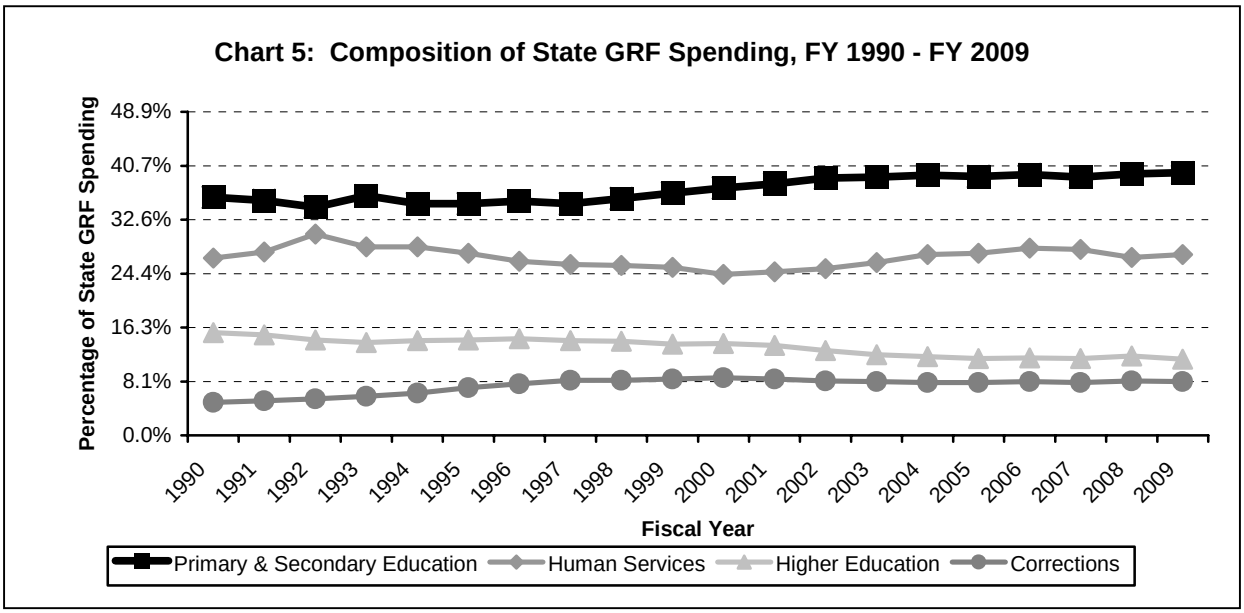
[3] For this section, the state GRF budget includes the state expenditures from the general revenue fund (GRF), as well as from the local government funds (LGFs), and the lottery profits education fund (LPE).

[4] For this section, primary and secondary education spending includes all GRF and LPE spending by ODE , the eTech Ohio Commission, the School Facilities Commission, the Ohio School for the Blind, and the Ohio School for the Deaf.



The economy has a significant impact on state spending in the human services area. Due to the economic recession 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. 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 28.1% of the state GRF budget is devoted to human services in FY 2007. Under the executive budget, this share will decrease to 27.3% by FY 2009.

Higher education's share of the state GRF budget hovered around 14% to 15% in the 1990s. In recent years, due to the economic slowdown and state spending reductions, higher education's share has fallen to an estimated 11.6% in FY 2007. This share will remain largely unchanged under the executive budget.

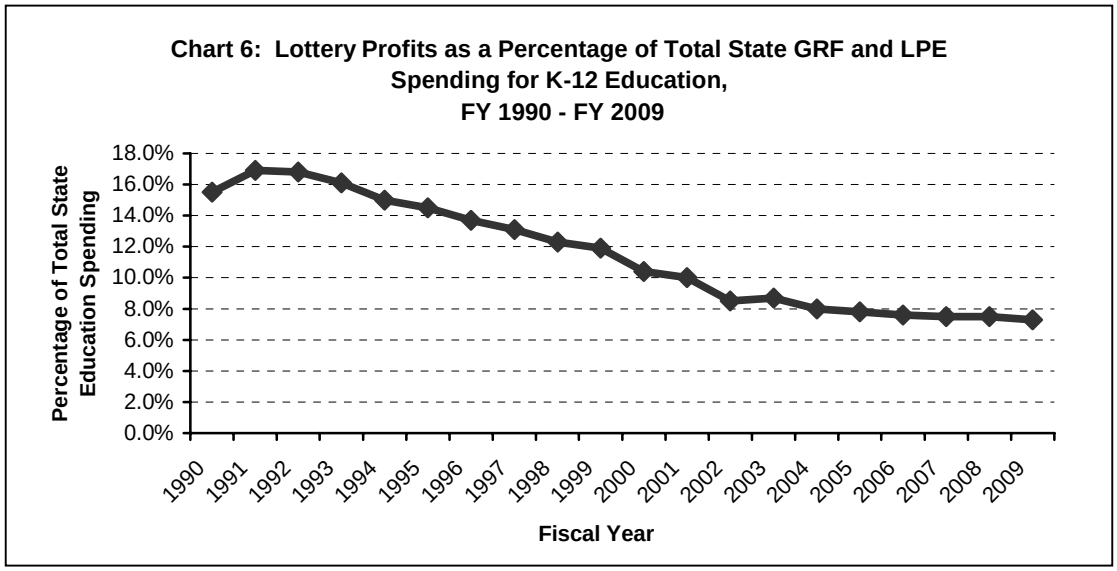
Corrections' share of the state GRF budget increased in the 1990s from 5% in FY 1990 to almost 9% in FY 2000. However, this growth has leveled off in recent years. An estimated 8.0% of the state GRF budget is devoted to corrections in FY 2007. This share will remain largely unchanged under the executive budget.

Lottery Profits and State Spending on Education

As shown previously in Chart 1, the LPE is the third largest revenue source for ODE's budget. In 1973, voters amended the Ohio constitution to allow the creation of the Ohio lottery. In 1987, voters approved an additional constitutional amendment that permanently earmarked lottery profits for education; however, this amendment did not earmark lottery profits for any specific education program. Generally, the bulk of lottery profits are combined with GRF revenues to provide foundation funding for schools in Ohio.

Chart 6 shows the percentage of state GRF and LPE spending on primary and secondary education that comes from lottery profits. As can be seen from Chart 6, lottery profits in Ohio have always been a relatively small percentage of total state GRF and LPE spending on primary and secondary education. After reaching a peak of 16.9% in FY 1991, this percentage has decreased to 7.5% in

FY 2007, and is expected to decrease to 7.3% by FY 2009. The dollar amount of lottery profits spent on education has also fallen since the 1990s, from a high of $718.7 million in FY 1999 to $637.9 million in FY 2007, a decrease of 11.2%. From FY 1990 to FY 2007, total state GRF and lottery spending on primary and secondary education increased by $4,654.0 million (121.1%). Of this growth, $43.2 million (7.3%) was provided by the lottery. The executive budget reflects estimated increases in lottery profits of approximately $20.0 million in FY 2008 and an additional $10.0 million in FY 2009.



School Funding Formula Changes

The executive budget makes various changes to the school funding formula used to determine the amount and distribution of state operating funding to school districts and joint vocational school districts. These changes include inflationary increases in the base cost formula amount and base funding supplements, a new program for distributing funds through poverty-based assistance, a more targeted distribution of parity aid, and a simplification of the guarantees in the formula. The current school funding formula is described in detail in the section of this Redbook entitled "Public School Funding – Operating." The changes to the formula proposed by the executive budget are described below.

Base Cost Funding

Base Cost Formula Amount

The executive budget largely retains the current method of determining the base cost formula amount, although it proposes a separate formula amount for Internet or computer-based community schools (e-schools), which will be described below. The base cost consists of three components:

(1) Base classroom teacher compensation;

(2) Other personnel support;

(3) Nonpersonnel support.

For schools other than e-schools, the executive budget retains the current ratio of students to base classroom teachers of 20 to 1 for FY 2008 and FY 2009. The executive budget increases the base

classroom teacher compensation by 3.3% in each fiscal year to arrive at levels of $56,754 in FY 2008 and $58,621 in FY 2009. This results in per pupil base classroom teacher compensation of $2,838 in FY 2008 and $2,931 in FY 2009. These values are summarized in Table 4.

Table 4: Base Classroom Teacher Compensation

Fiscal Year	Number of Pupils per Base Classroom Teacher	Base Classroom Teacher Average Compensation	Per Pupil Base Classroom Teacher Compensation
FY 2008	20	$56,754	$2,838
FY 2009	20	$58,621	$2,931

Current law stipulates that the other personnel support component increase by the same percentage as the base classroom teacher compensation. The executive budget modifies this by instead establishing other personnel support per pupil at $1,905 in FY 2008 and $1,962 in FY 2009, an increase of 3.0% each fiscal year. The per pupil cost of nonpersonnel support increases by 2.0% in each fiscal year, the projected inflationary measure of the gross domestic product deflator, resulting in a per pupil value of $822 in FY 2008 and $839 in FY 2009. Combining these three components results in a formula amount of $5,565 in FY 2008 and $5,732 in FY 2009. The value of each component is summarized in Table 5. As can be seen from the table, the base cost formula amount increases by 3.0% each fiscal year.

Table 5: Base Cost Formula Amount Components

Component	FY 2007	FY 2008	FY 2009	Annual % Increase
Base Classroom Teacher Compensation per pupil	$2,747	$2,838	$2,931	3.3%
Other Personnel Support per pupil	$1,850	$1,905	$1,962	3.0%
Nonpersonnel Support per pupil	$806	$822	$839	2.0%
Formula Amount	$5,403	$5,565	$5,732	3.0%

Base Cost Formula Amount – E-schools

For e-schools, the executive budget establishes a ratio of students to base classroom teachers of 100 to 1 for FY 2008 and FY 2009. This higher student to teacher ratio results in a base classroom teacher compensation per pupil for e-schools of $568 in FY 2008 and $586 in FY 2009. The base cost formula amount for e-schools under the executive budget is $3,295 in FY 2008 and $3,387 in FY 2009. The executive budget stipulates that these lower formula amounts are to be used to make payments to e-schools. However, it appears that resident districts of e-school students are still credited with the higher formula amount for each e-school student in their formula average daily membership (ADM).[5]

Base Funding Supplements

The executive budget retains the current law formulas for calculating the base funding supplements. The hourly rate for academic intervention is established at $21.01 in FY 2008 and $21.64 in FY 2009, an annual increase of 3.0%. The supplement for professional development is paid at 75% in FY 2008 and FY 2009, the same percentage paid in FY 2007. Given these factors and the proposed formula amounts, base funding supplements under the executive budget total $49.42 per pupil in FY 2008 and $50.90 per pupil in FY 2009, increases of 3.0% each fiscal year. The per pupil amount for each supplement is given in Table 6.

[5] Formula ADM is the measure of the number of students that is used to calculate school funding.

Table 6: Base Funding Supplements				
Supplement	**FY 2007**	**FY 2008**	**FY 2009**	**Annual % Increase**
Academic Intervention Services	$25.50	$26.26	$27.05	3.0%
Professional Development	$10.73	$11.05	$11.38	3.0%
Data-Based Decision Making	$5.40	$5.56	$5.73	3.0%
Professional Development – Data-Based Decision Making	$6.36	$6.55	$6.74	3.0%
Total	**$47.99**	**$49.42**	**$50.90**	**3.0%**

Elimination of the Cost of Doing Business Factor

The executive budget eliminates the cost-of-doing-business factor (CDBF) adjustment in FY 2008 and FY 2009. The CDBF is calculated for each county and is based on wages in the county and all contiguous counties. In FY 2005, the CDBF increased the formula amount for the highest cost county by 7.5%. Am. Sub. H.B. 66 of the 126th General Assembly phased down this differential to 5.0% in FY 2006 and 2.5% in FY 2007.

Elimination of the February Formula ADM Count

Beginning in FY 2007, current law requires two ADM counts, one in the first full week in October and the other in the third full week in February. The formula ADM for the fiscal year is a weighted average of the two counts. The October count is weighted at 75% and the February count is weighted at 25%. Prior to FY 2007, the October count was used throughout the year unless a district's ADM increased by more than 3% from October to February, in which case the February count would be used for the second half of the fiscal year. The executive budget returns to the methodology in place prior to FY 2007.

Elimination of the Base Cost Guarantee

Under current law, each district's state base cost funding (including funding for base funding supplements) is guaranteed to be no lower than the lesser of its state aggregate or per pupil base cost funding in FY 2005. The executive budget removes this guarantee provision.

Inclusion of Poverty-Based Assistance and Parity Aid in the Base Cost

The executive budget includes poverty-based assistance and parity aid in the base cost calculation. These amounts are added to the total base cost and to state basic aid to determine the state share percentage of base cost funding. Since these payments are completely funded by the state, adding them will result in higher state share percentages for most districts. The state share percentages are used to determine the state share of special and career-technical education weighted funding.

State Base Cost Funding Summary

In summary, the executive budget provides a base cost formula amount of $5,565 in FY 2008 and $5,732 in FY 2009. This formula amount is multiplied by the formula ADM, which is based on the October ADM count, to determine the base cost for each district. The base funding supplements, totaling $49.42 per pupil in FY 2008 and $50.90 per pupil in FY 2009, are added to this base cost. From this combined base cost amount the district's local share is subtracted to obtain the state's portion of the base cost amount. As under current law, the district's local share is equal to 23 mills (2.3%) of its recognized valuation. Finally, poverty-based assistance and parity aid are added to the state portion to arrive at each district's state base cost funding.

Poverty-Based Assistance

The executive budget makes a few changes to 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. As mentioned above, the executive budget includes poverty-based assistance in state base cost funding. It also adds a new program to the seven programs currently funded and modifies the calculation of the poverty index upon which funding is based.

Poverty Index

The executive budget continues to use the count of students whose families participate in Ohio Works First (OWF) as the poverty indicator for poverty-based assistance. Under current law, the poverty percentage for each district and for the state as a whole is calculated by dividing the average of the current year and the preceding four years' poverty student counts by the average of the current year and the two preceding years' formula ADMs. The executive budget uses the average of the preceding five years' poverty student counts and the average of the three preceding years' formula ADMs, eliminating the use of current year data. As under current law, the executive budget calculates each district's poverty index as the district's poverty percentage divided by the state's poverty percentage. Under the executive budget the poverty index will likely be more stable throughout the year as most districts' poverty student counts and ADMs for preceding years generally will be finalized by the beginning of each year.

Closing the Achievement Gap

The executive budget establishes this new program to provide additional funding to help districts close achievement gaps. The funding is based on each district's "academic distress index." This index is calculated by dividing the percentage of buildings in the district that are in academic watch (AW) or academic emergency (AE) by the percentage of buildings in the state that are in academic watch or academic emergency. Districts qualify for funding if their academic distress indices and their poverty indices are greater than or equal to one. These districts receive, on a per student basis, 0.15% of the formula amount multiplied by their poverty indices and academic distress indices. In FY 2009, qualifying districts whose percentage of buildings in academic watch or academic emergency is less than the percentage from the prior year receive an extra 3.5% of their calculated funding. This calculation is summarized below.

Closing the Achievement Gap Funding
In FY 2008: Total Funding for qualifying districts = 0.015 x formula amount x poverty index x academic distress index x formula ADM
In FY 2009: Total Funding for qualifying districts with % of buildings in AE or AW the same or greater than prior fiscal year = 0.015 x formula amount x poverty index x academic distress index x formula ADM Total Funding for qualifying districts with % of buildings in AE or AW less than prior fiscal year = 0.015 x formula amount x poverty index x academic distress index x formula ADM x 1.035
Qualifying districts have academic distress indices and poverty indices at least equal to 1.0 Academic distress index = (% of district's buildings in AE or AW)/ (% of state's buildings in AE or AW)

According to the ratings on the local report card for the 2005-2006 school year, out of a total of 3,867 buildings, 447 (11.6%) were in academic watch or academic emergency. Thirty-one districts have both academic distress indices and poverty indices greater than or equal to one and would, therefore, qualify for funding. Academic distress indices for qualifying districts range from 1.0 to about 5.9 and poverty indices for qualifying districts range from about 1.0 to 4.4. Based on these estimates, funding in

FY 2008 ranges from about $8 per student to about $217 per student and funding in FY 2009 ranges from about $8 per student to about $231 per student.

All-Day and Every Day Kindergarten

The enacted budget continues funding for this program in FY 2008 and FY 2009 as it existed previously. School districts with indices of one or above are eligible for funding for all-day and every day kindergarten. The base cost provides funding for half-day kindergarten to all school districts.

Increased Classroom Learning Opportunities (Class Size Reduction)

The executive budget changes the name of the class size reduction program to increased classroom learning opportunities, but maintains the calculation method for the payment. The payment is based on a teacher salary allowance, which the executive budget establishes as $56,754 in FY 2008 and $58,621 in FY 2009, increases of 3.3% in each fiscal year. These are the same amounts established for base classroom teacher compensation in the base cost formula amount calculation.

Intervention

The executive budget retains the current calculation method for this program, but increases the hourly rate used to calculate the funding by 3.0% each year to $21.01 in FY 2008 and $21.64 in FY 2009. This is the same hourly rate used to calculate the base funding supplement for intervention. Under the executive budget, districts with poverty indices above 0.25 receive up to $26.26 per student in FY 2008 and up to $27.05 per student in FY 2009 for the first tier. Districts with poverty indices above 0.75 receive from $35.02 to $70.03 per student in FY 2008 and from $36.07 to $72.13 per student in FY 2009 for the second tier. Finally, districts with poverty indices above 1.5 receive from $157.58 to $1,008.48 per poverty student in FY 2008 and from $162.30 to $1038.72 per poverty student in FY 2009 for the third tier. In addition to this funding provided to districts with poverty indices greater than 0.25, all districts receive 25 hours of large group intervention through the base funding supplement described above ($26.26 per student in FY 2008 and $27.05 per student in FY 2009). This funding is summarized in Tables 7 and 8.

Table 7: Intervention Funding in FY 2008, Based on Poverty Indices

Poverty Index Ranges	Base Funding Supplement	Tier 1 Per Pupil	Tier 2 Per Pupil	Total Per Pupil	Tier 3 Per Poverty Pupil
0 to 0.25	$26.26	---	---	$26.26	---
0.25 to 0.75	$26.26	$0.00 to $26.26	---	$26.26 to $52.52	---
0.75 to 1.5	$26.26	$26.26	$35.02 to $70.03	$87.54 to $122.55	---
1.5 to 2.5	$26.26	$26.26	$70.03	$122.55	$157.58 to $1,008.48
Above 2.5	$26.26	$26.26	$70.03	$122.55	1,008.48

Table 8: Intervention Funding in FY 2009, Based on Poverty Indices

Poverty Index Ranges	Base Funding Supplement	Tier 1 Per Pupil	Tier 2 Per Pupil	Total Per Pupil	Tier 3 Per Poverty Pupil
0 to 0.25	$27.05	---	---	$27.05	---
0.25 to 0.75	$27.05	$0.00 to $27.05	---	$27.05 to $54.10	---
0.75 to 1.5	$27.05	$27.05	$36.07 to $72.13	$90.17 to $126.23	---
1.5 to 2.5	$27.05	$27.05	$72.13	$126.23	$162.30 to $1,038.72
Above 2.5	$27.05	$27.05	$72.13	$126.23	$1,038.72

Limited English Proficient Student Intervention

The executive budget retains the current calculation method for this program. This program began in FY 2006. Funding was phased in at 40% in FY 2006 and 70% in FY 2007. The executive budget retains the phase-in percentage at 70% for FY 2008 and FY 2009. This funding is provided 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). The percentage and the number of LEP students that was reported on each district's local report card for the 2002-2003 school year were used as a basis for this funding in FY 2006 and FY 2007. The executive budget continues to use these percentages and numbers in FY 2008 and FY 2009. Under the executive budget, districts qualifying for this funding receive from $487 to $974 per LEP student in FY 2008 and from $502 to $1,003 per LEP student in FY 2009.

Teacher Professional Development

The executive budget retains the current calculation method for this program, but provides full funding for FY 2008 and FY 2009. Funding was phased in at 70% in FY 2007. Under the executive budget, districts qualifying for this funding receive up to $14.73 per student in FY 2008 and up to $15.17 per student in FY 2009. In addition to this funding provided to districts with poverty indices greater than 1.0, all districts receive the base funding supplement for professional development ($11.05 per student in FY 2008 and $11.38 per student in FY 2009), as well as the base funding supplement for professional development for data-based decision-making ($6.55 per student in FY 2008 and $6.74 per student in FY 2009). This funding is summarized in Tables 9 and 10.

Table 9: Professional Development Funding Per Pupil in FY 2008, Based on Poverty Indices

Poverty Index Ranges	Base Funding Supplement – Professional Development	Base Funding Supplement – Professional Development for Data-Based Decision Making	Poverty-Based Assistance	Total
0 to 1.0	$11.05	$6.55	---	$17.60
1.0 to 1.75	$11.05	$6.55	$ 0.00 to $14.73	$17.60 to $32.33
Above 1.75	$11.05	$6.55	$14.73	$32.33

Table 10: Professional Development Funding Per Pupil in FY 2009, Based on Poverty Indices

Poverty Index Ranges	Base Funding Supplement – Professional Development	Base Funding Supplement – Professional Development for Data-Based Decision Making	Poverty-Based Assistance	Total
0 to 1.0	$11.38	$6.74	---	$18.12
1.0 to 1.75	$11.38	$6.74	$ 0.00 to $15.17	$18.12 to $33.29
Above 1.75	$11.38	$6.74	$15.17	$33.29

Dropout Prevention

The executive budget retains the current calculation method for this program, but provides full funding for FY 2008 and FY 2009. Funding was phased in at 70% in FY 2007. This program provides the big eight school districts, which are Akron, Canton, Cincinnati, Columbus, Cleveland, Dayton, Toledo, and Youngstown with 0.5% of the formula amount times the district's poverty index per student. Under the executive budget, the big eight districts will receive about $27.82 times their poverty indices per student in FY 2008 and about $28.66 times their poverty indices per student in FY 2009. Poverty indices for these districts range from about 2.5 to 4.4. Therefore, per pupil funding levels range from about $70 to $122 in FY 2008 and from about $72 to $126 in FY 2009. Under current law, for each

student in the district's ADM who attends a community school that is not an e-school, the per pupil amount of funding under this program is transferred to the community school. The executive budget proposes to eliminate the transfer of this funding to all community schools.

Community Outreach

The executive budget retains the current calculation method for this program, but provides full funding for FY 2008 and FY 2009. Funding was phased in at 70% in FY 2007. This program provides the 21 major urban districts (Urban 21), which include the big eight districts as well as Cleveland Heights-University Heights, East Cleveland, Elyria, Euclid, Hamilton, Lima, Lorain, Mansfield, Middletown, Parma, South-Western, Springfield, and Warren with 0.5% of the formula amount times the district's poverty index per student. Under the executive budget, the Urban 21 districts will receive about $27.82 times their poverty indices per student in FY 2008 and about $28.66 times their poverty indices per student in FY 2009. Poverty indices for these districts range from about 0.4 to 4.4. Therefore, per pupil funding levels range from about $11 to $122 in FY 2008 and from about $11 to $126 in FY 2009. Under current law, for each student in the district's ADM who attends a community school that is not an e-school, the per pupil amount of funding under this program is transferred to the community school. As with dropout prevention funding, the executive budget proposes to eliminate the transfer of this funding to all community schools.

Poverty-Based Assistance Guarantee

The executive budget eliminates the poverty-based assistance guarantee. This guarantee ensures that districts receive at least as much poverty-based assistance funding as the disadvantaged pupil impact aid (DPIA) they received in FY 2005 less any DPIA transferred to e-schools. (Students attending e-schools do not receive poverty-based assistance beginning in FY 2006).

Spending Requirements

The executive budget requires that a district receiving an achievement gap payment whose percentage of buildings in academic watch or academic emergency is greater than the prior year spend that payment on the expenses of its academic distress commission if one has been appointed by the state to serve that district. Once those expenses are met, the executive budget enumerates other uses for these funds. Current law generally requires districts to spend funding for each program in specific ways. Except for the payment just mentioned and all-day kindergarten, the executive budget permits districts to spend any component of poverty-based assistance on any combination of enumerated purposes.

Parity Aid

Under current law, districts with wealth per pupil less than that of the district with the 490th highest local wealth (the 80th percentile) qualify for parity aid. This funding is calculated as the difference between what a district could raise per pupil with 7.5 mills and what the district at the 80th percent highest wealth level could raise per pupil with 7.5 mills. The executive budget lowers the number of qualifying districts to the 410 lowest wealth districts in FY 2008 and the 367 lowest wealth districts in FY 2009. The executive budget also changes the calculation so that it equalizes 8.0 mills in FY 2008 and 8.5 mills in FY 2009. These mills are still equalized to the wealth level of the district at the 80th percentile. Under current law, for each student in the district's ADM who attends a community school that is not an e-school, the per pupil amount of funding under this program is transferred to the community school. The executive budget proposes to eliminate the transfer of this funding to all community schools.

Charge-off Supplement (Gap Aid)

Taxes on general business tangible personal property (TPP) began to be phased out in tax year (TY) 2006. The Department of Taxation has calculated the tax value and tax revenue loss for each school district due to this phase-out. The total tax value loss for all school districts statewide by the end of the phase-out period in TY 2011 is $21.7 billion. School districts have a total reimbursable tax revenue loss of $370.2 million in TY 2006 that grows to an annual amount of $1,129.4 million by TY 2010. Through TY 2010, school districts are held "harmless" for the reimbursement base revenue loss amounts through a combination of the state education aid offset[6] and direct reimbursement for loses above the state education aid offset. Current law includes these direct reimbursement payments as part of a school district's revenue when calculating the district's gap aid. The executive budget removes these reimbursements from the gap aid calculation. Gap aid is provided to districts whose actual revenue is lower than the local share assumed by the formula. In other words, if a district does not actually raise the local share assumed by the formula, gap aid makes up the difference so the district still has full formula funding through a combination of state and local revenues. By removing the revenue the district receives through direct reimbursements, the district may appear not to have sufficient revenues to cover its local share, when in fact it does. This provision of the executive budget will likely increase gap aid payments.

Other Formula Changes

Transportation

The executive budget replaces the current transportation funding formula with a new formula, but notwithstands the new formula for FY 2008 and FY 2009. Instead, the executive budget provides increases of 1% per year in transportation funding to school districts receiving transportation funding in FY 2005 under the current formula. In FY 2006 and FY 2007, these same districts received annual increases of 2% in transportation funding.

Special Education Catastrophic Cost

The executive budget increases the special education catastrophic cost threshold from $26,500 to $27,375 in FY 2008 and FY 2009 for students in categories two through five and from $31,800 to $32,850 in FY 2008 and FY 2009 for students in category six. Subject to the amount appropriated, the state continues to fund from 50% to nearly 100% of the costs above the threshold that school districts incur in educating these students.

Special Education Weight Cost

The executive budget continues to fund special education weight costs at 90% in FY 2008 and FY 2009. This is the same phase-in percentage applied since FY 2005.

[6] The state education offset refers to the higher state aid a district receives when its valuation decreases. Statewide valuation decreases by $21.7 billion, so statewide, the local share of base cost funding will decrease by approximately 23 mills of that amount or $498.2 million.

Speech Service Personnel Allowance

The budget maintains the speech service personnel allowance at the FY 2007 level of $30,000 in FY 2008 and FY 2009.

GRADS Personnel Allowance

The budget maintains the GRADS personnel allowance at the FY 2007 level of $47,555 in FY 2008 and FY 2009. This allowance is used to provide funding for the program Graduation, Reality, and Dual-Role Skills for pregnant and parenting students.

Guarantees - Transitional Aid for School Districts

Transitional aid has been provided to districts since FY 2004. Under the executive budget this funding guarantees that each district receives the same amount of formula funding it received in the previous fiscal year. As stated above, the executive budget eliminates the base cost funding and the poverty-based assistance guarantees. The executive budget also eliminates the reappraisal guarantee, which guarantees that districts going through a real property valuation reappraisal or update receive the same amount of funding less any gap aid they received in the previous fiscal year. These various guarantees are essentially included in transitional aid under the executive budget.

Joint Vocational School Districts

Joint vocational school districts (JVSDs) receive base cost funding as well as special education and career-technical education weighted funding. The base cost is calculated using the same formula amount as applies to regular school districts, although JVSDs do not receive base funding supplements and the JVSDs local share of base cost funding is equal to 0.5 mills of their recognized valuation. Under the executive budget, therefore, JVSDs receive the formula amount of $5,565 in FY 2008 and $5,732 in FY 2009. They are also affected by the elimination of the CDBF and the base cost guarantee. Transitional aid has been provided to JVSDs since FY 2006. Under the executive budget this funding guarantees that each JVSD receives the same amount of formula funding it received in the previous fiscal year.

Other Major Budget Issues

Early Childhood Education

The executive budget proposes to expand the GRF-funded early childhood program. This program provides funding to school districts and educational service centers that provide educational services for three and four-year old children from families with incomes at or below 200% of the federal poverty level. In FY 2006, 3,734 children were served. The executive budget increases funding for these programs by $10.0 million (52.5%) in FY 2008 and by an additional $2.5 million (8.6%) in FY 2009. The budget stipulates that the increased funding be provided to programs established after March 15, 2007 and only to providers that are eligible for poverty-based assistance. Presumably, this would limit the new funding to districts with poverty indices above 0.25 (districts with concentrations of poverty students at least 25% of the statewide concentration). Under the executive budget, other school districts may establish preschool programs using another source of funding. Under current law, a school district is prohibited from establishing a preschool program unless it is eligible for poverty-based assistance *and* it can demonstrate a need for the program that is not being met by an existing child care program.

The executive budget also appropriates $125.2 million in the Department of Job and Family Services' (ODJFS) budget of federal Temporary Assistance for Needy Families (TANF) funding for the Early Learning Initiative (ELI). This funding provides reimbursements to ELI providers for services provided to TANF-eligible preschool students. Jointly administered by ODE and ODJFS, ELI provides full-day, full-year services for up to 12,000 TANF-eligible children in FY 2007, although the program has not been able to enroll that number of children. The executive budget continues to fund ELI services for up to 12,000 children in FY 2008 and FY 2009. The executive budget increases the income threshold for eligibility under the program from 185% of the federal poverty line in FY 2006 to FY 2008 to 200% of the federal poverty line in FY 2009. In addition, the executive budget allows children who are eligible for ELI at the beginning of a school year to continue attending for the entire year even if family income increases above the eligibility threshold. Finally, the executive budget loosens the parent work requirements for eligibility.

Under current law, all teachers in state early learning programs are required to have an associate degree by FY 2008. The executive budget delays this deadline to FY 2010 for programs established before FY 2007 and to FY 2012 for programs established after FY 2007. ODE estimates that in FY 2006 approximately 72% of the teachers in GRF-funded programs and approximately 50% of ELI teachers had at least a two-year degree.

Community Schools

Community schools are public schools that operate independently of any school district and are governed through a contract between the school's governing authority and a sponsor. A sponsor can be a school district, a joint vocational school district, an educational service center, a state university, or a qualifying tax-exempt entity. Unlike school districts, community schools do not have taxing authority and, therefore, depend primarily on state funding, although they may receive federal grants and private donations. At the end of February 2007, 310 community schools are in operation serving 76,569 full-time equivalent (FTE) students. Forty of the 310 community schools are e-schools[7] that serve approximately 20,674 FTE students (27.0%).

The executive budget makes several changes to the laws affecting community schools.[8] The executive budget maintains the current moratorium on the establishment of new e-schools and institutes a new moratorium on the establishment of any other type of community school until the end of the biennium (July 1, 2009). The executive budget also requires that community schools comply with all state laws and rules that govern other public schools, whereas currently, community schools are exempt from most of these laws and rules. These changes along with others made in the executive budget may lead to a decrease in the growth in the number of students attending community schools in FY 2008 and FY 2009. This number increased by 15.1% in FY 2006 and by 6.3% in FY 2007.

In addition to these changes, the executive budget decreases state funding for community schools. Currently, all community schools receive base cost funding and special education additional weighted funding. Community schools other than e-schools also receive career-technical education weighted funding, poverty-based assistance, and parity aid. The executive budget eliminates community school

[7] e-school classes are offered primarily through the Internet versus in traditional "brick and mortar" school buildings.

[8] For a complete description of all the changes affecting community school law made by the executive budget, please see the LSC bill analysis, pages 59-69, which is available on the LSC web site.

funding for parity aid and for two poverty-based assistance programs: dropout prevention and community outreach. The executive budget also eliminates state-funded start up grants for community schools.

Dual Enrollment Programs

The executive budget increases funding for early college high schools. This initiative is funded by appropriations provided in both the Board of Regents and ODE budgets. The executive budget increases the combined funding for this initiative from $5.5 million in FY 2007 to $7.0 million in FY 2008 and $7.8 million in FY 2009. These funds are used to support early college high schools that have been established in collaboration with the KnowledgeWorks Foundation. These schools are partnerships between school districts and universities that provide students from disadvantaged backgrounds the opportunity to attend a special high school program that takes place on a college campus. The students follow individualized learning plans in order to graduate from high school with an associate degree or up to two years of college credit. The current six early college high schools are located in Canton, Columbus, Dayton, Lorain, Toledo, and Youngstown public schools. The first early college high school, Dayton Early College, is graduating its first class this year with 48% of its students being on track to simultaneously attain a high school diploma and complete 60 hours of college credit or an associate degree.

The executive budget continues to fund the post-secondary enrollment options program (PSEO) for public and nonpublic students. PSEO allows students to attend college for free and to earn both high school and college credit for their courses. The executive budget increases the earmark used to fund the program for nonpublic students by 3.0% in FY 2008 and FY 2009. Public school students are funded through deductions in the state aid calculated for the school district or community school they normally attend. The executive budget provides an additional $6.5 million in FY 2009 for school districts to use for PSEO programs. The executive budget also continues to fund a dual enrollment program begun in FY 2007 that provides funds for districts to contract with institutions of higher education to provide dual credit courses in mathematics, science, and foreign language for high school students enrolled in the districts. The program is funded at $3.6 million in FY 2008 and FY 2009.

Educator Quality

ODE 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. The application fee for this program is $2,300. The state currently provides $2,000 of the application fee for up to 400 new applicants each year. Under current law, teachers receiving certification after 2004 receive an annual stipend of $1,000, whereas teachers receiving certification earlier receive an annual stipend of $2,500. The executive budget increases the stipend for all certified teachers to $2,500. National Board certified teachers receive this stipend for ten years after obtaining certification.

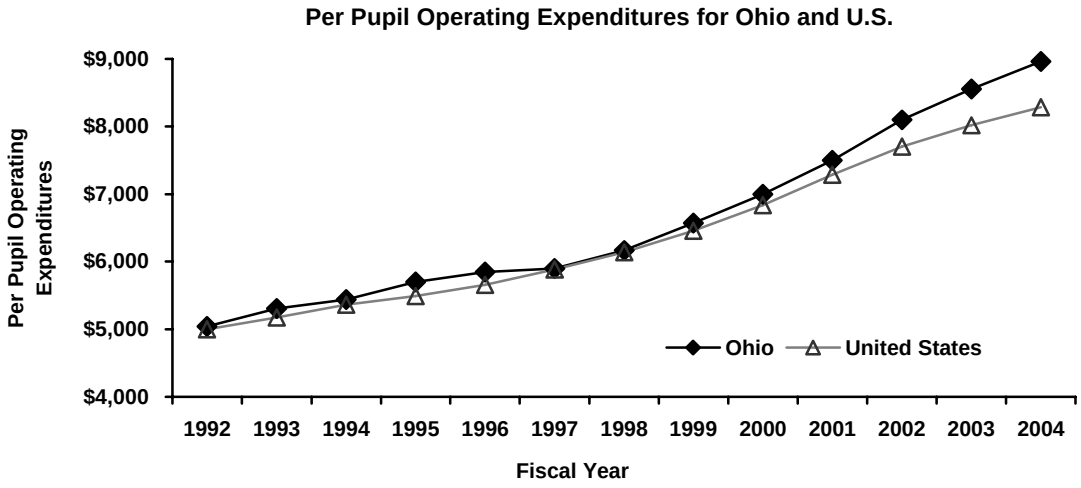
The executive proposal also provides $39,500 in each fiscal year for a new program offered by the National Board called TAKE ONE. This program provides support, development, and training of beginning teachers, including retention strategies for highly qualified teachers in high-needs schools. Funds will support the $395 application fee for 100 candidates to participate in the program each year.

Adult Education

The executive budget requires ODE to work with the Board of Regents (BOR) and the Governor's Workforce Policy Board to develop a plan to move adult education and career programs from ODE to BOR for the purpose of improving education and technical skills for adult learners through enhanced course offerings and training opportunities. The plan is to be submitted to the Governor by November 30, 2007, and the movement of adult education and career programs to BOR is to occur by July 1, 2008.

FACTS AND FIGURES

Ohio's Per Pupil Expenditures Compared to the National Average



Source: United States Census Bureau

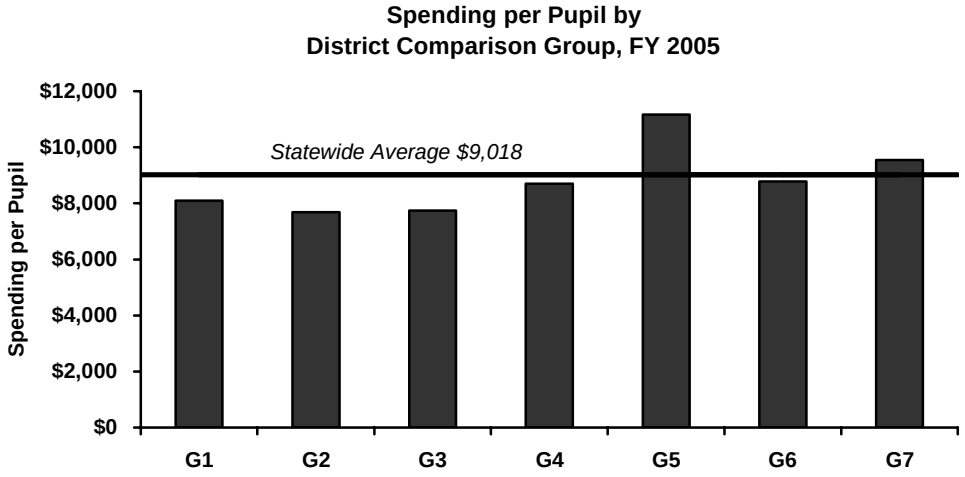
- From FY 1992 to FY 2004, Ohio's per pupil operating expenditures increased from $5,045 to $8,963, or 77.7%, while the national average increased from $5,001 to $8,287, or 65.7%. During this period, inflation, as measured by the consumer price index (CPI), was 34.7%.

- Ohio's per pupil operating expenditures increased from 0.9% ($44) above the national average in FY 1992 to 8.2% ($676) above the national average in FY 2004.

- From FY 1992 to FY 1998, Ohio's per pupil operating expenditures increased at an average rate of 3.4% per year, comparable to the national average. Since then, however, Ohio's per pupil operating expenditures have increased consistently faster than the national average. From FY 1999 to FY 2004, Ohio's per pupil operating expenditures increased on average by 6.4% per year, as compared to 5.1% nationally.

- In FY 2004, Ohio's per pupil operating expenditures of $8,963 ranked 16th in the nation. Compared to other states in the region, Ohio's expenditure level and national ranking in FY 2004 were higher than in Illinois ($8,656, 18th), Indiana ($8,280, 22nd), Kentucky ($6,888, 40th), Minnesota ($8,359, 21st), Tennessee ($6,504, 45th), and West Virginia ($8,475, 20th) but lower than in Michigan ($9,072, 15th), Pennsylvania ($9,979, 9th), and Wisconsin ($9,226, 13th).

Per Pupil Operating Spending Across Different Types of Districts in Ohio



Major Comparison Groups of Ohio School Districts			
Comparison Group	**Description**	**Number of Districts**	**Enrollment % FY 2005**
G1 - Rural	Very low SES,* very high poverty	96	9.0%
G2 - Small Rural	Low SES, low poverty	161	12.4%
G3 - Rural Town	Average SES, average poverty	81	7.6%
G4 - Urban	Low SES, high poverty	102	15.9%
G5 - Major Urban	Very high poverty	15	17.7%
G6 - Suburban	High SES, moderate poverty	107	23.5%
G7 - Suburban	Very high SES, low poverty	46	13.9%

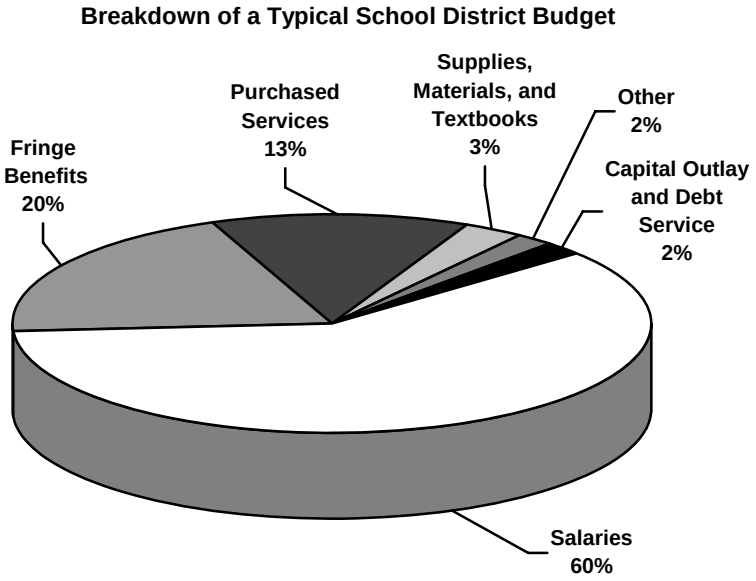
Source: Local Report Card Data, Ohio Department of Education

- ODE clusters school districts throughout the state into seven groups as a means to compare districts with similar socioeconomic characteristics. In FY 2005, the average per pupil spending for each district comparison group varied from a low of $7,684 to a high of $11,166, with a state average of $9,018. About 82% of the districts spent between 20% below ($7,215) and 20% above ($10,822) the state average.

- High poverty major urban (G5) districts and the wealthiest suburban (G7) districts had the highest spending per pupil among all district comparison groups in FY 2005, spending 23.8% ($2,148) and 5.9% ($531), respectively, above the state average.

- On average, school districts spent 56.0% on instruction, 18.9% on building operations, 11.8% on administration, 10.3% on pupil support, and 3.0% on staff support. This allocation varies only slightly across district comparison groups.

Breakdown of School District Spending by Object of Expense



Source: School District Five-Year Forecast Data, Ohio Department of Education

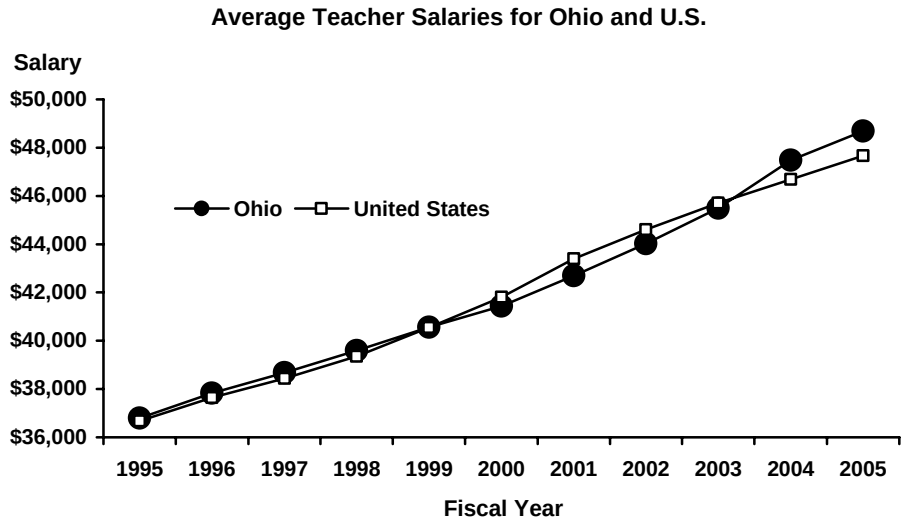
- Salaries and fringe benefits account for approximately 80% of school district budgets statewide. This percentage has remained fairly steady in recent years, although the portion of school district budgets spent on fringe benefits has increased from 18% in FY 2001 to 19% in FY 2003 and to 20% in FY 2005, while the portion spent on salaries has decreased from 62% in FY 2001 and FY 2003 to 60% in FY 2005.

- In recent years, largely due to the rapid growth in health insurance premiums, the cost of fringe benefits has increased dramatically. This cost amounted to 34% of the cost of salaries in FY 2005, up from 31% in FY 2003 and 28% in FY 2001.

- The portion of school district budgets spent on purchased services has also increased, going from 10% in FY 2001 to 11% in FY 2003 and to 13% in FY 2005.

- State law requires each school district 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 2007, the required set-aside amount is $158.49 per pupil for each category.

Ohio's Teacher Salaries Compared to the National Average



Sources: National Education Association; Ohio Department of Education

- After being slightly above the national average from FY 1995 to FY 1999 and then falling below the national average from FY 2000 to FY 2003, Ohio's average teacher salaries have once again risen above the national average in FY 2004 and FY 2005.

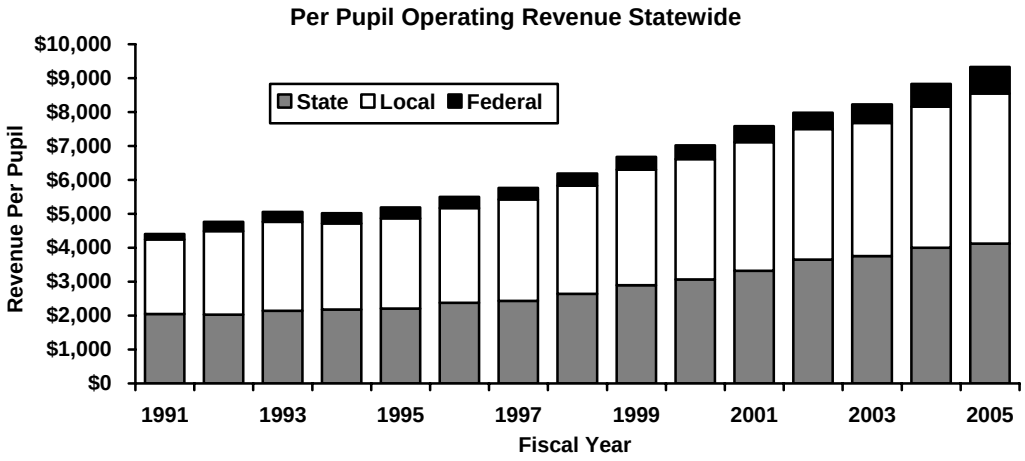
- Ohio's average teacher salary for FY 2005 was 2.1% ($1,024) higher than the national average.

- Ohio's average teacher salary increased by 32.3%, from $36,802 in FY 1995 to $48,692 in FY 2005. The national average increased by 30.0%, from $36,675 in FY 1995 to $47,668 in FY 2005. During the same period, inflation, as measured by the consumer price index (CPI), was 27.5%.

- In FY 2005, Ohio's average teacher salary of $48,692 ranked 14th in the nation. Compared to other states in the region, Ohio's salary level and national ranking in FY 2005 were higher than in Indiana ($46,591, 17th), Kentucky ($40,522, 34th), Minnesota ($46,906, 16th), Tennessee ($42,076, 31st), West Virginia ($38,360, 46th), and Wisconsin ($44,299, 22nd) but lower than in Illinois ($55,421, 7th), Michigan ($56,973, 4th), and Pennsylvania ($53,141, 10th).

- In FY 2005, the average beginning salary in Ohio was $28,671 for teachers with bachelor's degrees and $31,798 for those with master's degrees.

Per Pupil Operating Revenue for Schools



Source: Local Report Card Data, Ohio Department of Education

- Schools' per pupil operating revenue in Ohio from all sources increased 112% from $4,402 in FY 1991 to $9,334 in FY 2005.

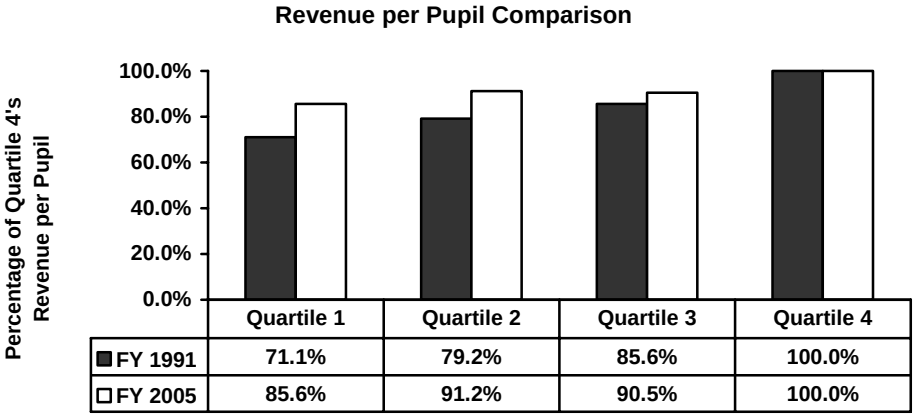
- Local revenue per pupil increased 101% from $2,205 in FY 1991 to $4,425 in FY 2005. State revenue per pupil increased 102% from $2,044 in FY 1991 to $4,125 in FY 2005. Federal revenue per pupil increased 412% from $153 in FY 1991 to $784 in FY 2005.

Per Pupil Base Cost Formula Amounts, FY 1991-FY 2005					
Fiscal Year	Amount	Fiscal Year	Amount	Fiscal Year	Amount
1991	$2,636	1996	$3,315	2001	$4,294
1992	$2,710	1997	$3,550	2002	$4,814
1993	$2,817	1998	$3,663	2003	$4,949
1994	$2,871	1999	$3,851	2004	$5,058
1995	$3,035	2000	$4,052	2005	$5,169

- The majority of state and local revenues are used to provide a uniform, minimum per pupil funding guarantee—the base cost formula amount, which is set by the General Assembly every two years. This amount increased 96% from $2,636 per pupil in FY 1991 to $5,169 per pupil in FY 2005.

- Am. Sub. H.B. 66 of the 126th General Assembly set the per pupil base cost formula amount for FY 2006 at $5,283 and for FY 2007 at $5,403. In addition, H.B. 66 added base funding supplements for school districts totaling $40.00 per pupil in FY 2006 and $47.99 per pupil in FY 2007.

Comparison of Revenue per Pupil Based on District Wealth



	Quartile 1	Quartile 2	Quartile 3	Quartile 4
FY 1991	71.1%	79.2%	85.6%	100.0%
FY 2005	85.6%	91.2%	90.5%	100.0%

Source: School Foundation Payment Data, Ohio Department of Education

- A main goal of state education aid is to neutralize the effect of a school district's wealth on its total revenue per pupil. The state's equalization effort, complemented by federal funds, improved interdistrict revenue per pupil equity since FY 1991.

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

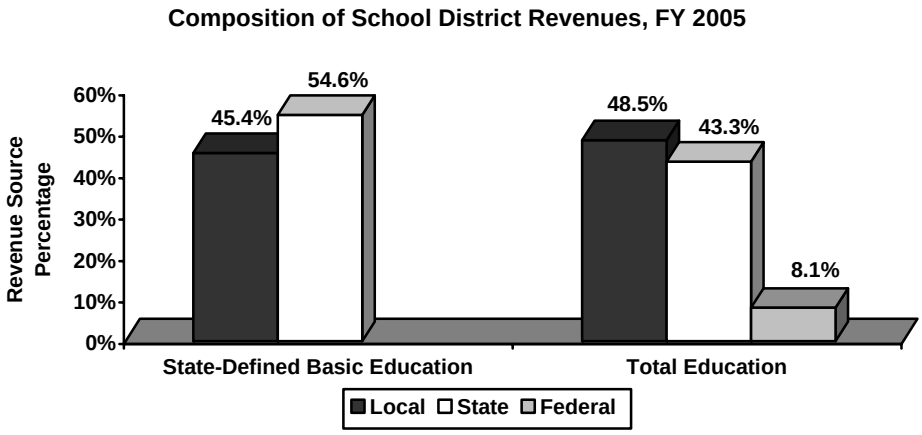
- From FY 1991 to FY 2005, per pupil revenues grew on average by 127.0% ($4,726) in quartile 1, 116.7% ($4,844) in quartile 2, 99.3% ($4,452) in quartile 3, and 88.4% ($4,630) in quartile 4.

- In FY 2005, the average revenue per pupil for the bottom three quartiles (representing 75% of students) was about 89.2% of the average revenue per pupil for the highest wealth quartile compared to 78.6% in FY 1991.

- In FY 1991, approximately 76% of the variation in per pupil revenue across districts could be explained by the variation in per pupil valuation. In FY 2005, this percentage dropped to about 30%. This indicates a significant improvement in interdistrict equity and fiscal neutrality since FY 1991.

- The state and federal governments both target extra funds for students in poverty, which explains some of the variation in per pupil revenue between quartiles. The percentages of students in each quartile whose families participated in Ohio Works First (the poverty indicator used in state funding) in FY 2005 are 5.1%, 6.9%, 4.9%, and 3.0%, respectively.

Composition of School District Revenues



Source: School Foundation Payment and Local Report Card Data, Ohio Department of Education

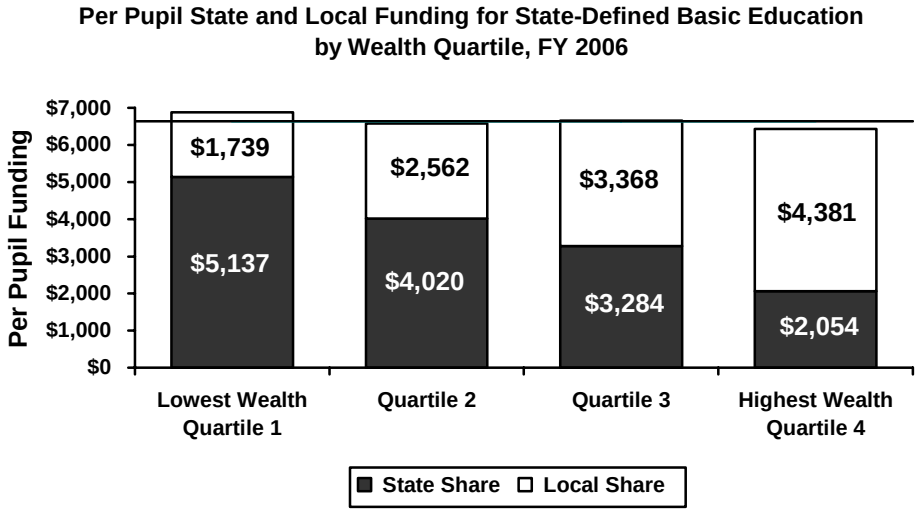
- The model of the state-defined basic education consists of a uniform per pupil base cost and a series of adjustments that account for the unique challenges each individual school district faces in providing a similar education. The total cost of this model is shared between the state and local school districts through an equalized foundation formula, under which a lower wealth district receives more state aid than a higher wealth district. In addition, school districts receive revenues from the federal government and local taxpayers for services above the state-defined basic education level.

- In FY 2005, the state paid approximately 54.6% of the total state-defined basic education model cost and school districts paid the remaining 45.4%. The state share includes a portion of the school districts' formula-determined local share that is paid by the state under the property tax relief program.

- The foundation formula equalizes about 75% of local operating revenue; the other 25% (approximately $2.0 billion in FY 2005) of local revenue is available for school districts to provide enhancements beyond the state-defined basic education level. The state does not limit the amount of local enhancement revenue taxpayers may approve for a school district.

- The existence of local enhancement revenues is the main reason for a lower state share percentage in total education spending (43.3%) than in state-defined basic education spending (54.6%). More than 75% of local enhancement revenues are not equalized.

Funding for the State-Defined Basic Education by Wealth Quartile



FY 2006	Valuation Per Pupil	Per Pupil Total Basic Education Funding	State Share	Local Share
Quartile 1	$79,168	$6,876	74.7%	25.3%
Quartile 2	$109,664	$6,581	61.1%	38.9%
Quartile 3	$145,359	$6,653	49.4%	50.6%
Quartile 4	$205,788	$6,435	31.9%	68.1%
State Average	**$134,969**	**$6,636**	**54.6%**	**45.4%**

Source: School Foundation Payment Data, Ohio Department of Education

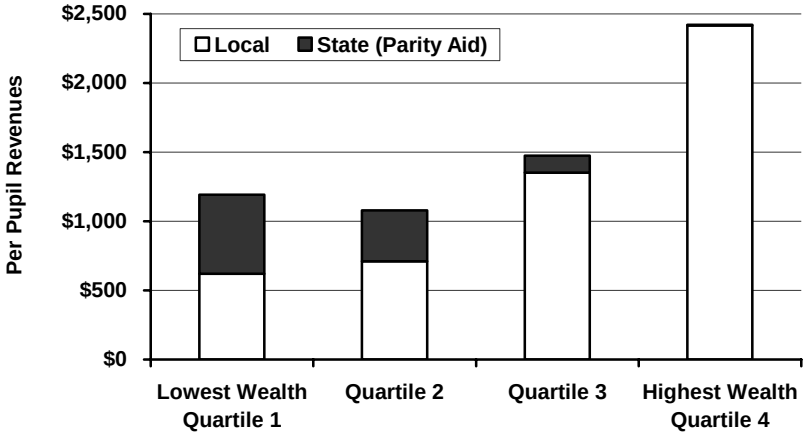
- To create district quartiles, school districts are first ranked from lowest to highest in property valuation per pupil. Districts are then divided into four groups, each of which includes approximately 25% of total students statewide. Quartile 1 has the lowest property valuation per pupil and quartile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

- Valuation per pupil is the most important indicator of each district's local capacity to provide its students with an education. Due to the uneven distribution of taxable property, valuation per pupil varies from $79,168 for quartile 1 to $205,788 for quartile 4. Districts contribute to their state-defined basic education cost based on this local capacity. As a result, the local share of the state-defined basic education increases as valuation per pupil increases.

- Equalized state aid ensures that total funding for the state-defined basic education does not depend on a district's wealth. The state share increases as valuation per pupil decreases. As a result, although valuations per pupil vary significantly, there is little difference among districts in their total funding for the state-defined basic education.

Funding for Enhancement Revenue by Wealth Quartile

Per Pupil Enhancement Revenue by Wealth Quartile, FY 2006



Source: School Foundation Payment Data, Ohio Department of Education

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

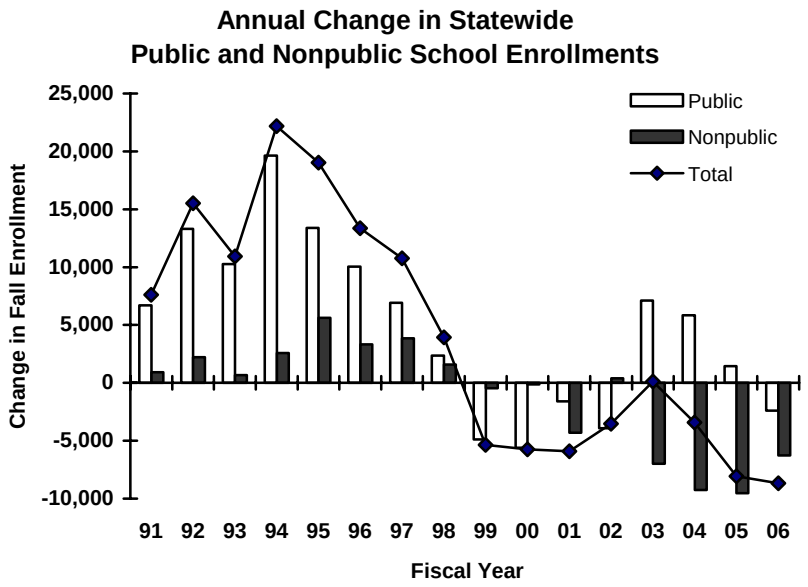
- Equalized state aid eliminates disparities in total state and local funding for the state-defined basic education. Disparities occur in local enhancement revenue that is above the state-defined basic education level. In FY 2006, per pupil local enhancement revenue averaged $620 for quartile 1, $710 for quartile 2, $1,353 for quartile 3, and $2,416 for quartile 4.

- Parity aid is designed to reduce disparities in enhancement revenue. It equalizes an additional 7.5 mills (above the state-defined basic education level) for the poorest 80% of school districts.

- In FY 2006, parity aid totaled about $457.2 million. Parity aid per pupil averaged $572 for quartile 1, $369 for quartile 2, $122 for quartile 3, and $6 for quartile 4. Adding parity aid to local enhancement revenue results in per pupil averages of $1,192 for quartile 1, $1,080 for quartile 2, $1,474 for quartile 3, and $2,422 for quartile 4.

- Although the very wealthy districts in quartile 4 still have substantially more enhancement revenue than other districts, parity aid has had a significant equalizing effect on enhancement revenue for districts in the bottom three quartiles (representing 75% of students).

Changes in Public and Nonpublic School Enrollments



Source: Ohio Department of Education

- The moderate growth in total school enrollment in Ohio ended in FY 1998. Since then total school enrollment has decreased every year, by an average of about 5,100 students (0.2%) per year.

- Total school enrollment decreased from its peak of 2.09 million students in FY 1998 to 2.05 million students in FY 2006, a decrease of 41,000 students (1.9%).

- Of the total enrollment decrease since FY 1998, 90% (37,000) occurred in nonpublic schools. This represents a 15% decline in nonpublic school enrollment over those eight years, compared to a 0.2% decline in public school enrollment.

- In FY 2006, nonpublic school enrollment represented approximately 10.1% of total public and nonpublic students in Ohio. Nonpublic school enrollment numbers include students in the Cleveland Scholarship Program.

- Although public school enrollment has declined slightly from FY 1998 to FY 2006, the number of public school students categorized as needing special education services has increased dramatically. Total special education students increased by 54,000 from about 202,000 (10.9% of total) in FY 1998 to 256,000 (13.9% of total) in FY 2006, an increase of 26.9%.

School Choice Enrollment

Growth of Community Schools, FY 1999-FY 2006						
Fiscal Year	**Community School Enrollment**	**Annual % Change**	**Number of Community Schools**	**Annual % Change**	**Total Funding (in millions)**	**Annual % Change**
1999	2,245	N/A	15	N/A	$11.0	N/A
2000	9,032	302.3%	48	220.0%	$51.7	370.0%
2001	16,717	85.1%	68	41.7%	$91.2	76.4%
2002	23,626	41.3%	93	36.8%	$138.9	52.3%
2003	33,978	43.8%	134	44.1%	$204.5	47.2%
2004	47,409	39.5%	179	33.6%	$297.9	45.7%
2005	62,603	32.1%	269	50.3%	$422.9	42.0%
2006	72,053	15.1%	293	8.9%	$485.5	14.8%

Source: Community School Foundation Payment Data, Ohio Department of Education

- 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 in FY 1999 to 3.9% of public school enrollment in FY 2006.

- Unlike traditional public schools, community schools do not have taxing authority and are funded primarily through state foundation aid transfers. The amount of state foundation aid transfers has increased from $11.0 million in FY 1999 to $485.5 million in FY 2006.

- The Cleveland Scholarship and Tutoring Program (CSTP) provides state-funded scholarships for students in the Cleveland City School District to attend private and public schools. Since its establishment in FY 1997, the number of CSTP scholarship students has increased from 1,994 in FY 1997 to 5,813 in FY 2006, representing 0.8% and 2.8%, respectively, of total nonpublic school enrollment. State expenditures for CSTP have increased from approximately $5.0 million in FY 1997 to approximately $16.1 million in FY 2006.

- Beginning in FY 2007, the Educational Choice Scholarship Program provides scholarships to students (excluding students in the Cleveland City School District) who attend or would otherwise be entitled to attend a school that has been in academic emergency or academic watch for at least three consecutive years. The maximum scholarship amount for FY 2007 is $4,250 for K-8 students and $5,403 for grades 9-12 students. Scholarships are financed by state aid deductions from resident districts that are credited with state funds as a result of including scholarship students in their average daily membership counts. In FY 2007, approximately 3,100 students have been awarded scholarships.

School District Report Card Ratings

Number of Districts by Report Card Rating, FY 2003-FY 2006				
	2003	2004	2005	2006
Excellent	85	117	111	192
Effective	177	229	297	299
Continuous Improvement	278	224	175	112
Academic Watch	52	34	21	7
Academic Emergency	16	4	5	0

Source: Local Report Card Data, Ohio Department of Education

- In FY 2006, 491 districts (80.5%) and 3,576 buildings (70.1%) were rated excellent or effective, compared to 262 districts (43.1%) and 1,401 buildings (43.5%) in FY 2003.

- Ohio has realigned its school accountability system with the federal No Child Left Behind Act (NCLB). Ohio's measures of district and school achievement are 25 state standards, the performance index, and adequate yearly progress (AYP).

- Ohio's 25 state standards include minimum proficient rates on all 23 achievement tests, as well as minimum graduation and student attendance rates. In FY 2006, the state as a whole met the state standard on 17 of the 25 indicators.

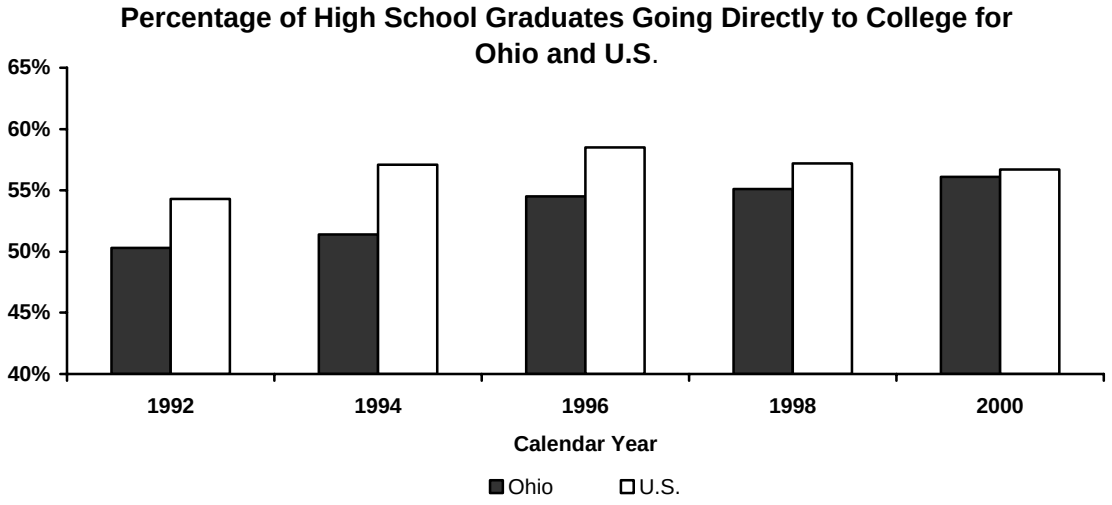
- The performance index, ranging from 0 to 120, is a composite measure of achievement of all students (including both tested and untested) on all achievement tests. Over the last several years the performance index for the state as a whole has steadily improved from 73.7 in FY 2000, to 83.1 in FY 2003, and to 92.9 in FY 2006.

- AYP, a rating established by the NCLB, indicates whether districts and schools have gaps in achievement among specified subgroups of students. AYP requires districts and schools to meet annual performance goals for all student subgroups, with the intent that all students will reach proficient levels in reading and mathematics by FY 2014. In FY 2006, 193 districts (31.6%) and 2,167 schools (60.6%) met AYP.

- Starting with the class of 2007, students must attain the proficient level on each of the five subjects of the Ohio Graduation Test (OGT) in order to receive a high school diploma. As of March 2006, 77.6% of the students in the class of 2007 had passed all five subjects of the OGT.

- The NCLB requires that teachers of core academic subjects be "highly qualified," a term defined by the state. In FY 2006, 94.4% of the core academic courses in Ohio were taught by teachers who met the definition of a highly qualified teacher.

Percentage of Ohio High School Graduates Going Directly to College



- 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.

PUBLIC SCHOOL FUNDING - OPERATING

Introduction

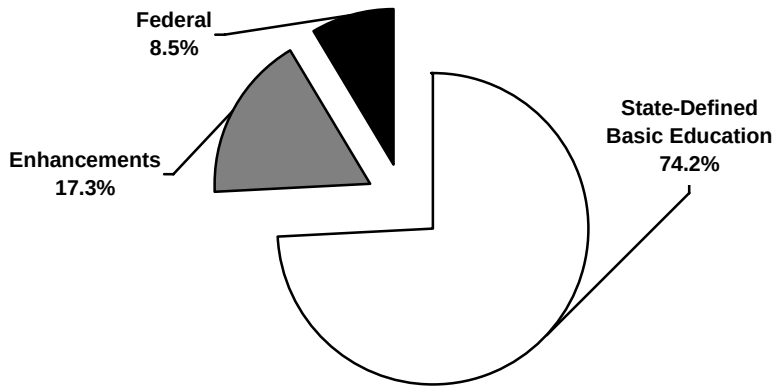
This analysis of operating funding for public schools in Ohio is meant to assist legislators in understanding the method as well as the mechanics and consequences of the current school funding system. A thorough understanding of the current system is an important first step in understanding the current issues surrounding school funding in Ohio and in making informed policy decisions. This analysis is also meant to serve as a resource for legislators to refer to when they are faced with particular questions regarding school funding. As such, emphasis is placed on the role the state plays in school funding and, in particular, the formulas used by the state to determine the amount and distribution of state operating funds for public schools.

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

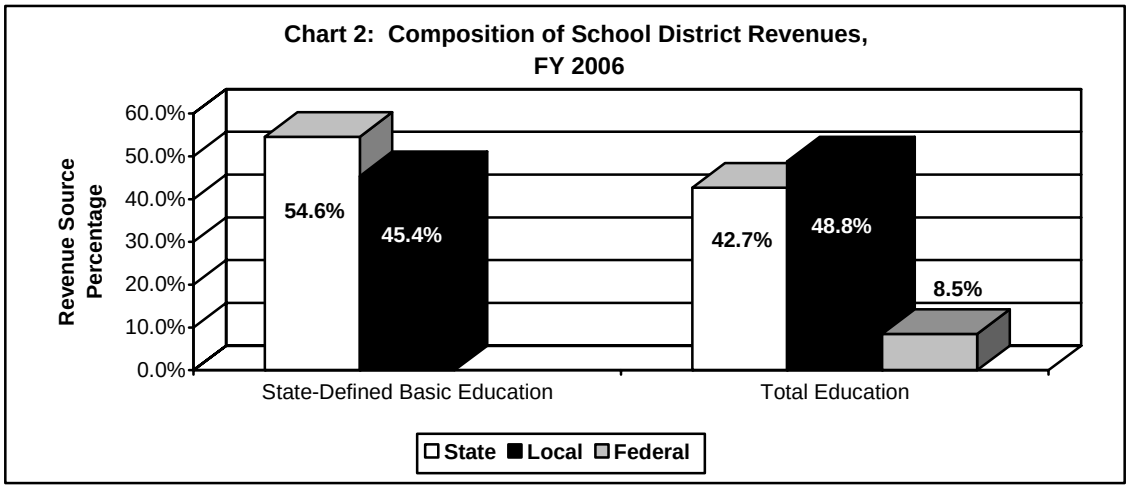
(1) State-defined basic education spending;
(2) Spending above the state-defined basic education level, or enhancement spending;
(3) Federal program spending.

The first and second areas are funded with both state and local revenues, whereas the third area is funded exclusively with federal revenues. State-defined basic education spending is by far the largest spending area statewide. This is the amount of state and local revenues necessary to fund the state model of basic education costs. The determination of this state model amount is discussed in the section on state operating revenues. In FY 2006, state-defined basic education spending totaled approximately 74.2% of total statewide spending on public school operations. The second largest spending area, enhancement spending, includes all state and local revenues above the state-defined basic education level. In FY 2006, enhancement spending totaled approximately 17.3% of total statewide spending. Finally, federal program spending includes all spending of federal revenues at the school district level. In FY 2006, federal program spending totaled approximately 8.5% of total statewide spending. Chart 1 shows this breakdown of school operating spending.

Chart 1: School Operating Expenditures, FY 2006

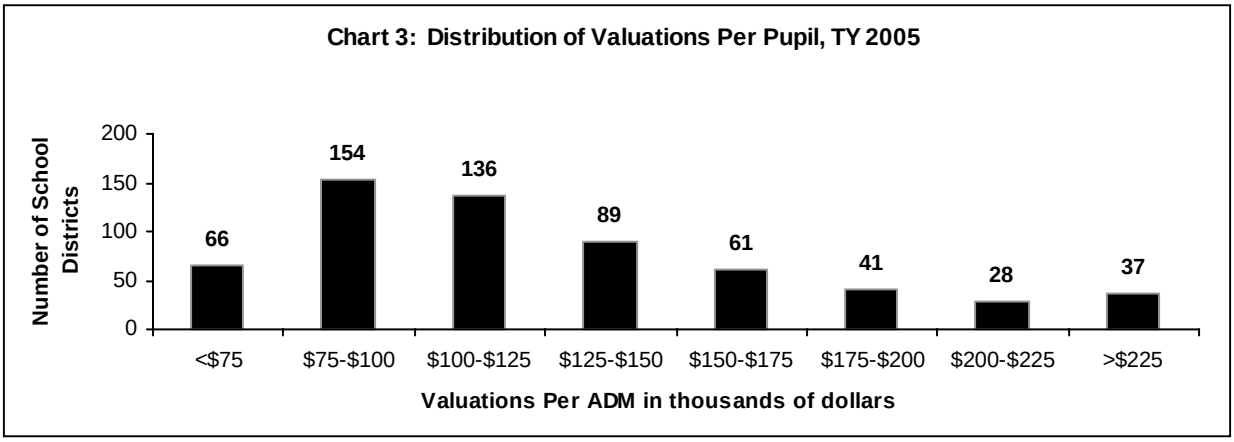


The state is mainly concerned with supporting spending for the state-defined basic education. In fact, the state guarantees that every district is able to spend at this state-defined level with a combination of state and local revenues. Enhancement spending is mainly a district prerogative and, as such, is mainly supported with local revenues. The state, however, provides revenue for enhancement spending through parity aid and state competitive grants. Chart 2 shows, for FY 2006, the revenue sources statewide for state-defined basic education spending and for total education spending. State revenues make up 54.6% of the state-defined basic education spending, but only 42.7% of total education spending.



State revenues for education come mainly from the state income tax and the state sales tax; a relatively small portion comes from the profits of the state lottery. Local revenues for education come mainly from school district property taxes, although a small portion comes from school district income taxes. State law defines what types of property and income may be taxed by a school district and subjects a large portion of these taxes to voter approval.

Since local revenues come mainly from district property taxes, different districts have different revenue-generating capacities. In general, a district's revenue-generating capacity is indicated by the district's taxable property valuation per pupil. Due to the uneven distribution of taxable property, valuation per pupil varies widely across school districts. Chart 3 shows the distribution of valuations per pupil in TY 2005. It can be seen that valuations per pupil range from less than $75,000 in 66 districts to more than $225,000 in 37 districts. The statewide weighted average is $138,473 per pupil while the



statewide median district's valuation per pupil is $112,665. The weighted average represents a per-pupil based ranking, which takes into account the size of school districts. The median represents a district based ranking, which is represented by the middle district (the 306th district out of 612). Valuations per pupil for the majority (379 or 61.9%) of school districts range from $75,000 to $150,000 in TY 2005.

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 $75 per pupil for a district with a valuation per pupil of $75,000 and $200 per pupil for a district with a valuation per pupil of $200,000.

The distribution to school districts of state funds for education largely depends on each district's capacity for raising local revenue – its taxable property value per pupil. As mentioned previously, the state guarantees that every district is able to spend at the state-defined basic education level with a combination of state and local revenues. In this way, the state ensures that every student in Ohio has at least this level of funding regardless of in which district the student happens to live. What this means in practice is that districts with a relatively lower revenue-generating capacity will receive a greater portion of the state-defined basic education cost from the state than a district with a relatively higher revenue-generating capacity.

Chart 4 groups the 612 school districts into quartiles based on property wealth with quartile 1 having the lowest average per pupil taxable property valuation and quartile 4 having the highest average per pupil taxable property valuation. Each quartile includes approximately 25% of total students statewide. It can be seen from the chart that districts in the lower wealth quartiles have greater state shares (the white portion of the bar) than districts in the higher wealth quartiles. On average, approximately 74.7% of quartile 1 districts' per pupil basic education model spending is supported by the state. This percentage decreases to 61.0% for quartile 2 districts, 49.4% for quartile 3 districts, and 32.0% for quartile 4 districts.

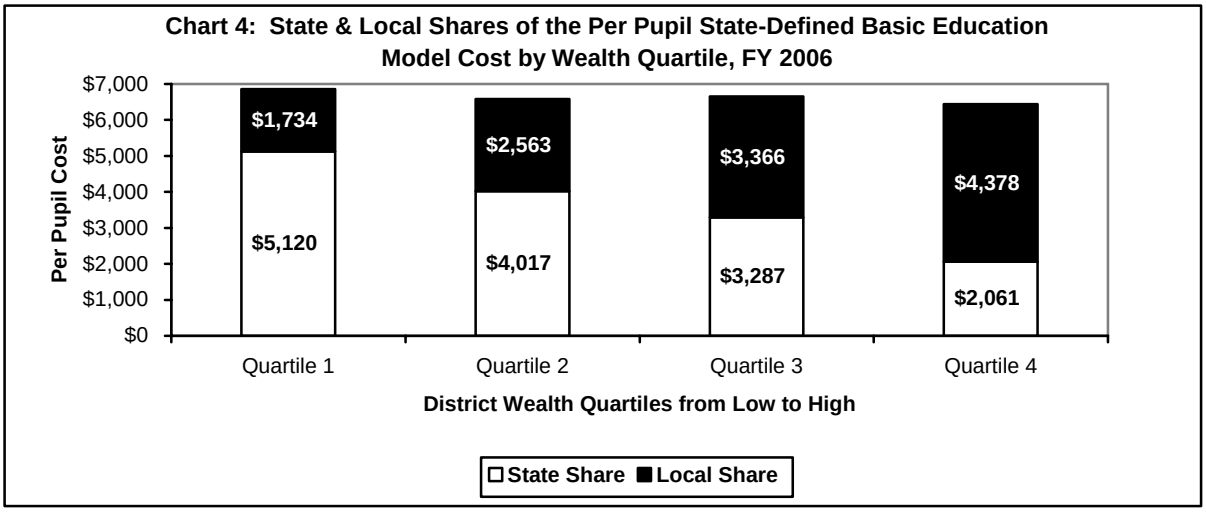


Chart 4 also demonstrates that the total basic education model spending per pupil has no relationship with a district's property wealth. While quartile 1 has the lowest property wealth in the state, its per pupil basic education model spending is actually higher than the other three. This is due to the fact that quartile 1 districts tend to have a higher need (more disadvantaged, special education, and career-technical education students for example). Overall in FY 2006, all four quartiles have similar amounts of

per pupil basic education spending under the model ($6,854, $6,581, $6,653, and $6,439, respectively). The state average state-defined basic education model cost in FY 2006 is $6,632 per pupil.

This section of the analysis discusses the current school funding system in Ohio. The first part looks at state revenue. It addresses how the state determines the state-defined basic education spending level and how the state splits this spending level between state and locally raised revenues. It also addresses the state's determination of its contribution of state revenues to enhancement spending. The second part looks at local revenues and the state law governing how local tax levies are administered. The third part considers the interactions between the distribution of state revenues and local tax levies. Finally, the fourth part looks briefly at the distribution and use of federal revenues.

State Operating Revenue

As stated in the introduction, the state is mainly concerned with supporting spending for the state-defined basic education. The state's first challenge in providing funding for schools, therefore, is to determine the state-defined basic education cost. The state's second challenge is to determine how to distribute state funding to school districts in order to ensure that they are all able to meet the costs of this state-defined basic education with a combination of state and local revenue.

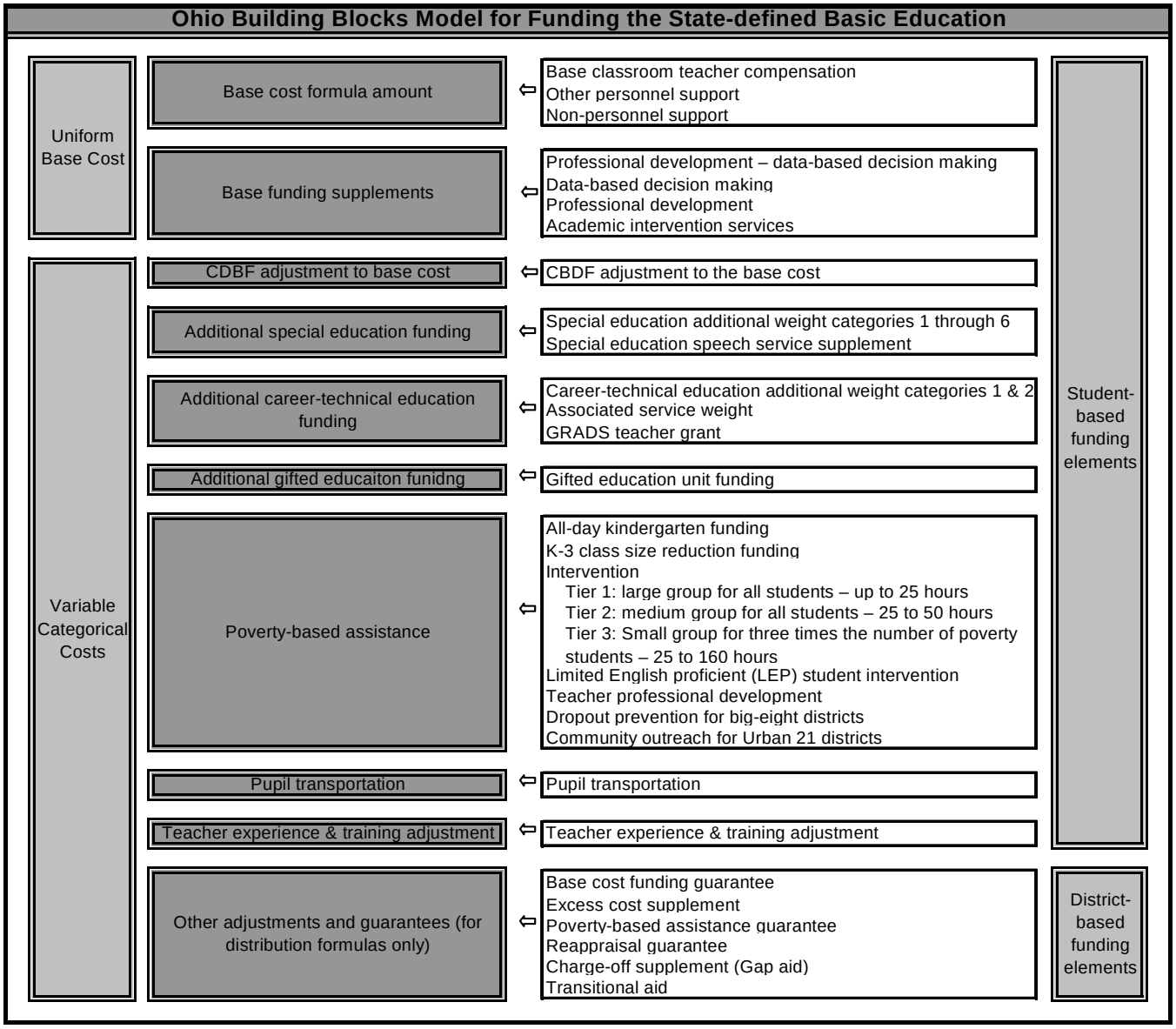
The state-defined basic education cost can be broken down into two main areas:

(1) Base Cost: The uniform cost of providing a basic education to "typical" students. On a per pupil basis, this cost is the same for all districts in the state.

(2) Categorical Cost: The additional variable costs that districts may face due to factors that are outside of their control. This cost includes the cost of providing a 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 may include geographic cost differences.

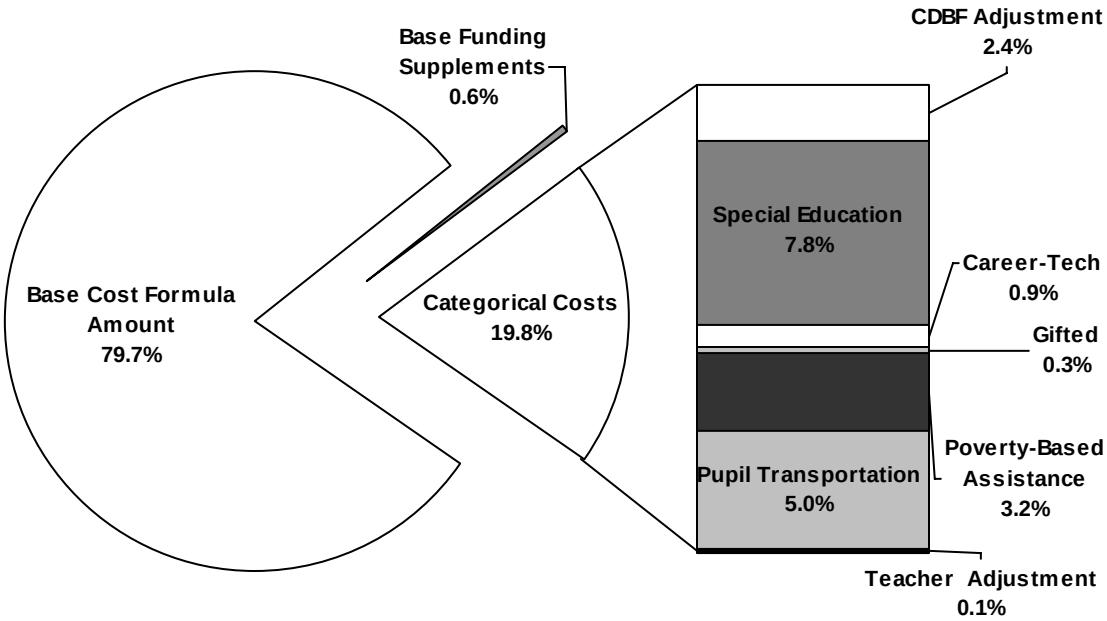
Ohio currently determines the state-defined basic education cost with a "building-blocks," or "inputs-based" model, which was recommended by the Governor's Blue Ribbon Task Force on Financing Student Success. The Task Force, which issued its final report in February of 2005, was charged with recommending 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 building blocks or inputs-based approach focuses on the inputs needed for the academic success of students, as well as giving policymakers and stakeholders the ability to discuss what inputs can be bought with current funding levels. The previous funding model was largely based on outputs.

The following table summarizes the current building blocks model of the state-defined basic education cost. The first column shows the two main areas discussed above: the uniform base cost and the variable categorical costs. The second column shows the main building blocks for each area. For the uniform base cost these include the base cost formula amount and the base funding supplements. For the variable categorical costs these include the cost-of-doing-business factor (CDBF) adjustment, additional special education costs, additional career-technical education costs, additional gifted education costs, poverty-based assistance, pupil transportation, the teacher experience and education adjustment, and other district-based adjustments and guarantees. The third column further breaks these main building blocks down into their individual components. These are all described in detail in this section. The fourth column shows the student-based and district-based elements of the model. In general, the formula funds each student based on that individual student's characteristics. There are a few adjustments and guarantees that are made based on the district's characteristics; these are listed last in the table.


Ohio Building Blocks Model for Funding the State-defined Basic Education
Uniform Base Cost
Base cost formula amount
Base classroom teacher compensation
Other personnel support
Non-personnel support
Base funding supplements
Professional development – data-based decision making
Data-based decision making
Professional development
Academic intervention services
Variable Categorical Costs
CDBF adjustment to base cost
CBDF adjustment to the base cost
Additional special education funding
Special education additional weight categories 1 through 6
Special education speech service supplement
Additional career-technical education funding
Career-technical education additional weight categories 1 & 2
Associated service weight
GRADS teacher grant
Additional gifted educaiton funidng
Gifted education unit funding
Poverty-based assistance
All-day kindergarten funding
K-3 class size reduction funding
Intervention
Tier 1: large group for all students – up to 25 hours
Tier 2: medium group for all students – 25 to 50 hours
Tier 3: Small group for three times the number of poverty students – 25 to 160 hours
Limited English proficient (LEP) student intervention
Teacher professional development
Dropout prevention for big-eight districts
Community outreach for Urban 21 districts
Pupil transportation
Pupil transportation
Teacher experience & training adjustment
Teacher experience & training adjustment
Other adjustments and guarantees (for distribution formulas only)
Base cost funding guarantee
Excess cost supplement
Poverty-based assistance guarantee
Reappraisal guarantee
Charge-off supplement (Gap aid)
Transitional aid
Student-based funding elements
District-based funding elements

The largest of the student-based funding elements is the uniform base cost formula amount. In FY 2006, the state-defined basic education cost averaged $6,632 per pupil statewide. Of this amount, $5,323 (80.3%) is for the uniform cost per pupil, including the uniform base cost formula amount of $5,283 per pupil (79.7%) and the uniform base funding supplements of $40 per pupil (0.6%). The other student-based costs, the variable categorical costs, depend on the characteristics of each student. For example, an autistic student generates an additional $25,000 in FY 2006 over the uniform base cost. On average, however, student-based categorical costs totaled $1,309 per student statewide and comprised the other 19.8% of the average state-defined basic education cost per pupil of $6,632 in FY 2006. The total average cost per pupil for FY 2006 is broken down into its components in Chart 5. Although this does not represent the average per pupil funding for any specific district, it does show the composition of state-defined basic education funding across the state in FY 2006. This funding is a result of the formulas described in detail in this section.

Chart 5: Student-Based Elements of the State-Defined Basic Education Cost in FY 2006



As stated above, the state must first determine the state-defined basic education model cost and then must determine how to distribute state funding for this cost to districts; in other words, the state must determine how this cost is to be shared between the districts and the state. In the introduction it was shown how state funding for the state-defined basic education model cost is designed to ensure that every student has at least the state-defined basic education model cost for their specific needs regardless of in which district they live. This section on state funding describes each element of the state-defined model cost, how the cost is determined, and how state funds are distributed. It also addresses parity aid, which is the state's main contribution to school district enhancement spending. Finally, funding for community schools, educational service centers, open enrollment students, post-secondary enrollment option (PSEO) students, and joint vocational school districts is discussed.

Base Cost – State Model Amount

Base Cost Formula Amount

As stated previously, the base cost is 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. The state's estimate of this uniform per pupil base cost is called the base cost formula amount. The base cost formula amount consists of funding for the following three inputs:

(1) Base classroom teacher compensation;
(2) Other personnel support;
(3) Nonpersonnel support.

Base classroom teacher compensation is the core of the model. In order to determine the per pupil value of this component, the General Assembly must decide the ratio of students to base classroom teachers and the base classroom teacher compensation that are necessary for the state-defined basic education. The Revised Code contains the General Assembly's determination of these variables for FYs 2006 and 2007. These values are presented in Table 1.

Table 1: Base Classroom Teacher Component, FY 2006 and FY 2007

Fiscal Year	Number of Pupils per Base Classroom Teacher	Base Classroom Teacher Average Compensation	Per Pupil Base Classroom Teacher Compensation
FY 2006	20	$53,680	$2,684
FY 2007	20	$54,941	$2,747

The Revised Code also expresses the General Assembly's policy decision that the value of other personnel support per pupil in FY 2006 is $1,807 and the value of nonpersonnel support per pupil in FY 2006 is $792. This results in a formula amount of $5,283 in FY 2006. The value of each component is summarized in Table 2.

Table 2: Base Cost Formula Amount, FY 2006 and FY 2007

Component	FY 2006	FY 2007	Percentage Increase FY 2006 – FY 2007
Base Classroom Teacher Compensation per pupil	$2,684	$2,747	2.35%
Other Personnel Support per pupil	$1,807	$1,850	2.35%
Nonpersonnel Support per pupil	$792	$806	1.80%
Formula Amount	$5,283	$5,403	2.27%

The Revised Code further expresses the General Assembly's stipulations that the per pupil value of the other personnel component increase by the same percentage as the base classroom teacher average compensation and the nonpersonnel component increase by the projected gross domestic product deflator (all items). The determination of these components in future years is shown in Table 3.

Table 3: Future Increases in Base Cost Components

Component	Determination of Annual Increase	Increase for FY 2007
Base Classroom Teacher Compensation	Two policy decisions as given in Table 1	2.35%
Other Personnel Support	Same as the Increase in Base Classroom Teacher Average Compensation	2.35%
Nonpersonnel Support	Gross Domestic Product Deflator	1.80%

Applying these increases results in a per pupil value of $1,850 for other personnel support and of $806 for nonpersonnel support in FY 2007. The resulting formula amount for FY 2007 is $5,403, an increase of 2.27% over FY 2006. The values of these components are summarized in Table 2.

Cost-of-Doing-Business Factor

The cost of doing business is actually a variable, not a uniform cost; however, since it is incorporated into the base cost, it is covered here. Districts may face different costs because of where they are located in the state. Districts spend about 80% of their operating budgets on personnel. In general, personnel costs are higher in urban areas than in rural areas. The cost-of-doing-business factor (CDBF) attempts to account for some of this difference. It is calculated for each county and is based on the average wages in that county as well as in contiguous counties. Based on this calculation an adjustment is made to the base cost formula amount for each district based on the county in which the district is mostly located. For districts in the highest wage county (Hamilton County) the base cost formula amount is increased by 2.5% in FY 2007. The adjustment is then applied to the rest of the districts in the state on a sliding scale. For districts in the lowest wage county (Gallia County) the base cost formula amount is not increased. Am. Sub. H.B. 66 of the 126th General Assembly phased down the CDBF from a 7.5% range in FY 2005 to a 5.0% range in FY 2006 and, finally, a 2.5% range in FY 2007. The following formula shows how this adjustment is computed.

Per Pupil Base Cost = Base Cost Formula Amount x CDBF

As can be seen below in Table 4, in FY 2007, with a base cost formula amount of $5,403, districts in Hamilton County had a base cost per pupil of $5,538, whereas districts in Wood County had a base cost per pupil of $5,468, and districts in Gallia County had a base cost per pupil of $5,403. So, with the exception of the two districts in Gallia County, the base cost per pupil for all other districts is higher than $5,403 in FY 2007 as a result of the CDBF adjustment.

Table 4: Effect of CDBF Adjustment on the Per Pupil Base Cost of Districts in Selected Counties, FY 2007

County	CDBF	Per Pupil Base Cost (Adjusted)
Gallia	1.000 (increase of 0.0%)	$5,403
Wood	1.012 (increase of 1.2%)	$5,468
Hamilton	1.025 (increase of 2.5%)	$5,538

Average Daily Membership

Once the base cost per pupil is determined, the next important step is to determine the number of students a district has in order to determine the district's total base cost. Average daily membership (ADM) is the measure the state uses to determine the number of pupils in the district for purposes of calculating the base cost. Prior to FY 2007, districts counted their students once in October. Starting in FY 2007, districts perform two counts of their pupils, the first in October and the second in February. The annual ADM is based 75% on the October count and 25% on the February count. These counts are done over a week and then averaged. Students are counted if they reside in the district even if they attend a nonpublic school under the Educational Choice Scholarship Program, or a public school that is not part of the district, such as a school in a different district under open enrollment, a community school, or a joint vocational school (JVS). An amount is deducted from the district's state aid for each Educational Choice scholarship student counted in its ADM. Funding for open enrollment and community school students is transferred to the educating district or school. State funding for joint vocational school districts is provided by a separate but parallel calculation. The resident school districts, however, may

still include 20% of their JVS student count in their ADM in order to cover expenses the resident district may incur. To reflect this, the ADM formula subtracts 80% of the JVS student count from a district's total ADM. Likewise, only 50% of the kindergarten student count is included in ADM to reflect the traditional half-day kindergarten program offered in Ohio. Funding for all-day kindergarten programs is provided through poverty-based assistance to districts with above average concentrations of poor students. This funding is discussed in the categorical cost section. Following is the expression for computing the ADM used in the base cost formula.

ADM = Total Resident Student Count – 50% Kindergarten Count – 80% JVS Count
Annual ADM = 75% x October ADM + 25% x February ADM

In FY 2006, statewide school district ADM funded in Ohio totaled 1,710,297 students.

Base Funding Supplements

In addition to the basic inputs captured by the base cost formula amount, a number of supplements are provided 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 supplement for professional development is phased in at 25% in FY 2006 and 75% in FY 2007, while funding for the other supplements is fully implemented beginning in FY 2006. Table 5 shows the per pupil value of each supplement in FY 2006 and FY 2007.

Table 5: Base Funding Supplements Per Pupil, FY 2006 and FY 2007

Supplement Category	FY 2006	FY 2007	% Change, FY 2006- FY 2007
Academic Intervention Services	$25.00	$25.50	2.00%
Professional Development	$3.50	$10.73	206.57%
Data-Based Decision Making	$5.28	$5.40	2.27%
Professional Development – Data-Based Decision Making	$6.22	$6.36	2.25%
Total	**$40.00**	**$47.99**	**19.98%**

The supplement for academic intervention services provides funding to all districts to provide large group 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 in the categorical cost section. The supplement for large group academic intervention services provides 25 hours of intervention to each group of 20 students. It is calculated for each district according to the following formula. In FY 2006, the base funding supplement for large group academic intervention services totaled $42.8 million statewide.

Large Group Academic Intervention Services =
25 x ADM/20 x hourly rate
(Hourly rate equals $20.00 in FY 2006 and $20.40 in FY 2007)

The supplement for professional development provides an additional 4.5% of the formula amount for every teacher, assuming an overall student teacher ratio of 17:1. This supplement is calculated for each district according to the following formula. In FY 2006, the base funding supplement for professional development totaled $6.0 million statewide.

Professional Development =
0.045 x Formula Amount x ADM/17 x Phase-in %
(Phase-in % equals 25% in FY 2006 and 75% in FY 2007)

The supplement for data-based decision making provides an additional 0.1% of the formula amount for each student. This supplement is calculated for each district according to the following formula. In FY 2006, the base funding supplement for data-based decision making totaled $9.0 million statewide.

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

The supplement for professional development regarding data-based decision making provides an additional 8.0% of the formula amount for 20% of teachers assuming a student teacher ratio of 17:1, and for each principal assuming a student principal ratio of 340:1. This supplement is calculated for each district according to the following formula. In FY 2006, the base funding supplement for professional development regarding data-based decision making totaled $10.6 million statewide.

Professional Development for Data-Based Decision Making =
0.2 x ADM/17 x 0.08 x Formula Amount
+ ADM/340 x 0.08 x Formula Amount

Total Base Cost

The total base cost for each district is calculated by multiplying the district's per pupil base cost (adjusted for the CDBF) by the district's ADM and then adding the district's base funding supplements for large group intervention, professional development, data-based decision making, and professional development for data-based decision making. This is summarized in the following formula. In FY 2006, the school district total base cost was about $9,373.6 million statewide.

Total Base Cost =
(Base Cost Formula Amount x CDBF x ADM)
+ Base Funding Supplements

The following is an example of the base cost calculation for a hypothetical district, District A. District A's student counts are given below.

District A's Student Counts for FY 2007		
Student Counts	**October Count**	**February Count**
Total Student Count	1,000	980
Kindergarten Count	80	80
JVS Count	30	30

From this information District A's ADM can be calculated as follows:

ADM October = 1,000 – (0.5 x 80) – (0.8 x 30) = 936
ADM February = 980 – (0.5 x 80) – (0.8 x 30) = 916
Annual ADM for FY 2007 = (0.75 x 936) + (0.25 x 917) = 931

With this annual ADM amount, District A's base funding supplements for FY 2007 can be calculated as follows:

District A's Large Group Academic Intervention Services for FY 2007 =
25 x ADM/20 x hourly rate =
25 x (931/20) x $20.40 = $23,741

District A's Professional Development for FY 2007 =
0.045 x Formula Amount x ADM/17 x Phase-in % =
0.045 x $5,403 x (931/17) x 0.75 = $9,986

District A's Data-Based Decision Making for FY 2007 =
0.001 x Formula Amount x ADM =
0.001 x $5,403 x 931 = $5,030

District A's Professional Development for Data-Based Decision Making for FY 2007 =
(0.2 x ADM/17 x 0.08 x Formula Amount) + (ADM/340 x 0.08 x Formula Amount) =
(0.2 x (931/17) x 0.08 x $5,403) + ((931/340) x 0.08 x $5,403) = $4,734 + $1,184 = $5,918

Assuming that District A has a CDBF of 1.012, District A's total base cost can be calculated as follows:

District A's Total Base Cost for FY 2007 =
(Base Cost Formula Amount x CDBF x ADM) + Base Funding Supplements =
($5,403 x 1.012 x 931) + $23,741 + $9,986 + $5,030 + $5,919 = $5,135,230

Base Cost – Distribution of State Funds

After determining the state-defined base cost as described above, the state's second challenge is to determine how to distribute state funding to school districts in order to ensure that they are all able to meet this state-defined base cost with a combination of state and local revenue. As seen previously, the amount of local revenue the district raises is dependent, largely, on the property wealth of the district. The amount of revenue generated by a one-mill property tax levy varies from about $50 per student in some low wealth districts to more than $200 per student in some high wealth districts. The base cost formula neutralizes the effect of these different levels of property wealth on school districts' abilities to fund the base cost. This is accomplished by basing the local share of the base cost on a uniform 23 mills of local property tax levies, as measured by multiplying each district's total taxable property value (recognized valuation) by 0.023. After the local share is met, the state makes up the difference. Therefore, the base cost funding formula creates an inverse relationship between the state share of base cost funding for a district and that district's per pupil taxable property value. Generally, districts with relatively lower wealth receive a relatively higher share of base cost funding from the state. The effect of this type of formula is often called equalization. That is, the formula equalizes the amount of per pupil revenues (both state and local) generated by the first 23 mills of property taxes levied in each school

district in Ohio. Specifically, the state ensures that the first 23 mills of property tax levies in each school district raises, through a combination of local revenue and state base cost funding, the base cost formula amount ($5,403 in FY 2007) with the CDBF adjustment plus the base funding supplements for every student in the state. The expression for the base cost funding formula is given in Table 6. In FY 2006, state base cost funding for school districts totaled approximately $4,264.2 million.

Table 6: Base Cost Funding Formula
Total Base Cost = Local Share + State Share
Local Share = Total Recognized Valuation x 0.023
State Share = Total Base Cost – Local Share

Recognized Valuation

As can be seen in Table 6, the local share of the base cost is based on the "recognized valuation." Taxable property value in Ohio is divided into four major categories: (1) Class I real property (residential and agricultural real property), (2) Class II real property (commercial, industrial, and mineral real property), (3) public utility tangible personal property; and (4) general business tangible personal property (which is being phased out and will be completely eliminated by TY 2012). Real property values are updated every three years and reappraised every six years in Ohio mainly to account for inflationary increases. As a result, in the reappraisal and update years, school districts generally will experience significant increases in real property value, which will significantly increase the districts' local shares of the base cost and, therefore, decrease their state shares. To prevent a school district's state base cost funding from fluctuating significantly from one year to another because of reappraisals and updates, valuation used in calculating a district's local share of the base cost "recognizes" the district's inflationary increase in carryover real property (property that was taxed in the year before) in the reappraisal or update year evenly over three-years instead of all at once. So, if a district experiences a 15% inflationary increase in real property in a reappraisal year, recognized valuation only recognizes a 5% increase in that year, 10% increase in the following year, and the full 15% increase in the third year. Recognized valuation is calculated as follows:

Recognized Valuation in Update or Reappraisal Year = Actual Valuation – 2/3 x Inflationary Increase
Recognized Valuation in Second Year = Actual Valuation – 1/3 x Inflationary Increase
Recognized Valuation in Third Year = Actual Valuation

Returning to the hypothetical school district, District A, and assuming District A had a reappraisal in TY 2005, its real property inflationary increase from TY 2004 to TY 2005 was $6.0 million, and its actual value in TY 2005 is $120.0 million. District A's recognized valuation for TY 2005 can be calculated as follows:

Recognized Valuation in Update or Reappraisal Year = Actual Valuation – 2/3 x Inflationary Increase
District A's Recognized Valuation in TY 2005 = $120,000,000 – 2/3 x $6,000,000 = $116,000,000

In TY 2006, one-third of the $6.0 million inflationary increase would be subtracted from District A's actual valuation to calculate recognized valuation and in TY 2007, District A's recognized valuation would be equal to its actual valuation. In TY 2008, District A's taxable real property value will undergo an update and again two-thirds of the inflationary increase will be subtracted from its actual valuation to calculate its recognized valuation. Tax years are from January 1 to December 31, whereas fiscal years are from July 1 to June 30. In addition, most property taxes for a given tax year are paid in the following tax year. As a result of these two factors, recognized valuation for a given tax year is used

in the base cost formula for the fiscal year two years after that tax year. For example, the recognized value for TY 2005 is used in the base cost formula for FY 2007 funding purposes. In TY 2004 (FY 2006), actual school district taxable value statewide was $234.7 billion, whereas recognized value was $231.6 billion, a difference of $3.1 billion. In FY 2006, therefore, recognized valuation reduced the local share and, accordingly, increased the state share of base cost funding statewide by about $71.3 million ($3.1 billion x 0.023). The fiscal effect of recognized valuation varies from one year to another since the proportion of real property going through reappraisal or update varies from one year to another. On average, over a full six-year reappraisal and update cycle, recognized value lowers the local share and, accordingly, increases the state share of base cost funding by approximately $125 million per year.

Charge-off Rate

The local share of the base cost is also called the charge-off and the millage rate (23 mills or 2.3%) that is applied to recognized valuation to obtain the local share is called the charge-off rate. In TY 2005, statewide school district operating revenue was approximately 33.1 mills of statewide total taxable property value. At the 23-mill charge-off, the base cost formula equalizes about 69.5% (23/33.1) of local operating revenue. A higher charge-off rate equalizes a higher percentage of local operating revenue and a lower charge-off rate equalizes a lower percentage of local operating revenue.

Local Share of the Base Cost

The local share or charge-off is a fixed amount of revenue regardless of a district's enrollment. The current charge-off method generates charge-off amounts that exhibit an upward linear straight line relationship with each district's recognized valuation per pupil. That is, a school district with a higher per pupil valuation will also have a higher per pupil charge-off amount (see Chart 6).

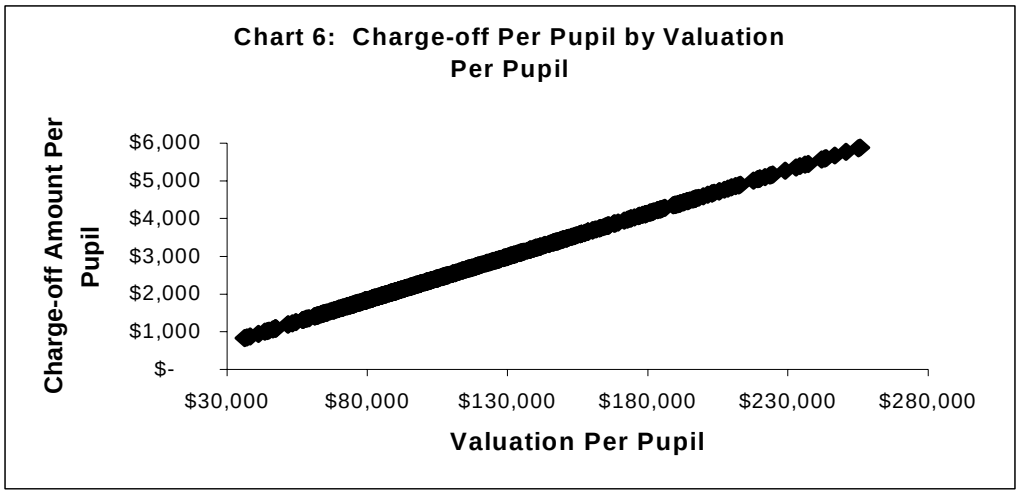


Table 7 computes the local share and state share for the hypothetical District A, as well as two other hypothetical districts that are identical to District A except for their property wealth. District A's recognized valuation per pupil in FY 2007 is $124,597, District B's is $59,955, and District C's is $179,864. The local share for each of the three districts is calculated in line 6 of the table by multiplying the district's recognized valuation by 23 mills (0.023). District A's local share is $2.7 million, District B's is $1.3 million, and District C's is $3.9 million. Since these districts have the same ADM and the same

CDBF, their total base cost is the same. The state share for each of the three districts is calculated in line 7 of the table by subtracting each district's local share from its total base cost. Line 8 and line 9 show the local share percentage (the percentage of the base cost funded by the district) and the state share percentage (the percentage of the base cost funded by the state), respectively.

Table 7: The Base Cost Funding Formula

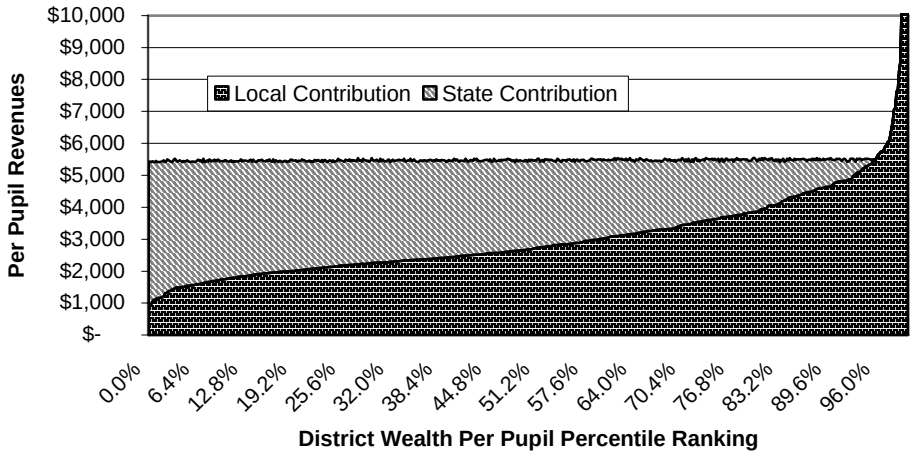
		District A	District B	District C
Line 1	ADM	931	931	931
Line 2	CDBF	1.012	1.012	1.012
Line 3	Total Base Cost	$5,135,230	$5,135,230	$5,135,230
Line 4	Recognized Valuation	$116,000,000	$55,817,717	$167,453,152
Line 5 = L4/L1	Recognized Valuation Per Pupil	$124,597	$59,955	$179,864
Line 6 = L4*0.023	Local Share	$2,668,000	$1,283,808	$3,851,423
Line 7 = L3-L6	State Share	$2,467,230	$3,851,423	$1,283,808
Line 8 = L6/L3	Local Share Percentage	52%	25%	75%
Line 9 = L7/L3	State Share Percentage	48%	75%	25%

The equalization effect of the base cost funding formula is evident from this example as the highest wealth district, District C, has the highest local share percentage (75%) and the lowest state share percentage (25%), whereas the lowest wealth district, District B, has the lowest local share percentage (25%) and the highest state share percentage (75%). District A is in the middle of the two. In FY 2006, recognized valuation per pupil statewide was about $135,000. It ranged from less than $50,000 for the 13 lowest wealth districts to more than $300,000 for the 13 highest wealth districts. The state share percentage of the base cost for that year was 45.5% statewide and ranged from 0% to more than 90%.

Equalization Level

In FY 2007, with a base cost formula amount of $5,403, a 2.5% CDBF range, and $47.99 per pupil in base funding supplements, the base cost funding formula equalizes per pupil valuation up to a range of $237,000 (($5,403 + $47.99)/0.023) to $242,872 ((($5,403 x 1.025) + $47.99)/0.023) depending on each district's countywide CDBF. This per pupil valuation range is called the equalization level,

Chart 7: State and Local Per Pupil Revenue with 23 Mills of Local Property Taxes



which represents the 96th percentile ranking in valuation per pupil in the state. School districts with valuations per pupil above the equalization level (approximately 27 districts or 4.4% of all districts) have a state share equal to zero. Chart 7 shows state base cost funding per pupil and local revenue per pupil with 23 mills of local property taxes based on each district's wealth per pupil percentile ranking. This chart demonstrates the equalization effect of the base cost funding formula for all districts below the 96th percentile in wealth per pupil. With 23 mills of local property taxes, each district below the 96th percentile receives from $5,403 to $5,538 per pupil in base cost funding from the combination of state and local revenue.

The Marginal Student Effect

As is clear from the formula, the local share is dependent only on the charge-off rate and the district's total recognized valuation. The state share, on the other hand, is dependent on the district's total base cost as well as the district's local share. The district's total base cost in turn is dependent on the district's ADM and the base cost formula amount as determined by the General Assembly. Therefore, a district's local share does not change when a district's ADM changes; only its state share changes. This is important because, while a district's average state base cost funding is a useful indicator of the district's wealth, when considering how state base cost funding changes when a district's ADM changes, one cannot look at the district's average state base cost funding per pupil, but must look at the district's marginal state base cost funding per pupil.

Table 8 illustrates the marginal student effect for the hypothetical district, District A. As can be seen from the table, although District A's state share per pupil (average) is initially $2,650, District A's state base cost funding increases by $5,516 for each student that is added to its 931 ADM. Conversely, District A's state base cost funding would decrease by $5,516 for each student that is subtracted from its 931 ADM. This marginal student funding amount for FY 2007 is equal to the total base cost per pupil for District A (base cost formula amount x CDBF + base funding supplements per pupil = ($5,403 x 1.012) + $47.99 = $5,516). A district's state share per pupil (average) changes when the district's ADM changes. As seen in Table 8, District A's state share per pupil increases from $2,650 to $2,653 when its ADM increases from 931 to 932 students.

Table 8: The Marginal Student Effect – District A Example
Local Share @ 23 Mills = $2,668,000
Total Base Cost (ADM = 931) = $5,135,230
State Share (ADM = 931) = $2,467,230
State Share Per Pupil (ADM = 931) = $2,467,230/931 = $2,650
Total Base Cost (ADM = 932) = $5,140,746
State Share (ADM = 932) = $2,472,746
Difference in Local Share when ADM Increases by One Student = 0
Difference in State Share when ADM Increases by One Student = $5,516
State Share Per Pupil (ADM = 932) = $2,467,230/932 = $2,653

Special and Career-Technical Education and Transportation Cost: State Model Amount

The base cost is the cornerstone of the state education funding model. However, funding for a flat per pupil base cost will not ensure a similar education for every student in every district since students have different needs and districts face different challenges. The current school funding model includes a series of adjustments to the base cost to account for individual districts' unique characteristics. One such adjustment, the cost-of-doing-business factor (CDBF) was discussed in the base cost section because it is

incorporated into the base cost. Three other adjustments are discussed in this and the following sections; they are for special education, career-technical education, and pupil transportation. Following this discussion, the adjustments made for gifted and disadvantaged students will be covered. As with the base cost, the state must first model the amounts of these categorical costs and then determine how to distribute state funding to school districts.

Special education weighted cost

Am. Sub. H.B. 94 of the 124th General Assembly 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 based on their disabilities and assigned additional weights to reflect the higher costs required by special education services (Table 9). This six-weight system was phased in at 90% from FY 2005 to FY 2007.

Table 9: Special Education Additional Weight Categories	
Category One:	**0.2892** – Speech only
Category Two:	**0.3691** – Specific learning disabled, developmentally handicapped, other health – minor
Category Three:	**1.7695** – Hearing impaired, vision impaired, severe behavior handicapped
Category Four:	**2.3646** – Orthopedically handicapped, other health – major
Category Five:	**3.1129** – Multi-handicapped
Category Six:	**4.7342** – Autism, traumatic brain injury, both visually and hearing disabled

Each special education student is counted in the district's ADM as one student for the purposes of calculating the total base cost for the district. Each district's ADM is also broken down by each special education category. The ADM for each category is multiplied by the corresponding weight to get the weighted ADM for each category. These weighted ADMs are added together for a total weighted ADM. The total weighted ADM is then multiplied by the base cost formula amount to arrive at the district's special education additional weighted cost. This calculation is summarized below.

Special Education Weighted ADM =
Category 1 ADM x 0.2892 + Category 2 ADM x 0.3691 + Category 3 ADM x 1.7695 +
Category 4 ADM x 2.3646 + Category 5 ADM x 3.1129 + Category 6 ADM x 4.7342

Special Education Weighted Cost =
Special Education Weighted ADM x Base Cost Formula Amount x Phase-in %
(Phase-in % = 90% in FY 2006 and FY 2007)

The following calculations continue the example of the hypothetical District A from the base cost sections. The table below shows District A's assumed ADMs for each of the six special education categories and the calculation of District A's total weighted ADM.

District A's Special Education ADM for FY 2007			
Categories	**ADM**	**Weighted ADM**	
One	17	17 x 0.2892 =	4.9
Two	82	82 x 0.3691 =	30.3
Three	11	11 x 1.7695 =	19.5
Four	0	0 x 2.3646 =	0
Five	0	0 x 3.1129 =	0
Six	5	5 x 4.7342 =	23.7
Total	**--**		**78.4**

District A's total special education weighted ADM is multiplied by the base cost formula amount to obtain the following special education weighted cost in FY 2007.

District A's Special Education Weighted Cost for FY 2007 =
Special Education Weighted ADM x Base Cost Formula Amount x Phase-in % =
78.4 x $5,403 x 90% = $381,236

Speech service personnel supplemental cost

In addition to the special education weighted cost, the state model includes a supplemental cost for speech service personnel. This cost is calculated as a $30,000 personnel allowance for every 2,000 students in a district's ADM. This calculation is given below.

Speech Service Personnel Supplemental Cost =
(ADM/2,000) x $30,000

For the hypothetical District A this cost is calculated as follows.

District A's Speech Service Personnel Supplemental Cost for FY 2007 =
(ADM/2,000) x $30,000 =
931/2000 x $30,000 = $13,965

Career-technical education weighted cost

As are special education students, career-technical education students are assigned additional weights above the base cost to cover the higher costs of career-technical education services. Largely based on ODE's recommendations, the additional weight is 0.57 for a career-technical student enrolled in a workforce development program and 0.28 for a career-technical student enrolled in all other career-technical education programs. Every career-technical student also receives a weight of 0.05 for associated services (Table 10).

Table 10: Career-Technical Education Additional Weight Categories
Workforce Development Program Weight: 0.57
Nonworkforce Development Program Weight: 0.28
All Career-Technical Education Program Associated Service Weight: 0.05

While special education weights apply to special education ADM, the weight for a career-technical education student is based on the time the student spends in career-technical education courses (career-technical education FTE). Typically, a student enrolled in workforce development programs 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 purposes 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. 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.

The FTE for each category is multiplied by the corresponding weight to get the weighted FTE for each category. These weighted FTEs are added together for a total weighted FTE. The total weighted FTE is then multiplied by the base cost formula amount to arrive at the district's career-technical education additional weighted cost. This calculation is summarized below.

Career-Technical Education Weighted FTE =
Workforce Development FTE x 0.57 + Nonworkforce Development FTE x 0.28 +
Total Career-Technical FTE x 0.005

Career-Technical Education Weighted Cost =
Career-Technical Education Weighted FTE x Base Cost Formula Amount

The following calculations continue the example of the hypothetical District A. The table below shows District A's assumed FTEs for each of the two career-technical education categories and the calculation of District A's total weighted FTE.

District A's Career-Technical Education FTE for FY 2007			
Categories	**FTE**	**Weighted FTE**	
Workforce development	10	10 x 0.57 =	5.7
Nonworkforce development	8	8 x 0.28 =	2.2
Associated service	10 + 8 = 18	18 x 0.005 =	0.1
Total	**--**	**--**	**8.0**

District A's total career-technical education weighted FTE is multiplied by the base cost formula amount to obtain the following career-technical education weighted cost in FY 2007.

District A's Career-Technical Education Weighted Cost for FY 2007 =
Career-Technical Education Weighted FTE x Base Cost Formula Amount =
8.0 x $5,403 = $43,224

It should be noted that the funding for associated services would eventually be 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 (JVSDs). JVSDs are funded through a separate but comparable formula that is discussed below.

GRADS teacher supplemental cost

In addition to career-technical education weighted costs, the state model includes the cost of up to 225 FTE GRADS (Graduation, Reality, and Dual-role Skills) teachers approved by ODE. The state model multiplies each GRADS FTE teacher by a personnel allowance equal to $47,555. Most GRADS teachers are currently employed by JVSDs. This calculation is shown below.

GRADS Teacher Supplemental Cost for FY 2007 =
$47,555 x Approved GRADS Teacher FTE(s)

Assuming the hypothetical District A has 0.5 FTE approved GRADS teachers, its GRADS teacher supplemental cost for FY 2007 is as calculated below.

District A's GRADS Teacher Supplemental Cost for FY 2007 =
$47,555 x Approved GRADS Teacher FTE(s) =
$47,555 x 0.5 = $23,778

Pupil Transportation

Am. Sub. H.B. 66 of the 126th General Assembly suspended the application of the state model and distribution formula for pupil transportation in FY 2006 and FY 2007. It provided school districts receiving state pupil transportation funding in FY 2005 an annual increase of 2% in FY 2006 and FY 2007. It also required ODE to recommend a new formula. This section describes the transportation formula as it currently exists in state law.

Transportation costs are partly under the control of school districts and partly outside of their control. The number of students who are required to be 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, the state has used a statistical regression model to determine the amount of funding for regular pupil transportation in an attempt to promote efficiency. In particular, the model is based on a statewide analysis of each district's daily bus mileage per ADM, percentage of pupils transported, and transportation costs. The data analysis yields a simple algebraic equation that can be used to model the transportation cost per ADM for each district. Since the analysis is based on the previous year's data this model cost is inflated by 2.8%. An example of this calculation is given below using data from FY 2004. Based on FY 2004 data, the model predicted a total statewide cost of approximately $560.3 million for FY 2005, representing about 92.6% of the actual pupil transportation costs statewide reported by school districts for that year.

Pupil Transportation Cost Model
Step 1: Model Cost per ADM = $81.37 + $213.77 x Daily Miles per ADM + $152.98 x Transported Pupil %
Step 2: Total Model Cost = Model Cost per ADM x ADM
Step 3: Inflated Model Cost = Total Model Cost x 1.028

The regression model includes funding only 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 purposes of showing how the model normally works, the hypothetical District A's model cost for FY 2005 is calculated below. Assume that in FY 2004 District A transported 50% of its students at an average of 1.0 mile per ADM.

District A's Pupil Transportation Model Cost for FY 2005
Step 1: Model Cost per ADM = $81.37 + ($213.77 x Daily Miles per ADM) + ($152.98 x Transported Pupil %)
District A's Model Cost per ADM = $81.37 + ($213.77 x 1.0) + ($152.98 x 50%) = $371.63
Step 2: Total Model Cost = Model Cost per ADM x ADM
District A's Total Model Cost (FY 2004) = $371.63 x 931 = $345,988
Step 3: Inflated Model Cost = Total Model Cost x 1.028
District A's Inflated Model Cost (FY 2005) = $345,988 x 1.028 = $355,675

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. A district's density (total ADM per square mile) can be used to minimize this data limitation. Generally, 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 formula 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 11: 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 2005, the rough road subsidy totaled about $3.3 million, and was distributed to 108 school districts. The rough road subsidy ranges from less than $1 to about $160 per transported pupil.

Special and Career-Technical Education and Transportation: Distribution of State Funds

State funding for special and career-technical education as well as for transportation is distributed based on each district's state share percentage of base cost funding. As demonstrated in the previous sections on base cost funding, the state share percentage of base cost funding is calculated by dividing the state share of base cost funding for each district by the total base cost for that district. This percentage ranges from zero for some very wealthy districts to approximately 90% for some very low wealth districts. For special and career-technical education, state funding is determined by multiplying the special education weighted costs, the speech supplement, the career-technical education weighted costs, and GRADS costs by the district's state share percentage of base cost funding. A similar calculation had been made for transportation funding, except that for transportation the state provided a minimum of 60% of the modeled cost. These calculations are shown below.

Additional State Funding for Special Education =
(Special Education Weighted Cost + Speech Supplement) x State Share Percentage

Additional State Funding for Career-Technical Education =
(Career-Technical Education Weighted Cost + GRADS Supplement Cost) x State Share Percentage

Additional State Funding for Transportation =
Transportation Model Cost x (Maximum of 60% or State Share Percentage) + Rough Road Supplement

In FY 2006 for the 612 school districts, additional state funding for special education totaled about $411.2 million, for career-technical education totaled about $51.8 million, and for transportation totaled about $352.6 million.

The hypothetical District A's additional state funding for special and career-technical education is calculated as follows;

District A's State Funding for Special Education for FY 2007 =
(Special Education Weighted Cost + Speech Supplement) x State Share Percentage
($381,236 + $13,965) x 48% = $189,875

District A's State Funding for Career-Technical Education for FY 2007 =
(Career-Technical Education Weighted Cost + GRADS Supplement Cost) x State Share Percentage
($43,224 + $23,778) x 48% = $32,191

The hypothetical District A's additional state funding for transportation in FY 2005 as well as the two percent increases mandated for FY 2006 and FY 2007 by H.B. 66 are calculated as follows.

District A's State Funding for Transportation for FY 2005 =
Transportation Model Cost x (Maximum of 60% or State Share Percentage) + Rough Road Supplement
$355,675 x 60% + $0 = $213,405
District A's State Funding for Transportation for FY 2006 = $213,405 x 1.02 = $217,673
District A's State Funding for Transportation for FY 2007 = $217,673 x 1.02 = $222,026

Poverty-Based Assistance: State Model Amount and Distribution of State Funds

Another categorical cost is that incurred by districts with disadvantaged students. These students may come to school under-prepared and need extra time in kindergarten, extra attention in the lower grades, and an increased level and intensity of intervention throughout their school careers. School districts with high concentrations of disadvantaged students may need to offer more teacher professional development and major urban districts may need to provide more community outreach and more dropout prevention programs. In addition, the combination of high concentrations of disadvantaged students and limited English proficient (LEP) students may further result in higher costs for districts. The state uses poverty students as a proxy for disadvantaged students. Studies have shown that poverty students perform less well in school than their peers from middle and high income families. Poverty-based assistance is designed to help districts with high concentrations of students living in poverty meet the additional needs of these students. The state model amount and the distribution of state funds are discussed together because poverty-based assistance is fully funded by the state.

Poverty-based assistance consists of seven programs: all-day kindergarten, K-3 class size reduction, intervention, LEP intervention, professional development, community outreach, and dropout prevention. While the first three programs are fully funded in FY 2007, funding for the other four programs is being phased in; they are funded at the 70% level in FY 2007. Funding eligibility for each of the seven programs is based on a district's poverty index, which is equal to the percentage of students in the district who are living in poverty divided by the percentage of students in the state who are living in poverty, where poverty is defined as being from families who participate in Ohio Works First (OWF). However, with the exception of a portion of intervention funding, funding amounts for all programs are based on a district's ADM, not on the district's number of poverty students.

A poverty index of 1.0 means that the district has an average concentration of poverty students. Higher indices indicate a greater concentration and lower indices indicate a lower concentration. The poverty index calculation is shown below.

Poverty 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 Ohio Works First)

The state percentage of OWF students in FY 2007 is approximately 5.0%. Assuming the hypothetical District A has an OWF percentage of 7.5%, District A's poverty index is 1.5 as shown below.

District A's Poverty index for FY 2007 =
% of students in district who are living in poverty / % of students in the state who are living in poverty =
7.5% / 5.0% = 1.5

All-Day Kindergarten Funding

School districts with a poverty index of at least one 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 shown below:

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 poverty 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. In FY 2006, all-day kindergarten funding totaled about $116.9 million statewide. If each eligible district had provided all-day kindergarten to all of their kindergarten students, funding in FY 2006 would have totaled approximately $126.1 million.

Since the hypothetical District A has a poverty index greater than 1.0, it would be eligible for all-day kindergarten funding. Assuming District A provides all-day kindergarten to all of its kindergarten students, its funding would be calculated as follows:

District A's All-day Kindergarten Funding for FY 2007 =
Kindergarten ADM x 50% x Formula amount x Actual all-day kindergarten percentage
80 x 50% x $5,403 x 100% = $216,120

K-3 Class Size Reduction

This 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. It is assumed that the current student teacher ratio in these grades is 20:1. As with all-day kindergarten funding, a district is eligible for this funding if its poverty index is greater than 1.0. Districts with indices at or above 1.5 receive funding to reduce teacher student ratios from 20:1 all the way to 15:1. Districts with poverty indices from 1.0 to 1.5 are provided funding on a sliding scale. The salary allowance funded for each additional teacher is equal to the base teacher compensation: $53,680 in FY 2006 and $54,941 in FY 2007. The following table summarizes the calculations for the class size reduction program. In FY 2006, class size reduction funding totaled about $120.7 million statewide.

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 (Step 3) x Teacher Salary Allowance
(Teacher Salary Allowance = $53,680 in FY 2006 and $54,941 in FY 2007)

Assuming the hypothetical District A's kindergarten through third grade regular student ADM is 300, District A's class size reduction calculation is given below.

District A's K-3 Class Size Reduction Funding for FY 2007
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
District A's total needed teachers = 300/15 = 20
Step 2: Total assumed current available teachers = (K-3 regular ADM)/20
District A's total assumed current available teachers = 300/20 = 15
Step 3: Total needed new teachers = Total needed teachers (Step 1) – Total assumed current available teachers (Step 2)
District A's total needed new teachers = 20 – 15 = 5
Step 4: Total K-3 class size reduction funding = Total needed new teachers (Step 3) x Teacher Salary Allowance
District A's total class size reduction funding = 5 x $54,941 = $274,705

Intervention

Districts with indices greater than 0.25 are eligible for additional state funding for intervention beyond what is provided through base cost funding. There is a three-tier calculation for intervention funding that was phased in at 60% in FY 2006 and paid at 100% in FY 2007. The three tiers are as follows:

(1) Tier 1: Large group intervention for all students
   (a) 20:1 student to teacher ratio
   (b) Districts with indices greater than 0.75 receive 25 hours in each fiscal year
   (c) Districts with indices between 0.25 and 0.75 receive up to 25 hours on a sliding scale

(2) Tier 2: Medium group intervention for all students
   (a) 15:1 student to teacher ratio
   (b) Districts with indices greater than 1.5 receive 50 hours in each fiscal year
   (c) Districts with indices between 0.75 and 1.5 receive 25 to 50 hours on a sliding scale

(3) Tier 3: Small group intervention for three times the number of poverty students
   (a) 10:1 student to teacher ratio
   (b) Districts with indices greater than 2.5 receive 160 hours in each fiscal year
   (c) Districts with indices between 1.5 and 2.5 receive 25 to 160 hours on a sliding scale

The total number of intervention hours funded for each district is equal to the sum of the hours calculated under each tier. Each hour of intervention is funded at $20.00 in FY 2006 and $20.40 in FY 2007. These calculations are summarized below. In FY 2006, poverty-based intervention funding totaled about $68.6 million statewide.

Intervention Funding
Tier 1
If the district's poverty index is greater than or equal to 0.75:
Tier 1 hours = (formula ADM/20) x 25
If the district's poverty index is at least 0.25 but less than 0.75:
Tier 1 hours = (formula ADM/20) x (poverty index – 0.25)/0.5 x 25
Tier 2
If the district's poverty index is greater than or equal to 1.5:
Tier 2 hours = (formula ADM/15) x 50
If the district's poverty index is at least 0.75 but less than 1.5:
Tier 2 hours = (formula ADM/15) x (25 + (poverty index – 0.75)/0.75 x 25)
Tier 3
If the district's poverty index is greater than or equal to 2.5:
Tier 3 hours = ((poverty students x 3)/10) x 160
If the district's poverty index is at least 1.5 but less than 2.5:
Tier 3 hours = ((poverty students x 3)/10) x (25 + (poverty index – 1.5) x 135)
Total Hours = (Tier 1 + Tier 2 + Tier 3)
Total Funding = Total Hours x Hourly Rate x Phase-in percentage
Hourly Rate = $20.00 in FY 2006 and $20.40 in FY 2007
(Phase-in percentage = 60% in FY 2006 and 100% in FY 2007)

Assuming the hypothetical District A has 70 poverty students and a poverty index of 1.5, this calculation is as follows:

District A's Intervention Funding for FY 2007
Tier 1
If the district's poverty index is greater than or equal to 0.75:
Tier 1 hours = (formula ADM/20) x 25
District A's Tier 1 hours = 931/20 x 25 = 1,164 hours
Tier 2
If the district's poverty index is greater than or equal to 1.5:
Tier 2 hours = (formula ADM/15) x 50
District A's Tier 2 hours = 931/15 x 50 = 3,103 hours
Tier 3
If the district's poverty index is at least 1.5 but less than 2.5:
Tier 3 hours = ((poverty students x 3)/10) x (25 + (poverty index – 1.5) x 135)
District A's Tier 3 hours = (70 x 3)/10 x (25 + (1.5 – 1.5) x 135) = 210/10 x (25 + 0) = 21 x 25 = 525
Total Hours = (Tier 1 + Tier 2 + Tier 3)
District A's total hours = 1,164 + 3,103 + 525 = 4,792
Total Funding = Total Hours x Hourly Rate x Phase-in percentage
District A's total funding = 4,792 x $20.40 x 100% = $97,757

In general, districts with poverty indices above 0.25 receive up to $15.00 per student in FY 2006 and up to $25.50 per student in FY 2007 for the first tier. Districts with poverty indices above 0.75 receive from $20.00 to $40.00 per student in FY 2006 and from $43.00 to $68.00 per student in FY 2007

for the second tier. Finally, districts with poverty indices above 1.5 receive from $90.00 to $576.00 per poverty student in FY 2006 and from $153.00 to $979.20 per poverty student in FY 2007 for the third tier. Districts with indices above 2.5 receive the maximum amount of intervention funding, which equals $55.00 per pupil plus $576.00 per poverty pupil in FY 2006 and $93.50 per pupil plus $979.20 per poverty pupil in FY 2007. In addition to this funding provided to districts with poverty indices greater than 0.25, all districts receive 25 hours of large group intervention through the base funding supplement described above ($25.00 per student in FY 2006 and $25.50 per student in FY 2007). The total funding for intervention is summarized in Tables 12 and 13.

Table 12: Intervention Funding in FY 2006, Based on Poverty Indices

Poverty Index Ranges	Base Funding Supplement	Tier 1 Per Pupil	Tier 2 Per Pupil	Total Per Pupil	Tier 3 Per Poverty Pupil
0 to 0.25	$25.00	---	---	$25.00	---
0.25 to 0.75	$25.00	$0.00 to $15.00	---	$25.00 to $40.00	---
0.75 to 1.5	$25.00	$15.00	$20.00 to $40.00	$60.00 to $80.00	---
1.5 to 2.5	$25.00	$15.00	$40.00	$80.00	$90.00 to $576.00
Above 2.5	$25.00	$15.00	$40.00	$80.00	$576.00

Table 13: Intervention Funding in FY 2007, Based on Poverty Indices

Poverty Index Ranges	Base Funding Supplement	Tier 1 Per Pupil	Tier 2 Per Pupil	Total Per Pupil	Tier 3 Per Poverty Pupil
0 to 0.25	$25.50	---	---	$25.50	---
0.25 to 0.75	$25.50	$0.00 to $25.50	---	$25.50 to $51.00	---
0.75 to 1.5	$25.50	$25.50	$34.00 to $68.00	$85.00 to $119.00	---
1.5 to 2.5	$25.50	$25.50	$68.00	$119.00	$153.00 to $979.20
Above 2.5	$25.50	$25.50	$68.00	$119.00	$979.20

Limited English Proficient Student Intervention

This program 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 70% in FY 2007. For districts with indices greater than or equal to 1.75, funding equal to 25.0% of the formula amount is provided for each LEP student. Funding is provided on a sliding scale from 12.5% to 25.0% for districts with indices between 1.0 and 1.75. In FY 2006 and FY 2007 the percentage of LEP students that was reported on each district's local report card for the 2002-2003 school year was used as a basis for this funding. The calculations for this funding are summarized in the following table. In FY 2006, LEP student intervention funding totaled about $4.3 million statewide for ten school districts.

Limited English Proficient Funding
If the qualifying district's poverty index is greater than or equal to 1.75:
Per LEP student funding = formula amount x 0.25
If the qualifying district's poverty index is at least 1.0 but less than 1.75:
Per LEP student funding = formula amount x (0.125 + (poverty index – 1.0)/0.75 x 0.125)
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 70% in FY 2007)

Assuming the hypothetical District A has 25 LEP students and an LEP student percentage greater than 2.0%, the calculation for District A's LEP funding is given below.

District A's Limited English Proficient Funding for FY 2007
If the qualifying district's poverty index is at least 1.0 but less than 1.75:
Per LEP student funding = formula amount x (0.125 + (poverty index – 1.0)/0.75 x 0.125)
District A's per LEP student funding = $5,403 x (0.125 + (1.5 – 1)/0.75 x 0.125) = $5,403 x 0.208 = $1,124
Total Funding = Per LEP student funding x LEP student count x phase-in percentage
District A's total LEP funding = $1,124 x 25 x 70% = $19,670

In general, districts qualifying for this funding receive from $264 to $528 per LEP student in FY 2006 and from $473 to $946 per LEP student in FY 2007.

Teacher Professional Development

This program provides 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 17:1. For districts with poverty indices greater than or equal to 1.75, funding of 4.5% of the formula amount is provided per assumed teacher. Funding per teacher is provided to districts with indices between 1.0 and 1.75 on a sliding scale. This funding is phased in at 40% in FY 2006 and 70% in FY 2007. The calculation is given below. In FY 2006, poverty-based teacher professional development funding totaled about $2.3 million statewide.

Teacher Professional Development Funding
If the qualifying district's poverty index is greater than or equal to 1.75:
Per teacher funding = 0.045 x formula amount
If the qualifying district's poverty index is at least 1.0 but less than 1.75:
Per teacher funding = (poverty index – 1.0)/0.75 x (0.045 x formula amount)
Total Funding = Per teacher funding x Number of teachers x Phase-in percentage
(Number of teachers = formula ADM/17)
(Phase-in percentage = 40% in FY 2006 and 70% in FY 2007)

For the hypothetical District A, this funding for FY 2007 is calculated below.

District A's Teacher Professional Development Funding for FY 2007
If the qualifying district's poverty index is at least 1.0 but less than 1.75: **Per teacher funding = (poverty index – 1.0)/0.75 x (0.045 x formula amount)**
District A's per teacher funding = (1.5 – 1.0)/0.75 x (0.045 x $5,403) = $162
Total Funding = Per teacher funding x Number of teachers x Phase-in percentage
District A's total funding = $162 x (931/17) x 70% = $6,210

In general, districts qualifying for this funding receive up to $5.59 per student in FY 2006 and up to $10.01 per student in FY 2007. In addition to this funding provided to districts with poverty indices greater than 1.0, all districts receive an additional 4.5% of the formula amount per teacher through the professional development base funding supplement ($3.50 per student in FY 2006 and $10.73 per student in FY 2007), as well as 8.0% of the formula amount for 20% of teachers assuming a student teacher ratio of 17:1 and for each principal assuming a student principal ratio of 340:1 through the professional development for data-based decision-making base funding supplement ($6.22 per student in FY 2006 and $6.36 per student in FY 2007). The total funding for professional development is summarized in Tables 14 and 15.

Table 14: Professional Development Funding Per Pupil in FY 2006, Based on Poverty Indices

Poverty Index Ranges	Base Funding Supplement – Professional Development	Base Funding Supplement – Professional Development for Data-Based Decision Making	Poverty-Based Assistance	Total
0 to 1.0	$3.50	$6.22	---	$9.72
1.0 to 1.75	$3.50	$6.22	$ 0.00 to $5.59	$9.72 to $15.31
Above 1.75	$3.50	$6.22	$5.59	$15.31

Table 15: Professional Development Funding Per Pupil in FY 2007, Based on Poverty Indices

Poverty Index Ranges	Base Funding Supplement – Professional Development	Base Funding Supplement – Professional Development for Data-Based Decision Making	Poverty-Based Assistance	Total
0 to 1.0	$10.73	$6.36	---	$17.09
1.0 to 1.75	$10.73	$6.36	$ 0.00 to $10.01	$17.09 to $27.10
Above 1.75	$10.73	$6.36	$10.01	$27.10

Dropout Prevention

This program provides dropout prevention funding 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 70% in FY 2007. The calculation is given below. In FY 2006, dropout prevention funding totaled about $9.4 million for these big eight districts.

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 70% in FY 2007)

Assuming that the hypothetical District A is a big eight school district, District A's dropout prevention funding is calculated below.

District A's Dropout Prevention Funding for FY 2007=
0.005 x formula amount x poverty index x formula ADM x phase-in percentage =
0.005 x $5,403 X 1.5 X 931 X 70% = $26,409

Under this program, the big eight districts receive a per pupil amount equal to about $10.57 multiplied by their poverty indices in FY 2006 and about $18.91 multiplied by their poverty indices per student in FY 2007. Poverty indices for these districts range from about 2.8 to 4.3. Therefore, per pupil funding levels range from about $29.60 to $45.45 in FY 2006 and from about $52.95 to $81.31 in FY 2007.

Community Outreach

This program provides community outreach funding for 21 major urban districts (Urban 21). 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. 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 70% in FY 2007. The calculation is given below. In FY 2006, community outreach funding totaled about $11.2 million for these 21 major urban districts.

Community Outreach Funding =
0.005 x formula amount x poverty index x formula ADM x phase-in percentage
(Funding provided to the Urban 21 districts: Akron, Canton, Cincinnati, Cleveland, Cleveland Heights-University Heights, Columbus, Dayton, East Cleveland, Elyria, Euclid, Hamilton, Lima, Lorain, Mansfield, Middletown, Parma, South-Western, Springfield, Toledo, Warren, and Youngstown) (Phase-in percentage = 40% in FY 2006 and 70% in FY 2007)

Since the hypothetical District A is assumed to be one of the big eight districts, it is therefore an urban 21 district, District A's community outreach funding is calculated below.

District A's Community Outreach Funding for FY 2007 =
0.005 x formula amount x poverty index x formula ADM x phase-in percentage =
.005 x $5,403 x 1.5 x 931 x 70% = $26,409

The Urban 21 districts receive about $10.57 times their poverty indices per student in FY 2006 and about $18.91 times their poverty indices per student in FY 2007. Poverty indices for these districts range from about 0.4 to 4.3. Therefore, per pupil funding levels range from about $4.23 to $45.45 in FY 2006 and from about $7.56 to $81.31 in FY 2007.

Poverty-Based Assistance Summary

In FY 2006, the state provided approximately $370.2 million in poverty-based assistance to 396 school districts. Chart 8 shows poverty-based assistance per pupil in FY 2006 by each district's poverty index. The straight upward trend line shows that poverty-based assistance per pupil generally increases as districts' poverty indices increase.

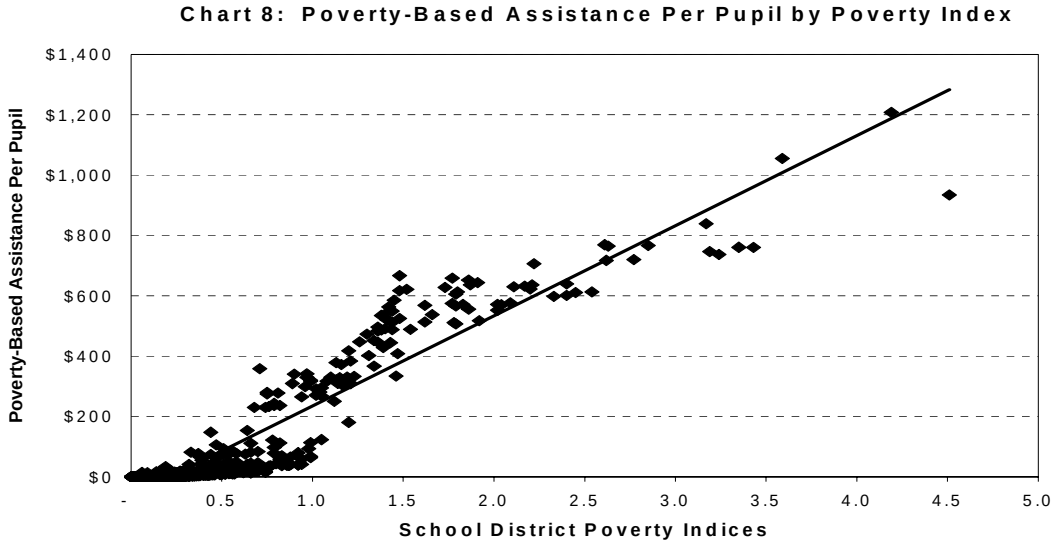


Table 16 presents the poverty-based assistance per pupil and the poverty index for the ten districts with the highest concentrations of poverty in the state. These ten districts receive about 62.4% of the total poverty-based assistance of $370.2 million in FY 2006. As can be seen from this table the large urban districts generally have the highest poverty indices although some small rural districts such as New Boston Local in Scioto County can also have high concentrations of poverty.

Table 16: Poverty-Based Assistance Per Pupil for Ten Districts with Highest Poverty Concentrations, FY 2006

District	County	FY 2006 ADM	FY 2006 Poverty Index	FY 2006 Poverty-Based Assistance Per Pupil
Youngstown City	Mahoning	11,133	4.51	$934
East Cleveland City	Cuyahoga	4,460	4.19	$1,208
Cleveland Municipal	Cuyahoga	66,878	3.59	$1,055
Steubenville City	Jefferson	1,952	3.43	$760
Dayton City	Montgomery	21,809	3.35	$7613
Toledo City	Lucas	35,303	3.24	$737
Cincinnati City	Hamilton	40,742	3.19	$747
New Boston Local	Scioto	293	3.17	$839
Columbus City	Franklin	61,586	2.85	$766
Akron City	Summit	29,397	2.77	$720

Gifted Education Cost: State Model Amount and Distribution of State Funds

The state provides funding for the additional costs associated with gifted education through unit funding, which is essentially a personnel based funding. As with poverty-based assistance, gifted unit funding is fully funded by the state. The state currently provides funding for up to 1,110 gifted units approved by ODE. The state model multiplies each approved gifted unit by a classroom allowance equal to $2,678, a supplemental unit allowance equal to $5,241, a salary allowance that is based on the state minimum teacher salary schedule prescribed by law as it existed prior to FY 2002, and a fringe benefit allowance that is 15% of the salary allowance. This calculation is shown below.

Gifted Education Unit Cost =
Approved Number of Units x [Salary Allowance + 15% Fringe Benefits + Classroom Allowance ($2,678) +
Supplemental Unit Allowance ($5,241)]

Only about half of the supplemental unit allowance of gifted unit funding is equalized based on the districts state share percentage. This equalization is shown below. For the state as a whole this comes out to about $5,241 per unit. In FY 2006, gifted education unit funding totaled about $33.4 million statewide.

State funding for the supplemental unit allowance =
$5,251 x 50% + $5,550 x (District's state share percentage)

Applying this calculation to the hypothetical District A results in the following state funding for the supplemental unit allowance.

District A's State funding for the supplemental unit allowance for FY 2007 =
$5,251 x 50% + $5,550 x (District's state share percentage) =
$5,251 x 50% + $5,550 x 52% = $5,512

Assume the hypothetical District A has 1.0 approved gifted unit and the district's gifted education teacher has a master's degree and five years of experience. The salary allowance for this teacher would be about $22,700. District A's state funding for its one gifted education unit would be calculated as follows.

District A's Gifted Education Unit Cost State Funding for FY 2007 =
Approved Number of Units x [Salary Allowance + 15% Fringe Benefits + Classroom Allowance + State Funding for the Supplemental Unit Allowance]
1 unit x ($22,700 + ($22,700 x 15%) + $2,678 + $5,512) = $34,295

Further Adjustments and Guarantees

Ohio's school districts are very diverse. This diversity is recognized by the state school funding formula through the various categorical costs discussed above. The formula includes several other adjustments and guarantees that are designed to further increase the sensitivity of the formula and to avoid any sudden decreases in state aid to individual school districts due to changes in state policy as well as changes in a district's property wealth or enrollment. These adjustments and guarantees are discussed in this section. They include the exempt property adjustment, the base cost funding guarantee, the excess cost supplement, the teacher experience and training adjustment, the poverty-based assistance guarantee, the reappraisal guarantee, the charge-off supplement, and transitional aid.

It should be noted that these adjustments and guarantees are generally not part of the model that determines the cost of the state-defined basic education. Instead, they are added into the distribution process that determines the state and local shares of the state-defined basic education model cost. The effect of adding these adjustments and guarantees is to lower the local share and, therefore, increase the state share of the model cost. School districts receiving guarantee or transitional aid payments two years in a row may not see increases in their state aid; however, in both years they receive more than the amounts determined by the formula.

Exempt Property Adjustment

An adjustment is made to the recognized valuation of about 13 districts that have large amounts of state-owned property that is exempt from taxation. In FY 2006, this adjustment decreased these districts' valuations used to compute the local share of base cost funding by about $590.2 million, resulting in a decrease in their local shares and a corresponding increase in the total state share of base cost funding of approximately $13.6 million ($590.2 million x 0.023).

Base Cost Guarantee

Am. Sub. H.B. 66 of the 126th General Assembly changed the way the base cost was calculated including phasing down the CDBF adjustment. So that this policy change would not cause large unexpected decreases in individual school districts' base cost funding, the base cost guarantee was instituted. It guarantees that each district's state base cost funding (including funding for base funding supplements) is not lower than its state aggregate or per pupil base cost funding in FY 2005, whichever is lower. This guarantee also helps stabilize a district's state base cost funding that may decrease significantly due to property value increases or enrollment decreases. In FY 2006, the base cost guarantee added about $105.4 million to the total state base cost funding of $4,264.2 million statewide.

Excess Cost Supplement

As explained above, the local share of special and career-technical education and transportation is equalized based on each district's state share percentage of the base cost. If the need for these services is uniform, the required local millage rate for these services will also be uniform. The need for these services, however, varies greatly from one district to another. Therefore, the local share of these items could require different levels of local property tax levies. For example, in FY 2006 the local share of special and career-technical education and transportation ranged from less than one mill to six mills with an average of 3.2 mills.

The excess cost supplement limits the local share of these three items to 3.3 mills of local property tax levies. 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. By establishing the excess cost supplement, the formula effectively puts a cap of 26.3 mills on the required local contribution to the basic education model cost, 23 mills for base cost funding and a maximum of 3.3 mills for categorical cost funding. In FY 2006, the excess cost supplement totaled about $51.9 million statewide.

Teacher Experience and Training Adjustment

The teacher training and experience adjustment provides school districts additional funding if their teachers are above the state average teacher education and experience level. This adjustment is based on the typical teacher salary schedule that pays teachers based on their education and experience

levels. In FY 2006, funding for the teacher experience and training adjustment totaled about $14.1 million statewide.

Poverty-Based Assistance Guarantee

As with the base cost, Am. Sub. H.B. 66 of the 126th General Assembly made changes to poverty-based assistance beginning in FY 2006. So that this policy change would not cause large unexpected decreases in individual school district's poverty-based assistance, the poverty-based assistance guarantee was instituted. It guarantees that districts receive at least as much poverty-based assistance funding as the disadvantaged pupil impact aid (DPIA) they received in FY 2005 less any DPIA transferred to e-schools in that year. Starting in FY 2006, e-schools are no longer eligible to receive poverty-based assistance. In FY 2006, the poverty-based assistance guarantee added about $36.7 million to the total poverty-based assistance of $370.2 million statewide.

The Reappraisal Guarantee

As explained in the base cost section above under recognized valuation, school districts generally will experience significant increases in real property value in the years their real property value is reappraised or updated. Recognized valuation spreads this property value increase evenly over three years to prevent significant decreases in state funding in reappraisal and update years. The reappraisal guarantee further helps to mitigate the effects of the increase in property valuation experienced by districts during a reappraisal or update year. For a district undergoing a reappraisal or update, it guarantees the district receives at least the same amount of funding (but not including the charge-off supplement or transitional aid, which are discussed below) it received in the previous year. In FY 2006, funding for the reappraisal guarantee totaled about $8.2 million statewide.

Charge-off Supplement (Gap Aid)

As stated previously, the school funding formula caps the maximum required local contribution to the basic education model cost at 26.3 mills. State law generally requires that school districts levy at least 20 mills to receive state funding. If a district levies the minimum amount, however, it will not be receiving sufficient funding to cover all of the state-defined basic education costs. The charge-off supplement, which is more commonly known as gap aid, makes up with state revenues any difference in the local contribution assumed by the formula and the district's actual local operating revenue. It is calculated according to the formula shown below. In FY 2006, the charge-off supplement totaled about $69.6 million statewide.

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

Transitional Aid

Am. Sub. H.B. 66 of the 126th General Assembly made a number of changes to the funding formula beginning in FY 2006, some of which had the effect of lowering funding for certain school districts. So that this policy change would not cause large unexpected decreases in individual school

district's total school formula funding, transitional aid was instituted for FY 2006 and FY 2007. Transitional aid prevents a district's total school formula funding from falling below its total formula funding in the previous year. In FY 2006, transitional aid totaled about $110.5 million statewide.

State Funding for Enhancement Spending – Parity Aid

In the introduction it was shown that, although the state is mainly concerned with supporting the state-defined basic education model cost as described above, the state also provides funding for enhancement spending. This funding totaled approximately 17.4% of school district enhancement spending in FY 2006.

The previous discussion on state funding for the state-defined basic education model cost showed how the state equalizes 23 mills of local property tax revenues through base cost funding and up to 3.3 additional mills through categorical funding. Parity aid equalizes up to the wealth level of the district at the 80th percentile on a measure of district property and income wealth, an additional 7.5 mills above the equalization level (up to 26.3 mills) of the state-defined basic education model cost. What this means is that the formula looks at, on a per pupil basis, what each district in the bottom 80% of districts on the wealth measure can raise with 7.5 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 7.5 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 7.5 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, but that districts with low income wealth may find it more difficult to obtain voter approval for levies 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.

Am. Sub. H.B. 94 of the 124th General Assembly, which instituted parity aid, also eliminated an income factor adjustment that used to be part of the base cost funding formula. A district's income factor is calculated by dividing the district's median income by the statewide median income. The purpose of this income factor adjustment was to provide state funding for education enhancement services; this funding is now provided through parity aid. A few districts 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 in FY 2005, an income factor below one, and a poverty index greater than one are eligible for alternative parity aid.

An individual school district's parity aid is calculated as follows:

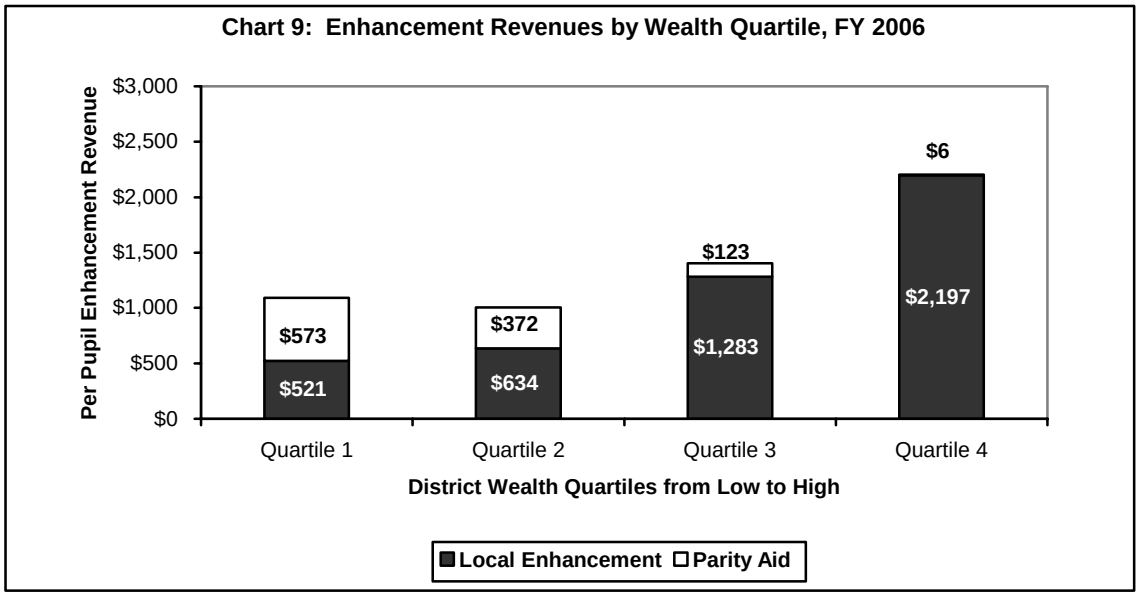
Parity Aid
Standard Parity Aid Per Pupil = (Threshold wealth per pupil – District's wealth per pupil) x 0.0075
Alternative Parity Aid Per Pupil for Qualifying Districts = $60,000 x (1 – District's income factor) x 4/15 x 0.023
District's Parity Aid Per Pupil = Greater of Standard or Alternative Parity Aid Per Pupil
Total Parity Aid = District's Parity Aid Per Pupil x ADM
0.0075 = 7.5 mills
Threshold wealth per pupil = The wealth per pupil of the district at the 80th percentile
Districts qualify for alternative parity aid if their CDBF adjustment was greater than 1.0375 in FY 2005, their income factor is below one, and their poverty index is greater than one.

Overall, about 492 school districts are eligible for parity aid. The vast majority of these districts receive standard parity aid. Approximately $459.2 million in parity aid was distributed to these 492 districts for FY 2006. Per pupil parity aid amounts ranged from more than $750 in 14 districts to less than $30 in 12 districts. The average in FY 2006 was $352 per pupil for those districts receiving parity aid.

In order to calculate parity aid in FY 2007 for the hypothetical District A, we need to know District A's income factor and income wealth per pupil, as well as the wealth per pupil in FY 2007 of the district at the 80th percentile. In FY 2007, the district at the 80th percentile has a wealth per pupil of about $164,597. District A's property wealth per pupil in FY 2007 was calculated above as $124,597. Assuming District A's income wealth per pupil is $109,000, its income factor is 0.8, and it meets the requirements to qualify for alternative parity aid, District A's parity aid for FY 2007 can be calculated as follows:

District A's Parity Aid for FY 2007
District's Wealth Per Pupil = 2/3 x Per Pupil Property Wealth + 1/3 x Per Pupil Income Wealth
District A's Wealth Per Pupil = 2/3 x $124,597 + 1/3 x $109,000 = $119,398
Standard Parity Aid Per Pupil = (Threshold wealth per pupil – District's wealth per pupil) x 0.0075
District A's Standard = ($164,597 – $119,398) x .0075 = $45,199 x 0.0075 = $339
Alternative Parity Aid Per Pupil = $60,000 x (1 – District's income factor) x 4/15 x 0.023
District A's Alternative = $60,000 x (1 – 0.8) x 4/15 x 0.023 = $74
District's Parity Aid Per Pupil = Greater of Standard or Alternative Parity Aid Per Pupil
District A's Parity Aid Per Pupil = $339
Total Parity Aid = District's Parity Aid Per Pupil x ADM
District A's Total Parity Aid = $339 x 931 = $315,602

Chart 9 shows the effect of parity aid in equalizing local enhancement spending in FY 2006 by wealth-based quartile. These quartiles are the same as those used in Chart 4 showing state and local shares of the per pupil basic education model cost in the introduction section. 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. Chart 9 includes only those 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).



As shown previously in Chart 4, there is little difference in total per pupil revenue for the state-defined basic education model. The formula neutralizes the effect of local property wealth disparity on a district's ability to provide the state-defined basic education to all of its students by paying a higher share of the model cost for lower wealth districts. Local enhancement revenues (the dark part of each bar in Chart 9), on the other hand, vary significantly by wealth quartile due to the uneven distribution of property and income wealth and the fact that there is no limit on the amount of taxes local residents can approve for their districts. The disparity or inequity in per pupil revenue across districts occurs only in enhancement revenue that is above the state-defined basic education level. In FY 2006, per pupil local enhancement revenue averaged $521 for quartile 1, $634 for quartile 2, $1,283 for quartile 3, and $2,197 for quartile 4. In other words, quartile 4 districts raise on average four times more local enhancement revenue per pupil than quartile 1 districts. In FY 2006 parity aid per pupil averaged $573 for quartile 1, $372 for quartile 2, $123 for quartile 3, and $6 for quartile 4. Adding parity aid to local enhancement revenue results in per pupil total enhancement revenue averages of $1,094 for quartile 1, $1,006 for quartile 2, $1,406 for quartile 3, and $2,203 for quartile 4. While the top 20% of districts (quartile 4) still had significantly more enhancement revenues, parity aid had substantially leveled the playing field for the bottom 80% of school districts (quartiles 1 to 3) and reduced the disparity between quartile 4 and quartile 1 districts by 50%.

State School Funding Summary for FY 2006

Table 17: State School Funding Amounts, FY 2006		
Funding Component	**Amount**	**Percentage**
Base Cost Funding	$4,264.2 million	68.8%
Additional Special Education Funding	$411.2 million	6.6%
Additional Career-Technical Education Funding	$51.8 million	0.8%
Transportation Funding	$352.6 million	5.7%
Poverty-Based Assistance	$370.2 million	6.0%
Additional Gifted Education Funding	$33.4 million	0.5%
Teacher Training and Experience Adjustment	$14.1 million	0.2%
Excess Cost Supplement	$51.9 million	0.8%
Reappraisal Guarantee	$8.2 million	0.1%
Gap Aid	$69.6 million	1.1%
Transitional Aid	$110.5 million	1.8%
Parity Aid	$459.2 million	7.4%
Total State Funding	**$6,196.9 million**	**100.0%**

State Funding Transfers

As mentioned previously, the 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. After each school district's state aid is calculated as explained above, ODE performs a number of deductions and transfers to and from districts for various services provided to the students counted in the districts' ADMs. For example, school districts whose students receive services from a regional educational service center (ESC) have an amount deducted and transferred to the ESC to pay for these services. Some students choose to obtain all or a portion of their education elsewhere. For example, some students attend community schools and some students attend other districts through open enrollment. In general, for these students, the funding they generate in the formula for the district in which they reside is deducted from the state aid credited to that district and added to the payment for the district or community school where the students are actually educated. In addition, state programs such as the Pilot Project Scholarship Program (Cleveland Voucher Program), the Special Education Scholarship Pilot Program, and the new Educational Choice Scholarship Pilot Program that begins in FY 2007 provide for deductions of state aid from school districts to support the provision of vouchers to district residents to be used in alternative educational programs. Finally, the post-secondary options program allows students to attend post-secondary institutions for both high school and college credit. The tuition for these students is paid from a deduction from their resident school district. This section describes how funding for these programs typically works.

Educational Service Centers (ESC)

All local school districts are required to be associated with an ESC. ESCs are required to provide oversight functions to all local (member) districts within their region. They may also provide similar services to city and exempted village (client) districts that have entered into an agreement with them. ESCs may also provide other services to member and client districts on a contractual basis. Services typically provided by ESCs include supervisory services, special education, gifted education, professional development, technology, and some other administrative services. School districts associated with an ESC have a per pupil amount of at least $6.50 deducted from their state aid and transferred to the ESC. In addition, amounts for services and contracts negotiated between the school district and ESC are also

deducted from the district's state aid and transferred to the ESC. In FY 2006, approximately $162.5 million was deducted statewide from school district state aid and transferred to ESCs. Of this amount, $125.3 million was based on the contracts negotiated between school districts and ESCs. Through a separate payment the state earmarks $52.0 million to be distributed to ESCs based on the number of students served by each ESC.

Community Schools

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 293 schools educating approximately 72,053 students (3.9% of public school enrollment) in FY 2006. Generally, community schools receive the following for each student enrolled in their schools. E-schools, however, do not receive parity aid or poverty-based assistance.

(1) The base cost formula amount multiplied by the cost-of-doing-business factor (CDBF) for the resident district plus the per pupil amount of each of the base funding supplements;

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

(3) Any poverty-based assistance generated by the student; and

(4) The parity aid per pupil received by the student's resident district.

Assume that four kindergarten students, three fourth grade students, five middle school students, and twenty high school students, including one who is visually impaired, one with autism, and six with learning disabilities leave the hypothetical District A to attend a community school. District A's community school ADM would be 31, remembering that kindergarten students are counted as 0.5 in ADM. District A's community school additional special education weights would be 8.7 (6 x 0.3691 + 1 x 1.7695 + 1 x 4.7342). Also assume that none of these students is a poverty student, but that the kindergarten students receive all-day kindergarten services at the community school. District A's community school transfer can be calculated as follows:

District A's Community School Transfer for FY 2007
Base Cost = Community School ADM x ((Formula Amount x CDBF) + Base Funding Supplements Per Pupil)
District A's Base Cost Transfer = 30 x (($5,403 x 1.012) + $47.99) = 30 x ($5,468 + $47.99) = $170,991
Additional Special Education Weighted Funding = Community School Weighted ADM x Formula Amount
District A's Special Education Funding Transfer = 8.7 x $5,403 = $47,105
Poverty-Based Assistance All-Day Kindergarten Funding = Community School Kindergarten students x Formula Amount x 0.5
District A's All-Day Kindergarten Funding Transfer = 4 x $5,403 x 0.5 = $10,806
Poverty-Based Assistance Class-Size Reduction Funding = Community School K-3rd ADM x District's Class-Size Reduction Funding/District's K-3rd ADM
District A's Class-Size Reduction Funding Transfer = 4 x $274,705/300 = $1,832
Parity Aid = Community School ADM x District's Parity Aid Per Pupil
District A's Parity Aid Transfer = 31 x $300 = $9,300
District A's Community School Transfer = $170,991 + $47,105 + $10,806 + $1,832 + $9,300 = $240,034

The effect on school districts of the current method of funding community school students is not straightforward. Due to the marginal student effect, discussed in the base cost section, counting the community school student in the resident district's ADM increases state funding for the base cost by the formula amount multiplied by the cost-of-doing-business factor plus the per pupil amount of each of the base funding supplements; this amount is then transferred to the community school. This funding method, therefore, has no real effect on the resident district's base cost funding. Looking again at the hypothetical District A example, if these community school students had not been counted in the district's ADM, District A's ADM would have decreased by 31 to 900 (931 – 31). As a result, since the district's local share of base cost funding does not change when its ADM changes, District A's total base cost and state base cost funding would have been $170,991 lower. Likewise since poverty-based assistance and parity aid do not have local shares, if the community school students were not included in the poverty-based assistance and parity aid calculations, District A's poverty-based assistance would have been $12,638 lower and its parity aid would have been $9,300 lower.

The marginal student effect, however, does not apply to state funding for additional special education and career-technical education weighted 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 weighted cost. However, both the state and local shares of the weighted cost are deducted from the district and transferred to the community school. In general, the resident school district loses state funding for special education and career-technical education weighted costs through this methodology; however, 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 weighted 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 the hypothetical District A example, if the 31 community school students were not counted in the district's ADM, District A's state share percentage would have fallen from 48% to 46%.

The overall effect of the current method of funding community schools is further complicated by various supplements and guarantees that exist in the formula. These supplements and guarantees affect different districts differently and may affect the same district differently from one year to another. As a result, compared with the method of funding community schools directly, the effect of the current method of funding community schools varies from one district to another and may vary from one year to another for the same district.

In FY 2006, 9.4% of the state aid transferred to community schools was for special education and career-technical education weights. Table 18 shows the breakdown of the state aid transfer to community schools for FY 2006.

Table 18: Formula Transfer for Community Schools, FY 2006

Funding Component	Amount	Percentage
Base Cost Funding	$240.0 million	79.5%
Poverty-Based Assistance	$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 decrease. State funds totaling about $5,435 (base cost plus parity aid) in FY 2006 follow this student to the community school. However, the loss of just this one student will likely not decrease a district'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.

Open Enrollment

Each school district in Ohio can choose to accept students from other districts under an open enrollment policy. If a student chooses to attend a district other than the one in which the student resides under open enrollment, the base cost per pupil for the resident district and any career-technical education weighted costs applicable to the student are deducted from the resident district's state aid. In general, these amounts are transferred to the educating district except that the base cost amount credited to the educating district is equal to that district's base cost per pupil (which may be different if the district has a different CDBF than the resident district). If the student receives special education, the costs of this education above the base cost amount are billed from the educating district to the resident district.

Based on the latest available data, approximately 52.5% of school districts (including joint vocational school districts) allow statewide open enrollment, 20.4% of school districts allow adjacent district open enrollment only, and the remaining 27.1% of school districts do not accept open enrollment students. In FY 2006, approximately 2.3% of students attended schools other than their resident school under the open enrollment option.

Pilot Project Scholarship Program

The Pilot Project Scholarship Program allows students who are residents of the Cleveland Municipal School District to obtain scholarships to attend participating nonpublic schools. Scholarship students are not counted in Cleveland's ADM for funding purposes. A portion of Cleveland's poverty-based assistance has been earmarked in the state operating budget to be used to help fund this program. These funds are deducted from Cleveland's state aid. The rest of the funding for the program comes from the state GRF without any deduction from Cleveland. In FY 2006, $10.4 million was deducted from Cleveland's state aid to fund this program for a total program spending of $16.1 million. In the same year the program awarded scholarships to 5,813 students.

Special Education Scholarship Pilot Program

The Special Education Scholarship Pilot Program provides scholarships to autistic students whose parents choose to enroll the student in an approved special education program other than the one offered by the student's school district. The scholarships are the lesser of the total fees charged by the alternative provider or $20,000.

Scholarship students are counted in their resident district's ADMs for purposes of the state funding formula. The amount of the scholarship is then deducted from the resident district's state aid and paid to the alternate provider. In addition to the base cost per pupil, an autistic student generates additional special education weighted funding. The additional weight is 4.7342, which was phased in at 90% in FY 2006. In FY 2006, therefore, an autistic student generated in the funding formula $5,389 on

average in base cost funding (depending on the resident district's CDBF) and an additional $22,510 in special education weighted funding.

Since the state funds a portion of special education weighted costs based on each district's state share percentage of base cost funding, for some districts with relatively high wealth, the state aid generated by the student will be less than the scholarship amount and the district will need to reallocate local revenues to cover the difference between the scholarship and the amount of state aid generated by the student. For other districts with relatively low wealth, the amount of state aid generated by the student (including both base cost and weighted funding) will be equal to or greater than the amount of the scholarship. In FY 2006, the average scholarship amount of $15,260 required the reallocation of local funds for districts with state share percentages of approximately 44% or lower. Districts with state share percentages higher than 44% were able to cover the cost of the average scholarship with state aid. Of course, in either case, the district does not incur the cost of serving the scholarship student.

In FY 2006, about 458 full-time equivalent (FTE) scholarships were awarded under this program to students from 168 different districts. Statewide $5.5 million was transferred for the scholarships for an average scholarship amount of about $15,260.

Educational Choice Scholarship Pilot Program

The Educational Choice Scholarship Pilot Program is a new program authorized by Am. Sub. H.B. 66 of the 126th General Assembly to award up to 14,000 scholarships in FY 2007, which can be used to attend participating nonpublic schools. These scholarships are generally available to students who attend or who would otherwise be entitled to attend a school that has been in academic emergency or academic watch for two of the last three years. The amount awarded under the program is the lesser of the actual tuition charges of the school or the maximum scholarship award. H.B. 66 set the maximum scholarship award at $4,250 for grades K-8 and at $5,000 for grades 9-12 in FY 2007. In subsequent years, these amounts are to increase by the same percentage as the increase in the base cost formula amount for school districts. Scholarship students are counted in the resident district's ADM in order to calculate base cost funding, so that the districts generally will be credited with $5,403 per student in grades 1-12 and $2,702 per student in kindergarten in FY 2007. Scholarship students are not counted in the ADM used to calculate poverty-based assistance or parity aid. An amount equal to $5,200 is deducted from the resident districts' state aid for each scholarship student in grades 1-12 and $2,700 for each student in kindergarten. Therefore, a district generally will receive more state aid than is deducted for each scholarship student. As of February 2007, a total of $13.2 million was deducted statewide for about 2,880 full-time equivalent scholarship students.

Post-Secondary Enrollment Options Program

The post-secondary enrollment options program allows both public and nonpublic high school students to attend classes at post-secondary education institutions and earn both high school and college credits without cost to the students. Public high school students are counted in their resident districts' ADM and the amounts of the tuitions for the classes the students attend are deducted from the resident districts' state aid to pay for the program. In FY 2006, $18.6 million was deducted statewide from state aid for school districts (including joint vocational school districts) for 10,892 students taking college classes under the post-secondary enrollment options program. For nonpublic high school students, the costs of taking college classes under the post-secondary enrollment options program are paid by an earmark of GRF appropriation item 200-511, Auxiliary Services. In FY 2006, $1.5 million was set aside for 1,116 participating nonpublic high school students.

Joint Vocational School Districts

Currently, there are 49 joint vocational school districts (JVSDs) serving approximately 38,000 students. They have a total of 495 associate school districts that may send students to their schools. As with a regular school district, 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. As with school districts, the ability of a JVSD to raise local revenues is dependent on its property valuation. JVSDs receive state operating funding through a parallel formula as that used to fund regular school districts. JVSD funding includes base cost funding, special education weighted cost funding, the special education speech supplement, career-technical education weighted cost funding, and GRADS teacher grants.

Base Cost

The base cost amount for a JVSD is calculated in the same way as for a regular school district except that JVSDs do not receive the base funding supplements. The CDBF for each JVSD is based on the county where the JVSD is primarily located. The total base cost for a JVSD is calculated as follows:

Total JVSD Base Cost =
(Base Cost Formula Amount x CDBF x JVSD ADM)

The JVSD's local share of base cost funding is based on its recognized valuation, which is equal to the sum of the recognized valuations of all the JVSD's associate districts. Total recognized valuation for JVSDs tends to be much higher than for a regular school district since the JVSD has a larger area to tax. The charge-off rate for a JVSD is 0.5 mills. The JVSD base cost funding formula is expressed as follows:

JVSD Base Cost Funding Formula
Total Base Cost = Local Share + State Share
Local Share = Total Recognized Valuation x 0.005
State Share = Total Base Cost – Local Share
State Share Percentage = State Share/Total Base Cost

In FY 2006, the state share percentage of the base cost for JVSDs ranges from 0% to 98.9% with a statewide average of approximately 67.5% and a median of 73.5%. In FY 2006, state base cost funding for JVSDs was approximately $138.0 million.

Categorical Cost

The current JVSD funding model includes categorical costs that account for individual districts' unique characteristics. One such cost, the cost-of-doing-business factor (CDBF) was discussed above in the base cost section because it is incorporated into the base cost. The JVSD model also includes categorical costs for special education and career-technical education. The state model amount for these two categorical cost areas is determined for JVSDs in the same way it is determined for regular school districts. The same weights are used for special education and career-technical education students attending JVSDs. Each JVSD's state share percentage of the base cost is used to equalize its state funding for special and career-technical education weighted costs, the special education speech service supplement, and GRADS teacher grants.

These calculations are summarized below.

Additional State Funding for Special Education at JVSDs =
(JVSD Special Education Weighted Cost + JVSD Speech Supplement) x JVSD State Share Percentage
Additional State Funding for Career-Technical Education at JVSDs =
(JVSD Career-Technical Education Weighted Cost + JVSD GRADS) x JVSD State Share Percentage

In FY 2006, additional state funding for special education at JVSDs totaled approximately $17.6 million statewide and additional state funding for career-technical education at JVSDs totaled approximately $66.7 million statewide.

Further Adjustments and Guarantees

JVSDs also receive two of the adjustments and guarantees provided to regular school districts. They are the base cost funding guarantee and transitional aid. As with regular school districts, these two adjustments are added into the distribution process and they lower the local JVSD share and accordingly, increase the state share of the state-defined basic education model cost for JVSDs.

Base Cost Guarantee: Am. Sub. H.B. 66 of the 126th General Assembly phased down the CDBF adjustment for JVSDs as well as regular school districts. So that this policy change would not cause large unexpected decreases in individual JVSD's base cost funding, the JVSD base cost guarantee was instituted. It guarantees that each JVSD's state base cost funding is not lower than its state aggregate or per pupil base cost funding in FY 2005, whichever is lower. In FY 2006, the JVSD base cost guarantee added about $2.4 million to the total JVSD state base cost funding of $138.0 million statewide.

Transitional Aid: In FY 2006 and FY 2007, JVSD transitional aid is the same as the transitional aid provided to regular school districts. It prevents a JVSD's total school formula funding from falling below its total formula funding in the previous year. In FY 2006, JVSD transitional aid totaled about $9.5 million statewide.

Local Operating Revenue

The primary local funding source for schools is locally voted property taxes, which account for approximately 98.0% of local operating revenue. The other 2.0% comes from school district income taxes. In TY 2005, school districts levied a total of $8.3 billion in operating tax revenue. An additional $1.0 billion was levied for permanent improvements and debt service. In TY 2005, JVSDs levied $317.6 million in operating tax revenue and $18.4 million in tax revenue for permanent improvements and debt service. Locally voted property taxes, school district income taxes, H.B. 920 tax reduction factors, 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:

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

These different categories of property have different assessment rates. Real property is generally assessed at 35% of true value, which is determined by the county auditor. This means that if the auditor appraises a home's true value as $100,000, for example, that home's taxable property value would be $35,000 ($100,000 x 0.35). Tangible personal property (TPP) is assessed at rates ranging from 23% to 100% of true value, which is self-reported by businesses based on certain approved methods. Am. Sub. H.B. 66 of the 126th General Assembly started to phase out the tax on general business TPP. This phase-out begins in TY 2006 and will be completed by TY 2011. The effect of this phase-out is discussed in more detail later in this section.

Table 19 shows the statewide total taxable property value composition, or breakout among the four property categories, for TY 2005. It can be seen from the table that Class I real property makes up the bulk of total taxable property value, followed by Class II real property, general business tangible personal property, and then public utility tangible personal property. Since taxes are collected on a calendar year basis and state education aid is allocated on a fiscal year basis, the state funding formula generally uses the second prior year's assessed value data. TY 2005 assessed value data, therefore, is used in making FY 2007 state education aid payments.

Table 19: Taxable Property Value, TY 2005

Property Category	Amount	Percentage
Class I real property	$170.1 billion	67.9%
Class II real property	$48.6 billion	19.4%
Public utility TPP	$9.9 billion	3.9%
General business TPP	$21.8 billion	8.7%
Total Taxable Property Value	**$250.3 billion**	**100%**

School District Taxable Property Value Composition

Table 19 gives the taxable property value composition in TY 2005 for the state. However, the composition for each individual district varies widely across the state. Table 20 shows the maximum, minimum, and median ranges for each category.

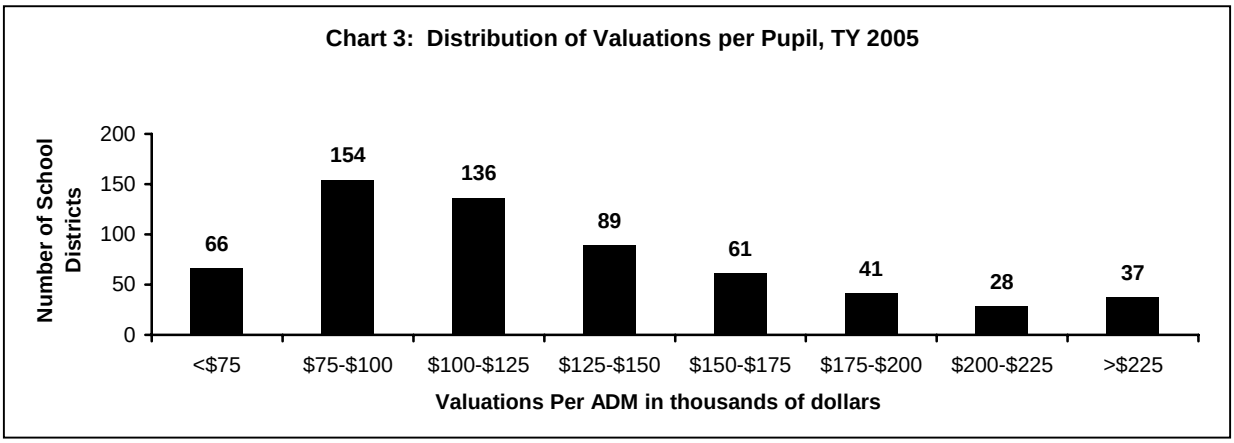
Table 20: The Taxable Property Value Composition, TY 2005

Category	Minimum	Maximum	Median
Class I Real	17.3%	98.4%	73.6%
Class II Real	0.0%	53.1%	13.0%
Public Utility TPP	0.8%	58.3%	3.9%
General Business TPP	0.0%	48.0%	6.7%

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, the phase-out of the general business TPP tax has a big impact on some school districts that have relatively high percentages of general business TPP value, but a small impact on districts that do not.

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 3 from the introduction is reproduced here. It shows the distribution of valuations per total ADM in TY 2005. It can be seen that valuations per total ADM range from less than $75,000 in 66 districts to more than $225,000 in 37 districts. The statewide weighted average is $138,473 per total ADM while the statewide median district's valuation per pupil is $112,665. Valuations per total ADM for



the majority (379 or 61.8%) of school districts range from $75,000 to $150,000 in TY 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 306th district out of 612).

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 $75 per pupil for a district with a valuation per pupil of $75,000 and $225 per pupil for a district with a valuation per pupil of $225,000. 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 levies up to the 96th percentile of valuation per pupil ($237,000 to $242,872 in FY 2007). 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 (see Chart 7 in the base cost section). In FY 2007, approximately 27 districts have wealth levels that are above the formula's equalization level.

Growth in Taxable Property Values

The statewide average property value growth rate was 4.4% per year from TY 2000 to TY 2005; however, the growth rate for each year was not even (see Table 21). While the true value of TPP and newly constructed real property is determined annually, the true value of existing real property is reappraised every six years and updated every three years. The property value annual growth rate is affected by real property's reappraisal and update cycles. For the purposes of real property value reappraisals and updates, the 88 counties in Ohio are split into three groups. Real 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 TY 2001 and TY 2004 are in part due to a smaller proportion of statewide real property going through reappraisal and update in those years. In addition, TY 2001 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 effect. The relatively low growth rate in TY 2003 is largely explained by a decrease of about $2.1 billion in general business tangible personal property due to the economic slowdown. In fact, real property grew in value by 5.3% from TY 2002 to TY 2003 and tangible personal property fell in value by 6.3% over the same year.

Table 21: Annual Growth Rate of Total Taxable Property Value

Tax Year	2000	2001	2002	2003	2004	2005
Annual growth rate	6.1%	1.4%	5.9%	3.5%	2.5%	6.7%

Local Property Tax Levy Rates and H.B. 920 Tax Reduction Factors

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. Inside mills can be used for any purposes designated by local school boards of education. The vast majority of school districts use inside mills for current or operating expenses although, in recent years, a small number of school districts have started using inside mills for permanent improvements. Current expense and emergency levies are used for operating expenses. The revenue from permanent improvement levies and bond levies is used for permanent improvements and debt service. Current expense and permanent improvement levies are fixed-rate levies. Voters vote for a certain millage rate that is applied to the taxable property value to calculate the tax each year (subject to tax reduction factors, which are discussed below). Emergency and bond levies are fixed-sum levies. Voters vote for a certain amount of tax revenue to be collected each year regardless of taxable property value.

Inside Mills and Voted (Outside) Mills

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 ten-mill limitation and these unvoted ten 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, or outside mills. While voted current expense mills are subject to H.B. 920 tax reduction factors, inside mills are not (see below).

H.B. 920 Tax Reduction Factors

H.B. 920 is a tax policy that was enacted in 1976. It limits revenue growth from property taxes on existing real property (real property that has previously been taxed). The effect of this policy, in general, is to require taxing jurisdictions, including school districts and JVSDs, to periodically ask the voters for approval of new levies if they want to collect revenue beyond the H.B. 920 limitations. In general, H.B. 920 tax reduction factors prevent taxing jurisdictions from realizing additional real property tax revenues on existing current expense levies and permanent improvement levies when existing real property values increase due to a reappraisal or update. Without the H.B. 920 limitations, a 10% increase in a district's real property would result in a 10% increase in real property tax revenue for the district even without new levies. With the H.B. 920 limitations, however, a 10% increase in real property generally leads to a much smaller increase (2%, for example, as explained below) in real property tax revenue for the district unless voters approve new levies.

H.B. 920 tax reduction factors were put into the Ohio Constitution in 1980 through a constitutional amendment that also created the two separate classes of real property. Separate tax reduction factors are applied to each class of real property. However, not all property value and not all tax levies are subject to H.B. 920 tax reduction factors. New construction (real property that did not exist in the prior year) and tangible property are not affected by the tax reduction factors; taxes on these two types of property will grow at the same rate as property values grow. Since emergency levies and bond levies are fixed-sum levies, (they are designed to raise the same amount of tax revenue every year) there is no reason to apply tax reduction factors to them. As indicated earlier, inside mills are not affected by the tax reduction factors either. So, H.B. 920 tax reduction factors apply only to current expense and permanent improvement levies on existing real property. After these tax reduction factors are applied, the millage rate actually charged on each class of real property falls below the voted millage rate. This lower millage rate is commonly called the effective millage rate. It can be calculated by dividing the actual taxes charged by the taxable property value for each class of real property.

It should be noted that a property tax reduction mechanism, called the millage reduction system, existed in Ohio prior to H.B. 920. Under that system, the tax rate on all taxable property (including both real and tangible) was rolled back in proportion to the increase in real property values. For example, if real property values increased 10% after a reappraisal, the millage rate for *all* property was reduced by 10%. The millage reduction system led to a shift of the tax burden from tangible to real property. This shift in tax burden led to the enactment of H.B. 920. A similar tax burden shift led to the creation of two classes of real property in 1980. While the tax reduction concept of H.B. 920 was not new, H.B. 920 has made it more apparent since there now exist three tax rates: one for Class I real property, one for Class II real property, and one for tangible property, with the rate for tangible property generally being higher than that for Class I or Class II real property.

H.B. 920 20-Mill Floor

Although H.B. 920 limits the tax revenue growth on existing real property, it does not allow a school district's combined real property millage (from current expense levies and inside mills for operating expenses) to fall below 20 effective mills. This provision of H.B. 920 is referred to as the 20-mill floor. Under H.B. 920, if a school district's combined real property millage falls to 20 effective mills, tax reduction factors no longer apply. Real property taxes based on these 20 mills will grow at the same

rate as real property values grow. School district income tax levies are not included in the 20-mill floor determination and neither are emergency levies, although these levies are generally used for operating expenses. The 20-mill floor determination includes only inside mills used for operating expenses and current expense levies.

A total of 345 districts (56.4%) were at the H.B. 920 20-mill floor in at least one class of real property in TY 2005. These 345 floor districts tend to be smaller than average and represent approximately 38.4% of statewide total ADM. The number of floor districts has increased over the last several years. In TY 1996 there were 218; this number has increased by 58.7% over the nine years until TY 2005. Of the 345 floor districts in TY 2005, 146 districts were at the floor in both Class I and Class II real property, 182 districts were in Class I only, and the other 17 districts were in Class II only.

For comparison purposes, ODE groups school districts into eight types based on their demographic characteristics. Table 22 shows the number and 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 (types 1, 2, and 3) tend to be higher than the others, at 76.3%, 68.3%, and 69.1%, respectively. In fact, 240 (69.3%) of the floor districts in TY 2005 are rural districts.

Table 22: The Number and Percentage of H.B. 920 Floor Districts by District Type, TY 2005

District Type	Description	Total Districts	Floor Districts	% Districts on Floor
Type 1	Rural/agricultural - high poverty, low median income	97	74	76.3%
Type 2	Rural/agricultural - small student population, low poverty, low to moderate median income	161	110	68.3%
Type 3	Rural/small town - moderate to high median income	81	56	69.1%
Type 4	Urban - low median income, high poverty	102	51	50.0%
Type 5	Major Urban - very high poverty	15	1	6.7%
Type 6	Urban/Suburban - high median income	107	41	38.3%
Type 7	Urban/Suburban - very high median income, very low poverty	46	9	19.6%
Type 8	Outliers - island districts	3	3	100.0%
	Total	**612**	**345**	**56.4%**

Since tax reduction factors do not apply to a district at the 20-mill floor, once a district reaches the floor it begins to receive greater increases in revenue when real property values increase due to reappraisals and updates without having to ask voters to approve additional levies. Most districts, however, do not choose to limit local operating revenue to 20 mills; districts on the floor tend to supplement their current expense millage and inside millage with emergency levies and school district income tax levies, which are not included in the floor calculation. In fact, of the 345 floor districts in TY 2005, 243 districts (70.2%) had either emergency levies or school district income taxes. Table 23 shows that the majority of districts that levy these two types of taxes are floor districts: 70.8% of districts with emergency levies and 76.2% of districts with school district income taxes. Floor districts, however, still tend to have lower operating tax rates even when taking all taxes into account. The average effective Class I tax rate (including both Class I property taxes and school district income taxes) for the 346 floor districts was 27.15 mills in TY 2005, compared to an average of 30.80 mills for nonfloor districts and an average of 29.45 mills for all districts.

Table 23: H.B. 920 Floor District Supplemental Levies, TY 2005			
	Total Districts	**Floor Districts**	**% Districts on Floor**
Emergency Levies	226	160	70.8%
School District Income Tax (FY 2006)	151	115	76.2%

Summary of Local Tax Levies and H.B. 920

Table 24 summarizes the above discussion on which levies and which properties are subject to H.B. 920 reduction factors as well as which levies are included in the 20-mill floor determination.

Table 24: Summary of Local Tax Levies and H.B. 920 Tax Reduction Factors			
Type of Levy	**Purpose of Levy**	**Subject to H.B. 920 Tax Reduction Factors?**	**Included in H.B. 920 20-Mill Floor Determination?**
Inside Mills	Designated by school boards – generally operating	No	Yes – if designated as operating
Current Expenses	Operating	Yes	Yes
Emergency	Operating	No	No
Income Tax	Operating	No	No
Permanent Improvement	Permanent improvements or items with at least 5 years of useful life	Yes	No
Bond	Debt service	No	No
Type of Property			
Existing Real Property	--	Yes	--
New Construction – Real Property	--	No	--
Tangible Personal Property	--	No	--

Property Tax Revenue Calculations – District A Example

Table 25, which is divided into three sections, continues the example of the hypothetical District A started in the state operating revenue section. The first column of the table shows District A's property value and local operating revenue for TY 2004. In TY 2004, District A's total property value is $112.5 million, which is split among the four categories as shown in the table. In TY 2004, District A has 3 inside mills devoted to current expenses and 30 current expense voted mills. For purposes of simplicity, it is assumed that these 30 current expense mills were originally passed as one levy[9] and that District A does not have any emergency levies and that no new levies were passed in TY 2005. District A goes through a real property reappraisal in TY 2005 and experiences an inflationary increase in real property value due to the reappraisal of $6.0 million. The second column of Table 25 shows that $4.0 million of this increase is in Class I real property and $2.0 million is in Class II real property. In addition, there is new construction in TY 2005 of $700,000 in Class I and $200,000 in Class II real property. The taxable value of general business TPP remains at $10.8 million but the taxable value of public utility TPP increases by $600,000.

[9] H.B. 920 reduction factors are applied separately to each levy. For each class of real property, the total reduction percentage is the weighted average of the tax reduction percentages of all levies. For example, if the total millage rate of all levies is 40 mills, an 8-mill levy's tax reduction percentage will have a weight of 0.2. This weighted average is called the "composite tax reduction factor."

Table 25: District A's Property Value and Local Operating Revenue, TY 2005			
	TY 2004	**TY 2005 (Assuming No 20-Mill Floor)**	**TY 2005 (With 20-Mill Floor)**
Section I – Total Taxable Value			
Total Taxable Value	$112,500,000	$120,000,000	$120,000,000
Increase in Total Value		6.7%	6.7%
Class I Real Value	$79,300,000	$84,000,000	$84,000,000
Carryover		*$79,300,000*	*$79,300,000*
Inflationary		*$4,000,000*	*$4,000,000*
New Construction		*$700,000*	*$700,000*
Class II Real Value	$19,400,000	$21,600,000	$21,600,000
Carryover		*$19,400,000*	*$19,400,000*
Inflationary		*$2,000,000*	*$2,000,000*
New Construction		*$200,000*	*$200,000*
Public Utility TPP Value	$3,000,000	$3,600,000	$3,600,000
General TPP Value	$10,800,000	$10,800,000	$10,800,000
Section II – Tax Rates			
Inside Millage Rate	0.003	0.003	0.003
Voted Current Expense (CE) Rate	0.030	0.030	0.030
Class I CE Effective Rate	0.025	0.024	0.024
Class II CE Effective Rate	0.018	*0.016*	*0.017*
TPP Rate	0.033	0.033	0.033
H.B. 920 Floor Rate - Class I	0.028	0.027	0.027
H.B. 920 Floor Rate - Class II	0.021	*0.019*	*0.020*
Section III – Tax Revenues			
Class I Revenue	$2,220,400	$2,251,003	$2,251,003
Inside Mills - Existing Property	*$237,900*	*$249,900*	*$249,900*
CE - Existing Property	*$1,982,500*	*$1,982,500*	*$1,982,500*
CE - New Construction		*$18,603*	*$18,603*
Class II Revenue	$407,400	$417,228	$432,000
Inside Mills – Existing Property	*$58,200*	*$64,200*	*$64,200*
CE – Existing Property	*$349,200*	*$349,200*	*$363,800*
CE - New Construction		*$3,828*	*$4,000*
Public Utility TPP Revenue	$99,000	$118,800	$118,800
General TPP Revenue	$356,400	$356,400	$356,400
Total Revenue	$3,083,200	$3,143,431	$3,158,203
Increase in Total Revenue		$60,263	$75,003
% Increase in Total Revenue		2.0%	2.4%

Disregarding the H.B. 920 20-mill floor calculations for the moment and continuing in the second column, note the effect of the H.B. 920 reduction factors on the revenue the district collects from real property. In each class, the revenue in TY 2005 from existing real property (real property that was taxed in TY 2004) is equal to the revenue collected on the property in TY 2004 even though both classes of real property experience inflationary increases after the reappraisal. In the case of Class I real property, the

effective current expense voted rate was reduced from 25 mills in TY 2004 to 24 mills in TY 2005 in order to generate the same amount of tax revenue of $1,982,500 from that existing property. District A does, however, receive an increase in revenue on real property from the three inside mills and from new construction. In addition, District A receives an increase in TPP tax revenue due to the increase in the taxable value of its public utility TPP. As indicated in Section III of the table, the tax increases from inside mills, new construction, and public utility TPP have resulted in an overall revenue increase of 2.0% for District A despite H.B. 920 tax reduction factors and no new levies being passed in TY 2005.

Without any constraint, the H.B. 920 reduction factors would result in continual decreases in the effective tax rates on real property as long as the value of existing real property increases and voters do not approve another levy. H.B. 920, however, instituted a floor of 20 mills below which the effective current expense tax rates plus current expense inside millage rates on each class of real property may not fall. Note that in the second column of Table 25 the floor calculation for Class II real property fell to 19 mills. The third column shows the effect of the H.B. 920 20-mill floor on the hypothetical District A in TY 2005. As shown in the third column, the revenue on existing Class II real property was increased until the floor calculation reached 20 mills. Instead of receiving revenue of $349,200 on existing Class II real property, District A received $363,800 because of the H.B. 920 20-mill floor. Because of the higher effective rate for Class II real property as a result of the 20-mill floor, District A also realized an additional tax increase of $172 from Class II new construction. Overall, with the H.B. 920 20-mill floor guarantee, District A's total revenue increases by 2.4% from TY 2004 to TY 2005, compared with the overall increase of 2.0% under the hypothetical scenario without the 20-mill floor.

Effect of H.B. 920 on Individual Taxpayers

H.B. 920 tax reduction factors are applied on a taxing district basis. Therefore, they prevent the growth of the aggregate taxes charged against existing Class I property and, separately, Class II property in a taxing district, but they do not necessarily prevent taxes charged against an individual taxpayer from increasing or decreasing. Generally speaking, when a taxing district goes through a reappraisal, an individual taxpayer with a property value growth rate higher than the average growth rate for the taxing district will experience an increase in his or her tax bill. In contrast, an individual taxpayer with a property value growth rate lower than the average growth rate of the taxing district will experience a decrease in his or her tax bill. An individual taxpayer with a property value growth rate the same as the average growth rate of the taxing district will see no change in his or her tax bill.

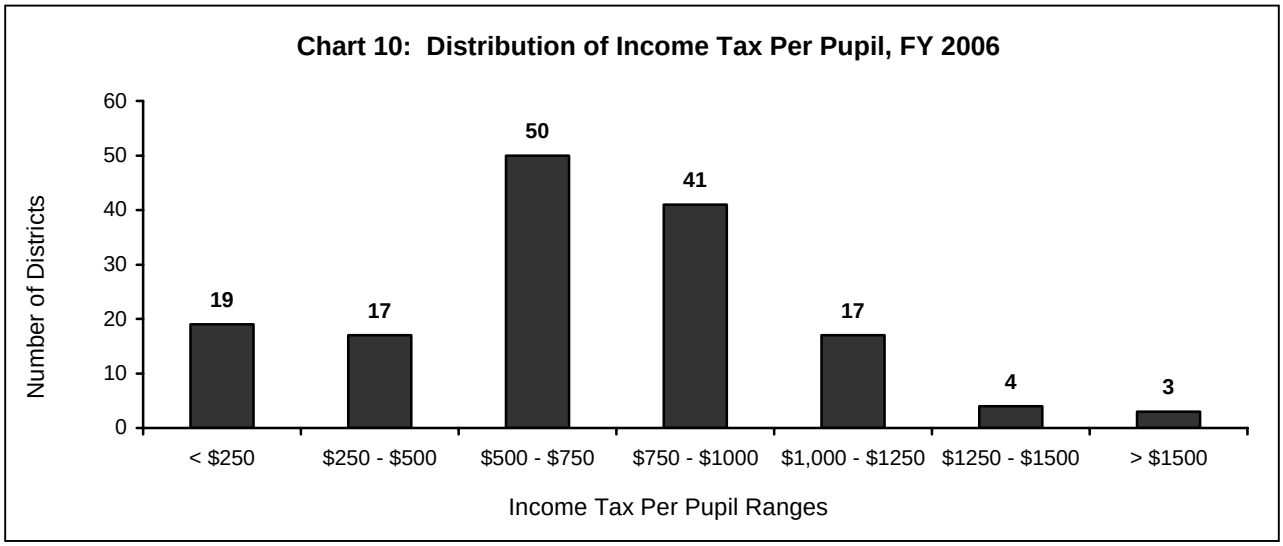
Table 26 shows an example of the effects of H.B. 920 tax reduction factors on three taxpayers living in the hypothetical District A. For purposes of simplicity, the example ignores inside mills and new construction. As seen from the table, District A, as a whole, experiences a 5% increase in Class I real property value after the reappraisal; its effective current expense rate is reduced from 25 mills to 24 mills. All taxpayers in this District A have an effective current expense rate of 24 mills in TY 2005. Taxpayers 1, 2, and 3 live in different parts of the district and experience different growth rates in their property values. Taxpayer 1's property value increases by 3%, lower than the 5% average for the taxing district. Taxpayer 1's tax bill actually decreases by $173 in the reappraisal year. Taxpayer 2's property value increases by 5%, the same as the 5% average for the taxing district. Taxpayer 2's tax bill does not change in the reappraisal year. Taxpayer 3's property increases by 7%, higher than the 5% average for the taxing district. Taxpayer 3's tax bill increases by $24 in the reappraisal year.

Table 26: Effects of H.B. 920 Tax Reduction Factors on Individual Taxpayers			
District A	**TY 2004**	**TY 2005 - Reappraisal Year**	**Change**
Total Class I Real Property	$79,300,000	$83,300,000	5%
Class I Current Expense Rate	0.0250	0.0238	
Total Taxes	$1,982,500	$1,982,500	
Taxpayer 1			
True Property Value	$100,000	$103,000	
Taxable Property Value	$35,000	$36,050	3%
Tax Bill	$875	$858	-$17
Taxpayer 2			
Property Value	$125,000	$131,250	
Taxable Property Value	$43,750	$45,938	5%
Tax Bill	$1,094	$1,094	$0
Taxpayer 3			
Property Value	$150,000	$160,500	
Taxable Property Value	$52,500	$56,175	7%
Tax Bill	$1,313	$1,337	$24

School District Income Tax

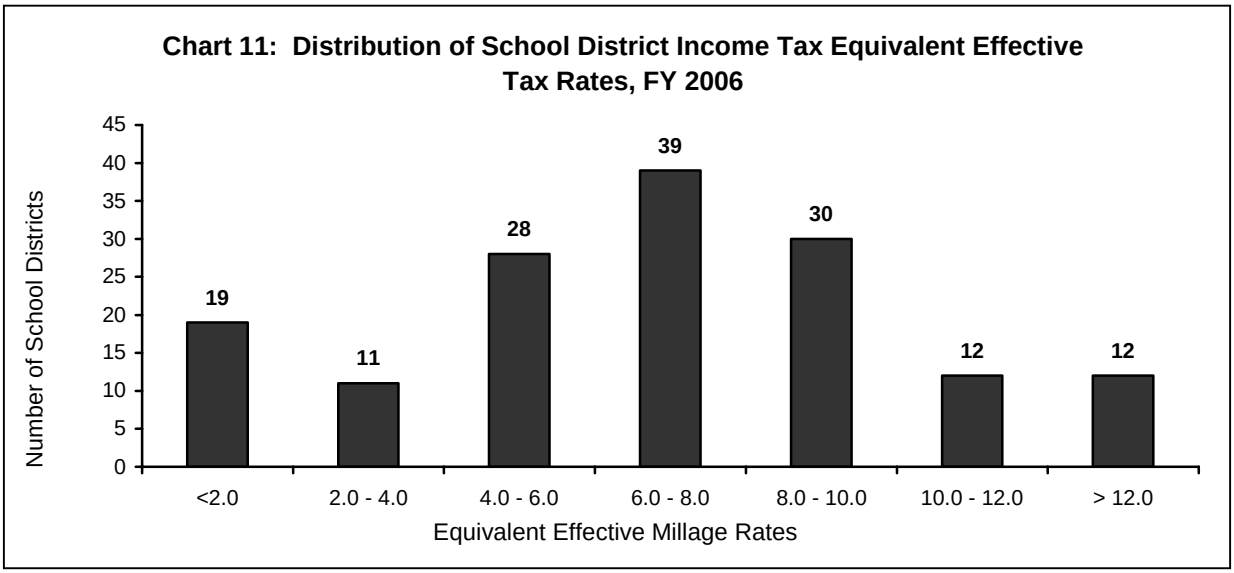
The school district income tax is paid by residents of the school district regardless of where they work. Nonresidents working in the district and corporations are not taxed. A total of $167.7 million in school district income taxes was collected by 151 school districts (24.6%) in FY 2006. As shown in Table 23, 76.2% of these are floor districts. These 151 districts tend to be smaller than average and represent approximately 13.4% of statewide total ADM. These districts have an average ADM of approximately 1,600 students and an average property valuation per pupil of approximately $114,000 compared to an average ADM of approximately 3,400 students and an average property valuation per pupil of approximately $142,000 for the other 462 districts.

Chart 10 shows the distribution of income tax revenues per pupil for the 151 districts with such revenues in FY 2006. Per pupil school district income tax collections range from less than $100 to almost

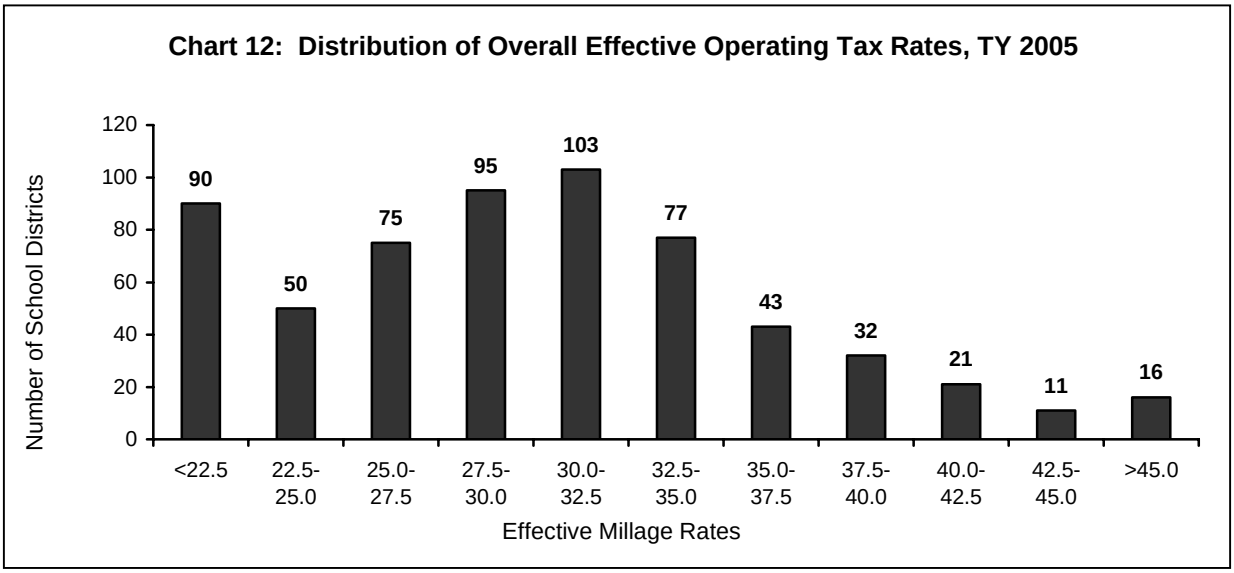


$4,000 with an average of $692 per pupil for these 151 districts. Per pupil amounts of less than $100 often indicate the beginning or ending of a tax levy. By dividing income tax revenue into total property valuation, the equivalent effective millage rate is calculated. Chart 11 shows the distribution of income tax equivalent effective millage rates for the 151 districts with income tax revenues in FY 2006. Effective millage rates range from less than one mill to more than 19 mills with an average of 6.1 mills for these 151 districts. In general, school districts with income tax levies tend to have relatively low business property wealth. Farming communities predominate the list of school districts with income tax levies.

Summary of School District Effective Operating Tax Rates

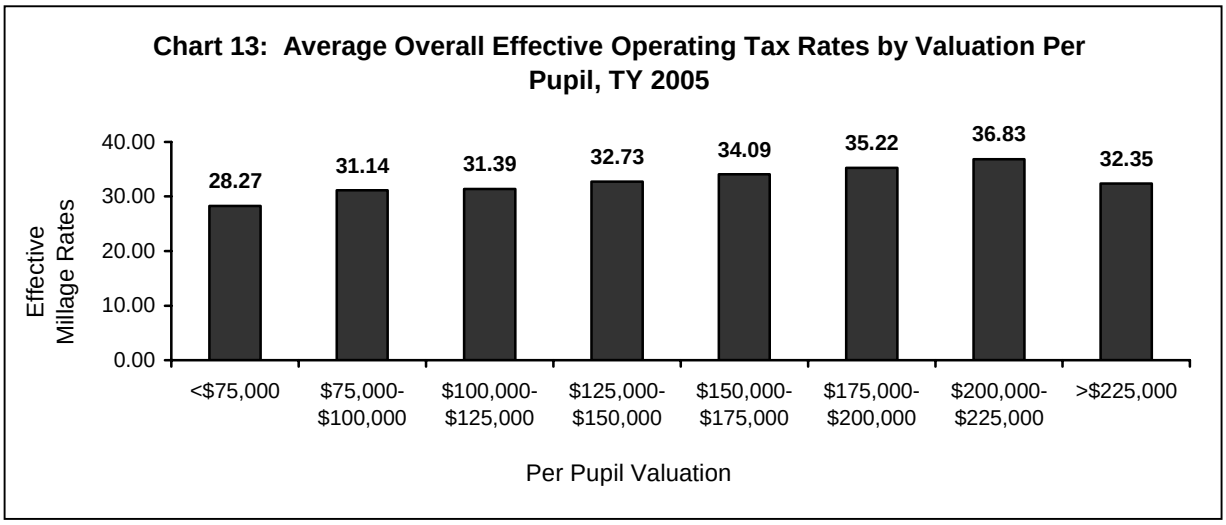


By combining revenues received from all operating tax levies, including the school district income tax, it is possible to calculate overall effective operating tax rates. In TY 2005, these range from about 20 mills in seven districts to more than 50 mills in five districts. The Shaker Heights City SD (Cuyahoga County), the Warrensville Heights City SD (Cuyahoga County), and the Cleveland Heights-



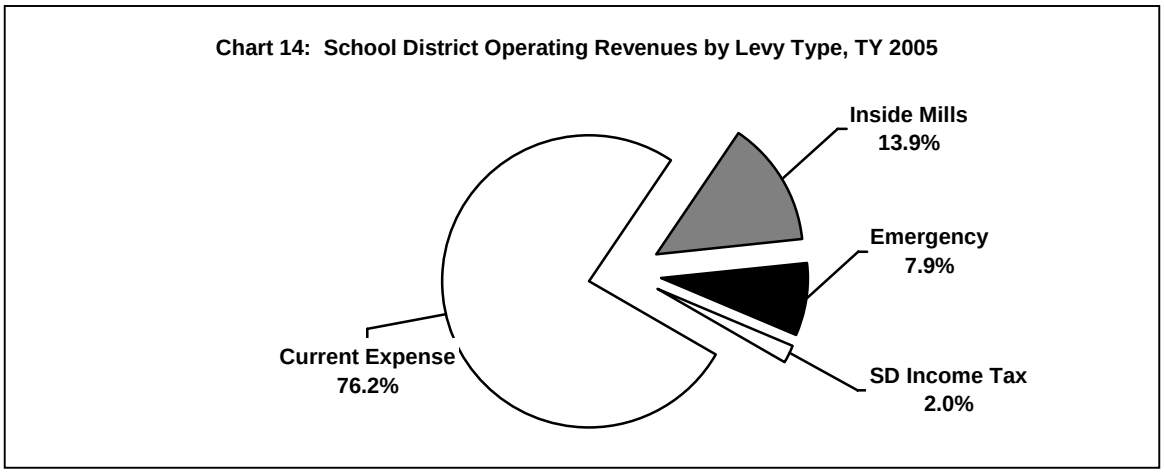
University Heights City SD (Cuyahoga County) have the highest overall effective operating tax rates of 68.7, 61.5, and 61.0 mills, respectively. The statewide average is 33.1 mills and the statewide median is 29.7 mills. Chart 12 shows the distribution of the overall effective operating tax rates. It can been seen from the chart that the equivalent overall effective rates for 350 school districts (57.1%) range from 25 to 35 mills.

Chart 13 shows the average equivalent overall effective operating tax rates for groups of districts categorized by valuation per pupil in TY 2005. 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.



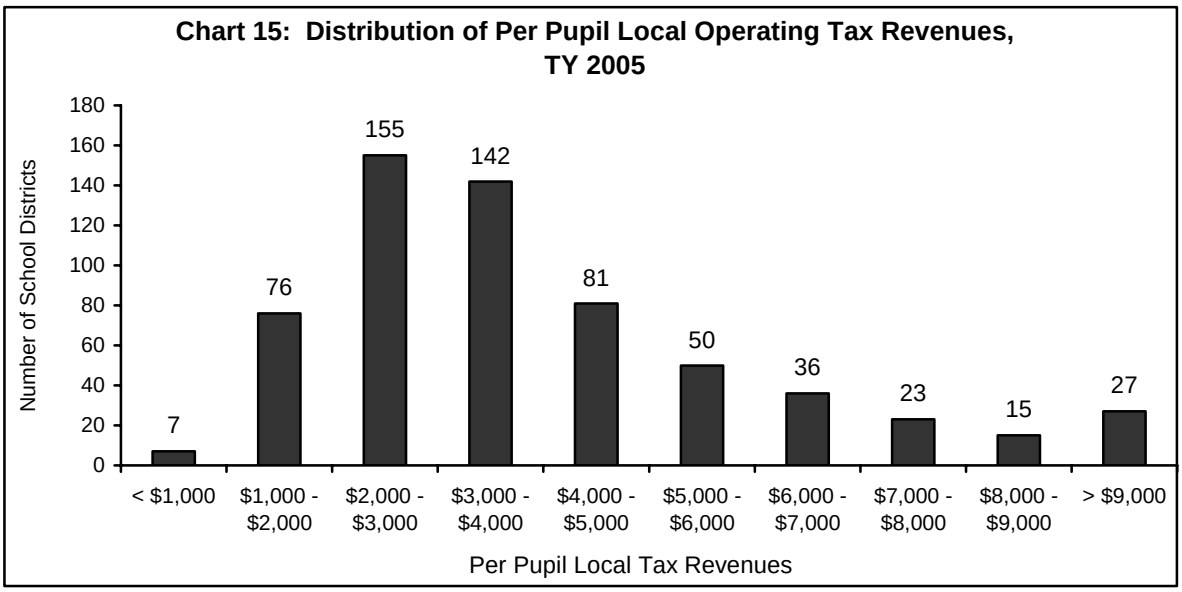
Summary of School District Operating Tax Revenue

As indicated earlier, school districts collected a total of $8.3 billion in taxes in TY 2005. Chart 14 shows school district operating tax revenues by levy type. Current expense levies, representing



approximately 76.2% of total operating tax revenues, were the largest component. Inside millage generated 13.9%, emergency levies 7.9%, and school district income tax levies 2.0%.

In TY 2005, local operating tax revenues per pupil range from less than $1,000 in the bottom seven school districts to more than $9,000 in the top 27 districts. The statewide weighted average is $4,581 and the statewide median is $3,389. Chart 15 shows the distribution of per pupil local operating tax revenues. It can be seen from the chart that for 378 school districts (61.8%), 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 will have different local revenues per pupil if they have different tax levy rates.



Joint Vocational School Districts

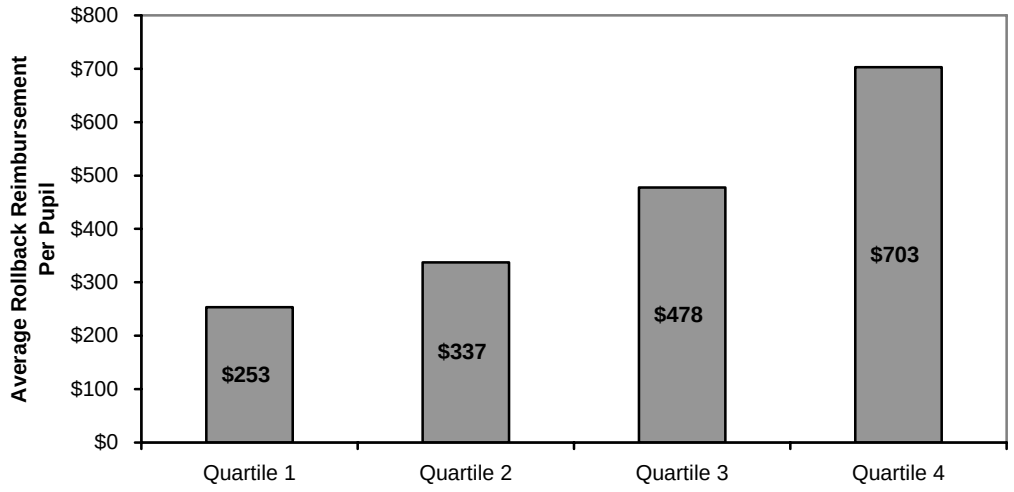
As stated in the state operating revenue section, there are 49 joint vocational school districts (JVSD) with 495 associate school districts that may send students to their schools. Like a regular school district, each JVSD has its own taxing authority. In TY 2005, the 49 JVSDs collected a total of $317.6 million in local operating revenue. 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. Since a JVSD may include several regular school districts, its tax base is generally much larger. In TY 2005, average valuation per pupil for all JVSDs is $4.0 million.

JVSDs do not have inside mills and they do not levy emergency levies or income tax levies. For operating revenues, therefore, JVSDs are restricted to voted current expense levies. As with regular school districts, JVSDs current expense and permanent improvement levies are subject to H.B. 920 tax reduction factors. The floor on effective current expense millage for JVSDs is 2.0 mills although several JVSDs are below this millage rate because they have not had levies approved by voters for more than this amount. In TY 2005, effective operating rates for JVSDs average 2.1 mills and local operating tax revenues for JVSDs average $8,240 per pupil statewide.

Property Tax Rollbacks

As part of its tax policy, the state reduces the property taxes on residential and agricultural real property by 10.0% and the property taxes on owner-occupied homes by an additional 2.5%. These two reductions in real property taxes provided by the state are often called property tax rollbacks. The state reimburses school districts and JVSDs (and other local governments) for this reduction in real property taxes. In FY 2006, school districts received a total of $757.5 million and JVSDs received a total of $29.3 million statewide in property tax rollback reimbursements. These reimbursements are directly related to the amount of property tax revenue paid in each district, so unlike state education aid, property tax rollback reimbursements tend to be higher in higher wealth districts. Chart 16 shows the average rollback reimbursement per pupil in the four wealth quartiles for FY 2006.

Chart 16: Average Rollback Reimbursement Per Pupil by Wealth Quartile, FY 2006

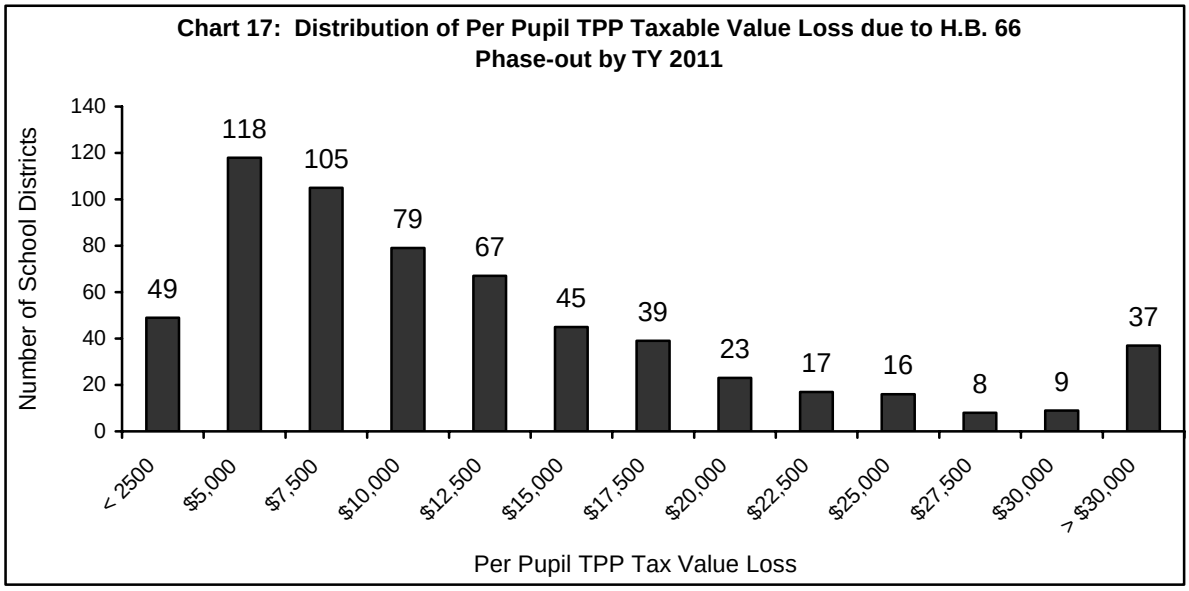


Phase-Out of General Business Tangible Personal Property (TPP) Tax

Am. Sub. H.B. 66 of the 126th General Assembly phased out the general business tangible personal property (TPP) tax, the railroad TPP tax, and the telephone and telecommunications TPP tax. The phase-out of general business and railroad TPP taxes began in TY 2006 and will be completed by TY 2009. The phase-out of the telephone and telecommunications TPP tax begins in TY 2007 and will be completed by TY 2011. New machinery, equipment, furniture, and fixtures are exempted from taxation beginning in TY 2004. The tax on inventories was already in the process of being phased out, but H.B. 66 accelerated this phase-out to coincide with the phase-out schedule of the other general business TPP taxes. The Department of Taxation has calculated the tax value and tax revenue loss for each school district due to this phase-out. The total tax value loss statewide for each year of the phase-out is given in Table 27. As can be seen from Table 27, the total tax value loss for all school districts statewide by the end of the phase-out period in TY 2011 is $21.7 billion.

Table 27: Statewide School District H.B. 66 TPP Tax Value Loss	
Tax Year	**School District Tax Value Loss**
TY 2006	$6.1 billion
TY 2007	$11.1 billion
TY2008	$15.5 billion
TY 2009	$20.9 billion
TY 2010	$21.3 billion
TY 2011	$21.7 billion

Chart 17 shows the distribution of per pupil TPP taxable valuation loss by TY 2011 over the 612 school districts. Per pupil valuation losses range from approximately $200 for Ohio Valley Local in Adams County to almost $170,000 for Cuyahoga Heights Local in Cuyahoga County with an average of about $12,000 and a median of about $8,500. As can be seen in the chart, while most districts have per pupil TPP taxable valuation losses toward the low end of the distribution, a few have relatively high concentrations of TPP losses.



State Education Aid Offset

In the section on state operating revenue, it was shown how the distribution of state base cost funding to each district is dependent on each district's property valuation. In particular, each district is expected to contribute 23 mills of its recognized valuation to its base cost funding. The state then provides the difference between the district's total base cost as calculated by the state formula and the district's local share. Therefore, one effect of the phase-out of the TPP tax is that districts' recognized valuations will decrease causing their local shares of base cost funding to decrease and in turn causing the state share of base cost funding to increase. State funding for categorical costs will also increase as this funding is dependent on the state share percentage of base cost funding, which will be higher as the TPP tax phases out. This increase in state aid is called the state education aid offset. It is calculated by ODE for each district by calculating state aid for each district with and without the TPP tax value loss determined by the Department of Taxation for each year of the phase-out. The difference between these

two calculations is the state education aid offset. Since base cost funding is the biggest part of this offset, the state education aid offset can be estimated at approximately 23 mills of the state tax value loss or $498.2 million. However, the actual state education offset is affected by various supplement and guarantee components of the formula. Since TY 2006 taxable property value data are used in calculating state education aid for FY 2008 and since the TPP tax phase-out began in TY 2006, then FY 2008 will be the first year in which the state education aid offset will be calculated.

Direct Reimbursements

H.B. 66 also established a new "commercial activity tax" (CAT) and deposited part of the revenue generated through this new tax in the School District Property Tax Replacement Fund (Fund 047) to provide reimbursements to school districts for their revenue losses due to the acceleration of the inventory tax phase-out and the elimination of the rest of the TPP tax. This reimbursement includes two parts: the state education aid offset and direct reimbursement for the loss that exceeds the state education aid offset. Part of the CAT revenue deposited into Fund 047 will be transferred to GRF appropriation item 200-550, Foundation Funding, to pay for the state education aid offset.

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. Fixed-rate levies are based on a millage rate, so that the amount of revenue raised can vary with the taxable property value of the district. Therefore, if a district's taxable property value decreases because of the phase-out of the TPP tax, the amount of revenue the district receives from existing fixed-rate levies also decreases. The reimbursement base for fixed-rate levies is the amount of this revenue loss. Fixed-sum levies are designed to raise a fixed amount of revenue each year. School districts do not lose tax revenue from existing fixed-sum levies when taxable property value decreases; even if there were no reimbursement mechanism, the rate on the remaining taxable property would be adjusted upward to raise the same amount of revenue. In order for a 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 for fixed-sum levies is the amount above the 0.5 mill threshold.

The Department of Taxation has determined that school districts have a total reimbursable tax revenue loss of $370.2 million in TY 2006; that amount will grow to $1,129.4 million by TY 2010. JVSDs have a TY 2006 total reimbursable tax revenue loss of $11.0 million that will grow to $37.6 million by TY 2010. Through TY 2010, school districts are held "harmless" for the reimbursement base revenue loss amounts determined by the Department of Taxation for fixed-rate and fixed-sum levies through a combination of the state education aid offset and direct reimbursement. So the combination of the state education aid offset and direct reimbursement payments will be equal to each district's fixed-rate levy loss plus its fixed-sum levy revenue above the 0.5 mill threshold. Beginning in TY 2011, direct reimbursement payments will be phased out at a rate of 3/17 in the first two years and then at a rate of 2/17 per year until completely eliminated after TY 2018. Emergency levies are fully reimbursed from TY 2006 to TY 2010 and will be reimbursed after TY 2010 only when the levies are renewed. Bond levies are reimbursed for the duration of their lives. State education aid increases as a result of the TPP tax changes will continue indefinitely.

Interaction of School Funding Formula and Tax Policies

As discussed in the state operating revenue section, the local share (charge-off) method currently used in the school funding formula has achieved its goal of distributing a higher share of state aid to districts with lower property wealth. In fact, Chart 6 in that section demonstrates the upward linear straight-line relationship between each district's property value per pupil and its per pupil local share of base cost funding. Under such a funding method, a school district with a lower per pupil valuation will

also have a lower per pupil local share amount while a school district with a higher per pupil valuation will also have a higher per pupil state share amount. Through this method, the state neutralizes the effect of the uneven distribution of taxable property value on each school district's ability to provide the state-defined basic education.

H.B. 920 was designed to limit tax revenue growth without approval of the voters. As shown in the local operating revenue section, H.B. 920 has achieved its stated goal. The majority of tax increases in Ohio are approved by the voters. School districts, joint vocational school districts, and other local governments have been periodically asking voters for tax increases beyond the limitations set by H.B. 920.

While the school funding formula and H.B. 920 have achieved their respective goals, the interaction of these two policies has created a unique challenge for school districts. Compared with other local governments, school districts have to ask voter approval of new levies much more frequently in order to maintain or increase their spending levels. While the formula guarantees funding for the state-defined basic education every year with the combination of state education aid and local revenue, enhancement spending is not guaranteed by the formula. Enhancement spending is largely supported by locally approved property tax levies. In order to maintain or increase their enhancement spending, school districts need to ask for new levies periodically. The effect of the interaction of the funding formula and H.B. 920 tax reduction factors on a school district's enhancement spending is often called "reappraisal phantom revenue." The following sections discuss various aspects of the effect of this interaction on school districts, including types of phantom revenue, current provisions that soften the impact of this interaction, and "solutions" to the unique challenge facing school districts as a result of this interaction.

Types of Phantom Revenue

The constitutionality of the state's school funding system was challenged in a case commonly referred to as *DeRolph*. The second decision issued by the Ohio Supreme Court in this case (*DeRolph II*) identified three types of "phantom revenue." Type I or formula phantom revenue refers to any amount by which the local revenue collected by a district is less than the local share assumed by the funding formula. Type II or reappraisal phantom revenue refers to increases in a district's local share due to increases in its property valuation that are not matched by increases in a district's local revenue due to H.B. 920 reduction factors. Finally, Type III phantom revenue refers to the higher local share that was previously recognized for districts with median incomes greater than the state median.

Type III Phantom Revenue

Type III phantom revenue was completely eliminated by the 122nd General Assembly. Previously the valuation used to calculate the local share of base cost funding was adjusted upward for districts with median incomes greater than the state median income. There is no longer any income adjustment to the valuation used to calculate the local share.

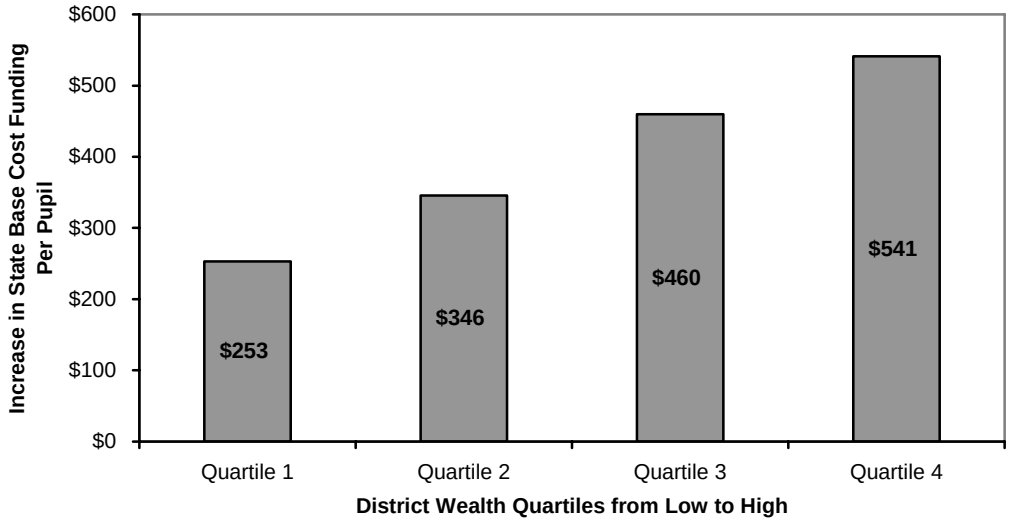
Type I – Formula Phantom Revenue

Type I or formula phantom revenue is completely eliminated through the charge-off supplement (gap aid). The origin of Type I phantom revenue is the interaction of the 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. Without additional levies, H.B. 920 reduces current expense revenue from real property down to a floor of 20 mills. It is possible, therefore, that districts will not actually be collecting the 23 to 26.3 mills assumed by the

formula. Gap aid fills the gap between the assumed local share and the actual operating revenues collected by districts and therefore, eliminates formula phantom revenue. In FY 2006, the state provided about $69.6 million in gap aid to 148 school districts that would otherwise have experienced formula phantom revenue.

Another way to eliminate formula phantom revenue is to lower the local share to the H.B. 920 floor of 20 mills. If this method had been chosen, state base cost funding, absent any guarantees, would have been approximately $681.3 million higher in FY 2007. This method also has a disequalizing effect. Higher wealth districts benefit more than lower wealth districts. Chart 18 shows the average per pupil increase in state base cost funding by wealth quartile. Districts in the lowest wealth quartile would receive an average per pupil increase in state base cost funding of approximately $253, whereas districts in the highest wealth quartile would receive an average per pupil increase of approximately $541. In addition, unless high wealth districts lower their local revenue collections in response to the increase in state aid, their local enhancement revenues would increase. As shown previously, the current inequities in school district per pupil revenues occur because of inequities in local enhancement revenues.

Chart 18: Average Increase Per Pupil in State Base Cost Funding When Charge-off Rate is Reduced from 23 Mills to 20 Mills, FY 2007



Type II – Reappraisal Phantom Revenue

The term "reappraisal phantom revenue" has been used to describe the effect of the interaction of the funding formula and H.B. 920 tax reduction factors on a school district's local enhancement revenue. If a school district does not have any local revenue above the state-defined basic education level, the district will not have any reappraisal phantom revenue. As indicated earlier, 148 school districts received gap aid in FY 2006. These districts are therefore not affected by reappraisal phantom revenue. For districts that are at the H.B. 920 20-mill floor, their revenues grow fully when their property values increase. These districts are not affected by reappraisal phantom revenue either. In TY 2005 about 345 school districts are at the 20-mill floor in at least one class of real property. There are overlaps between gap aid districts and H.B. 920 20-mill floor districts.

Table 28: Reappraisal Phantom Revenue Example – District A			
	FY 2006	**FY 2007**	**Change**
Formula ADM	931	931	
Formula Amount	$5,283	$5,403	
Base Funding Supplements Per Pupil	$40.00	47.99	
Cost-of-Doing-Business Factor	1.024	1.012	
Base Cost	$5,075,415	$5,135,230	$59,816
Total Taxable Valuation	$112,500,000	$120,000,000	$7,500,000
Recognized Valuation	$112,500,000	$116,000,000	$3,500,000
Charge-off	$2,587,500	$2,668,000	$80,500
State Base Cost Funding	$2,487,915	$2,467,230	($20,684)
State Share Percentage	49.0%	48.0%	
State Share of Weighted Funding and Transportation	$439,618	$444,092	$4,474
Local Share of Weighted Funding and Transportation	$356,703	$368,545	$11,842
Total State Share	$2,927,533	$2,911,322	($16,211)
Total Local Share	$2,944,203	$3,036,545	$92,342
Local Revenue	$3,083,200	$3,158,203	$75,003
Local Enhancement Revenue	$138,997	$121,658	($17,339)

To demonstrate the effect of reappraisal phantom revenue, consider the example of the hypothetical District A. Table 26 in the previous section shows the effect of the H.B. 920 reduction factors on District A's local revenues when District A goes through a reappraisal. Table 28 shows the effect of the interaction of the funding formula and H.B. 920 reduction factors on District A's local enhancement revenue. To isolate this interaction effect, this example assumes that District A's ADM and special and career-technical education weights do not change from FY 2006 to FY 2007. The total base cost for District A increases because of increases in the base cost formula amount and the base funding supplements, although these increases are somewhat diminished by the phase-down of the cost-of-doing-business factor. Due to the reappraisal, District A's recognized valuation increases by $3,500,000 and, therefore, its local share of base cost funding increases by $80,500 ($3,500,000 x 0.023). District A's local share for categorical costs also increases by $11,842 so that its total local share for the state-defined basic education increases by $92,342 in FY 2007. As we saw in Table 26, however, due to the H.B. 920 reduction factors, District A's local revenue only increases by $75,003. District A's local enhancement revenue is the amount of its local revenue above its local share for the state-defined basic education. Since District A's local share increases by more than its local revenue increase, its local enhancement revenue decreases by the difference, $17,339. It is this mismatch in the local share growth rate and the local revenue growth rate constrained by H.B. 920 tax reduction factors that leads to the reappraisal phantom revenue phenomenon.

As seen in this example, there is no reappraisal phantom revenue in the state-defined basic education. In both FY 2006 and FY 2007, the formula guarantees District A to have sufficient state and local revenue to pay for the cost of the state-defined basic education model. What the formula does not guarantee is the amount of local enhancement revenue available. District A's local enhancement revenue decreases by $17,339 after the reappraisal. If District A wants to maintain or increase the amount of local enhancement revenue that was available before the reappraisal, it will have to ask the district's voters to approve a new levy.

H.B. 920 tax reduction factors are applied not only to school districts, but also to joint vocational school districts and other units of local governments. However, the effect of the H.B. 920 tax reduction factors on school districts is much more significant. This is primarily due to two factors. One is the sheer size of property taxes used for school operations. As indicated earlier, school districts levied $8.3 billion in local operating tax revenue in TY 2005, which accounts for approximately 50% of all school district revenues. This percentage is even higher for those relatively high wealth school districts. For a school district with 70% of all revenues coming from local property taxes, the effect of H.B. 920 tax reduction factors is likely to be significant. The second reason is the fact that with the exception of gap aid districts (148 in FY 2006), every district levies additional taxes to support its enhancement spending. In FY 2006, the average revenue per pupil is $6,632 statewide for the state-defined basic education. However, school districts on average also have an additional $1,274 in local enhancement revenue. In fact, as shown in Chart 9, the top 20% of school districts on average have more than $2,000 in per pupil local enhancement revenue. In order to maintain or increase such a large percentage of revenue above the state-defined basic education level, school districts will periodically have to ask for voter approval of new levies.

Provisions that Soften the Effect of H.B. 920 Tax Reduction Factors

Three provisions of the school funding formula help to soften the impact of H.B. 920 tax reduction factors on districts' enhancement revenues. These are recognized valuation, parity aid, and various guarantee and supplement components of the formula.

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. As seen in the example of District A (Table 28), District A's total taxable value increased from $112.5 million in TY 2004 to $120.0 million (including $6.0 million of inflationary increase in real property) in TY 2005 after it went through a reappraisal. In FY 2007 the formula only recognizes one-third of the inflationary increase in District A's real property so District A's recognized valuation is $116.0 million ($120.0 million - $4.0 million). Without the recognized valuation provision, District A's local share of base cost funding would have increased by an additional $92,000 ($4,000,000 x 0.023) in FY 2007. Its local share for categorical costs would also have increased by an additional $7,604 so that its total local share for the state-defined basic education would have increased by an additional $99,604 in FY 2007. This would have resulted in an additional decrease of $99,604 in local enhancement revenue in FY 2007. As a result of H.B. 920 tax reduction factors, the percentage of local revenue that is available for enhancement decreased from 4.5% ($138,997) in FY 2006 (the year prior to reappraisal) to 3.9% ($121,658) in FY 2007 (the reappraisal year). However, without the recognized valuation provision, this percentage would have decreased to 0.7% ($22,504) in FY 2007. In FY 2006, recognized valuation increased the state share of base cost funding statewide by about $71.3 million. Over a full six-year reappraisal/update cycle, recognized valuation increases the state share by about $125.0 million per year statewide.

Parity Aid

Parity aid further buffers the effect of H.B. 920 tax reduction factors on a district's enhancement revenue. It particularly lessens the effect for low property and low income wealth districts' enhancement revenue. Although parity aid equalizes an additional 7.5 mills of local enhancement revenue, it does not require that districts actually levy an additional 7.5 mills to obtain the state equalization funding. This is important because a district's overall effective tax rate may decrease as a result of H.B. 920 reduction factors being applied after a reappraisal or update. If parity aid only equalized the additional mills the district actually levied, then the number of mills equalized by parity aid may also decrease as a result of H.B. 920 reduction factors, which would compound the effect of H.B. 920 tax reduction factors instead of

softening it. Consider again the example of the hypothetical District A as shown in Table 29. Although District A's wealth per pupil increases, it does not increase as much as the threshold wealth per pupil, so its parity aid per pupil increases. In fact, in the example of District A, its increase in total parity aid outweighs its decrease in local enhancement revenue due to H.B. 920 tax reduction factors so that its total enhancement revenue increases. In FY 2006, approximately $459.3 million in parity aid was distributed to the 492 lowest wealth school districts.

Table 29: Effect of Parity Aid on Reappraisal Phantom Revenue Example – District A

	FY 2006	FY 2007	Change
Formula ADM	931	931	
Recognized Valuation	$112,500,000	$116,000,000	$3,500,000
Property Wealth Per Pupil	$120,838	$124,597	$3,759
Income Wealth Per Pupil	$106,000	$109,000	$3,000
Wealth Per Pupil (2/3 property + 1/3 income)	$115,892	$119,398	$3,506
Threshold Wealth Per Pupil	$159,862	$166,398	$6,536
Difference from Threshold	$43,971	$47,000	$3,029
Parity Aid Per Pupil	$330	$353	$23
Total Parity Aid	$307,230	$328,178	$20,948
Local Enhancement Revenue	$138,997	$121,658	($17,339)
Total Enhancement Revenue	$446,227	$449,836	$3,609

Guarantees and Supplements

As discussed in the state operating revenue section, various guarantees and supplements have been added into the formula that is used to divide the cost of the state-defined basic education between the state and local school districts. They include the base cost funding guarantee, reappraisal guarantee, transitional aid, excess cost supplement, and gap aid. The effect of these guarantees and supplements is to decrease the local share that would otherwise be assigned to school districts by the formula and, accordingly, increase the state share. These guarantees and supplements effectively help stabilize the amount of enhancement revenues available to school districts when they go through a reappraisal or update, therefore softening the effect of the H.B. 920 reduction factors on school districts' enhancement revenues. In FY 2006, funding for various guarantees and supplements totaled about $359.2 million statewide.

Proposals to Eliminate the Effect of H.B. 920 Tax Reduction Factors

It is very challenging for the school funding formula to attempt to completely address the effect of H.B. 920 tax reduction factors without creating new concerns. The formula is designed to target limited state resources to districts with lower capacities to ensure similar state-defined basic education to every student. The formula has achieved its purpose. It is difficult to address the challenge created by the interaction of the formula and state tax policies by modifying the formula alone. Addressing the effect of this interaction needs to occur in the state tax policy arena as well.

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 that 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 are to increase the number of "inside" mills and to increase the 20-mill floor. While 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 likely be reviewed by the Ohio Supreme Court before it is implemented. This makes potential policy changes uncertain and the timing for such changes unknown.

Over the years various "formula solutions" have been proposed to address the effect of H.B. 920 tax reduction factors on school district enhancement revenue. These proposals all tend to gradually move away from the current wealth-based local share system to a system that will base each district's local share on the methods used by the district to raise local revenues. They all tend to be costly and, more importantly, tend to shift more state resources to higher wealth districts; this appears to go against the stated equalization goal of the formula and may raise a difficult equalization issue for the state, especially over the long run. Part of the reason that the formula cannot completely address the effect of H.B. 920 tax reduction factors is that there is no clear and fair way to measure the amount of reappraisal phantom revenue for each district. It is therefore difficult for the formula to attempt to compensate school districts for something that cannot be reasonably quantified. H.B. 920 tax reduction factors were not designed with reimbursement in mind.

One of the proposed ways to measure reappraisal phantom revenue is to compare the amount of revenue a district actually collected to the amount of tax revenue the district would have collected if the district's total rate (the sum of inside mills used for current expenses, emergency mills, and current expense mills prior to the application of H.B. 920 tax reduction factors, which is applied to tangible personal property) had been applied to real property. The problem with this approach is that the total rates for many districts would not be nearly as high as they are today if there were no H.B. 920. Furthermore, without H.B. 920, every district's total rate will equal its effective rate. With H.B. 920 the difference between a district's total rate and its effective rate is a cumulative result of levy options used by the district over the last 30 years. This difference is not a measure of a district's wealth or tax effort. It will therefore be difficult to use such a measure to quantify a district's reappraisal phantom revenue amount.

As discussed earlier, while both current expense and emergency levies are used to support school operations, current expense levies are subject to H.B. 920 tax reduction factors and emergency levies are not. Because of this different treatment, two districts with the same effective rate could have very different total rates. For example, Fairlawn Local (Shelby County) and Millcreek-West Unity Local (Williams County) had similar effective Class I tax rates in TY 2005 (24.53 mills and 24.85 mills) and they also have similar wealth per pupil ($83,259 and $84,971). However, Fairlawn Local's total rate is 28.10 mills while Millcreek-West Unity Local's total rate is 49.70 mills. In other words, Fairlawn's effective rate is about 87.3% of its total rate while Millcreek-West's effective rate is only about 50.0% of its total rate. If the total rate is used to quantify reappraisal phantom revenue and the state reimburses districts based on this measure, Millcreek-West Unity Local will receive much more state aid than Fairlawn Local. Since these two districts have similar wealth and their residents are making similar tax efforts, it may be difficult for the state to justify why one receives substantially more state aid than the other.

On average in TY 2005, Class I effective rates are about 60% of the total rates for school districts; they range from less than 40% for some districts to 100% for some other districts. Table 30 summarizes the distribution of school district effective Class I rates as percentages of their total rates.

Table 30: Distribution of School District Effective Class I Rates as Percentages of Their Total Rates, TY 2005	
Range	**Number of School Districts**
< 40%	25
40% - 50%	150
50% - 60%	150
60% - 70%	126
70% - 80%	95
80% - 90%	35
90% - 100%	32

The Fundamental Impact of H.B. 920 on Ohio School Districts

School district property tax revenue grew from approximately $3.0 billion in TY 1986 to approximately $8.0 billion in TY 2004, an increase of 166.7%. Personal income in Ohio grew from approximately $107.6 billion in TY 1986 to approximately $293.4 billion in TY 2004, an increase of 172.7%. Even without H.B. 920 reduction factors, it does not seem reasonable to assume that property tax revenues would increase at a rate much above the rate of increase of personal income. If the percentage increase in property tax revenue over the 18 years from TY 1986 to TY 2004 had matched the percentage increase in personal income, property tax revenues would only be about 2.3% higher. 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 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 quality educations. On the other hand, more levies give 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.

Federal Operating Revenue

As shown in the introduction, in FY 2006 federal revenue makes up about 8.5% of public school revenue in the state. This percentage has increased rapidly in recent years. Table 31 shows the growth of federal revenue per pupil over the last ten years. It can be seen that as a percentage of total school revenues, federal revenues have increased from around 6.0% in the late 1990s and early 2000s to 6.7% in FY 2003 and 8.5% in FY 2006. Federal revenues per pupil have increased 138.2% over this ten-year period from $346 in FY 1997 to $824 in FY 2006.

Table 31: Growth of Federal Revenue Per Pupil, FY 1997 – FY 2006

Fiscal Year	Per Pupil Federal Revenue	Annual Percentage Change	As a Percent of Total District Revenue Per Pupil
FY 1997	$346	--	6.0%
FY 1998	$353	2.0%	5.7%
FY 1999	$377	6.8%	5.6%
FY 2000	$406	7.7%	5.8%
FY 2001	$473	16.5%	6.2%
FY 2002	$488	3.2%	6.1%
FY 2003	$550	12.7%	6.7%
FY 2004	$684	24.4%	7.7%
FY 2005	$783	14.5%	8.4%
FY 2006	$824	5.2%	8.5%

Distribution of Federal Funds

Ohio Department of Education

A large portion of federal funding for schools is passed through ODE and is, therefore, a part of ODE's budget. However, schools may also receive grants directly from the federal government. The major federal programs funded through ODE's budget are the Individuals with Disabilities Education Act (IDEA), Title 1A of the Elementary and Secondary Education Act (reauthorized in the No Child Left Behind Act (NCLB)), the Federal School Lunch and Breakfast Program, and NCLB's Improving Teacher Quality grants. Funding for these and other major federal programs is presented in Table 32.

Table 32: Major Federal Program Funding for Ohio Schools, FY 2004 – FY 2007

Program Name	FY 2004	FY 2005	FY 2006	FY 2007	Change FY2004-2007
IDEA	$ 288,124,038	$ 411,527,679	$ 487,004,020	$ 491,894,073	70.7%
Title 1A	$ 391,410,430	$ 384,512,879	$ 396,584,110	$ 410,000,000	4.7%
School Lunch and Breakfast	$ 228,041,031	$ 261,349,849	$ 267,667,647	$ 285,989,261	25.4%
Improving Teacher Quality	$ 97,688,454	$ 103,715,394	$ 106,161,716	$ 104,484,000	7.0%
Career-Technical	$ 47,649,091	$ 47,286,257	$ 48,299,233	$ 48,029,701	0.8%
Reading First	$ 23,083,588	$ 31,762,814	$ 46,375,143	$ 31,215,798	35.2%

There are two major classifications of federal education grant programs administered by ODE – entitlement grants and discretionary grants. Entitlement grants are formula driven subsidy payments to school districts and other local education agencies. According to ODE, entitlement grants account for about 81% of all federal education funds received by ODE. Unlike entitlement grants, ODE has some control over the distribution of discretionary grants. The degree of control varies from grant to grant. There are three different types of discretionary federal grants: competitive grants, state-level activity grants, and state administration grants. 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 education funds received by ODE. State-level activities include technical assistance, professional development, program evaluation, and program improvements. The majority of these funds (about 7% of all federal education funds received by ODE) are distributed to educational partners outside of ODE. State administration grants are used by ODE to manage the other grants, including awarding grants to schools, monitoring recipients, accounting, auditing, data systems, facilities, etc. Allowable state administration expenses for federal programs range from 1% to 8% of the total grant amounts. ODE indicates that, on average, its administrative expenses are approximately 2% of all federal education grants.

Targets of Federal Funding

Federal funding mainly targets children from low-income families (in particular Title 1A and school lunch and breakfast) and children with disabilities (in particular IDEA). The effects of this targeting are evident in Table 33, which shows per pupil federal revenue by district type. As can be seen from the table, major urban districts with high levels of poverty (type 5) receive on average $1,746 per pupil in federal revenues, whereas suburban districts with very low levels of poverty (type 7) receive on average $310 per pupil in federal revenues. The percentage of special education students is not inherently related to district type, although, as can be seen from the table, districts with higher levels of poverty tend to also have higher percentages of special education students, which reinforces the distribution of federal revenues to those districts.

Table 33: Per Pupil Federal Revenue by District Type, FY 2006

District Type	Description	% Special Education Students	% Poverty Students	Federal Revenue Per Pupil
Type 1	Rural/agricultural - high poverty, low median income	14.7%	4.2%	$898
Type 2	Rural/agricultural - small student population, low poverty, low to moderate median income	12.8%	1.7%	$524
Type 3	Rural/small town - moderate to high median income	11.4%	1.4%	$409
Type 4	Urban - low median income, high poverty	14.4%	5.5%	$921
Type 5	Major Urban - very high poverty	15.9%	14.3%	$1,746
Type 6	Urban/Suburban - high median income	12.1%	2.2%	$445
Type 7	Urban/Suburban - very high median income, very low poverty	10.0%	0.8%	$310

Use of Federal Funds

Unlike the bulk of state and local revenues, schools are generally restricted in their use of federal revenues to the specific purpose of the grant. Federal law drives state and school policy in several key areas, especially special education through IDEA and school accountability and teacher quality through NCLB. Most federal revenues are to be used by schools to fulfill federal law in these areas. IDEA grants, for example, are to help pay for the additional costs of providing special education and related services to children with disabilities. These services are largely governed through Individual Education Programs (IEPs) that are developed for all special education students pursuant to federal law. NCLB has become the driving force nationwide behind accountability policy. It requires a single, statewide accountability system to be applied to all public school buildings and districts. NCLB also requires teachers to meet a state-defined standard of being "highly qualified." Federal Title 1A grants as well as Improving Teacher Quality and Reading First grants are to be used by schools to comply with these mandates. Title 1A grants generally are tied to services provided to low-income students.

Summary

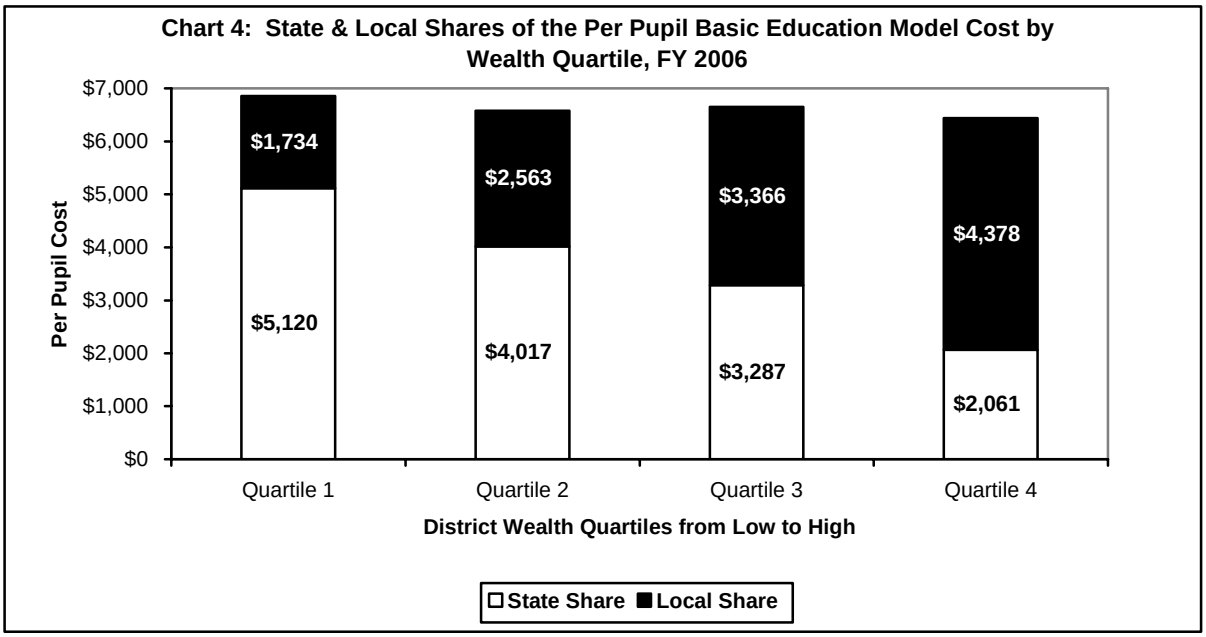
As stated in the introduction, this analysis of operating funding for public schools in Ohio is meant to assist legislators in understanding the current school funding system. This analysis has discussed the respective roles played by state, local, and federal revenues in funding school operations in Ohio. To help summarize this discussion, two charts (Chart 4 from the introduction and Chart 9 from the state funding for enhancement spending – parity aid section) are reproduced here along with a new chart (Chart 19): Chart 4 shows the state and local shares for the per pupil cost of the state-defined basic education model by wealth-based quartile; Chart 9 shows local and state enhancement revenues per pupil by wealth-based quartile; and Chart 19 shows per pupil revenues from all sources by wealth-based quartile. The four wealth-based quartiles used in all three charts are identical; they order districts from low to high in terms of property value per pupil and then group districts into four groups with roughly the same number of students. Quartile 1 districts have the lowest average property value per pupil, quartile 4 districts have the highest average property value per pupil.

This analysis has divided current school district spending into three components: (a) state-defined basic education model spending (74.2% in FY 2006), which is funded by a combination of state education aid and a portion of locally raised (mainly property) tax revenue, (b) enhancement spending above the state-defined basic education level (17.3% in FY 2006), which is primarily funded by the other portion of locally raised tax revenue that is not used to fund the state-defined basic education model cost, and (c) federal education spending (8.5% in FY 2006), which is generally targeted to students from low income families and students with disabilities.

The cornerstone of the state-defined basic education model is a uniform base cost per pupil, which represents the state-determined cost of providing a basic education to a "typical" student. The model then adds a series of adjustments to take into account the different challenges school districts face in providing the same state-defined basic education to students with different needs. The model essentially attempts to treat similar students alike and different students differently in order to ensure a similar level of basic education for all students. The current state funding formula guarantees, through a combination of state and local revenues, the full amount of spending determined by the model for every student in the state regardless of the property wealth of the district where the student lives.

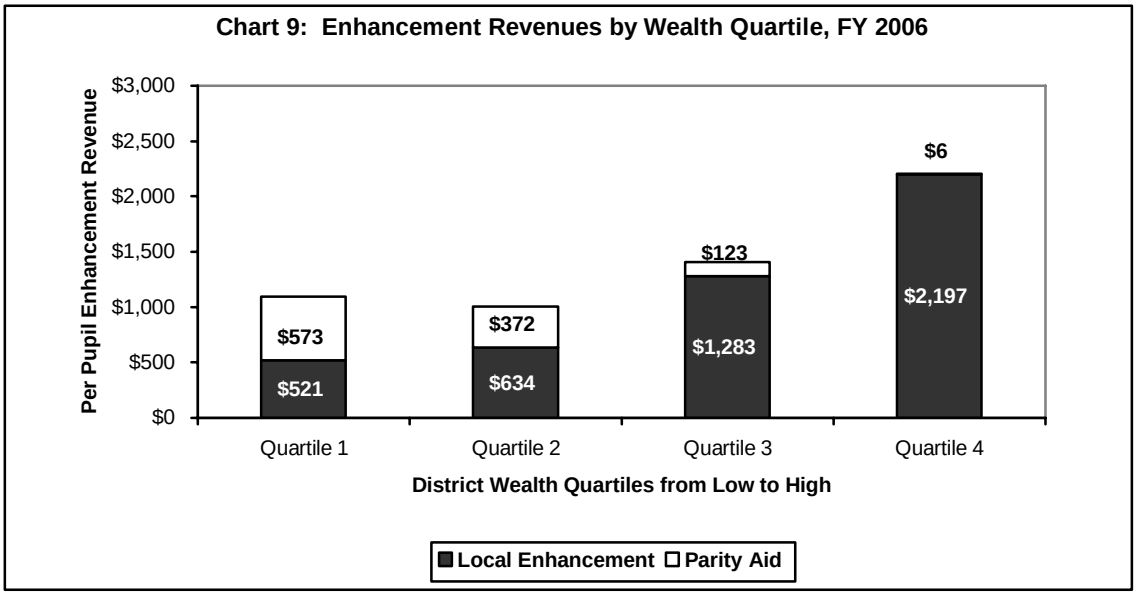
Chart 4 demonstrates that the state funding formula has indeed achieved the goal of ensuring a similar state-defined basic education for all students. As seen from the chart, there is little difference in total model cost per pupil among the four wealth-based quartiles; quartile 1 districts have on average a slightly higher total cost per pupil amount because their students tend to have higher needs (disadvantaged, special education, and pupil transportation, for example). The chart also shows that the state share of the model cost is the highest (75%) for the lowest wealth quartile 1 and that the state share decreases as the wealth level increases. On average the state pays more than 50% of the state-defined basic education model cost (54.6% in FY 2006). The combination of state and local revenue produces a similar spending level determined by the state-defined basic education model for all students across school districts.

The equalization feature of the distribution formula is independent of the funding level determined by the model used by the state. Once a targeted spending level for the state-defined basic education is determined, the formula will ensure that every district has sufficient state and local revenues to support that level of spending. Whether this targeted spending level is $6,632 statewide as in FY 2006 or, perhaps, $7,300 in FY 2008, the current school funding formula will neutralize the effect of the uneven distribution of property wealth on a school district's ability to provide the state-defined basic education every year. This inherent equalization nature of the formula essentially eliminates the impact



of H.B. 920 tax reduction factors on school district spending for the state-defined basic education. There is no disparity or phantom revenue in the state-defined basic education level.

While the formula guarantees revenue for the state-defined basic education for all students, revenue above the state-defined basic education is largely unequalized and is not guaranteed. Since enhancement revenue is largely unequalized, the uneven distribution of property wealth and income wealth affects a school district's ability to raise local revenue to support spending above the state-defined basic education level. The amount of local enhancement revenue per pupil, therefore, varies significantly across school districts. As seen from Chart 9, per pupil local enhancement revenue is clearly related to a district's wealth. The average local enhancement revenue per pupil (the dark portion of the bar) for quartile 4 districts (the top 20%) is more than four times higher than the average for quartile 1 districts,

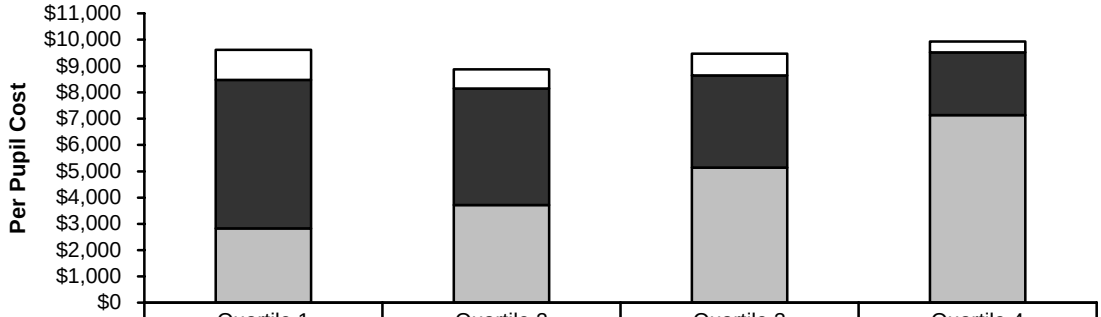


three times higher than the quartile 2 average, and almost two times higher than the quartile 3 average. While there is no disparity in the state-defined basic education, inequity occurs in the local enhancement spending level. Where a student lives affects the amount of local enhancement revenue available for that student. In FY 2006, local enhancement revenue totals approximately $2.0 billion statewide.

The state attempts to equalize a portion of local enhancement revenue through parity aid. While it is relatively small in comparison with the total amount of local enhancement revenue available, parity aid has substantially leveled the playing field for the bottom 80% (the first three quartiles) of school districts. As seen from Chart 9, when parity aid is included, the average enhancement revenue per pupil for quartile 1 districts is actually slightly higher than that for quartile 2 districts. Parity aid also reduces the difference between quartile 4 and quartile 1 by 50%. However, the top 20% (quartile 4) districts still have significantly higher amounts of enhancement revenues even with parity aid; they support their higher levels of spending by seeking approval of levies from local voters. Since the enhancement revenue is not guaranteed by the formula, H.B. 920 tax reduction factors, which limit revenue growth from existing real property, force school districts to periodically ask for new levies in order to sustain or increase their enhancement revenues. The effect of H.B. 920 tax reduction factors on a school district's enhancement revenue is also called reappraisal phantom revenue, which is a by-product of the interaction of the current school funding formula and H.B. 920 tax policy.

While it plays a relatively small role in funding schools (8.5% of total school district operating revenue in FY 2006), federal revenue has been growing rapidly in recent years. It helps equalize school district spending since it mainly targets students from low-income families and students with disabilities. Chart 19 shows all revenues per pupil for the same four wealth-based quartiles. As seen from the chart, federal revenue per pupil for quartile 1 districts is almost three times higher than that for quartile 4 districts. Quartile 1 includes several major urban districts, which tend to receive more federal revenues. As a result, the average total revenue per pupil for quartile 1 is higher than the averages for quartiles 2 and 3, and is only about $300 per pupil lower than the average for quartile 4.

Chart 19: Local, State, and Federal Revenues Per Pupil by Wealth Quartile, FY 2006



	Quartile 1	Quartile 2	Quartile 3	Quartile 4
Federal	$1,144	$723	$830	$407
State	$5,630	$4,428	$3,494	$2,390
Local	$2,838	$3,716	$5,144	$7,132
Total	$9,612	$8,866	$9,468	$9,929

District Wealth Quartiles from Low to High

However, it is very important to note that the numbers shown in Chart 19 do not take into account student characteristics and unique challenges facing school districts. A district with a higher proportion of students with special needs (special education, career-technical education, or intervention, for example) often needs to incur a higher level of spending in order to provide a similar level of educational services to all of its students. It is challenging to decide the appropriate level of additional funding needed for a student with special needs and for a district with unique challenges. That is perhaps why the school funding debate is an ongoing issue not only in Ohio but also in almost every other state. Since inequity occurs only in the enhancement spending level and since H.B. 920 tax reduction factors also affect only a district's ability to maintain or increase its enhancement spending level, enhancement spending is perhaps one of the areas that should be explored more in the ongoing school funding debate in Ohio.

MASTER TABLE: EXECUTIVE'S RECOMMENDATIONS FOR FY 2008 AND FY 2009

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 2008 and FY 2009, By Line Item and Program				
Fund	**ALI**	**Title**	**FY 2008**	**FY 2009**
		General Revenue Fund		
GRF	**200-100**	**Personal Services**	**$11,533,494**	**$12,110,169**
		PS13: State Administration and Infrastructure Support	*$11,533,494*	*$12,110,169*
		P13.01: Administrative Support	$11,533,494	$12,110,169
GRF	**200-320**	**Maintenance and Equipment**	**$4,574,479**	**$4,803,203**
		PS13: State Administration and Infrastructure Support	*$4,574,479*	*$4,803,203*
		P13.01: Administrative Support	$4,574,479	$4,803,203
GRF	**200-408**	**Early Childhood Education**	**$29,002,195**	**$31,502,195**
		PS08: Early Childhood Education	*$29,002,195*	*$31,502,195*
		P08.01: Early Learning Programs	$29,002,195	$31,502,195
GRF	**200-410**	**Educator Training**	**$18,828,817**	**$19,828,817**
		PS02: Educator Quality	*$18,515,817*	*$19,515,817*
		P02.02: Recruitment and Retention	$9,450,000	$10,450,000
		P02.04: Educator Training	$9,065,817	$9,065,817
		PS03: Academic Achievement	*$313,000*	*$313,000*
		P03.01: School Improvement	$313,000	$313,000
GRF	**200-416**	**Career-Technical Education Match**	**$2,233,195**	**$2,233,195**
		PS09: Career-Technical Education	*$2,233,195*	*$2,233,195*
		P09.06: CTE Special Programs and Support	$2,233,195	$2,233,195
GRF	**200-420**	**Computer/Application/Network Development**	**$5,536,362**	**$5,793,700**
		PS13: State Administration and Infrastructure Support	*$5,536,362*	*$5,793,700*
		P13.02: Information Technology Infrastructure	$5,536,362	$5,793,700
GRF	**200-421**	**Alternative Education Programs**	**$13,482,665**	**$13,482,665**
		PS03: Academic Achievement	*$13,482,665*	*$13,482,665*
		P03.03: Student Intervention	$13,482,665	$13,482,665
GRF	**200-422**	**School Management Assistance**	**$2,460,572**	**$2,460,572**
		PS06: School Operation Support	*$2,460,572*	*$2,460,572*
		P06.02: Finance and Management Services	$2,460,572	$2,460,572
GRF	**200-424**	**Policy Analysis**	**$576,000**	**$611,000**
		PS01:Curricula, Assessments, and Accountability	*$576,000*	*$611,000*
		P01.03: Education Accountability	$576,000	$611,000
GRF	**200-425**	**Tech Prep Consortia Support**	**$2,069,217**	**$2,069,217**
		PS09: Career-Technical Education	*$2,069,217*	*$2,069,217*
		P09.05: College-Based Career-Technical Education	$2,069,217	$2,069,217
GRF	**200-426**	**Ohio Educational Computer Network**	**$30,446,197**	**$30,446,197**
		PS06: School Operation Support	*$30,446,197*	*$30,446,197*
		P06.03: Ohio Education Networks	$30,446,197	$30,446,197

Executive Recommendations for FY 2008 and FY 2009, By Line Item and Program				
Fund	**ALI**	**Title**	**FY 2008**	**FY 2009**
GRF	**200-427**	**Academic Standards**	**$11,514,730**	**$11,514,730**
		PS01:Curricula, Assessments, and Accountability	*$6,249,818*	*$6,249,818*
		P01.01: Academic Standards and Model Curricula	$6,249,818	$6,249,818
		PS02: Educator Quality	*$3,085,000*	*$3,085,000*
		P02.05: Math and Science Educator Training	$3,085,000	$3,085,000
		PS03: Academic Achievement	*$1,179,912*	*$1,179,912*
		P03.01: School Improvement	$1,179,912	$1,179,912
		PS09: Career-Technical Education	*$1,000,000*	*$1,000,000*
		P09.02: Secondary Workforce Development	$1,000,000	$1,000,000
GRF	**200-431**	**School Improvement Initiatives**	**$12,270,150**	**$12,955,150**
		PS02: Educator Quality	*$450,000*	*$450,000*
		P02.04: Educator Training	$450,000	$450,000
		PS03: Academic Achievement	*$10,218,985*	*$10,903,985*
		P03.01: School Improvement	$800,000	$800,000
		P03.02: High School Improvement	$9,418,985	$10,103,985
		PS06: School Operation Support	*$601,165*	*$601,165*
		P06.03: Ohio Education Networks	$601,165	$601,165
		PS09: Career-Technical Education	*$1,000,000*	*$1,000,000*
		P09.04: Work and Family Studies	$1,000,000	$1,000,000
GRF	**200-433**	**Literacy Improvement - Professional Development**	**$15,915,000**	**$15,915,000**
		PS02: Educator Quality	*$15,015,000*	*$15,015,000*
		P02.06: Literacy Educator Training	$15,015,000	$15,015,000
		PS03: Academic Achievement	*$900,000*	*$900,000*
		P03.01: Literacy Intervention	$900,000	$900,000
GRF	**200-437**	**Student Assessment**	**$79,150,819**	**$78,387,144**
		PS01:Curricula, Assessments, and Accountability	*$79,150,819*	*$78,387,144*
		P01.02: Student Assessments	$79,150,819	$78,387,144
GRF	**200-439**	**Accountability/Report Cards**	**$8,096,040**	**$8,223,540**
		PS01:Curricula, Assessments, and Accountability	*$8,096,040*	*$8,223,540*
		P01.03: Education Accountability	$8,096,040	$8,223,540
GRF	**200-442**	**Child Care Licensing**	**$1,302,495**	**$1,302,495**
		PS08: Early Childhood Education	*$1,302,495*	*$1,302,495*
		P08.03: Child Care Licensing	$1,302,495	$1,302,495
GRF	**200-446**	**Education Management Information System**	**$16,110,510**	**$16,586,082**
		PS01:Curricula, Assessments, and Accountability	*$16,110,510*	*$16,586,082*
		P01.04: Education Management Information System	$16,110,510	$16,586,082
GRF	**200-447**	**GED Testing**	**$1,544,360**	**$1,544,360**
		PS03: Academic Achievement	*$125,000*	*$125,000*
		P03.03: Student Intervention	$125,000	$125,000
		PS12: Adult Education	*$1,419,360*	*$1,419,360*
		P12.04 Adult Assessment	$1,419,360	$1,419,360
GRF	**200-448**	**Educator Preparation**	**$1,651,000**	**$1,651,000**
		PS02: Educator Quality	*$1,651,000*	*$1,651,000*
		P02.01: Educator Preparation	$1,651,000	$1,651,000
GRF	**200-455**	**Community Schools**	**$1,533,661**	**$1,533,661**
		PS04: School Choice	*$1,533,661*	*$1,533,661*
		P04.01: Community Schools	$1,533,661	$1,533,661
GRF	**200-502**	**Pupil Transportation**	**$424,783,117**	**$429,030,948**
		PS06: School Operation Support	*$424,783,117*	*$429,030,948*
		P06.01: Pupil Transportation	$424,783,117	$429,030,948

Executive Recommendations for FY 2008 and FY 2009, By Line Item and Program				
Fund	**ALI**	**Title**	**FY 2008**	**FY 2009**
GRF	**200-503**	**Bus Purchase Allowance**	**$14,000,000**	**$14,000,000**
		PS06: School Operation Support	*$14,000,000*	*$14,000,000*
		P06.01: Pupil Transportation	$14,000,000	$14,000,000
GRF	**200-505**	**School Lunch Match**	**$8,998,025**	**$8,998,025**
		PS06: School Operation Support	*$8,998,025*	*$8,998,025*
		P06.04: School Food Services	$8,998,025	$8,998,025
GRF	**200-509**	**Adult Literacy Education**	**$8,669,738**	**$8,669,738**
		PS03: Academic Achievement	*$130,000*	*$130,000*
		P03.03: Student Intervention	$130,000	$130,000
		PS12: Adult Education	*$8,539,738*	*$8,539,738*
		P12.04 Adult Literacy Education	$8,539,738	$8,539,738
GRF	**200-511**	**Auxiliary Services**	**$131,740,457**	**$135,692,670**
		PS05: Basic Aid Support	*$131,740,457*	*$135,692,670*
		P05.02: Nonpublic School Payments	$131,740,457	$135,692,670
GRF	**200-514**	**Postsecondary Adult Career-Tech Education**	**$19,481,875**	**$19,481,875**
		PS09: Career-Technical Education	*$40,000*	*$40,000*
		P09.06: CTE Special Programs and Support	$40,000	$40,000
		PS12: Adult Education	*$19,441,875*	*$19,441,875*
		PS12.01: Adult Workforce Education	$19,441,875	$19,441,875
GRF	**200-521**	**Gifted Pupil Program**	**$47,608,030**	**$48,008,613**
		PS10: Gifted Education	*$47,608,030*	*$48,008,613*
		P10.01: Gifted Pupil Core	$46,592,172	$46,982,596
		P10.01: Gifted Pupil Special Program	$1,015,858	$1,026,017
GRF	**200-532**	**Nonpublic Administrative Cost Reimbursement**	**$59,810,517**	**$61,604,832**
		PS05: Basic Aid Support	*$59,810,517*	*$61,604,832*
		P05.02: Nonpublic School Payments	$59,810,517	$61,604,832
GRF	**200-536**	**Ohio Core Support**	**$9,700,000**	**$15,200,000**
		PS03: Academic Achievement	*$9,700,000*	*$15,200,000*
		P03.02: High School Improvement	$9,700,000	$15,200,000
GRF	**200-537**	**Entry Year for Principals**	**$800,000**	**$800,000**
		PS02: Educator Quality	*$800,000*	*$800,000*
		P02.04: Educator Training	$800,000	$800,000
GRF	**200-540**	**Special Education Enhancements**	**$138,619,945**	**$139,756,839**
		PS07: Special Education	*$55,712,387*	*$56,185,334*
		P07.01: Special Education Funding	$47,294,616	$47,767,563
		P07.02: Special Education Target Funding	$8,417,771	$8,417,771
		PS08: Early Childhood Education	*$82,907,558*	*$83,571,505*
		P08.03: Pre-K Special Education	$82,907,558	$83,571,505
GRF	**200-545**	**Career-Technical Education Enhancements**	**$9,298,651**	**$9,373,926**
		PS03: Academic Achievement	*$3,401,000*	*$3,401,000*
		P03.02: High School Improvement	$3,401,000	$3,401,000
		PS09: Career-Technical Education	*$5,897,651*	*$5,972,926*
		P09.03: Career-Based Intervention	$2,509,152	$2,584,427
		P09.05: College-Based Career-Technical Education	$2,621,507	$2,621,507
		P09.06: CTE Special Programs and Support	$766,992	$766,992
GRF	**200-550**	**Foundation Funding**	**$5,761,699,328**	**$6,034,943,246**
		PS02: Educator Quality	*$20,469,573*	*$21,222,801*
		P02.04: Educator Training	$20,469,573	$21,222,801
		PS03: Academic Achievement	*$165,804,425*	*$172,974,213*
		P03.02: High School Improvement	$22,877,317	$25,920,001

Executive Recommendations for FY 2008 and FY 2009, By Line Item and Program				
Fund	**ALI**	**Title**	**FY 2008**	**FY 2009**
		P03.03: Student Intervention	$142,927,108	$147,054,212
		PS04: School Choice	*$451,409,963*	*$486,253,318*
		P04.01: Community Schools	$430,822,076	$465,628,571
		P04.02: Cleveland Scholarships and Tutoring	$20,587,887	$20,624,747
		PS05: Basic Aid Support	*$3,967,889,586*	*$4,122,747,139*
		P05.01: Formula Aid	$3,967,889,586	$4,122,747,139
		PS06: School Operation Support	*$8,228,372*	*$8,422,497*
		P06.03: Ohio Education Networks	$4,528,372	$4,722,497
		P06.04: School Food Services	$3,700,000	$3,700,000
		PS07: Special Education	*$517,571,301*	*$554,141,946*
		P07.01: Special Education Funding	$497,801,301	$533,596,746
		P07.02: Special Education Target Funding	$19,770,000	$20,545,200
		PS08: Early Childhood Education	*$139,600,446*	*$143,191,063*
		P08.01: Early Learning Programs	$139,600,446	$143,191,063
		PS09: Career-Technical Education	*$286,166,053*	*$300,781,470*
		P09.01: Joint Vocational School Basic	$154,239,917	$160,318,269
		P09.02: Secondary Workforce Development	$102,983,382	$110,114,762
		P09.03: Career-Based Intervention	$12,899,511	$13,595,967
		P09.04: College-Based Career-Technical Education	$16,043,243	$16,752,472
		PS11: Students at Risk	*$204,559,609*	*$225,208,799*
		P11.02: Poverty-Based Programs	$204,559,609	$225,208,799
GRF	**200-566**	**Literacy Improvement - Classroom Grants**	**$12,062,336**	**$12,062,336**
		PS03: Academic Achievement	*$12,062,336*	*$12,062,336*
		P03.04: Literacy Intervention	$12,062,336	$12,062,336
GRF	**200-578**	**Violence Prevention and School Safety**	**$1,218,555**	**$1,218,555**
		PS03: Academic Achievement	*$1,218,555*	*$1,218,555*
		P03.01: School Improvement	$1,218,555	$1,218,555
GRF	**200-901**	**Property Tax Allocation - Education**	**$794,583,404**	**$850,868,654**
		PS05: Basic Aid Support	*$794,583,404*	*$850,868,654*
		P05.01: Local Tax Supplement	$794,583,404	$850,868,654
GRF	**200-906**	**Tangible Tax Exemption - Education**	**$21,415,244**	**$10,707,622**
		PS05: Basic Aid Support	*$21,415,244*	*$10,707,622*
		P05.01: Local Tax Supplement	$21,415,244	$10,707,622
		General Revenue Fund Subtotal	**$7,734,321,180**	**$8,075,371,971**
		General Services Fund Group		
138	**200-606**	**Computer Services - Operational Support**	**$7,600,091**	**$7,600,091**
		PS13: State Administration and Infrastructure Support	*$7,600,091*	*$7,600,091*
		P13.02: Information Technology Infrastructure	$7,600,091	$7,600,091
4D1	**200-602**	**Ohio Prevention/Education Resource Center**	**$832,000**	**$832,000**
		PS03: Academic Achievement	*$832,000*	*$832,000*
		P03.01: School Improvement	$832,000	$832,000
4L2	**200-681**	**Teacher Certification and Licensure**	**$5,966,032**	**$6,323,994**
		PS02: Educator Quality	*$5,966,032*	*$6,323,994*
		P02.03: Certification and Licensure	$5,966,032	$6,323,994
452	**200-638**	**Miscellaneous Educational Services**	**$273,166**	**$279,992**
		PS13: State Administration and Infrastructure Support	*$273,166*	*$279,992*
		P13.01: Administrative Support	$273,166	$279,992
5H3	**200-687**	**School District Solvency Assistance**	**$18,000,000**	**$18,000,000**
		PS06: School Operation Support	*$18,000,000*	*$18,000,000*
		P06.02: Finance and Management Services	$18,000,000	$18,000,000

Executive Recommendations for FY 2008 and FY 2009, By Line Item and Program				
Fund	**ALI**	**Title**	**FY 2008**	**FY 2009**
596	**200-656**	**Ohio Career Information System**	**$529,761**	**$529,761**
		PS09: Career-Technical Education	*$529,761*	*$529,761*
		P09.06: CTE Special Programs and Support	$529,761	$529,761
		General Services Fund Subtotal	**$33,201,050**	**$33,565,838**
		Federal Special Revenue Fund Group		
3AF	**200-603**	**Schools Medicaid Administrative Claims**	**$486,000**	**$639,000**
		PS11: Students at Risk	*$486,000*	*$639,000*
		P11.03: Innovative Education Programs	$486,000	$639,000
3BK	**200-628**	**Longitudinal Data Systems**	**$1,795,570**	**$307,050**
		PS01:Curricula, Assessments, and Accountability	*$1,795,570*	*$307,050*
		P01.03: Education Accountability	$1,795,570	$307,050
3BV	**200-636**	**Character Education**	**$700,000**	**$700,000**
		PS03: Academic Achievement	*$700,000*	*$700,000*
		P03.01: School Improvement	$700,000	$700,000
3CF	**200-644**	**Foreign Language Assistance**	**$85,000**	**$285,000**
		PS03: Academic Achievement	*$85,000*	*$285,000*
		P03.01: School Improvement	$85,000	$285,000
3CG	**200-646**	**Teacher Incentive Fund**	**$6,552,263**	**$3,994,338**
		PS02: Educator Quality	*$6,552,263*	*$3,994,338*
		P02.02: Recruitment and Retention	$6,552,263	$3,994,338
3C5	**200-661**	**Early Childhood Education**	**$18,989,779**	**$18,989,779**
		PS08: Early Childhood Education	*$18,989,779*	*$18,989,779*
		P08.01: Early Learning Programs	$2,831,100	$2,831,100
		P08.02: Pre-K Special Education	$16,158,679	$16,158,679
3D1	**200-664**	**Drug Free Schools**	**$13,347,966**	**$13,347,966**
		PS03: Academic Achievement	*$13,347,966*	*$13,347,966*
		P03.01: School Improvement	$13,347,966	$13,347,966
3D2	**200-667**	**Honors Scholarship Program**	**$6,573,968**	**$6,665,000**
		PS02: Educator Quality	*$5,008,968*	*$5,100,000*
		P02.05: Math and Science Educator Training	$5,008,968	$5,100,000
		PS03: Academic Achievement	*$1,565,000*	*$1,565,000*
		P03.03: Student Intervention	$1,565,000	$1,565,000
3H9	**200-605**	**Head Start Collaboration Project**	**$275,000**	**$275,000**
		PS08: Early Childhood Education	*$275,000*	*$275,000*
		P08.01: Early Learning Programs	$275,000	$275,000
3L6	**200-617**	**Federal School Lunch**	**$244,714,211**	**$249,903,970**
		PS06: School Operation Support	*$244,714,211*	*$249,903,970*
		P06.04: School Food Services	$244,714,211	$249,903,970
3L7	**200-618**	**Federal School Breakfast**	**$63,927,606**	**$69,041,814**
		PS06: School Operation Support	*$63,927,606*	*$69,041,814*
		P06.04: School Food Services	$63,927,606	$69,041,814
3L8	**200-619**	**Child/Adult Food Programs**	**$69,280,946**	**$70,691,653**
		PS06: School Operation Support	*$69,280,946*	*$70,691,653*
		P06.05: Child and Adult Care Programs	$69,280,946	$70,691,653
3L9	**200-621**	**Career-Technical Education Basic Grant**	**$48,029,701**	**$48,029,701**
		PS09: Career-Technical Education	*$48,029,701*	*$48,029,701*
		P09.02: Secondary Workforce Development	$48,029,701	$48,029,701
3M0	**200-623**	**ESEA Title 1A**	**$415,000,000**	**$420,000,000**
		PS11: Students at Risk	*$415,000,000*	*$420,000,000*
		P11.01: Title I Disadvantaged Students	$415,000,000	$420,000,000

Executive Recommendations for FY 2008 and FY 2009, By Line Item and Program				
Fund	**ALI**	**Title**	**FY 2008**	**FY 2009**
3M1	**200-678**	**Innovative Education**	**$5,369,100**	**$5,363,706**
		PS11: Students at Risk	*$5,369,100*	*$5,363,706*
		P11.03: Innovative Education Programs	$5,369,100	$5,363,706
3M2	**200-680**	**Individuals with Disabilities Education Act**	**$500,000,000**	**$405,000,000**
		PS07: Special Education	*$500,000,000*	*$405,000,000*
		P07.01: Special Education Funding	$500,000,000	$405,000,000
3S2	**200-641**	**Education Technology**	**$10,000,000**	**$5,000,000**
		PS11: Students at Risk	*$10,000,000*	*$5,000,000*
		P11.03: Innovative Education Programs	$10,000,000	$5,000,000
3T4	**200-613**	**Public Charter Schools**	**$13,850,827**	**$14,212,922**
		PS04: School Choice	*$13,850,827*	*$14,212,922*
		P04.01: Community Schools	$13,850,827	$14,212,922
3Y2	**200-688**	**21st Century Community Learning Centers**	**$30,681,554**	**$30,681,554**
		PS03: Academic Achievement	*$30,681,554*	*$30,681,554*
		P03.02: High School Improvement	$30,681,554	$30,681,554
3Y4	**200-632**	**Reading First**	**$35,215,798**	**$31,215,798**
		PS03: Academic Achievement	*$35,215,798*	*$31,215,798*
		P03.04: Literacy Intervention	$35,215,798	$31,215,798
3Y6	**200-635**	**Improving Teacher Quality**	**$102,692,685**	**$102,698,246**
		PS02: Educator Quality	*$102,692,685*	*$102,698,246*
		P02.04: Educator Training	$102,692,685	$102,698,246
3Y7	**200-689**	**English Language Acquisition**	**$8,000,000**	**$8,000,000**
		PS03: Academic Achievement	*$8,000,000*	*$8,000,000*
		P03.03: Student Intervention	$8,000,000	$8,000,000
3Y8	**200-639**	**Rural and Low Income Technical Assistance**	**$1,500,000**	**$1,500,000**
		PS11: Students at Risk	*$1,500,000*	*$1,500,000*
		P11.01: Title I Disadvantaged Students	$1,500,000	$1,500,000
3Z2	**200-690**	**State Assessments**	**$12,883,799**	**$12,883,799**
		PS01:Curricula, Assessments, and Accountability	*$12,883,799*	*$12,883,799*
		P01.02: Student Assessments	$12,883,799	$12,883,799
3Z3	**200-645**	**Consolidated Federal Grant Administration**	**$8,500,000**	**$8,500,000**
		PS13: State Administration and Infrastructure Support	*$8,500,000*	*$8,500,000*
		P13.01: Administrative Support	$8,500,000	$8,500,000
309	**200-601**	**Educationally Disadvantaged Programs**	**$12,750,000**	**$8,750,000**
		PS03: Academic Achievement	*$4,000,000*	*$0*
		P03.01: School Improvement	$4,000,000	$0
		PS11: Students at Risk	*$8,750,000*	*$8,750,000*
		P11.01: Title I Disadvantaged Students	$8,750,000	$8,750,000
366	**200-604**	**Adult Basic Education**	**$19,425,000**	**$20,396,250**
		PS12: Adult Education	*$19,425,000*	*$20,396,250*
		P12.02: Adult Literacy Education	$19,425,000	$20,396,250
367	**200-607**	**School Food Services**	**$5,849,748**	**$6,088,737**
		PS06: School Operation Support	*$5,849,748*	*$6,088,737*
		P06.06: Nutrition Programs and Support	$5,849,748	$6,088,737
368	**200-614**	**Veterans' Training**	**$710,373**	**$745,892**
		PS12: Adult Education	*$710,373*	*$745,892*
		P12.03: Veterans Programs	$710,373	$745,892
369	**200-616**	**Career-Tech Education Federal Enhancement**	**$5,000,000**	**$5,000,000**
		PS09: Career-Technical Education	*$5,000,000*	*$5,000,000*
		P09.04: Work and Family Studies	$346,400	$346,400

Executive Recommendations for FY 2008 and FY 2009, By Line Item and Program				
Fund	**ALI**	**Title**	**FY 2008**	**FY 2009**
		P09.05: College-Based Career-Technical Education	$4,653,600	$4,653,600
370	**200-624**	**Education of Exceptional Children**	**$1,811,520**	**$575,454**
		PS02: Educator Quality	*$399,795*	*$0*
		P02:04: Educator Training	$399,795	$0
		PS03: Academic Achievement	*$573,430*	*$575,454*
		P03.02: High School Improvement	$573,430	$575,454
		PS07: Special Education	*$838,295*	*$0*
		P07.02: Special Education Target Funding	$838,295	$0
374	**200-647**	**Troops to Teachers**	**$100,000**	**$100,000**
		PS02: Educator Quality	*$100,000*	*$100,000*
		P02.02: Recruitment and Retention	$100,000	$100,000
378	**200-660**	**Learn and Serve**	**$1,561,954**	**$1,561,954**
		PS03: Academic Achievement	*$1,561,954*	*$1,561,954*
		P03.01: School Improvement	$1,561,954	$1,561,954
		Federal Special Revenue Fund Subtotal	**$1,665,660,368**	**$1,571,144,583**
		State Special Revenue Fund Group		
4R7	**200-695**	**Indirect Operational Support**	**$5,449,748**	**$5,810,464**
		PS06: School Operation Support	*$921,709*	*$963,314*
		P06.02: Finance and Management Services	$921,709	$963,314
		PS13: State Administration and Infrastructure Support	*$4,528,039*	*$4,847,150*
		P13.01: Administrative Support	$4,528,039	$4,847,150
4V7	**200-633**	**Interagency Operational Support**	**$392,100**	**$376,423**
		PS02: Educator Quality	*$180,000*	*$160,000*
		P02.04: Educator Training	$180,000	$160,000
		PS03: Academic Achievement	*$80,000*	*$80,000*
		P03.02: High School Improvement	$80,000	$80,000
		PS09: Career-Technical Education	*$132,100*	*$136,423*
		P09.06: CTE Special Programs and Support	$132,100	$136,423
454	**200-610**	**Guidance and Testing**	**$400,000**	**$400,000**
		PS12: Adult Education	*$400,000*	*$400,000*
		P12.04: Adult Assessment	$400,000	$400,000
455	**200-608**	**Commodity Foods**	**$24,000,000**	**$24,000,000**
		PS06: School Operation Support	*$24,000,000*	*$24,000,000*
		P06.04: School Food Services	$24,000,000	$24,000,000
5BB	**200-696**	**State Action for Education Leadership**	**$1,250,000**	**$1,250,000**
		PS02: Educator Quality	*$1,250,000*	*$1,250,000*
		P02.01: Educator Preparation	$1,250,000	$1,250,000
5BJ	**200-626**	**Half-Mill Maintenance Equalization**	**$10,700,000**	**$10,700,000**
		PS05: Basic Aid Support	*$10,700,000*	*$10,700,000*
		P05.01: Formula Aid	$10,700,000	$10,700,000
5U2	**200-685**	**National Education Statistics**	**$300,000**	**$300,000**
		PS01:Curricula, Assessments, and Accountability	*$300,000*	*$300,000*
		P01.02: Student Assessments	$150,000	$150,000
		P01.03: Education Accountability	$150,000	$150,000
5W2	**200-663**	**Early Learning Initiative**	**$2,200,000**	**$2,200,000**
		PS08: Early Childhood Education	*$2,200,000*	*$2,200,000*
		P08.01: Early Learning Programs	$2,200,000	$2,200,000
598	**200-659**	**Auxiliary Services Reimbursement**	**$1,328,910**	**$1,328,910**
		PS05: Basic Aid Support	*$1,328,910*	*$1,328,910*
		P05.02: Nonpublic School Payments	$1,328,910	$1,328,910

Executive Recommendations for FY 2008 and FY 2009, By Line Item and Program				
Fund	**ALI**	**Title**	**FY 2008**	**FY 2009**
620	**200-615**	**Educational Improvement Grants**	**$3,000,000**	**$3,000,000**
		PS13: State Administration and Infrastructure Support	*$3,000,000*	*$3,000,000*
		P13.01: Administrative Support	$3,000,000	$3,000,000
		State Special Revenue Fund Subtotal	**$49,020,758**	**$49,365,797**
		Lottery Profits Education Fund Group		
017	**200-612**	**Foundation Funding**	**$635,198,000**	**$667,900,000**
		PS05: Basic Aid Support	*$635,198,000*	*$667,900,000*
		P05.01: Formula Aid	$635,198,000	$667,900,000
017	**200-682**	**Lease Rental Payment Reimbursement**	**$22,702,000**	**$0**
		PS06: School Operation Support	*$22,702,000*	*$0*
		P06.02: Finance and Management Services	$22,702,000	$0
		Lottery Profits Fund Subtotal	**$657,900,000**	**$667,900,000**
		Revenue Distribution Fund Group		
047	**200-909**	**School District Property Tax Replacement - Business**	**$611,596,856**	**$763,316,819**
		PS05: Basic Aid Support	*$611,596,856*	*$763,316,819*
		P05.03: Local Tax Supplement	$611,596,856	$763,316,819
053	**200-900**	**School District Property Tax Replacement - Utility**	**$91,123,523**	**$91,123,523**
		PS05: Basic Aid Support	*$91,123,523*	*$91,123,523*
		P05.03: Local Tax Supplement	$91,123,523	$91,123,523
		Revenue Distribution Fund Subtotal	**$702,720,379**	**$854,440,342**
Agency Total Funding			**$10,842,823,735**	**$11,251,788,531**

ANALYSIS OF EXECUTIVE PROPOSAL

Program Series 1: Curricula-Assessment-Accountability

Purpose: This program series focuses on setting standards for students and assessing students' attainment of those standards, as well as holding schools and districts accountable for the success of their students.

The following table shows the Governor's recommended funding levels for the Curricula-Assessments-Accountability program series.

Appropriation Amounts for Program Series 1: Curricula-Assessment-Accountability						
Fund	**ALI**	**Title**		**FY 2008**		**FY 2009**
General Revenue Fund (GRF)						
GRF	200-424	Policy Analysis	$	576,000	$	611,000
GRF	200-427	Academic Standards	$	6,249,818	$	6,249,818
GRF	200-437	Student Assessment	$	79,150,819	$	78,387,144
GRF	200-439	Accountability/Report Cards	$	8,096,040	$	8,223,540
GRF	200-446	Education Management Information System	$	16,110,510	$	16,586,082
		General Revenue Fund Subtotal	***$***	***110,183,187***	***$***	***110,057,584***
Federal Special Revenue Fund (FED)						
3BK	200-628	Longitudinal Data Systems	$	1,795,570	$	307,050
3Z2	200-690	State Assessments	$	12,883,799	$	12,883,799
		Federal Special Revenue Fund Subtotal	***$***	***14,679,369***	***$***	***13,190,849***
State Special Revenue Fund (SSR)						
5U2	200-685	National Education Statistics	$	300,000	$	300,000
		State Special Revenue Fund Subtotal	***$***	***300,000***	***$***	***300,000***
Total Funding: Curricula-Assessment-Accountability			**$**	**125,162,556**	**$**	**123,548,433**

The Curricula-Assessment-Accountability program series contains five programs. These programs and their shares of the funding for this program series are:

- ***Program 1.01: Academic Standards and Model Curricula – 5.0%***
- ***Program 1.02: Student Assessments – 73.8%***
- ***Program 1.03: Education Accountability – 8.0%***
- ***Program 1.04: Education Management Information System – 13.2%***

The executive budget proposes an increase of 16.8% over estimated FY 2007 expenditures in FY 2008 and a decrease of 1.3% in FY 2009 for this program series. Of the $248.7 million total biennial funding for this program series, 88.6% comes from the General Revenue Fund, 11.2% from the Federal Special Revenue Fund group, and 0.2% from the State Special Revenue Fund group. Details for each program are given below.

Program 1.01: Academic Standards and Model Curricula

Fund	ALI	Title/*Earmark*	FY 2008	FY 2009
GRF	200-427	Academic Standards	$ 6,249,818	$ 6,249,818
Total Funding: Academic Standards and Model Curricula			**$ 6,249,818**	**$ 6,249,818**

This program funds the development and dissemination of state academic content standards and state model curricula. The executive budget proposes a decrease of 2.6% in FY 2008 and flat funding in FY 2009 for this program.

Academic Standards. This funding supports the development and dissemination of the state academic content standards and model curricula. 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. ODE 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 ODE'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. ODE also plans to conduct a technical revision of the standards during FY 2008 and FY 2009.

The executive budget requires the State Board to adopt, by December 31, 2008, the most recent physical education standards for grades kindergarten through twelve developed by the National Association for Sport and Physical Education (NASPE). ODE must transmit these standards and any revisions made to them to districts electronically. Districts are not required to use or meet the standards. The executive budget also requires the Superintendent of Public Instruction to appoint a physical education coordinator within ODE to provide guidance and oversight to districts that follow the NASPE standards. The costs of this position must be paid from existing appropriations.

ODE 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. Currently, the IMS contains about 828 lesson plans across all grade levels pre-kindergarten through twelfth. The IMS also contains annotated assessment items and suggestions about delivering standards-based instruction. In FY 2008 and FY 2009, ODE plans to increase the curriculum resources available on the IMS in the core subject areas that are tested by the state. The executive budget explicitly states that this funding may be used by ODE to develop and implement program models and to offer online continuing education courses. Program models demonstrate how the academic content standards can be met through different sequences of courses in middle school and high school. Other curriculum resources that may become available on the IMS include best practices from other countries and strategies for developing students' cognitive thinking skills.

Program 1.02: Student Assessments

Fund	ALI	Title/*Earmark*	FY 2008	FY 2009
GRF	200-437	Student Assessment	$ 79,150,819	$ 78,387,144
FED 3Z2	200-690	State Assessments	$ 12,883,799	$ 12,883,799
SSR 5U2	200-685	National Educational Statistics	$ 150,000	$ 150,000
Total Funding: Student Assessments			**$ 92,184,618**	**$ 91,420,943**

This program funds the development, printing, distribution, collection, scoring, and reporting of achievement and diagnostic tests, as well as the Kindergarten Readiness Assessment and the Ohio Graduation Tests (OGT). The executive budget proposes an increase of 26.2% in FY 2008 and a decrease of 0.8% in FY 2009 for this program. Approximately 93.0% of this funding is expended on contracts with test development and scoring companies. Table 1 shows Ohio's state assessment schedule. The assessment schedule starts in kindergarten and continues through grade 10.

Table 1: State Student Assessment Schedule

Grade Level	Reading	Writing	Mathematics	Science	Social Studies
Kindergarten	Readiness Assessment	Readiness Assessment	Readiness Assessment		
Grade 1	Diagnostic	Diagnostic	Diagnostic		
Grade 2	Diagnostic	Diagnostic	Diagnostic		
Grade 3	Achievement	Diagnostic	Achievement		
Grade 4	Achievement	Achievement	Achievement		
Grade 5	Achievement		Achievement	Achievement	Achievement
Grade 6	Achievement		Achievement		
Grade 7	Achievement	Achievement	Achievement		
Grade 8	Achievement		Achievement	Achievement	Achievement
Grade 9					
Grade 10	OGT	OGT	OGT	OGT	OGT

Student Assessment. This funding supports the following state assessments. The executive budget proposes an increase of 31.9% in FY 2008 and a decrease of 1.0% in FY 2009 for this item.

Achievement Tests. The achievement tests assess each student's achievement of the knowledge and skills delineated in the academic content standards. As can be seen from Table 1, there are achievement tests in reading and mathematics in each of grades 3 through 8; in writing in grades 4 and 7; and in science and social studies in grades 5 and 8. Certain students with special needs are given alternate assessments that are developed by ODE. In addition, English language learners are given the Ohio Test of English Language Acquisition (OTELA). ODE estimates that in FY 2008, 4,050,000 achievement tests, 45,000 alternate assessments, and 30,000 OTELAs; and in FY 2009, 4,260,000 achievement tests, 54,000 alternate assessments, and 32,000 OTELAs will be distributed, collected, scored, and reported. In addition, this program supports the production of special versions of these assessments and other resource materials for approximately 900,000 parents. The executive budget gives districts with large enrollments a few extra days to ship achievement tests to the scoring company after the tests are administered.

Ohio Graduation Tests (OGTs). Starting with the class of 2007, all students must pass all five sections of the OGT in order to graduate from an Ohio high school. These tests assess student achievement at the 10th grade level in reading, writing, mathematics, science, and social studies. The tests are administered three times each year. ODE estimates that in FY 2008, 1,385,000 tests, 12,500 alternate assessments, and 34,200 10th grade OTELAs will be distributed, collected, scored, and reported. In addition, this program supports the production of special versions of these assessments and other resource materials for approximately 161,000 parents. The executive budget modifies the OGT testing requirements for foreign exchange students.[10]

Diagnostic Assessments. These assessments help teachers to determine the weaknesses and strengths of students in the beginning grades. ODE plans to put these tests on their web site so that state distribution and printing costs can be eliminated by FY 2009.

Kindergarten Readiness Assessment. This assessment is used to determine the literacy skills of children entering kindergarten. ODE estimates that approximately 125,000 children will be assessed in each year of the biennium. These funds are used to produce documents for teachers and parents regarding the assessment and the preparation of children for kindergarten.

End of Course Exams. The executive budget includes funding to begin the development of end of course exams, starting with Algebra II. These exams would attempt to ensure that each student learns similar material in each course regardless of what school the student attends.

State Assessments. These funds are provided by the federal government to assist the state in performing the assessments required by the federal No Child Left Behind Act.

National Education Statistics. This federal funding is deposited into SSR Fund 5U2 to support 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.

[10] For a description of all these modifications made by the executive budget please see the LSC bill analysis, pages 83-84, which is available on the LSC web site.

Program 1.03: Education Accountability

Fund	ALI	Title/*Earmark*		FY 2008		FY 2009
GRF	200-424	Policy Analysis	$	576,000	$	611,000
GRF	200-439	Accountability/Report Cards	$	8,096,040	$	8,223,540
		Value-Added Training	*$*	*3,028,540*	*$*	*3,028,540*
		Remainder	*$*	*5,067,500*	*$*	*5,195,000*
FED 3BK	200-628	Longitudinal Data Systems	$	1,795,570	$	307,050
SSR 5U2	200-685	National Education Statistics	$	150,000	$	150,000
Total Funding: Education Accountability			**$**	**10,617,610**	**$**	**9,291,590**

This program holds schools and school districts accountable for the performance of their students by collecting, analyzing, and reporting student assessment data. The executive budget proposes decreases of 11.8% in FY 2008 and 12.5% in FY 2009 for this program.

Policy Analysis. This item is used to support a system of administrative, statistical, and legislative education information to be used for policy analysis. ODE 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. The executive budget proposes increases of 3.5% in FY 2008 and 6.1% in FY 2009 for this item.

Value-Added Training. These funds are earmarked for the incorporation of a value-added measure of individual student academic achievement over time into performance ratings for school districts. Am. Sub. H.B. 66 of the 126th General Assembly funded a statewide pilot of the value-added measure beginning in FY 2006. ODE plans on incorporating this measure on district and building report cards beginning in FY 2008. These funds also support the training of teachers in understanding and using the value-added data to improve student instruction. The executive budget proposes a decrease of 19.8% in FY 2008 and flat funding in FY 2009 for this item.

Accountability/Report Cards – Remainder. 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. They 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. ODE also publishes a report called "The Condition of Education in Ohio" that synthesizes information about Ohio's educational system. The executive budget proposes increases of 37.8% in FY 2008 and 2.5% in FY 2009 for this item.

The executive budget limits the highest academic performance rating a school district or building may receive based on the percentage of its students who do not take all required achievement tests. The rating may be no higher than "continuous improvement" if 10% to 15% of the students are not tested; no more than "academic watch" if more than 15% but no more than 20% of the students are not tested; and no more than "academic emergency" if more than 20% of the students are not tested.

Longitudinal Data Systems. This federal grant from the Institute of Education Sciences is used to enhance ODE's data collection system, including automated reporting to the U.S. Department of

Education. The grant is not expected to be renewed, so spending is expected to decrease 35.6% in FY 2008 and 82.9% in FY 2009.

National Education Statistics. This federal funding is deposited into SSR Fund 5U2 to support the collection of education statistics at the state and local level to be reported to the National Center for Education Statistics (NCES).

Program 1.04: Education Management Information System

Fund	ALI	Title/*Earmark*		FY 2008		FY 2009
GRF	200-446	Education Management Information System	$	16,110,510	$	16,586,082
		Information Technology Center Subsidy	*$*	*2,617,462*	*$*	*2,686,899*
		School District Subsidy	*$*	*8,256,569*	*$*	*8,462,984*
		Remainder	*$*	*5,236,479*	*$*	*5,436,199*
Total Funding: Education Management Information System			**$**	**16,110,510**	**$**	**16,586,082**

This program funds the 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. The executive budget proposes increases of 2.8% in FY 2008 and 3.0% in FY 2009 for this program.

Under current law a district or community school that fails to meet EMIS data reporting requirements is subject to certain penalties including, for repeated infractions, the withholding of up to 20% of the state funds due the district or school. The executive budget replaces the current penalties with a specified series of sequential actions that ODE may take. These actions include withholding up to 30% of the district or school's state funds.[11]

Information Technology Center Subsidy. These funds are earmarked for distribution to the 23 information technology centers (formerly called data acquisition sites) for costs related to processing, storing, and transferring data for the effective operation of EMIS. The costs include: personnel, hardware purchases, software development, communications connectivity, professional development, support services, and the provision of services related to the State Education Technology Plan. Among other things, these 23 centers help all school districts except Akron, Cleveland, and Columbus, community schools, joint vocational school districts, and educational service centers electronically transmit required EMIS data. Funds are distributed to the 23 information technology centers using a per-pupil formula based on the enrollments of member districts. The executive budget proposes increases of 102.0% in FY 2008 and 2.7% in FY 2009 for these subsidies.

School District Subsidy. These funds are earmarked for distribution to 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.

[11] For a complete description of all the changes to these penalties made by the executive budget please see the LSC bill analysis, pages 81-82, which is available on the LSC web site.

School districts and community schools with less than 100 students enrolled, educational service centers, and county boards of MR/DD that report data through EMIS receive $3,000 each fiscal year. The executive budget proposes increases of 2.5% in FY 2008 and FY 2009 for these subsidies.

Education Management Information System – Remainder. This funding 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 improve the current EMIS. The executive budget proposes a decrease of 17.2% in FY 2008 and an increase of 3.8% in FY 2009 for this item.

Program Series 2: Educator Quality

Purpose: This program series prepares qualified educators to work in Ohio's schools.

The following table shows the Governor's recommended funding levels for the Educator Quality program series.

Appropriation Amounts for Program Series 2: Educator Quality						
Fund	**ALI**	**Title**		**FY 2008**		**FY 2009**
General Revenue Fund (GRF)						
GRF	200-410	Educator Training	$	18,515,817	$	19,515,817
GRF	200-427	Academic Standards	$	3,085,000	$	3,085,000
GRF	200-431	School Improvement Initiatives	$	450,000	$	450,000
GRF	200-433	Literacy Improvement - Professional Development	$	15,015,000	$	15,015,000
GRF	200-448	Educator Preparation	$	1,651,000	$	1,651,000
GRF	200-537	Entry Year for Principals	$	800,000	$	800,000
GRF	200-550	Foundation Funding	$	20,469,573	$	21,222,801
		General Revenue Fund Subtotal	***$***	***59,986,390***	***$***	***61,739,618***
General Services Fund (GSF)						
4L2	200-681	Teacher Certification and Licensure	$	5,966,032	$	6,323,994
		General Services Fund Subtotal	***$***	***5,966,032***	***$***	***6,323,994***
Federal Special Revenue Fund (FED)						
3CG	200-646	Teacher Incentive Fund	$	6,552,263	$	3,994,338
3D2	200-667	Honors Scholarship Program	$	5,008,968	$	5,100,000
3Y6	200-635	Improving Teacher Quality	$	102,692,685	$	102,698,246
370	200-624	Education of Exceptional Children	$	399,795	$	-
374	200-647	Troops to Teachers	$	100,000	$	100,000
		Federal Special Revenue Fund Subtotal	***$***	***114,753,711***	***$***	***111,892,584***
State Special Revenue Fund (SSR)						
4V7	200-633	Interagency Operational Support	$	180,000	$	160,000
5BB	200-696	State Action for Education Leadership	$	1,250,000	$	1,250,000
		State Special Revenue Fund Subtotal	***$***	***1,430,000***	***$***	***1,410,000***
Total Funding: Educator Quality			**$**	**182,136,133**	**$**	**181,366,196**

The Educator Quality program series contains six programs. These programs and their shares of the funding for this program series are:

- ***Program 2.01: Educator Preparation – 1.6%***
- ***Program 2.02: Recruitment and Retention – 8.4%***
- ***Program 2.03: Certification and Licensure – 3.4%***
- ***Program 2.04: Educator Training – 73.8%***
- ***Program 2.05: Math and Science Educator Training – 4.5%***
- ***Program 2.06: Literacy Educator Training – 8.3%***

The executive budget proposes an increase of 4.5% over estimated FY 2007 expenditures in FY 2008 and a decrease of 0.4% in FY 2009 for this program series. Of the $363.5 million total biennial funding for this program series, 33.5% comes from the general revenue fund, 3.4% from the general services fund group, 62.3% from the federal special revenue fund group, and 0.8% from the state special revenue fund group. Details for each program are given below.

Program 2.01: Educator Preparation

Fund	ALI	Title/*Earmark*		FY 2008		FY 2009
GRF	200-448	Educator Preparation	$	1,651,000	$	1,651,000
		Teacher Quality Partnership	*$*	*100,000*	*$*	*100,000*
		Remainder	*$*	*1,551,000*	*$*	*1,551,000*
SSR 5BB	200-696	State Action for Education Leadership	$	1,250,000	$	1,250,000
Total Funding: Educator Preparation			**$**	**2,901,000**	**$**	**2,901,000**

This program supports colleges and universities to ensure that teachers understand Ohio's academic content standards and are able to increase student achievement. Although the executive budget proposes flat GRF funding for this program, total funding decreases 20.4% in FY 2008 due to the elimination of two federal grants. The program is flat funded in FY 2009.

Teacher Quality Partnership. These funds are used in conjunction with funds ($100,000 per fiscal year) from the Board of Regents' budget to support the Teacher Quality Partnership. This Partnership is a research consortium of Ohio's 50 colleges and universities that have teacher education programs. The funds are used to support a comprehensive longitudinal study of the preparation, in-school support, and effectiveness of Ohio teachers. The executive budget proposes flat funding in FY 2008 and FY 2009 for this item.

Educator Preparation – Remainder. These funds are used primarily to support the work of the Educator Standards Board, established by Am. Sub. S.B. 2 of the 125th General Assembly, which is responsible for the development and implementation of statewide standards for Ohio's teachers and principals. This funding supports implementation of career ladder programs, development of content-based standards for what teachers should know and be able to do, development of guidelines for the evaluation of teachers and principals, program approval of higher education teacher preparation programs, technical assistance to low performing institutions of higher education, and institutional report cards. The executive budget proposes flat funding in FY 2008 and FY 2009 for this item.

State Action for Education Leadership. These funds are provided through a grant awarded by the Wallace and the Bill and Melinda Gates foundations. 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. Funding for these grants is expected to increase 4.2% in FY 2008 and be flat in FY 2009.

Program 2.02: Recruitment and Retention

Fund	ALI	Title/*Earmark*	FY 2008	FY 2009
GRF	200-410	Educator Training	$ 9,450,000	$ 10,450,000
		National Board Certification	*$ 9,250,000*	*$ 10,250,000*
		Knowledge/Skills-Based Compensation	*$ 200,000*	*$ 200,000*
FED 3CG	200-646	Teacher Incentive Fund	$ 6,552,263	$ 3,994,338
FED 374	200-647	Troops to Teachers	$ 100,000	$ 100,000
Total Funding: Recruitment and Retention			**$ 16,102,263**	**$ 14,544,338**

This program provides funds to create a quality workforce and reduce critical shortages and turnover of highly qualified educators, especially in the areas of mathematics, science, and building administration. The executive budget proposes an increase of 1.3% in FY 2008 and a decrease of 9.7% in FY 2009 for this program. The decrease in FY 2009 is entirely due to federally funded teacher incentive programs.

National Board Teacher Certification. ODE 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. Funds for this program will support 400 applications in both FY 2008 and FY 2009, providing $2,225 of the $2,300 application fee. Candidates pay the remaining $75 of the fee themselves. The executive budget increases the subsidy for the application fee by $225 for each teacher from $2,000 under current law. Funding will also be used to provide annual stipends of $2,500 to an estimated 2,300 teachers in FY 2008 and 2,140 teachers in FY 2009 who are National Board certified. National Board certified teachers receive this stipend for ten years after obtaining certification. Under current law, teachers receiving certification after 2004 receive an annual stipend of $1,000, whereas teachers receiving certification earlier receive an annual stipend of $2,500. The executive budget increases the stipend for all certified teachers to $2,500. In 2007, approximately 240 teachers are eligible for the $1,000 stipend. The number of National Board certified teachers working in Ohio schools has increased from 151 in FY 1998 to an estimated 2,650 in FY 2006.

The executive proposal also provides $39,500 in each fiscal year for a new program offered by the National Board called TAKE ONE. This program provides support, development, and training of beginning teachers, including retention strategies for highly qualified teachers in high-needs schools. Funds will support the $395 application fee for 100 candidates to participate in the program each year. In addition, up to $300,000 in each fiscal year is set aside for ODE to support candidates in both National Board programs.

The executive budget proposes increases in the total amount of this earmark of 12.1% in FY 2008 and 10.8% in FY 2009.

Knowledge/Skills-Based Compensation. This funding supports the participation of Ohio schools in the Teacher Advancement Program (TAP) developed by the Milken Family Foundation and operated by the National Institute for Excellence in Teaching. Funding provides participating schools with the resources to develop local knowledge-based, skills-based, and performance-based teacher compensation systems. The program builds on the alignment of five key principles: (1) multiple career paths for

teachers, (2) design of a market-driven compensation system tied to job performance, (3) performance-based accountability, (4) ongoing, applied professional development, and (5) expanding the pool of highly qualified teachers. The program allows high performing teachers to earn higher salaries and advance professionally without leaving the classroom. There are currently four schools in Columbus that have implemented TAP. The executive budget proposes flat funding for this program in FY 2008 and FY 2009. The executive budget also removes the reference to TAP from the earmark, presumably allowing these funds to support other similar programs.

Teacher Incentive Fund. These federal funds are used to develop and implement performance based teacher and principal compensation systems, based primarily on increases in student achievement in high-needs schools. The Ohio Teacher Incentive Fund (OTIF) is a partnership of the Ohio Department of Education, Columbus, Cincinnati, and Toledo city schools, and the National Institute for Excellence in Teaching. It provides funding for the implementation of TAP in Cincinnati Public Schools and the expansion of the TAP in Toledo Public Schools. Funding for this program is expected to increase 18.9% in FY 2008 and decrease 39.0% in FY 2009.

Troops to Teachers. This federal program provides administrative support, outreach, and recruitment to encourage military personnel to enter the teaching profession utilizing the alternative teacher license. Since its inception, this program has trained 250 teachers with 66.0% of them teaching in high-need schools and in shortage areas. Funding for this program is expected to decrease 86.9% in FY 2008 and to be flat in FY 2009.

Program 2.03: Certification and Licensure

Fund	ALI	Title/*Earmark*	FY 2008	FY 2009
GSF 4L2	200-681	Teacher Certification and Licensure	$ 5,966,032	$ 6,323,994
Total Funding: Certification and Licensure			**$ 5,966,032**	**$ 6,323,994**

This program provides funds for the processing of licensure applications, technical assistance related to licensure, and the administration of the teacher disciplinary process. Funding for this program is provided by licensure fees that are deposited into GSF Fund 4L2. The executive budget proposes increases of 6.0% in FY 2008 and FY 2009 for this program.

Approximately 100,000 licenses are issued annually. In FY 2007 a new electronic system, Connected Ohio Records for Educators (CORE), began operation. This system allows educators to apply and pay for licenses electronically.

According to ODE, more than 1,000 cases of educator misconduct are investigated annually, with an average of 90 cases resulting in a hearing. In addition to conducting these investigations and hearings, ODE also provides products and services that improve stakeholder awareness, understanding, and practice of professional conduct.

Program 2.04: Educator Training

Fund	ALI	Title/*Earmark*		FY 2008		FY 2009
GRF	200-410	Educator Training	$	9,065,817	$	9,065,817
		Entry Year Teachers	*$*	*8,715,817*	*$*	*8,715,817*
		Administrator Training	*$*	*350,000*	*$*	*350,000*
GRF	200-431	School Improvement Initiatives	$	450,000	$	450,000
		Rural Appalachian Leadership Development	*$*	*450,000*	*$*	*450,000*
GRF	200-537	Entry Year for Principals	$	800,000	$	800,000
GRF	200-550	Foundation Funding	$	20,469,573	$	21,222,801
FED 3Y6	200-635	Improving Teacher Quality	$	102,692,685	$	102,698,246
FED 370	200-624	Education of Exceptional Children	$	399,795	$	-
SSR 4V7	200-633	Interagency Operational Support	$	180,000	$	160,000
Total Funding: Educator Training			**$**	**134,057,870**	**$**	**134,396,864**

This program provides funding for educator training at the school district and building level, targeted toward increasing knowledge of the academic content standards and building the capacity of educators to implement best practice instructional strategies and techniques. The executive budget proposes increases of 5.9% in FY 2008 and 0.3% in FY 2009 for this program.

Entry Year Teachers. This funding supports intensive professional development for beginning teachers. 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. 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. Trained mentors support the entry year teachers and principals throughout the first year of teaching. ODE estimates the number of teacher and principal participants in entry year programs will be 6,815 in FY 2008 and 7,900 in FY 2009. The executive budget proposes to separate the funding provided in the budget for entry year teachers from that provided for entry year principals. It creates a new GRF appropriation item – 200-537, Entry Year Principals, to fund support for entry year principal programs. The executive budget proposes flat funding in FY 2008 and FY 2009 for entry year programs (including those for teachers and principals).

Administrator Training. This funding supports professional development for practicing administrators. Most of these funds are allocated through grants to state professional associations that provide training to school administrators, although a portion is used for training directly sponsored by ODE. The executive budget provides flat funding in FY 2008 and FY 2009 for this earmark.

Rural Appalachian Leadership Development. This funding supports Ohio's Rural Appalachian Leadership Development Initiative, which focuses on improving school leadership in Ohio's Appalachian region. The executive budget proposes flat funding in FY 2008 and FY 2009 for this earmark.

Entry Year for Principals. This funding supports intensive professional development for beginning principals. As explained above concerning funding for entry year teachers, the executive budget proposes to separate the funding provided in the budget for entry year teachers from that provided for entry year principals. It creates a new GRF appropriation item – 200-537, Entry Year Principals, to

fund support for entry year principal programs. The executive budget proposes flat funding in FY 2008 and FY 2009 for entry year programs (including those for teachers and principals).

Foundation Funding. This funding is provided through the state's school funding formula specifically for educator professional development. The formula provides this funding through both base cost funding and poverty-based assistance:

Base Cost Funding – Professional Development and Professional Development for Data Based Decision Making. Base cost funding is the main component of state foundation funding. The base cost is a uniform cost per pupil determined each fiscal year in statute. There is a local share as well as a state share for this funding. The local share is a uniform 23 mills (2.3%) of the taxable value of local property in each district. Included in the base cost are two base funding supplements provided specifically for professional development. Under the executive proposal the first one provides $11.05 per ADM[12] in FY 2008 and $11.38 per ADM in FY 2009 for general professional development and the second one provides $6.55 per ADM in FY 2008 and $6.54 per ADM in FY 2009 for professional development specifically related to data-based decision making.

Poverty-Based Assistance – Professional Development. This funding is provided to districts with concentrations of poverty students that are above the statewide concentration. Under the executive proposal, these districts would receive up to an additional $14.73 per ADM in FY 2008 and $15.17 per ADM in FY 2009 depending on their poverty concentrations.

Improving Teacher Quality. Most of this federal grant (95%) is passed through directly to school districts based on a federal formula that considers enrollment and poverty in each district. Districts must use the funds for professional development and educator quality purposes. The remainder of the grant is used by ODE for administration (1%) and to support partnerships between districts and institutions of higher education in developing educator training activities (4%).

Education of Exceptional Children – Javits Grant. This federal grant supports professional development modules for individuals who impact the education of gifted students, but who are not considered gifted education specialists. These individuals include parents, regular education teachers, school administrators, guidance counselors, and school psychologists. ODE expects to train 500-600 gifted education specialists to deliver professional development to approximately 11,000 of these educators and parents.

Interagency Operational Support – Child Abuse Training. This funding is provided mainly by the Ohio Department of Youth Services and the Ohio Department of Rehabilitation and Corrections through transfers into SSR Fund 4V7. The funding is used for reimbursements to school districts for providing required training for teachers in identifying child abuse in their students.

[12] ADM (average daily membership) is a measure of the number of pupils in the district.

Program 2.05: Math and Science Educator Training

Fund	ALI	Title/*Earmark*		FY 2008		FY 2009
GRF	200-427	Academic Standards	$	3,085,000	$	3,085,000
		Mathematics Initiatives	*$*	*2,600,000*	*$*	*2,600,000*
		Ohio Resource Center for Mathematics and Science	*$*	*200,000*	*$*	*200,000*
		Science Initiatives	*$*	*285,000*	*$*	*285,000*
FED 3D2	200-667	Honors Scholarship Program	$	5,008,968	$	5,100,000
Total Funding: Math and Science Educator Training			**$**	**8,093,968**	**$**	**8,185,000**

This program provides content training specifically for teachers of mathematics and science. The executive budget proposes increases of 7.7% in FY 2008 and 1.1% in FY 2009 for this program.

Mathematics Initiatives. This funding is used primarily for the Ohio Mathematics Academy Program (OMAP). 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 also includes the use of technology to support instruction. Priority for the training is given to teachers in high-needs school districts. In addition to the GRF, OMAP is supported through the federal Math and Science Partnerships grant, which is deposited into FED Fund 3D2. The executive budget proposes flat funding for this earmark in FY 2008 and FY 2009, but permits ODE to use the funding for other mathematics initiatives in addition to OMAP.

Ohio Resource Center for Mathematics and Science. This funding supports the Ohio Resource Center, which identifies and disseminates professional development and instructional resources organized around Ohio's academic content standards to Ohio educators. These resources are peer-reviewed and available on the Center's web site free of charge. The executive budget proposes flat funding in FY 2008 and FY 2009 for this earmark. In addition to this funding the Center also receives funding in the amount of $874,871 per fiscal year from the Board of Regents' budget.

Science Initiatives. This funding is used primarily for the Ohio Science Institute (OSCI). OSCI is an intensive, five-day teacher institute with two one-day sessions that focus on classroom implementation of the science academic content standards. Training also includes the use of technology to support instruction. Priority for the training is given to teachers in high-needs school districts. In addition to the GRF, OSCI is supported through the federal Math and Science Partnerships grant, which is deposited into FED Fund 3D2. The executive budget proposes flat funding for this earmark in FY 2008 and FY 2009, but permits ODE to use the funding for other science initiatives in addition to OSCI.

Honors Scholarship Program – Math and Science Partnerships Grant. This federal grant supports programs designed to improve the academic achievement of students in mathematics and science. As mentioned above, funding is used to support OMAP and OSCI. This funding is expected to increase 13.1% in FY 2008 and 1.8% in FY 2009.

Program 2.06: Literacy Educator Training

Fund	ALI	Title/*Earmark*		FY 2008		FY 2009
GRF	200-433	Literacy Improvement - Professional Development	$	15,015,000	$	15,015,000
		Educator Training in Literacy	*$*	*9,790,000*	*$*	*9,790,000*
		Professional Development Partnerships	*$*	*5,000,000*	*$*	*5,000,000*
		Remainder	*$*	*225,000*	*$*	*225,000*
Total Funding: Literacy Educator Training			**$**	**15,015,000**	**$**	**15,015,000**

This program provides training to teachers in developing effective instructional methods for improving literacy. The executive budget proposes flat funding in FY 2008 and FY 2009 for this program.

Educator Training in Literacy. This funding supports the State Institutes for Reading Instruction (SIRI). SIRI 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. Currently, six SIRI programs exist: (1) pre-kindergarten and kindergarten for children aged 3-6 years, (2) grades K-3 first reading experiences, (3) reading diagnostics and lesson design for grades 3-6, (4) adolescent literacy – reading to learn across the curriculum for grades 4-12, (5) leadership connections to adolescent SIRI for administrators, and (6) leadership connections for administrators to first reading experiences and reading diagnostics and design. The executive budget proposes flat funding in FY 2008 and FY 2009 for this earmark.

Professional Development Partnerships. This funding supports the field faculty network and literacy specialist project which has several components, including development of the core curriculum in professional development in reading and writing, and training literacy specialists in pre-kindergarten through grade 12. Funding also supports the literacy networks initiative, which provides regional professional development for school administrators in standards based instruction in English language arts, the adolescent literacy project to advance adolescent literacy education, and the early literacy project to provide greater access to resources that are aligned to the early learning standards. In addition, funding provides for the staff supporting these components. The executive budget proposes flat funding in FY 2008 and FY 2009 for this earmark.

Literacy Improvement – Professional Development – Remainder. This funding supports the administrative staff responsible for the fiscal oversight, data analysis, and leadership for ODE's Office of Reading Improvement.

Program Series 3: Academic Achievement

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

The following table shows the Governor's recommended funding levels for the Academic Achievement program series.

Appropriation Amounts for Program Series 3: Academic Achievement						
Fund	**ALI**	**Title**		**FY 2008**		**FY 2009**
General Revenue Fund (GRF)						
GRF	200-410	Educator Training	$	313,000	$	313,000
GRF	200-421	Alternative Education Programs	$	13,482,665	$	13,482,665
GRF	200-427	Academic Standards	$	1,179,912	$	1,179,912
GRF	200-431	School Improvement Initiatives	$	10,218,985	$	10,903,985
GRF	200-433	Literacy Improvement - Professional Development	$	900,000	$	900,000
GRF	200-447	GED Testing	$	125,000	$	125,000
GRF	200-509	Adult Literacy Education	$	130,000	$	130,000
GRF	200-536	Ohio Core Support	$	9,700,000	$	15,200,000
GRF	200-545	Career-Technical Education Enhancements	$	3,401,000	$	3,401,000
GRF	200-550	Foundation Funding	$	165,804,425	$	172,974,213
GRF	200-566	Literacy Improvement Classroom Grants	$	12,062,336	$	12,062,336
GRF	200-578	Violence Prevention and School Safety	$	1,218,555	$	1,218,555
		General Revenue Fund Subtotal	***$***	***218,535,878***	***$***	***231,890,666***
General Services Fund (GSF)						
4D1	200-602	Ohio Prevention/Education Resource Center	$	832,000	$	832,000
		General Services Fund Subtotal	***$***	***832,000***	***$***	***832,000***
Federal Special Revenue Fund (FED)						
3BV	200-636	Character Education	$	700,000	$	700,000
3CF	200-644	Foreign Language Assistance	$	85,000	$	285,000
3D1	200-664	Drug Free Schools	$	13,347,966	$	13,347,966
3D2	200-667	Honors Scholarship Program	$	1,565,000	$	1,565,000
3Y2	200-688	21st Century Community Learning Ctr.	$	30,681,554	$	30,681,554
3Y4	200-632	Reading First	$	35,215,798	$	31,215,798
3Y7	200-689	English Language Acquisition	$	8,000,000	$	8,000,000
309	200-601	Educationally Disadvantaged Programs	$	4,000,000	$	-
370	200-624	Education of Exceptional Children	$	573,430	$	575,454
378	200-660	Learn and Serve	$	1,561,954	$	1,561,954
		Federal Special Revenue Fund Subtotal	***$***	***95,730,702***	***$***	***87,932,726***
State Special Revenue Fund (SSR)						
4V7	200-633	Interagency Operational Support	$	80,000	$	80,000
		State Special Revenue Fund Subtotal	***$***	***80,000***	***$***	***80,000***
Total Funding: Academic Achievement			**$**	**315,178,580**	**$**	**320,735,392**

The Academic Achievement program series contains four programs. These programs and their shares of the funding for this program series are:

- ***Program 3.01: School Improvement – 7.0%***
- ***Program 3.02: High School Improvement – 26.1%***

- ***Program 3.03: Student Intervention – 52.4%***
- ***Program 3.04: Literacy Intervention – 14.5%***

The executive budget proposes an increase of 0.8% over estimated FY 2007 expenditures in FY 2008 and an increase of 1.8% in FY 2009 for this program series. Of the $635.9 million in total biennial funding for this program series, 70.8% comes from the General Revenue Fund, 0.3% from the General Services Fund group, 28.9% from the Federal Special Revenue Fund group, and a negligible percentage from the State Special Revenue Fund group, and. Details for each program are given below.

Program 3.01: School Improvement

Fund	ALI	Title/*Earmark*		FY 2008		FY 2009
GRF	200-410	Educator Training	$	313,000	$	313,000
		Ohio University Leadership Program	*$*	*63,000*	*$*	*63,000*
		Ohio School Leadership Institute	*$*	*250,000*	*$*	*250,000*
GRF	200-427	Academic Standards	$	1,179,912	$	1,179,912
		Teachers on Loan	*$*	*747,912*	*$*	*747,912*
		JASON Expedition Project	*$*	*282,000*	*$*	*282,000*
		Partnership for Continued Learning	*$*	*150,000*	*$*	*150,000*
GRF	200-431	School Improvement Initiatives	$	800,000	$	800,000
		Continuous Improvement Planning Assistance	*$*	*800,000*	*$*	*800,000*
GRF	200-578	Violence Prevention and School Safety	$	1,218,555	$	1,218,555
		Safe School Center	*$*	*224,250*	*$*	*224,250*
		Remainder	*$*	*994,305*	*$*	*994,305*
GSF 4D1	200-602	Ohio Prevention/Education Resource Center	$	832,000	$	832,000
FED 3BV	200-636	Character Education	$	700,000	$	700,000
FED 3CF	200-644	Foreign Language Assistance	$	85,000	$	285,000
FED 3D1	200-664	Drug Free Schools	$	13,347,966	$	13,347,966
FED 309	200-601	Educationally Disadvantaged Programs	$	4,000,000	$	-
FED 378	200-660	Learn and Serve	$	1,561,954	$	1,561,954
Total Funding: School Improvement			**$**	**24,038,387**	**$**	**20,238,387**

This program funds additional assistance to districts, buildings, and students most in need of academic improvement. The executive budget proposes decreases of 47.4% in FY 2008 and 15.8% in FY 2009 for this program.

Ohio University Leadership Program. This funding is provided to Ohio University to support the Ohio University Leadership Project. This project provides professional development programs for school leaders, including principals, superintendents, and treasurers. The executive budget proposes flat funding in FY 2008 and FY 2009 for this earmark.

Ohio School Leadership Institute. This funding supports the Ohio School Leadership Institute, which provides training for school leaders. The executive budget proposes flat funding in FY 2008 and FY 2009 for this earmark.

Teachers on Loan. This funding is used to support master teachers who excel in standards-based education who are "loaned" from their schools to low-performing districts. The executive budget proposes flat funding in FY 2008 and FY 2009 for this earmark, which will support 12 teachers in the program each year.

JASON Expedition Project. This funding provides professional development training for teachers participating in the JASON Expedition project, statewide management of the project, and a 75% subsidy for statewide licensing of JASON Expedition content with priority given to content aligned with state academic content standards. The JASON Expedition project provides a supplemental science curriculum for middle school students. The project allows students to follow a group of scientists on a research journey through real time satellite and Internet feeds. The executive budget proposes flat funding in FY 2008 and FY 2009 for this earmark.

Partnership for Continued Learning. Chaired by the Governor, the Partnership for Continued Learning is a partnership between the State Board of Education and the Ohio Board of Regents charged with taking a comprehensive look at the preschool through college educational system in order to further academic achievement. This funding is combined with an earmark of $150,000 each fiscal year in the Board of Regents' budget. The executive budget proposes flat funding in FY 2008 and FY 2009 for the Partnership.

Continuous Improvement Planning Assistance. This funding provides support for school improvement through technical assistance to the lowest performing districts to help them as they develop their continuous improvement plans. This funding is distributed to 16 regional school improvement teams (RSITs) based on a formula that takes into account the number of low performing buildings in each region. The executive budget proposes a substantial decrease (94.1%) for this funding in FY 2008. According to the executive budget, in FY 2008 and FY 2009 this earmark will supplement funding that districts receive through a new poverty-based assistance program proposed in the executive budget. This new program provides funds through the school funding formula to districts with above average concentrations of poverty students and above average percentages of buildings in academic watch or academic emergency. This new program is funded in Program 11.02: Poverty-Based Programs.

Safe School Center. This GRF funding is combined with a grant from the Ohio Department of Alcohol and Drug Addiction Services (ODADAS) to support the Ohio Resource Network for Safe and Drug Free Schools and Communities (ORN). The ORN provides training for schools and communities on alcohol and drug abuse prevention and school safety. It also provides technical assistance related to bullying and maintains the 24-hour Bullying and Violence Helpline. The executive budget proposes flat GRF funding in FY 2008 and FY 2009 for this activity.

Violence Prevention and School Safety – Remainder. This funding is provided to school districts to assist them in creating safe learning environments. Districts may use the funds for school resource officers, safe and drug-free school coordinators, needs assessments, character education, and school conflict management programs. The executive budget proposes flat GRF funding in FY 2008 and FY 2009 for this activity.

Current law requires that districts adopt a student discipline policy. The executive budget requires that this policy state the date and manner by which a student or a student's parent may notify the school board of intent to appeal an expulsion or suspension, but that the date may not be less than 14 days after the board provides its intent to expel.

Ohio Prevention/Education Resource Center. This funding is combined with GRF funding to support ORN as described above under "Safe School Center." These funds come from a grant from ODADAS. The executive budget proposes flat funding in FY 2008 and FY 2009 for this grant.

Character Education. This federal funding is used to provide grant coordination, program implementation, and evaluation for the Ohio Partnerships in Character Education Project. Grant funds flow to the Ohio Partners in Character Education (OPCE), a program component of the Better Business Bureau Education Foundation, Inc. for the purpose of creating Smart and Good Schools. The objectives of this program are to improve achievement and high school success, especially in underrepresented populations. The funds are distributed by the OPCE to participating school districts. This funding is expected to increase by 43.3% in FY 2008 and to be flat in FY 2009.

Foreign Language Assistance. This federal funding provides grant coordination and program development, implementation, and evaluation for the Ohio Foreign Language Assistance program, and the K-6 Mandarin Chinese curriculum. The objectives of this program are to develop a content based elementary Chinese curriculum. ODE has identified Shaker Heights, Chagrin Falls, Beavercreek, Tipp City, and Belpre school districts to pilot the Mandarin Chinese program in their elementary schools, along with the Cincinnati Academy of World Languages.

Drug Free Schools. This federal grant provides funds to all districts in Ohio, as well as community schools and nonpublic schools. The funds are 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 reflects expected decreases in this grant of 47.6% in FY 2008 and 71.4% in FY 2009.

Educationally Disadvantaged Programs. This federal grant supports the implementation by schools of comprehensive school reforms that are based on scientifically-based research. The grant is expected to end in FY 2008.

Learn and Serve. This funding comes from three federal grants. Learn and Serve America grants are awarded to programs for at-risk youth that combine classroom instruction and community service. Funding for these grants is expected to decrease by 14.2% in FY 2008 and be flat funded in FY 2009 ($651,800 each year). Learn and Serve Homeland Security grants were awarded to seven Ohio districts for programs that involve students in service learning projects that meet certain community needs. These grants are expected to be flat funded in FY 2008 and FY 2009 ($440,000 each year). Homeland Security grants target urban disadvantaged students to help them to be more involved in their communities, make their hometowns safer, and stay in school. This is a new grant and is expected to be funded at $470,154 in each fiscal year.

Program 3.02: High School Improvement

Fund	ALI	Title/*Earmark*		FY 2008		FY 2009
GRF	200-431	School Improvement Initiatives	$	9,418,985	$	10,103,985
		Early College High School	*$*	*3,503,985*	*$*	*4,253,985*
		High School Transformation	*$*	*4,935,000*	*$*	*4,935,000*
		Project Grad	*$*	*315,000*	*$*	*315,000*
		Southern State PSEO	*$*	*65,000*	*$*	*-*
		Business and Industry Credentialing	*$*	*600,000*	*$*	*600,000*
GRF	200-536	Ohio Core Support	$	9,700,000	$	15,200,000
		Intensive Training	*$*	*2,600,000*	*$*	*3,000,000*
		ESC Teacher Preparation	*$*	*1,500,000*	*$*	*2,100,000*
		Dual Enrollment	*$*	*3,600,000*	*$*	*3,600,000*
		Core PSEO	*$*	*-*	*$*	*6,500,000*
		NASA Challenger Program	*$*	*2,000,000*	*$*	*-*
GRF	200-545	Career-Technical Education Enhancements	$	3,401,000	$	3,401,000
		High Schools That Work	*$*	*3,401,000*	*$*	*3,401,000*
GRF	200-550	Foundation Funding	$	22,877,317	$	25,920,001
FED 3D2	200-667	Honors Scholarship Program	$	1,565,000	$	1,565,000
FED 3Y2	200-688	21st Century Community Learning Center	$	30,681,554	$	30,681,554
FED 370	200-624	Education of Exceptional Children	$	573,430	$	575,454
SSR 4V7	200-633	Interagency Operational Support	$	80,000	$	80,000
Total Funding: High School Improvement			**$**	**78,297,286**	**$**	**87,526,994**

This program supports high school improvement programs, including the Ohio Core and programs recommended by the State Board of Education High School Task Force. The executive budget proposes a decrease of 1.0% in FY 2008 and an increase of 11.8% in FY 2009 for this program.

Early College High Schools. This funding is combined with a similar amount of funding provided in the Board of Regents' budget to support early college high schools in Ohio, six of which have been established in collaboration with the KnowledgeWorks Foundation. One school in Dayton is in its fourth year, schools in Lorain and Youngstown are in their third years, and schools in Canton, Toledo, and Columbus are in their second years. These schools are partnerships between school districts and universities that provide students from disadvantaged backgrounds the opportunity to attend a special high school program that takes place on a college campus. The students follow individualized learning plans in order to graduate from high school with an associate degree or up to two years of college credit. Funds may be used for tuition for participating students, instructional equipment and supplies, enhanced student academic services, other student supportive services, diagnostic testing for incoming students, and job-embedded instructional coaching in literacy and mathematics. According to ODE, 96% of the students in these schools passed the reading and writing portion of the OGT on the first try, 94% passed the mathematics portion on the first try, 59% earned college credit by the end of the first year, and 70% earned college credit by the end of the second year. The executive budget recommends increases of 27.2% in FY 2008 and 21.4% in FY 2009 for this earmark. Total funding, including both ODE's budget and Regents' budget is over $7.0 million in FY 2008 and $8.5 million in FY 2009.

High School Transformation. The program supports transforming large urban high schools into small learning communities. Currently, 56 small schools in nine districts are participating in the program. The flat funding provided in the executive budget for FY 2008 and FY 2009 should continue to support 56 schools.

Project GRAD (Graduation Really Achieves Dreams). This project aims to reduce the dropout rate by addressing the academic and social problems of inner-city students. 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. Graduation rates for Project GRAD participants have steadily increased from 62.7% in FY 2003 to 68.0% in FY 2006. The executive proposal provides flat funding for this project in FY 2008 and FY 2009.

Southern State PSEO. This funding is provided to Southern State Community College to support its pilot post-secondary education options program with Miami Trace High School. The executive budget proposes flat funding in FY 2008 and discontinues funding in FY 2009 for this earmark.

Business and Industry Credentialing. This funding is a new earmark in the executive budget. These funds are to be used by ODE to support start-up costs for gaining business and industry credentialing program accreditation and to support the development of a data collection system across industry test providers. The executive budget stipulates that funding be used to help students subsidize the cost of student participation in industry assessments, provide research on industry assessments for alignment to industry-established content standards, provide professional development opportunities for educators, and prepare schools and adult centers to organize for credential alignment and delivery.

Ohio Core Support. The Ohio Core are minimum state graduation requirements that were established in Am. Sub. S.B. 311 of the 126th General Assembly and apply starting with students who enter 9th grade in FY 2011. This funding supports various activities designed to increase the capacity of school districts in providing their students with opportunities to meet the Ohio Core requirements. The General Assembly appropriated $30.0 million in FY 2007 for this support, including $16.8 million in S.B. 311 and $13.2 million in Sub. H.B. 115 of the 126th General Assembly.

Intensive Training. This funding provides intensive training to mid-career professionals and currently licensed teachers to assist them in obtaining licenses for teaching mathematics, science, or foreign language. The executive proposal provides flat funding for this training in FY 2008 and an increase of 15.4% in FY 2009.

ESC Teacher Preparation. This funding supports alternative teacher licensing programs developed by educational service centers in participation with institutions of higher education. The executive budget provides flat funding in FY 2008 and an increase of 40.0% in FY 2009 for this activity.

Dual Enrollment. This funding is provided for districts to contract with institutions of higher education to provide dual credit (high school and college) in mathematics, science, and foreign language for high school students enrolled in the districts. The executive budget provides flat funding for this activity in FY 2008 and FY 2009.

Core PSEO. This funding supports new grants to school districts for post-secondary enrollment options (PSEO) programs that give districts flexibility. For example, the grant could be used to bring post-secondary faculty on-site for college-level course work. This is a new initiative under the executive budget.

NASA Challenger Program. This new funding supports two new Challenger Program sites in Cincinnati and New Concord. These sites provide student learning activities in science, technology, and mathematics.

High Schools that Work (HSTW) and Making Middle Grades Work (MMGW). HSTW and MMGW are school improvement initiatives designed to accelerate learning and raise standards through rigorous course work, counseling, parental and community involvement, and teacher collaboration. The executive budget provides flat funding for this activity in FY 2008 and FY 2009. This level of funding will support 34 career centers, 71 high schools, and 45 middle schools.

Foundation Funding – Post-secondary Enrollment Options (PSEO). This funding provides public high school students an opportunity to take college courses at state expense for both college and high school credit. PSEO is funded by a deduction in state aid from the participating student's district of residence or from the community school where the student is enrolled, which is then transferred by ODE to the post-secondary institutions educating program participants. This funding is expected to increase by 13.3% in FY 2008 and FY 2009.

Interagency Operational Support – Gear Up Program. This federal grant, Gaining Early Awareness and Readiness for Undergraduate Programs (Gear Up), is awarded to the Ohio Board of Regents. ODE partners with BOR to use this funding to support early college awareness activities at both the local and state level in order to increase the number of low-income students participating and succeeding in post-secondary education.

Honors Scholarship Program. This federal grant, the Robert C. Byrd Honors Scholarship, is used by ODE to recognize exemplary academic effort of graduating high school students and to support their ongoing studies. The scholarships are $1,500 per student each year for four years. This grant is expected to increase by 11.3% in FY 2008 and remain flat in FY 2009.

21st Century Community Learning Centers. This federal grant provides opportunities for communities to establish or expand activities in community learning centers that provide for academic enrichment. The program increases time-on-task outside the regular school day for students and engages them in additional academic tasks to increase mathematics and reading skills. Funds are distributed competitively to selected grantees for a five-year period, with a maximum of $500,000 per year. This grant is expected to be flat funded in FY 2008 and FY 2009.

Education of Exceptional Children – Advanced Placement (AP). This funding comes from two federal grants designed to assist minority and low-income students in earning post-secondary credit by taking AP courses and examinations in high school. The funds are used to reimburse students for AP test fees, provide online AP classes and exam review, and offer teacher and classroom support. The number of Ohio students taking at least one AP examination has increased from about 25,000 in 2001 to about 35,000 in 2005. Combined funding for these two grants is expected to increase slightly in FY 2008 and FY 2009.

Program 3.03: Student Intervention

Fund	ALI	Title/*Earmark*		FY 2008		FY 2009
GRF	200-421	Alternative Education Programs	$	13,482,665	$	13,482,665
		Urban Alternative Education Grants	*$*	*6,227,310*	*$*	*6,227,310*
		Suburban and Rural Alternative Education Grants	*$*	*6,161,074*	*$*	*6,161,074*
		Administration of Alternative Education Grants	*$*	*422,281*	*$*	*422,281*
		Center for Learning Excellence	*$*	*247,000*	*$*	*247,000*
		Toledo Tech Academy	*$*	*75,000*	*$*	*75,000*
		Amer-I-Can	*$*	*250,000*	*$*	*250,000*
		Youth Opportunities United	*$*	*100,000*	*$*	*100,000*
GRF	200-447	GED Testing	$	125,000	$	125,000
GRF	200-509	Adult Literacy Education	$	130,000	$	130,000
		English as a Second Lanaguage	*$*	*130,000*	*$*	*130,000*
GRF	200-550	Foundation Funding	$	142,927,108	$	147,054,212
FED 3Y7	200-689	English Language Acquisition	$	8,000,000	$	8,000,000
Total Funding: Student Intervention			**$**	**164,664,773**	**$**	**168,791,877**

This program provides initiatives and opportunities for students in academic need and for those students who may require alternative strategies to succeed in their education. The executive budget proposes increases of 15.3% in FY 2008 and 2.5% in FY 2009 for this program.

Urban and Rural/Suburban Alternative Education Grants. These grants are provided to 21 urban school districts and 96 programs that serve over 500 rural and suburban school districts and communities to implement successful innovative practices in alternative education for students with behavioral problems including truancy. According to ODE, 33,569 students participated in the urban and rural/suburban alternative programs in FY 2006, and nearly 85.0% of the program's participants achieved a successful outcome by either returning to a regular classroom, advancing a grade level, graduating from high school, or earning a GED. The executive budget provides flat funding in FY 2008 and FY 2009 for these grants.

Administration of Alternative Education Grants. This funding provides professional development and technical assistance to the schools that receive alternative education grants. Services include monitoring, engaging in oversight, conducting regional summits, and creating links with other state initiatives and other state agencies. The executive budget provides flat funding in FY 2008 and FY 2009 for this earmark.

Center for Learning Excellence. The Center, housed at The Ohio State University, promotes the use of best practices in various areas that impact student learning, including education, mental health, substance abuse, delinquency and violence prevention, and family supports and engagement. For alternative education programs, the Center identifies and disseminates information about evidence-based practices, provides technical assistance, and conducts an annual evaluation of the statewide program. The executive budget provides flat funding in FY 2008 and FY 2009 for this earmark.

Toledo Tech Academy. This funding supports the Toledo Tech Academy, a public high school in Toledo City School District that provides an integrated academic and technical education concentrating on manufacturing technologies. The executive budget provides flat funding in FY 2008 and FY 2009 for this earmark.

Amer-I-Can. This funding supports Amer-I-Can. This program offers a "life-management skills" curriculum for high school youth to help them to be successful in school and life.

Youth Opportunities United. This funding is provided to Youth Opportunities United, Inc. to support youth intervention programs in Ohio. The executive budget provides flat funding in FY 2008 and FY 2009 for this earmark.

GED Testing – Operation Extend. Through this program, districts receive 50% reimbursement for the cost of providing summer proficiency programs to students from the 12th grade class who did not graduate because of their inability to pass one or more parts of the 9th grade proficiency tests or the OGT. In FY 2006, 111 students from 17 school districts took part in Operation Extend. Of those students, 39 were able to graduate.

English as a Second Language. This funding is distributed to four organizations in major Ohio cities to support English as a second language (ESL) programs. The executive budget proposes flat funding in FY 2008 and FY 2009 for this earmark.

Foundation Funding – Student Intervention. This funding is provided through the state's school funding formula specifically for student intervention. The formula provides this funding through both base cost funding and poverty-based assistance.

> ***Base cost funding – Intervention.*** Base cost funding is the main component of state foundation funding. The base cost is a uniform cost per pupil determined each fiscal year in statute. There is a local share as well as a state share for this funding. The local share is a uniform 23 mills (2.3%) of the taxable value of local property in each district. Included in the base cost is a base funding supplement provided specifically for student intervention. Under the executive proposal the supplement provides $26.26 per ADM[13] in FY 2008 and $27.05 per ADM in FY 2009 for student intervention programs.
>
> ***Poverty-Based Assistance – Intervention.*** Districts are eligible for up to three tiers of funding depending on the concentration of poverty students in each district. Under the executive proposal, districts with poverty indices[14] greater than 0.25 are eligible for up to $26.26 per ADM in FY 2008 and up to $27.05 per ADM in FY 2009 in tier 1 funding. Districts with poverty indices greater than 0.75 are eligible for an additional $35.02 to $70.03 per ADM in FY 2008 and $36.07 to $72.13 per ADM in FY 2009 in tier 2 funding. Finally districts with poverty indices greater than 1.5 are eligible for an additional $157.58 to $1,008.48 per *poverty student*[15] in FY 2008 and $162.30 to $1,038.72 per *poverty student* in FY 2009.

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[13] ADM (average daily membership) is a measure of the number of pupils in the district.

[14] A district's poverty index is equal to the percentage of poverty students in the district divided by the percentage of poverty students in the state.

[15] Poverty students mean those students whose families participate in Ohio Works First (OWF).

Poverty-Based Assistance – Limited English Proficient (LEP) Intervention. Districts with poverty indices at least equal to one and concentrations of LEP students of at least 2% are eligible for LEP funding. Under the executive budget, districts are eligible for from $487 to $974 per LEP student in FY 2008 and from $502 to $1,003 per LEP student in FY 2009.

English Language Acquisition. These federal funds provide assistance to school districts in meeting the special language needs of national origin minority and LEP students. This funding is expected to increase by 14.3% in FY 2008 and to remain flat in FY 2009.

Program 3.04: Literacy Intervention

Fund	ALI	Title/*Earmark*		FY 2008		FY 2009
GRF	200-433	Literacy Improvement - Professional Development	$	900,000	$	900,000
		Reading Recovery Network	*$*	*900,000*	*$*	*900,000*
GRF	200-566	Literacy Improvement - Classroom Grants	$	12,062,336	$	12,062,336
FED 3Y4	200-632	Reading First	$	35,215,798	$	31,215,798
Total Funding: Literacy Intervention			**$**	**48,178,134**	**$**	**44,178,134**

This program provides support to help all students read at grade level or higher. The executive budget proposes an increase of 7.0% in FY 2008 and a decrease of 8.3% in FY 2009 for this program.

Reading Recovery Network. This funding is used to cover the cost of release time for teacher trainers in the reading recovery program. Funds may also be used to provide grants to schools to pilot other literacy programs and to fund studies of the reading recovery program. Reading recovery is a literacy intervention program focused on first grade students. The executive budget proposes flat funding in FY 2008 and FY 2009 for this earmark.

Reading/Writing Improvement Classroom Grants. These grants help schools in academic watch and academic emergency support literacy improvement services for their students who are struggling in reading. In FY 2006, early literacy grants were provided to 271 schools serving grades kindergarten through third and adolescent literacy grants were provided to 343 schools serving grades fourth through twelfth. The executive budget proposes flat funding for these grants in FY 2008 and FY 2009.

Reading First. These competitive federal grants are targeted to the lowest performing and highest poverty schools. The grants fund specific programs that use scientific, research-based reading instruction plans, staff development, required assessments and technology, and other appropriate materials to improve reading outcomes for students at these schools. In FY 2006, the grants support three cohorts made up of 29 school districts, 118 school buildings, and 30,518 students. Funding for these grants is expected to increase by 12.8% in FY 2008 and decrease by 11.4% in FY 2009.

Program Series 4: 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 Governor's recommended funding levels for the School Choice program series.

Appropriation Amounts for Program Series 4: School Choice						
Fund	**ALI**	**Title**		**FY 2008**		**FY 2009**
General Revenue Fund (GRF)						
GRF	200-455	Community Schools	$	1,533,661	$	1,533,661
GRF	200-550	Foundation Funding	$	451,409,963	$	486,253,318
		General Revenue Fund Subtotal	***$***	***452,943,624***	***$***	***487,786,979***
Federal Special Revenue Fund (FED)						
3T4	200-613	Public Charter Schools	$	13,850,827	$	14,212,922
		Federal Special Revenue Fund Subtotal	***$***	***13,850,827***	***$***	***14,212,922***
Total Funding: School Choice			**$**	**466,794,451**	**$**	**501,999,901**

The School Choice program series contains three programs. These programs and their shares of the funding for this program series are:

- ***Program 4.01: Community Schools – 95.8%***
- ***Program 4.02: Cleveland Scholarships and Tutoring – 4.2%***
- ***Program 4.03: Educational Choice Program – 0%***

The executive budget proposes a decrease of 13.6% over estimated FY 2007 expenditures in FY 2008 and an increase of 7.5% in FY 2009 for this program series. Of the $968.8 million in total biennial funding for this program series, 97.1% comes from the General Revenue Fund with the remaining 2.9% from the Federal Special Revenue Fund group. Details for each program are given below.

Program 4.01: Community Schools

Fund	ALI	Title/*Earmark*		FY 2008		FY 2009
GRF	200-455	Community Schools	$	1,533,661	$	1,533,661
		Sponsor Training	*$*	*225,000*	*$*	*225,000*
		Administration	*$*	*1,308,661*	*$*	*1,308,661*
GRF	200-550	Foundation Funding	$	430,822,076	$	465,628,571
FED 3T4	200-613	Public Charter Schools	$	13,850,827	$	14,212,922
Total Funding: Community Schools			**$**	**446,206,564**	**$**	**481,375,154**

This program supports Ohio's community schools. Community schools are public schools that operate independently of any school district and are governed through a contract between the school's

governing authority and a sponsor. A sponsor can be a school district, a joint vocational school district, an educational service center, a state university, or a qualifying tax-exempt entity. Unlike school districts, community schools do not have taxing authority and, therefore, depend primarily on state funding, although they may receive federal grants and private donations. Two types of community schools exist – new start-ups and conversions. Whereas a start-up school is, as its name implies, a completely new school, a conversion school is one that has been converted from an existing district school. Community schools can be sponsored in any of the big eight school districts, school districts in academic watch or academic emergency, and any school district in Lucas County. At the end of February 2007, 310 community schools are in operation serving 76,569 full-time equivalent (FTE) students. Fifty-four of these schools are conversion schools that serve approximately 4,594 FTE students (6.0%). Forty of the 310 community schools are e-schools[16] that serve approximately 20,674 FTE students (27.0%).

The executive budget makes several changes to the laws affecting community schools.[17] The executive budget maintains the current moratorium on the establishment of new e-schools and institutes a new moratorium on the establishment of any other type of community school until the end of the biennium (July 1, 2009). The executive budget also requires that community schools comply with all state laws and rules that govern other public schools, whereas currently community schools are exempt from most of these laws and rules. These changes along with others made in the executive budget may lead to a decrease in the growth in the number of students attending community schools in FY 2008 and FY 2009. This number increased by 15.1% in FY 2006 and by 6.3% in FY 2007.

In addition to these changes, the executive budget decreases state funding for community schools. Currently, all community schools receive base cost funding and special education additional weighted funding. Community schools other than e-schools also receive career-technical education weighted funding, poverty-based assistance, and parity aid. The executive budget eliminates community school funding for parity aid and for two poverty-based assistance programs: dropout prevention and community outreach. It appears that these three programs' funding for community school students would remain in their resident districts. The executive budget also eliminates state-funded start up grants for community schools. The executive budget proposes an overall decrease of 14.1% in FY 2008 and an increase of 7.9% in FY 2009 for this program.

Sponsor Training. This funding is used by ODE to develop and conduct training for sponsors and prospective sponsors of community schools. Over 1,300 hours of training opportunities were provided by ODE in FY 2006. The executive budget proposes flat funding for this training in FY 2008 and FY 2009.

Administration. This funding is used by ODE to provide oversight and evaluation of community school sponsors. ODE has created a framework that provides ongoing evaluations for every sponsor. Those with serious performance problems will be subject to corrective action plans. Six new entities were approved to be sponsors in FY 2006. The executive budget proposes flat funding for this activity in FY 2008 and FY 2009.

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[16] E-school classes are offered primarily through the Internet versus in traditional "brick and mortar" school buildings.

[17] For a complete description of all the changes affecting community school law made by the executive budget please see the LSC bill analysis, pages 59-69, which is available on the LSC web site.

Foundation Funding – Community Schools. This funding is provided through the state's school funding formula and represents the primary source of funding for community schools in Ohio. Community school students are included in their resident district's ADM to qualify for state foundation payments, which are then deducted from students' resident districts and transferred to the community schools where the students are enrolled. As mentioned above, the executive budget eliminates community school funding for parity aid and for two poverty-based assistance programs: dropout prevention and community outreach. The executive budget estimates a decrease of 14.3% in FY 2008 and an increase of 3.4% in FY 2009 for this funding.

Public Charter Schools. These federal funds are used to finance grants that are awarded to community schools to assist them in the planning, development, and initial implementation of their programs. At the end of FY 2006, approximately 165 community schools in Ohio had received one of these federal grants. Funding under the grants can reach up to $450,000 per school disbursed over a three-year period. These funds also support evaluation of community schools' effects on students, staff, and parents. This funding is expected to increase by 2.6% in both FY 2008 and FY 2009.

Program 4.02: Cleveland Scholarships and Tutoring

Fund	ALI	Title/*Earmark*		FY 2008		FY 2009
GRF	200-550	Foundation Funding	$	20,587,887	$	20,624,747
		Deduction from Cleveland's Poverty-Based Assistance	*$*	*11,901,887*	*$*	*11,901,887*
		Direct State Funding	*$*	*8,686,000*	*$*	*8,722,860*
Total Funding: Cleveland Scholarships and Tutoring			**$**	**20,587,887**	**$**	**20,624,747**

This program supports the Cleveland Scholarship and Tutoring Program, also known as the Pilot Project Scholarship Program. This program provides scholarships to students who are residents of the Cleveland Municipal School District to be used to attend a participating nonpublic school. There are currently 46 chartered nonpublic schools participating in the program. Scholarships are based on a school's tuition cost. The state contributes 90.0% or 75.0%, depending on the recipient's income, with a maximum award of $2,700. In FY 2006, 5,813 students received scholarships, with an estimated average scholarship of $2,326. ODE expects the number of participants to increase to 7,300 in FY 2008 and to 8,300 in FY 2009. Scholarship students are not counted in Cleveland's ADM for funding purposes. In addition to scholarships, the program funds tutoring services for students who remain in the Cleveland Municipal School District. The amount per student is limited by law to $400. The number of students receiving tutoring services in FY 2005 was 3,014 and is expected to increase to 3,600 by FY 2008 and to 4,000 by FY 2009. The executive budget proposes increases of 0.4% in FY 2008 and 0.2% in FY 2009 for this program.

Deduction from Cleveland's Poverty-Based Assistance. This funding comes through a deduction from the state poverty-based assistance that is allocated to the Cleveland Municipal School District through the school funding formula. The executive budget proposes to maintain this deduction at its FY 2007 level. Any funds that are not needed to cover the costs of the program are disbursed to Cleveland.

Direct State Funding. This funding is provided directly from the state GRF and is not deducted from any district's state aid allocation. The executive budget proposes increases of 1.0% in FY 2008 and 0.4% in FY 2009 for this item.

Program 4.03: Educational Choice Program

This program supports the Educational Choice Scholarship program that was authorized by Am. Sub. H.B. 66 of the 126th General Assembly to award up to 14,000 scholarships in FY 2007, which can be used to attend participating nonpublic schools. These scholarships are generally available to students who attend or who would otherwise be entitled to attend a school that has been in academic emergency or academic watch for two of the last three years. The maximum grant is $4,250 for K-8 students and $5,000 for students in grades 9-12. The executive budget proposes to eliminate this program including funding for administration that totals $800,000 in FY 2007. Scholarship students are counted in their resident district's ADM for the purposes of calculating state base cost funding. A deduction of $2,700 for a kindergarten student or $5,200 for a student in grades one through twelve is made from the resident district's state aid in order to fund the scholarships. In FY 2007, approximately 2,880 full-time equivalent scholarships have been awarded and 312 chartered nonpublic schools are participating in the program.

Program Series 5: Basic Aid Support

Purpose: This program series provides the majority of state aid for the general operations of school districts and provides funding for chartered nonpublic schools and local property tax supplements.

The following table shows the Governor's recommended funding levels for the Basic Aid Support program series.

Appropriation Amounts for Program Series 5: Basic Aid Support						
Fund	**ALI**	**Title**		**FY 2008**		**FY 2009**
General Revenue Fund (GRF)						
GRF	200-511	Auxiliary Services	$	131,740,457	$	135,692,670
GRF	200-532	Nonpublic Administrative Cost Reimbursement	$	59,810,517	$	61,604,832
GRF	200-550	Foundation Funding	$	3,967,889,586	$	4,122,747,139
GRF	200-901	Property Tax Allocation - Education	$	794,583,404	$	850,868,654
GRF	200-906	Tangible Tax Exemption - Education	$	21,415,244	$	10,707,622
		General Revenue Fund Subtotal	***$***	***4,975,439,208***	***$***	***5,181,620,917***
State Special Revenue Fund (SSR)						
5BJ	220-626	Half-Mill Maintenance Equalization	$	10,700,000	$	10,700,000
598	200-659	Auxiliary Services Reimbursement	$	1,328,910	$	1,328,910
		State Special Revenue Fund Subtotal	***$***	***12,028,910***	***$***	***12,028,910***
Lottery Profits Education Fund (LPE)						
017	200-612	Foundation Funding	$	635,198,000	$	667,900,000
		Lottery Profits Education Fund Subtotal	***$***	***635,198,000***	***$***	***667,900,000***
Revenue Distribution Fund (RDF)						
047	200-909	School District Property Tax Replacement - Business	$	611,596,856	$	763,316,819
053	200-900	School District Property Tax Replacement - Utility	$	91,123,523	$	91,123,523
		Revenue Distribution Fund Subtotal	***$***	***702,720,379***	***$***	***854,440,342***
Total Funding: Basic Aid Support			**$**	**6,325,386,497**	**$**	**6,715,990,169**

The Basic Aid Support program series contains three programs. These programs and their shares of the funding for this program series are:

- ***Program 5.01: Formula Aid – 72.2%***
- ***Program 5.02: Nonpublic School Payments – 3.0%***
- ***Program 5.03: Local Tax Supplement – 24.8%***

The executive budget proposes an increase of 2.3% over estimated FY 2007 expenditures in FY 2008 and another increase of 6.2% in FY 2009 for this program series. Of the $13,041.4 million in total biennial funding for this program series, 77.9% comes from the general revenue fund, 0.2% from the state special revenue fund group, 10.0% from the lottery profits education fund group, and 11.9% from the revenue distribution fund group. Details for each program are given below.

Program 5.01: Formula Aid

Fund	ALI	Title/*Earmark*	FY 2008	FY 2009
GRF	200-550	Foundation Funding	$ 3,967,889,586	$ 4,122,747,139
		Educational Service Centers	*$ 52,000,000*	*$ 52,000,000*
		Recomputation of State Aid due to Taxable Value Changes	*$ 30,000,000*	*$ 30,000,000*
		Youth Services Tuition	*$ 2,000,000*	*$ 2,000,000*
		Private Treatment Facility Project	*$ 1,000,000*	*$ 1,000,000*
		Juvenile Court Payments	*$ 425,000*	*$ 425,000*
		Remainder	*$ 3,882,464,586*	*$ 4,037,322,139*
SSR 5BJ	200-626	Half-Mill Maintenance Equalization	$ 10,700,000	$ 10,700,000
LPE 017	200-612	Foundation Funding	$ 635,198,000	$ 667,900,000
Total Funding: Formula Aid			**$ 4,613,787,586**	**$ 4,801,347,139**

This program is the main source of state funding for the education of public school students in Ohio. Due to some restructuring of the school funding formula, foundation funding allocated to this program decreases slightly under the executive budget in FY 2008 (1.3%). Foundation funding is distributed over several programs in ODE's budget. The executive budget proposes an increase of 4.1% in FY 2009 for this program.

Educational Service Centers. These funds are provided to the 60 educational service centers (ESCs) in Ohio on a per pupil basis. ESCs provide many services including supervisory services, special education, and gifted education. State funding is $40.52 per pupil for an ESC serving three or more counties and $37.00 per pupil for all others. In addition to this funding, each ESC receives at least $6.50 per pupil that is deducted from the state aid provided to each school district associated with it. All local school districts[18] are required to be associated with an ESC. ESCs may also contract with school districts and other entities to provide other services including professional development, technology, and administrative services. Amounts for services and contracts negotiated between a school district and an ESC are also deducted from the district's state aid and transferred to the ESC. In FY 2006, approximately $162.5 million was deducted statewide from school district state aid and transferred to ESCs in addition to the $52.0 million provided through this earmark. The executive budget proposes flat funding in FY 2008 and FY 2009 for this earmark.

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. Generally, this earmark is used to make the payments for the previous fiscal year. The executive budget, however, allows payments also to be made in the current fiscal year. The executive budget proposes flat funding in FY 2008 and FY 2009 for this earmark.

[18] School districts are divided into local, exempted village, or city districts.

Youth Services Tuition. These funds are used for state payments to school districts that are required to pay tuition for a child who is in an institution maintained by the Department of Youth Services, but is not included in his or her district's student count for purposes of state aid calculations. The executive budget proposes flat funding in FY 2008 and FY 2009 for this earmark.

Private Treatment Facility Project. These funds pay for educational services for youth who have been assigned by a court to a facility participating in the Private Treatment Facility Project. The facilities are to follow certain performance standards, ensure that students participate in required assessments, and ensure that special education students have an IEP and receive appropriate services. There are currently four facilities participating in the program and serving approximately 215 students. The executive budget proposes flat funding in FY 2008 and FY 2009 for this earmark.

Juvenile 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. The executive budget proposes flat funding in FY 2008 and FY 2009 for this earmark.

Foundation Funding – Remainder. This GRF funding is combined with funding from the Lottery Profits Education Fund (LPE) and is provided through the state's school funding formula to support the general operating expenses of public school districts. Under the executive proposal, this funding supports the state share of a base cost formula amount per pupil of $5,565 in FY 2008 and $5,732 in FY 2009. In addition to the base cost, the remainder of these funds is used for the excess cost supplement, the teacher training and experience adjustment, 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.

Half-Mill Maintenance Equalization. School districts participating in the Ohio School Facilities Commission's (SFC) school building assistance program are required to levy one-half mill to help pay for the maintenance costs of their new or renovated buildings. These funds are used to provide payments to districts whose per pupil tax revenues from this half-mill levy are less than the state average. The payments are equal to the difference between the district's yield per pupil and the state average yield per pupil at the time the district enters into the project agreement with SFC. This program is funded through the transfer of excess funds from the school district property tax replacement fund (Fund 053) that are not needed to make reimbursement payments to school districts for tax losses incurred as a result of the deregulation of electric and gas utilities as described below in program 5.03. If the funds are not needed for the half-mill equalization they are used for the school building assistance program. This program began in FY 2007. The executive budget proposes flat funding in FY 2008 and FY 2009 for these payments.

Program 5.02: Nonpublic School Payments

Fund	ALI	Title/*Earmark*		FY 2008		FY 2009
GRF	200-511	Auxiliary Services	$	131,740,457	$	135,692,670
		Post-secondary Enrollment Options	*$*	*2,060,000*	*$*	*2,121,800*
		Remainder	*$*	*129,680,457*	*$*	*133,570,870*
GRF	200-532	Nonpublic Administrative Cost Reimbursement	$	59,810,517	$	61,604,832
SSR 598	200-659	Auxiliary Services Reimbursement	$	1,328,910	$	1,328,910
Total Funding: Nonpublic School Payments			**$**	**192,879,884**	**$**	**198,626,412**

This program provides financial assistance to chartered nonpublic schools. As of January 1, 2007, there are 852 chartered nonpublic schools in Ohio, with an additional 20 nonpublic schools in the process of receiving a charter. The executive budget proposes increases of 3.0% in FY 2008 and FY 2009 for this program.

Postsecondary Enrollment Options. The post-secondary 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 nonpublic schools. The executive budget proposes increases of 3.0% in FY 2008 and FY 2009 for this funding. ODE is required to develop rules governing the distribution method of these funds.

Auxiliary Services - Remainder. 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. In FY 2006, the average per pupil amount of these auxiliary funds was $614.20. The executive budget proposes increases of 3.0% in FY 2008 and FY 2009 for this funding.

The executive budget requires school districts that provide nonconsumable materials valued at more than $200 to nonpublic schools that are purchased or leased with auxiliary services funds to label these materials acknowledging that they were purchased or leased with state funds. The executive budget also requires a chartered nonpublic school to notify ODE and the school district that administers its auxiliary services funding if it will be closed and, after closing, to deposit its records with the school district that administers its auxiliary services funding.

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 $275 per pupil. The executive budget proposes increases of 3.0% in FY 2008 and FY 2009 for this funding.

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 5.03: Local Tax Supplement

Fund	ALI	Title/*Earmark*	FY 2008	FY 2009
GRF	200-901	Property Tax Allocation - Education	$ 794,583,404	$ 850,868,654
GRF	200-906	Tangible Tax Exemption - Education	$ 21,415,244	$ 10,707,622
RDF 047	200-909	School District Prop Tax Replac - Business	$ 611,596,856	$ 763,316,819
RDF 053	200-900	School District Prop Tax Replac - Utility	$ 91,123,523	$ 91,123,523
Total Funding: Local Tax Supplement			**$ 1,518,719,027**	**$ 1,716,016,618**

This program provides direct reimbursements to school districts for state property tax relief policies.[19] The executive budget proposes increases of 15.0% in FY 2008 and 13.0% in FY 2009 for this program.

Property Tax Allocation – Education. The state pays 10% of locally levied property taxes for residential and agricultural 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 expands the Homestead Exemption Program to include all homeowners who are 65 years of age or older or who are disabled, regardless of income. The current program allows the exemption only if the homeowner's income is less than $23,000 per year. The executive budget expands the amount of the exemption to $8,750 of taxable value ($25,000 of true value). The current exemption is no more than $5,000 of taxable value ($14,286 of true value). Under the executive budget, reimbursements paid to districts for rollbacks and the Homestead Exemption Program are expected to increase by 3.6% in FY 2008 and 7.1% in FY 2009.

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 and will be completely eliminated by FY 2010. School districts will be reimbursed at a rate of 31% in FY 2008 and 16% in FY 2009.

School District Property Tax Replacement – Business. Am. Sub. H.B. 66 of the 126th General Assembly started to phase out the tax on general business tangible personal property. This phase-out begins in TY 2006 and the tax will be completely phased-out by TY 2010. The lost property tax for each district was determined by the Department of Taxation. After the tax is completely phased out, the tax loss will be $1.1 billion for one year. Districts are compensated for this loss partially through an increase in state aid (the state education aid offset).[20] H.B. 66 also created the commercial activity tax (CAT). A

[19] Funding for property tax relief programs (items 200-901, Property Tax Allocation-Education, and 200-906, Tangible Tax Exemption-Education) are excluded from the Office of Budget and Management (OBM) analysis of ODE's budget. For this reason, the totals for this program are higher than those in the OBM analysis.

[20] When a district's taxable property value decreases, its local share of base cost funding, which is equal to 23 mills (2.3%) of its taxable property value, also decreases. This decrease in the local share is made up by increases in the state share. The resulting increase in state aid is called the state education aid offset.

portion of the revenues from the CAT is deposited into RDF Fund 047. These funds provide direct reimbursements to districts for the value of the loss above the increase in state aid.

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 from these new taxes is deposited into RDF Fund 053. The decrease in assessment rates decreased the property valuation and property tax receipts of school districts containing utility property. The lost property tax for each district was determined by the Department of Taxation. In total, the tax loss was $198 million for one year. Districts are compensated for this loss partially through an increase in state aid (the state education aid offset). These funds provide direct reimbursements to districts for the value of the loss above the increase in state aid. All school districts were completely reimbursed for these losses for five years, from FY 2002 through FY 2006. Starting in FY 2007, however, only districts whose tax loss, inflated to current dollars, is greater than their increase in state aid from FY 2002 continue to receive direct reimbursement payments. All joint vocational school districts continue to receive direct reimbursements.

Program Series 6: School Operation Support

Purpose: This program series provides funding and support to school districts various noneducational operations.

The following table shows the Governor's recommended funding levels for the School Operation Support program series.

Appropriation Amounts for Program Series 6: School Operation Support						
Fund	**ALI**	**Title**		**FY 2008**		**FY 2009**
General Revenue Fund (GRF)						
GRF	200-422	School Management Assistance	$	2,460,572	$	2,460,572
GRF	200-426	Ohio Educational Computer Network	$	30,446,197	$	30,446,197
GRF	200-431	School Improvement Initiatives	$	601,165	$	601,165
GRF	200-502	Pupil Transportation	$	424,783,117	$	429,030,948
GRF	200-503	Bus Purchase Allowance	$	14,000,000	$	14,000,000
GRF	200-505	School Lunch Match	$	8,998,025	$	8,998,025
GRF	200-550	Foundation Funding	$	8,228,372	$	8,422,497
		General Revenue Fund Subtotal	***$***	***489,517,448***	***$***	***493,959,404***
General Services Fund (GSF)						
5H3	200-687	School District Solvency Assistance	$	18,000,000	$	18,000,000
		General Services Fund Subtotal	***$***	***18,000,000***	***$***	***18,000,000***
Federal Special Revenue Fund (FED)						
3L6	200-617	Federal School Lunch	$	244,714,211	$	249,903,970
3L7	200-618	Federal School Breakfast	$	63,927,606	$	69,041,814
3L8	200-619	Child/Adult Food Programs	$	69,280,946	$	70,691,653
367	200-607	School Food Services	$	5,849,748	$	6,088,737
		Federal Special Revenue Fund Subtotal	***$***	***383,772,511***	***$***	***395,726,174***
State Special Revenue Fund (SSR)						
4R7	200-695	Indirect Operational Support	$	921,709	$	963,314
455	200-608	Commodity Foods	$	24,000,000	$	24,000,000
		State Special Revenue Fund Subtotal	***$***	***24,921,709***	***$***	***24,963,314***
Lottery Profits Education Fund (LPE)						
017	200-682	Lease Rental Payment Reimbursement	$	22,702,000	$	-
		Lottery Profits Education Fund Subtotal	***$***	***22,702,000***	***$***	***-***
Total Funding: School Operation Support			**$**	**938,913,668**	**$**	**932,648,892**

The School Operation Support program series contains six programs. These programs and their shares of the funding for this program series are:

- ***Program 6.01: Pupil Transportation – 47.1%***
- ***Program 6.02: Finance & Management Services – 3.5%***

- ***Program 6.03: Ohio Education Networks – 3.8%***
- ***Program 6.04: School Food Services – 37.5%***
- ***Program 6.05: Child & Adult Care Programs – 7.5%***
- ***Program 6.06: Nutrition Programs & Support – 0.6%***

The executive budget proposes an increase of 1.2% over estimated FY 2007 expenditures in FY 2008 and a decrease of 0.7% in FY 2009 for this program series. Of the $1,871.6 million in total biennial funding for this program series, 52.5% comes from the general revenue fund, 1.9% from the general services fund group, 41.7% from the federal special revenue fund group, 2.7% from the state special revenue fund group, and 1.2% from the lottery profits education fund group. Details for each program are given below.

Program 6.01: Pupil Transportation

Fund	ALI	Title/*Earmark*		FY 2008		FY 2009
GRF	200-502	Pupil Transportation	$	424,783,117	$	429,030,948
		Bus Driver Training	*$*	*830,624*	*$*	*838,930*
		Special Education/MRDD Transportation	*$*	*59,870,514*	*$*	*60,469,220*
		Remainder	*$*	*364,081,979*	*$*	*367,722,798*
GRF	200-503	Bus Purchase Allowance	$	14,000,000	$	14,000,000
		Special Education//Nonpublic Bus Purchase	*$*	*3,920,000*	*$*	*3,920,000*
		Remainder	*$*	*10,080,000*	*$*	*10,080,000*
Total Funding: Pupil Transportation			**$**	**438,783,117**	**$**	**443,030,948**

This program supports the operating and capital costs of transporting students to and from school. The executive budget proposes increases of 1.0% in FY 2008 and FY 2009 for this program.

Bus Driver Training. These funds are used by ODE to contract with eight educational service centers (ESCs) and one vocational agency to administer the Ohio Preservice Driver Training Program. In FY 2006, this program provided driver training for 3,591 new bus drivers, recertification training for 4,047 veteran bus drivers, and issued van driver certificates for 1,635 drivers. In addition, annual inservice training was provided for 13,796 drivers across the state. The executive budget proposes increases of 1.0% in FY 2008 and FY 2009 for this training.

Special Education/MRDD Transportation. This funding is provided to school districts and county MRDD boards to assist them in providing required transportation services to students with disabilities. The executive budget proposes increases of 1.0% in FY 2008 and FY 2009 for special education transportation.

Pupil Transportation – Remainder. This funding is provided to school districts to assist them in providing transportation services to regular students. The state requires that districts provide transportation to the district's students as well as to certain community school students and nonpublic students who reside in the district. State transportation requirements only apply to students in grades kindergarten through eight who live more than two miles from the school. However, the state includes transportation provided to K-12 students who live from one to two miles from the school in the transportation funding formula. Prior to FY 2006, this funding was distributed to school districts based on a model that took into account the number of pupils transported and the number of miles transported.

The state share of this model cost was the greater of 60% or the district's state share percentage of base cost funding. Certain rural districts with high percentages of rough roads also received an extra supplement. Am. Sub. H.B. 66 of the 126th General Assembly suspended the formula and provided 2.0% annual increases in each district's state transportation funding in both FY 2006 and FY 2007. Am. Sub. H.B. 66 also required ODE to recommend a new formula. The executive budget adopts the formula recommended by ODE, but does not fund it in FY 2008 and FY 2009. Instead, the executive budget provides 1.0% annual increases in each district's state transportation funding in both FY 2008 and FY 2009. The new formula retains the current formula's state share method (using the greater of 60% or the district's state share percentage of base cost funding), but applies this share to a transportation base cost determined by the greater of average cost per mile or average cost per pupil and adjusted by the district's wealth. Additional funding is provided for the number of nonpublic or community school students transported, for meeting an efficiency target set for each district, and for transporting high school students and students living from one to two miles from the school. In FY 2005, the total cost of transporting students to school districts was about $620.0 million. State funding was approximately $337.0 million, or 54.5%. According to ODE, with the new formula, once funded, state funding will equal about 73.0% of total transportation costs.

Current law authorizes the board of a noncivil service school district[21] to terminate, following prescribed procedures, some or all of its transportation staff for reasons of "economy and efficiency." The executive budget removes this authorization.

Special Education and Nonpublic Bus Purchase. These funds are earmarked for the purchase of buses to transport special education and nonpublic students. Funds are provided to school districts and county MRDD boards on a per pupil basis. The executive budget proposes flat funding in FY 2008 and FY 2009 for this earmark.

Bus Purchase Allowance – Remainder. This funding is distributed to school districts on a per pupil basis to assist them in purchasing or leasing school buses. In FY 2005, there were 14,969 buses used to transport students. According to ODE, the cost of a new bus is more than $60,000 and is expected to increase to approximately $70,000 by 2010 due to new emission controls and increased steel prices. The executive budget proposes flat funding in FY 2008 and FY 2009 for this item.

[21] This includes all local and exempted village school districts as well as some city school districts.

Program 6.02: Finance and Management Services

Fund	ALI	Title/*Earmark*		FY 2008		FY 2009
GRF	200-422	School Management Assistance	$	2,460,572	$	2,460,572
		State Auditor	*$*	*815,000*	*$*	*815,000*
		Tools for District Spending Analysis	*$*	*250,000*	*$*	*250,000*
		Remainder	*$*	*1,395,572*	*$*	*1,395,572*
GSF 5H3	200-687	School District Solvency Assistance	$	18,000,000	$	18,000,000
		Shared Resource Account	*$*	*9,000,000*	*$*	*9,000,000*
		Catastrophic Expenditures Account	*$*	*9,000,000*	*$*	*9,000,000*
SSR 4R7	200-695	Indirect Operational Support	$	921,709	$	963,314
LPE 017	200-682	Lease Rental Payment Reimbursement	$	22,702,000	$	-
Total Funding: Finance and Management Services			**$**	**44,084,281**	**$**	**21,423,886**

This program provides financial information and technical assistance to help school districts, community schools, and nonpublic schools manage their fiscal resources and implement good management practices. The executive budget proposes decreases of 20.3% in FY 2008 and 51.4% in FY 2009 for this program. These decreases are entirely due to decreasing needs for debt service for special revenue bonds issued prior to 2000 for classroom facilities assistance.

State Auditor. These funds are earmarked to be used by the Auditor of State to conduct performance audits of school districts in fiscal caution, fiscal watch, or fiscal emergency. Although appropriated to ODE, these funds are passed directly to the Auditor for expenses associated with performing these audits. The executive budget proposes a decrease of 38.0% in FY 2008 and flat funding in FY 2009 for this item.

Tools for District Spending Analysis. This funding is provided for a new initiative in the executive budget. The funds are to be used by ODE to work with districts and other entities to develop and deploy analytical tools to be used to analyze district spending patterns to promote more effective and efficient use of district resources.

School Management Assistance – Remainder. This funding supports ODE's Office of Finance and Management Services. This Office coordinates state payments to school districts, community schools, and chartered nonpublic schools. The Office also assists schools in managing their fiscal resources. The executive budget proposes flat funding in FY 2008 and FY 2009 for this item.

The executive budget removes "financial reasons" from the list of reasons a district or educational service center (ESC) may reduce the number of employees. This reason was added by Am. Sub. H.B. 66 of the 126th General Assembly. However, it appears that districts and ESCs will still be free to negotiate such a reduction-in-force in a collective bargaining agreement with their employees.

School District Solvency Assistance. This funding is paid from two accounts: (1) the shared resource account, which is used to make interest-free advances to districts to enable them to remain solvent and to pay unforeseen expenses of a temporary or emergency nature; and (2) 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, unless reimbursed by a third party. The program was first appropriated $30.0 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.

Indirect Operational Support – Grants Management. This funding is used to assist certain grant recipients in effectively managing their grant. These funds are provided through an indirect cost charge-back approved by the federal government.

Lease Rental Payment Reimbursement – Bond Retirement. These funds are transferred to the GRF to be used by the School Facilities Commission to help pay debt service from special revenue bonds issued for classroom facilities assistance. All of the special revenue bonds were issued prior to 2000; they are to be retired completely by the end of FY 2008. Following a voter approved constitutional amendment in 1999, the state has been issuing general obligation (GO) bonds only for classroom facilities assistance; GO bonds generally command lower interest rates since they are backed by the full faith and credit of the state.

Program 6.03: Ohio Education Networks

Fund	ALI	Title/*Earmark*		FY 2008		FY 2009
GRF	200-426	Ohio Educational Computer Network	$	30,446,197	$	30,446,197
		Building Connectivity	*$*	*18,136,691*	*$*	*18,136,691*
		INFOhio/Union Catalogue	*$*	*2,469,233*	*$*	*2,469,233*
		Information Technology Centers	*$*	*8,338,468*	*$*	*8,338,468*
		Remainder	*$*	*1,501,805*	*$*	*1,501,805*
GRF	200-431	School Improvement Initiatives	$	601,165	$	601,165
		Educational Media Centers	*$*	*601,165*	*$*	*601,165*
GRF	200-550	Foundation Funding	$	4,528,372	$	4,722,497
Total Funding: Ohio Education Networks			**$**	**35,575,734**	**$**	**35,769,859**

This program supports the Ohio Education Computer Network (OECN), which consists of 23 information technology centers (ITCs) and other network support for schools. The executive budget proposes increases of 2.1% in FY 2008 and 0.5 % in FY 2009 for this program.

Building Connectivity. This funding is used to support the connection of school buildings to the state education network (OSCnet). An estimated $3,000 per building is allocated to all public schools, including community schools and, through ITCs, to participating chartered nonpublic schools. The executive budget proposes flat funding in FY 2008 and FY 2009 for this funding.

INFOhio/Union Catalogue. This funding supports the INFOhio Network and the Union Catalogue. 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, such as the *Encyclopedia Britannica*. The Union Catalogue offers students and teachers anywhere in Ohio access to library and curriculum resources. The executive budget proposes flat funding in FY 2008 and FY 2009 for this earmark.

Information Technology Centers. This funding supports the 23 ITCs (formerly "DA sites") that provide computer support, software products, and information services to their member districts, including all but three school districts (Akron, Cleveland, and Columbus), community schools, joint vocational school districts, and educational service centers. Funds also support the administration and collection of EMIS data for school districts and for providing front-line customer support related to data reporting. Distribution of funds to ITCs is provided through a per pupil formula based on the enrollments of ITC member districts and software usage. The executive budget proposes flat funding in FY 2008 and FY 2009 for this earmark.

Ohio Education Computer Network – Remainder. This funding is provided as a subsidy to support administrative software that school districts use for accounting, payroll, scheduling, grade reporting, and inventory. The executive budget proposes flat funding in FY 2008 and FY 2009 for this earmark.

Educational Media Centers. This funding supports 24 educational media centers that provide educational materials available for circulation to all of Ohio's K-12 schools to support classroom content delivery aligned with the academic content standards. These resources include audio-visual resources, digital content, multimedia software, professional development materials, and other print materials.

Foundation Funding – Data-Based Decision Making. This funding is provided through the state's school funding formula specifically for data-based decision making. The formula provides this funding through base cost funding. Base cost funding is the main component of state foundation funding. The base cost is a uniform cost per pupil determined each fiscal year in statute. There is a local share as well as a state share for this funding. The local share is a uniform 23 mills (2.3%) of the taxable value of local property in each district. Included in the base cost is a base funding supplement provided specifically for data-based decision making. Under the executive proposal the supplement provides $5.56 per ADM[22] in FY 2008 and $5.73 per ADM in FY 2009.

Program 6.04: School Food Services

Fund	ALI	Title/*Earmark*		FY 2008		FY 2009
GRF	200-505	School Lunch Match	$	8,998,025	$	8,998,025
GRF	200-550	Foundation Funding	$	3,700,000	$	3,700,000
		School Breakfast	*$*	*3,700,000*	*$*	*3,700,000*
FED 3L6	200-617	Federal School Lunch	$	244,714,211	$	249,903,970
FED 3L7	200-618	Federal School Breakfast	$	63,927,606	$	69,041,814
SSR 455	200-608	Commodity Foods	$	24,000,000	$	24,000,000
Total Funding: School Food Services			**$**	**345,339,842**	**$**	**355,643,809**

This program provides a nutritious lunch, breakfast, and after-school snack for school-age children and some adults. The executive budget proposes increases of 7.0% in FY 2008 and 3.0% in FY 2009 for this program.

[22] ADM (average daily membership) is a measure of the number of pupils in the district.

School Lunch Match. This funding is required by the federal government for Ohio's continued participation in the National School Lunch Program, which provides free and reduced-price lunches to low income students.

School Breakfast. This funding is used to partially reimburse districts that are required under state law to participate in the School Breakfast Program for their costs related to this participation. A portion of this funding ($900,000 in each fiscal year) is provided through a contract to the Children's Hunger Alliance to support its efforts to expand access to child nutrition programs.

Federal School Lunch This federal funding subsidizes meals to over 600,000 low-income students at 4,166 public and nonprofit private schools, camps, and institutions. In FY 2005, approximately 70 million free lunches and 13 million reduced-price lunches were served through this program. This funding is expected to increase by 7.5% in FY 2008 and 2.1% in FY 2009.

Federal School Breakfast. This federal funding subsidizes meals to more than 238,000 low-income students at 2,483 public and nonprofit private schools, camps, and institutions. In FY 2005, approximately 45 million free breakfasts were served. This funding is expected to increase by 9.5% in FY 2008 and 8.0% in FY 2009.

Commodity Foods. This funding supports school food programs by contracting with commercial food processors to convert bulk or raw USDA commodities into more convenient ready-to-use end products at a reduced cost for school districts participating in the school lunch and school breakfast programs. In this program, ODE obtains the donated food from the USDA and charges school districts for the processing and handling. In FY 2005, commodity foods valued at more than $38.0 million were distributed to participating schools and agencies. Processing and distribution costs to districts were $12.8 million.

Program 6.05: Child & Adult Care Programs

Fund	ALI	Title/*Earmark*	FY 2008	FY 2009
FED 3L8	200-619	Child/Adult Food Programs	$ 69,280,946	$ 70,691,653
Total Funding: Child & Adult Care Programs			**$ 69,280,946**	**$ 70,691,653**

This program supports child and adult care food and nutrition programs. Funding is expected to increase by 2.0% in FY 2008 and FY 2009.

Child/Adult Food Programs. This federal funding provides reimbursements for nutritious snacks, as well as breakfast, lunch, and dinner, to children or adults enrolled in participating day care centers, after-school programs, or adult day care centers. In FY 2005, approximately 57 million meals were served. A portion of the funding ($3.0 million in each fiscal year) supports a "cash-in-lieu program" which provides participating agencies an option of receiving cash in lieu of commodity foods.

Program 6.06: Nutrition Programs & Support

Fund	ALI	Title/*Earmark*	FY 2008	FY 2009
FED 367	200-607	School Food Services	$ 5,849,748	$ 6,088,737
Total Funding: Nutrition Programs & Support			**$ 5,849,748**	**$ 6,088,737**

This program supports the Summer Food Programs and other child nutrition programs. Funding is expected to decrease by 53.1% in FY 2008 and to increase by 4.1% in FY 2009.

School Food Services. This federal funding is used by ODE for administrative support and monitoring of federally-funded school food programs. States are required to meet a minimum level of state investment to receive federal funds. The Summer Food Program serves approximately 48,000 meals daily.

Program Series 7: 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 Governor's recommended funding levels for the Special Education program series.

Appropriation Amounts for Program Series 7: Special Education						
Fund	**ALI**	**Title**		**FY 2008**		**FY 2009**
General Revenue Fund (GRF)						
GRF	200-540	Special Education Enhancements	$	55,712,387	$	56,185,334
GRF	200-550	Foundation Funding	$	517,571,301	$	554,141,946
		General Revenue Fund Subtotal	***$***	***573,283,688***	***$***	***610,327,280***
Federal Special Revenue Fund (FED)						
3M2	200-680	Individuals with Disabilities Education Act	$	500,000,000	$	405,000,000
370	200-624	Education of Exceptional Children	$	838,295	$	-
		Federal Special Revenue Fund Subtotal	***$***	***500,838,295***	***$***	***405,000,000***
Total Funding: Special Education			**$**	**1,074,121,983**	**$**	**1,015,327,280**

The Special Education program series contains two programs. These programs and their shares of the funding for this program series are:

- ***Program 7.01: Special Education Funding – 97.2%***
- ***Program 7.02: Special Education Target Funding – 2.8%***

The executive budget proposes an increase of 10.6% over estimated FY 2007 expenditures in FY 2008 and a decrease of 5.5% in FY 2009 for this program series. Of the $2,089.4 million in total biennial funding for this program series, 56.7% comes from the general revenue fund with the remaining 43.3% from the federal special revenue fund group. Details for each program are given below.

Program 7.01: Special Education Funding

Fund	ALI	Title/*Earmark*	FY 2008	FY 2009
GRF	200-540	Special Education Enhancements	$ 47,294,616	$ 47,767,563
		MR/DD and Institutional Weighted Funding	*$ 47,294,616*	*$ 47,767,563*
GRF	200-550	Foundation Funding	$ 497,801,301	$ 533,596,746
FED 3M2	200-680	Individuals with Disabilities Education Act	$ 500,000,000	$ 405,000,000
Total Funding: Special Education Funding			**$ 1,045,095,917**	**$ 986,364,309**

This program provides additional funding for special education and related services. The executive budget proposes an increase of 10.9% in FY 2008 and a decrease of 5.6% in FY 2009 for this program.

MR/DD and Institutional Weighted Funding. This funding is provided to county boards of MR/DD and state institutions operated by the Department of Health, the Department of Rehabilitation and Correction, and the Department of Youth Services to fund special education and related services provided by these entities. Funding is distributed based on the same weights used for special education students educated in school districts and community schools as explained below. The executive budget provides increases of 1.0% in FY 2008 and FY 2009 for this funding.

Foundation Funding – Special Education Additional Weighted Funding. This funding is provided to school districts and community schools through the school funding formula. Special education students receive additional weighted funding above the base cost amount to cover the additional costs of providing these students 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 then pays an amount equal to the result of multiplying the district's state share percentage by the weighted formula amount. There are six weights based on different categories of disability, which are given in the table below. For FY 2007, the weights are funded at 90.0%. The executive budget proposes to continue funding these weights at 90.0% in FY 2008 and FY 2009. Given the executive's recommended formula amount of $5,565 in FY 2008 and $5,732 in FY 2009, special education additional weighted costs range from $1,448 to $23,711 in FY 2008 and from $1,492 to $24,423 in FY 2009. The executive budget provides increases of 23.3% in FY 2008 and 7.2% in FY 2009 in total funding for this item.

Special Education Additional Weight Categories	
Category One:	**0.2892** – Speech only
Category Two:	**0.3691** – Specific learning disabled, developmentally handicapped, other health – minor
Category Three:	**1.7695** – Hearing impaired, vision impaired, severe behavior handicapped
Category Four:	**2.3646** – Orthopedically handicapped, other health – major
Category Five:	**3.1129** – Multi-handicapped
Category Six:	**4.7342** – Autism, traumatic brain injury, both visually and hearing disabled

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 federal 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. Previously, ODE had been distributing these funds on a delayed basis, so that, for example, the funds that were allocated for FY 2004 were not distributed until FY 2005. The U.S. Department of Education allows up to 27 months to use the funds from any year. ODE decided to bring distribution of funds into a current year basis last biennium. In order to do this, they are distributing an extra 25% each year from FY 2005 to FY 2008. This is why the appropriation decreases from FY 2008 to FY 2009. An extra 25% is distributed in FY 2008, but in FY 2009, only funds for FY 2009 will be distributed.

Program 7.02: Special Education Target Funding

Fund	ALI	Title/*Earmark*		FY 2008		FY 2009
GRF	200-540	Special Education Enhancements	$	8,417,771	$	8,417,771
		Home Instruction	*$*	*2,906,875*	*$*	*2,906,875*
		Parent Mentoring	*$*	*1,462,500*	*$*	*1,462,500*
		School Psychology Interns	*$*	*2,783,396*	*$*	*2,783,396*
		Out of School Initiative	*$*	*750,000*	*$*	*750,000*
		Bellefaire Jewish Children's Bureau	*$*	*200,000*	*$*	*200,000*
		Collaborative Language and Literacy Instruction Project	*$*	*315,000*	*$*	*315,000*
GRF	200-550	Foundation Funding	$	19,770,000	$	20,545,200
		Catastrophic Cost Supplement	*$*	*19,770,000*	*$*	*20,545,200*
FED 370	200-624	Education of Exceptional Children	$	838,295	$	-
Total Funding: Special Education Target Funding			**$**	**29,026,066**	**$**	**28,962,971**

This program supports special education programs such as home instruction, parent mentors, psychology intern services, and services for high-cost special education students. The executive budget proposes decreases of 0.9% in FY 2008 and 0.2% in FY 2009 for this program.

Home Instruction. This funding reimburses districts for half the cost of providing home instruction to students with orthopedic impairments, other health impairments, and severe behavioral handicaps. During FY 2006, this program assisted in providing home instruction to 4,970 students in 279 districts. The executive budget proposes flat funding in FY 2008 and FY 2009 for these reimbursements.

Parent Mentoring. This funding supports about 60 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. The executive budget proposes flat funding in FY 2008 and FY 2009 for this activity.

School Psychology Interns. This funding supports approximately 96 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. The executive budget proposes flat funding in FY 2008 and FY 2009 for this activity.

Out of School Initiative. This funding is provided to Sinclair Community College in Dayton, Ohio to support Montgomery County's Out of School Initiative. This initiative serves youth primarily between the ages of 15 and 21 who have dropped out or who are not regularly attending school. The Fast Forward Center at Sinclair assesses each student and assists them in returning to and graduating from

high school. According to Sinclair's web site the Center had served over 4,000 students by the end of FY 2005, of whom 767 had earned a high school diploma and 214 had earned a GED. The executive budget proposes flat funding in FY 2008 and FY 2009 for this earmark.

Bellefaire Jewish Children's Bureau. This funding is provided to Bellefaire Jewish Children's Bureau, a nonprofit organization located in Shaker Heights, Ohio. The Bureau provides a number of child welfare and behavioral healthcare services, including treatments and interventions for autism emotional disturbances, and other behavioral health problems. The executive budget proposes flat funding in FY 2008 and FY 2009 for this earmark.

Collaborative Language and Literacy Instruction Project. This funding supports the Collaborative Language and Literacy Instruction Project, which is a literacy initiative that provides a teacher training program that emphasizes language development. The initiative also includes a parent involvement component and continuing research and evaluation of the project. The executive budget proposes flat funding in FY 2008 and FY 2009 for this earmark.

Catastrophic Cost Supplement. This funding is provided to schools to support exceptionally high-costs associated with individual special education students. Subject to the amount of funding appropriated, 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 $26,500 to $27,375 for students in categories 2 through 5 and from $31,800 to $32,850 for students in category 6. According to ODE, the $18.0 million that was set aside for this supplement reimbursed approximately 47.0% of the calculated obligations for FY 2005. The executive budget proposes increases of 4.1% in FY 2008 and 3.9% FY 2009 for this supplement.

Education of Exceptional Children – State Improvement Grant. This federal grant was provided to assist ODE and its partners in reforming their systems to improve results for children with disabilities. Funding for the grant ended in FY 2007, however, funds remaining in the grant award are to be disbursed in FY 2008.

Program Series 8: Early Childhood Education

Purpose: This program series provides funding and support of developmental and educational services for pre-school and kindergarten children, particularly those considered at risk.

The following table shows the Governor's recommended funding levels for the Early Childhood Education program series.

Appropriation Amounts for Program Series 8: Early Childhood Education						
Fund	**ALI**	**Title**		**FY 2008**		**FY 2009**
General Revenue Fund (GRF)						
GRF	200-408	Early Childhood Education	$	29,002,195	$	31,502,195
GRF	200-442	Child Care Licensing	$	1,302,495	$	1,302,495
GRF	200-540	Special Education Enhancements	$	82,907,558	$	83,571,505
GRF	200-550	Foundation Funding	$	139,600,446	$	143,191,063
		General Revenue Fund Subtotal	***$***	***252,812,694***	***$***	***259,567,258***
Federal Special Revenue Fund (FED)						
3C5	200-661	Early Childhood Education	$	18,989,779	$	18,989,779
3H9	200-605	Head Start Collaboration Project	$	275,000	$	275,000
		Federal Special Revenue Fund Subtotal	***$***	***19,264,779***	***$***	***19,264,779***
State Special Revenue Fund (SSR)						
5W2	200-663	Early Learning Initiative	$	2,200,000	$	2,200,000
		State Special Revenue Fund Subtotal	***$***	***2,200,000***	***$***	***2,200,000***
Total Funding: Early Childhood Education			**$**	**274,277,473**	**$**	**281,032,037**

The Early Childhood Education program series contains three programs. These programs and their shares of the funding for this program series are:

- ***Program 8.01: Early Learning Programs – 63.7%***
- ***Program 8.02: Pre-K Special Education – 35.8%***
- ***Program 8.03: Child Care Licensing – 0.5%***

The executive budget proposes an increase of 13.2% over estimated FY 2007 expenditures in FY 2008 and another increase of 2.5% in FY 2009 for this program series. Of the $555.5 million in total biennial funding for this program series, 92.2% comes from the general revenue fund, 7.0% from the federal special revenue fund group, and 0.8% from the state special revenue fund group. Details for each program are given below.

Program 8.01: Early Learning Programs

Fund	ALI	Title/*Earmark*		FY 2008		FY 2009
GRF	200-408	Early Childhood Education	$	29,002,195	$	31,502,195
		Support and Technical Assistance	*$*	*580,044*	*$*	*630,044*
		Remainder	*$*	*28,422,151*	*$*	*30,872,151*
GRF	200-550	Foundation Funding	$	139,600,446	$	143,191,063
FED 3C5	200-661	Early Childhood Education	$	2,831,100	$	2,831,100
FED 3H9	200-605	Head Start Collaboration Project	$	275,000	$	275,000
SSR 5W2	200-663	Early Learning Initiative	$	2,200,000	$	2,200,000
Total Funding: Early Learning Programs			**$**	**173,908,741**	**$**	**179,999,358**

This program supports early learning education, including preschool and kindergarten programs. The executive budget proposes increases of 20.2% in FY 2008 and 3.5% in FY 2009 for this program. Under current law, school districts may choose to establish August 1 instead of September 30 as the cut off date by which students must be five or six years old to be admitted to kindergarten or first grade, respectively. The executive budget removes this choice so that a cut off date of September 30 applies to all districts in the state beginning in FY 2009. Districts that have chosen the earlier cut off date, may experience a one-time shift in school enrollment from FY 2010 to FY 2009 as a result.

Support and Technical Assistance – Early Childhood Education. This funding is used by ODE to administer the early childhood education program and provide technical support to districts receiving funding under the program. This earmark is established as 2.0% of the appropriation for the program. The executive budget proposes increases of 59.3% in FY 2008 and 8.6% in FY 2009 for this funding.

Early Childhood Education – Remainder. This funding supports early childhood programs that provide educational services for three and four-year old children from families with incomes at or below 200% of the federal poverty level. In FY 2006, 3,734 children were served. According to ODE, this represents about 9% of the income-eligible children in the state. These programs must align their curricula to the 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. The executive budget proposes to increase this funding by 52.5% in FY 2008 and 8.6% in FY 2009. The budget stipulates that the increased funding be provided to programs established after March 15, 2007, and only to providers that are eligible for poverty-based assistance. Presumably this would limit the new funding to districts with poverty indices above 0.25 (districts with concentrations of poverty students at least 25% of the statewide concentration). Under the executive budget, other districts may establish preschool programs using another source of funding. Under current law a school district is prohibited from establishing a preschool program unless it is eligible for poverty-based assistance *and* it can demonstrate a need for the program that is not being met by an existing child care program.

Under current law, all teachers in state-funded early learning programs are required to have an associate degree by FY 2008. The executive budget delays this deadline to FY 2010 for programs established before FY 2007 and to FY 2012 for programs established after FY 2007. ODE estimates that in FY 2006 approximately 72% of the teachers in GRF-funded programs have at least a two-year degree.

Foundation Funding – All-Day Kindergarten (ADK). This funding is provided through the state's school funding formula specifically for all-day kindergarten. The formula provides this funding through poverty-based assistance. Base cost funding, the main component of foundation funding, provides funding for the traditional half-day kindergarten program to all districts. The base cost is a uniform cost per pupil determined each fiscal year in statute. There is a local share as well as a state share for this funding. The local share is a uniform 23 mills (2.3%) of the taxable value of local property in each district. Kindergarten students receive half the formula amount through base cost funding. Districts with poverty indices equal to or greater than one (concentrations of poverty students equal to or greater than the statewide concentration) are eligible to receive the other half of the formula amount for each of their kindergarten students who receives all-day kindergarten services through poverty-based assistance. There is no local share for poverty-based assistance. According to ODE, there are currently about 73,000 kindergartners in Ohio (53.9%) in all day programs and approximately 60.8% of these are in districts that receive all-day kindergarten funding through poverty-based assistance. The executive budget proposes a formula amount of $5,565 in FY 2008 and $5,732 in FY 2009. Under the executive budget, funding for all-day kindergarten increases by 15.9% in FY 2008 and 2.6% in FY 2009.

Early Childhood Education – Even Start. This federal funding supports Even Start, a family literacy program that integrates early childhood education, adult literacy, basic, and parenting education. In FY 2006, 22 Even Start programs served approximately 748 families and 880 children. Federal funding for this program is expected to be flat in FY 2008 and FY 2009.

Head Start Collaboration Project. This federal grant provides funding for the coordination of federal, state, and local policies to support a coordinated early childhood education and child care system. Funds are used to support federal Head Start and child care providers in increasing services to families. Activities funded include the dissemination of information, the support of partnerships between Head Start and child care providers, and leadership services. Funding for this grant is expected to be flat in FY 2008 and FY 2009.

Early Learning Initiative – Administration. This funding supports the work of ODE in administering the Early Learning Initiative (ELI). ODE is 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. The executive budget provides flat funding in FY 2008 and FY 2009 for this administration.

ELI uses federal Temporary Assistance for Needy Families (TANF) funding to provide reimbursements to ELI providers for services provided to TANF-eligible preschool students. Am. Sub. H.B. 66 of the 126th General Assembly replaced state operated Head Start[23] and Head Start Plus with ELI. Jointly administered by ODE and the Ohio Department of Job and Family Services (ODJFS), ELI provides full-day, full-year services for up to 12,000 TANF-eligible children in FY 2007. ELI programs must provide an assessment system aligned to Ohio's early learning standards; qualified and competent teachers; meaningful professional development requirements; and parental support. ELI providers must be approved by ODE as a preschool or by ODJFS as a child day-care center and cannot use more than 15.0% of the total proposed program costs for developing and administering their 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

[23] The federal government continues to fund Head Start programs in Ohio. Federal funding does not pass through ODE, but is provided directly to Head Start providers.

so results in the withholding of funding or the suspension or termination of the early learning agency's contract.

The executive budget continues to fund ELI services for up to 12,000 children in FY 2008 and FY 2009. The appropriation for ELI subsidies, however, is moved to ODJFS so it does not appear in this program. ODE estimates that approximately 10% of income-eligible children received services through ELI in FY 2006. The executive budget increases the income threshold from 185% of the federal poverty line in FY 2006 to FY 2008 to 200% of the federal poverty line in FY 2009. In addition, the executive budget allows children who are eligible for ELI at the beginning of a school year to continue attending for the entire year even if family income increases above the eligibility threshold. Finally, the executive budget loosens the parent work requirements for eligibility. As with the GRF-funded early learning programs described above, the executive budget delays the deadline by which all teachers must have an associate degree to FY 2010 for programs established before FY 2007 and to FY 2012 for programs established after FY 2007. ODE estimates that in FY 2006 approximately 50% of ELI teachers had at least a two-year degree.

Program 8.02: Preschool Special Education

Fund	ALI	Title/*Earmark*		FY 2008		FY 2009
GRF	200-540	Special Education Enhancements	$	82,907,558	$	83,571,505
		Preschool Special Education Unit Funding	*$*	*82,707,558*	*$*	*83,371,505*
		Bowling Green Pilot Project	*$*	*200,000*	*$*	*200,000*
FED 3C5	200-661	Early Childhood Education	$	16,158,679	$	16,158,679
Total Funding: Preschool Special Education			**$**	**99,066,237**	**$**	**99,730,184**

This program provides state and federal funds for pre-kindergarten special education. The executive budget proposes increases of 2.8% in FY 2008 and 0.7% in FY 2009 for this program.

Preschool Special Education Unit 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. State funding for preschool special education and related services provided by school districts, educational service centers, and county MR/DD boards are distributed through units, which are based on the minimum number of students per class, teacher degree, and teacher experience. According to ODE, the state provided $79.2 million and funded 2,024 teacher and related services preschool special education units in FY 2006. The number of actual units in the state in FY 2006 totaled 3,043. The executive budget proposes increases of 3.4% in FY 2008 and 0.8% in FY 2009 for this funding in order to fund 2,040 units each fiscal year.

Bowling Green Pilot Project. This funding is provided to the Bowling Green City School District to support its preschool special education pilot project. The executive budget proposes flat funding in FY 2008 and FY 2009 for this earmark.

Early Childhood Education – Preschool Special Education. These federal funds are distributed to districts to support special education and related services to children with disabilities between the ages of three and five. Funds are distributed based on 1997 service levels, with adjustments for total population and poverty. This funding is expected to remain flat for FY 2008 and FY 2009.

Program 8.03: Child Care Licensing

Fund	ALI	Title/*Earmark*	FY 2008	FY 2009
GRF	200-442	Child Care Licensing	$ 1,302,495	$ 1,302,495
Total Funding: Child Care Licensing			**$ 1,302,495**	**$ 1,302,495**

These funds are used by ODE to license and inspect preschool and school-age child care programs operated by school districts, chartered nonpublic schools, Head Start agencies, and county boards of mental retardation and developmental disabilities. The executive budget proposes flat funding in FY 2008 and FY 2009 for this program.

Program Series 9: 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 Governor's recommended funding levels for the Career-Technical Education program series.

Appropriation Amounts for Program Series 9: Career-Technical Education						
Fund	**ALI**	**Title**		**FY 2008**		**FY 2009**
General Revenue Fund (GRF)						
GRF	200-416	Career-Technical Education Match	$	2,233,195	$	2,233,195
GRF	200-425	Tech Prep Consortia Support	$	2,069,217	$	2,069,217
GRF	200-427	Academic Standards	$	1,000,000	$	1,000,000
GRF	200-431	School Improvement Initiatives	$	1,000,000	$	1,000,000
GRF	200-514	Post-Secondary Adult Career-Technical Education	$	40,000	$	40,000
GRF	200-545	Career-Technical Education Enhancements	$	5,897,651	$	5,972,926
GRF	200-550	Foundation Funding	$	286,166,053	$	300,781,470
		General Revenue Fund Subtotal	***$***	***298,406,116***	***$***	***313,096,808***
General Services Fund (GSF)						
596	200-656	Ohio Career Information System	$	529,761	$	529,761
		General Services Fund Subtotal	***$***	***529,761***	***$***	***529,761***
Federal Special Revenue Fund (FED)						
3L9	200-621	Career-Technical Education Basic Grants	$	48,029,701	$	48,029,701
369	200-616	Career-Technical Education Federal Enhancement	$	5,000,000	$	5,000,000
		Federal Special Revenue Fund Subtotal	***$***	***53,029,701***	***$***	***53,029,701***
State Special Revenue Fund (SSR)						
4V7	200-633	Interagency Operational Support	$	132,100	$	136,423
		State Special Revenue Fund Subtotal	***$***	***132,100***	***$***	***136,423***
Total Funding: Career-Technical Education			**$**	**352,097,678**	**$**	**366,792,693**

The Career-Technical Education program series contains six programs. These programs and their shares of the funding for this program series are:

- ***Program 9.01: Joint Vocational School Basic – 43.8%***
- ***Program 9.02: Secondary Workforce Development – 43.3%***
- ***Program 9.03: Career-Based Intervention – 4.4%***
- ***Program 9.04: Work and Family Studies – 4.9%***
- ***Program 9.05: College-Based Career-Technical Education – 2.6%***
- ***Program 9.06: CTE Special Programs and Support – 1.0%***

The executive budget proposes an increase of 9.8% over estimated FY 2007 expenditures in FY 2008 and another increase of 4.2% in FY 2009 for this program series. Of the $718.9 million in total biennial funding for this program series, 85.1% comes from the general revenue fund, 0.2% from the general services fund group, 14.7% from the federal special revenue fund group, and a negligible percentage from the state special revenue fund group. Details for each program are given below.

Program 9.01: Joint Vocational School Basic

Fund	ALI	Title/*Earmark*		FY 2008		FY 2009
GRF	200-550	Foundation Funding	$	154,239,917	$	160,318,269
Total Funding: Joint Vocational School Basic			**$**	**154,239,917**	**$**	**160,318,269**

This program supports funding for the 49 joint vocational school districts across the state. The executive budget proposes increases of 8.3% in FY 2008 and 3.9% in FY 2009 for this program.

Foundation Funding – Base Cost Funding for JVSDs. Base cost funding is the main source of state funding for the 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 612 regular school districts - $5,565 in FY 2008 and $5,732 in FY 2009 under the executive budget. As with regular school districts, base cost funding for JVSDs is also a partnership between the state and the districts. The base cost charge-off (local share) for JVSDs is 0.5 mills. This local share is subtracted from the total base cost to derive a JVSD's state base cost funding. This funding helps support the basic educational cost for career-technical students attending a JVSD. JVSDs also receive state funding for special education and career-technical education weighted costs. The funds for weighted cost funding are included in their respective programs.

Program 9.02: Secondary Workforce Development

Fund	ALI	Title/*Earmark*		FY 2008		FY 2009
GRF	200-427	Academic Standards	$	1,000,000	$	1,000,000
		Project Lead the Way	*$*	*1,000,000*	*$*	*1,000,000*
GRF	200-550	Foundation Funding	$	102,983,382	$	110,114,762
FED 3L9	200-621	Career - Technical Education Basic Grant	$	48,029,701	$	48,029,701
Total Funding: Secondary Workforce Development			**$**	**152,013,083**	**$**	**159,144,463**

This program supports secondary workforce development programs. These programs provide a combination of academic and technical courses in 16 career fields, such as agriculture and environmental systems, business and administrative services, engineering and science technologies, health science, information technology, public safety, and manufacturing technologies. The executive budget proposes increases of 19.7% in FY 2008 and 4.7% in FY 2009 for this program.

Project Lead the Way. Project Lead the Way is a national program that partners with schools around the country to prepare students to be successful in science, engineering, and engineering technology fields. This funding supports professional development of Project Lead the Way teachers and counselors, data collection, program technical assistance, and marketing. In FY 2006, 22 new Project Lead the Way programs began in Ohio, with another 23 existing programs also receiving support. The executive budget proposes flat funding in FY 2008 and FY 2009 for this earmark.

Foundation Funding – Secondary Workforce Development Weighted Funding. These funds provide the state share of the additional weighted cost for career-technical students enrolled in secondary workforce development programs at regular school districts, JVSDs, and community schools. The additional weight is 0.57 for a full-time equivalent (FTE) student enrolled in a workforce development program. This weight is multiplied by the base cost formula amount per pupil ($5,565 in FY 2008 and $5,732 in FY 2009 under the executive budget) to obtain the total weighted cost. The state share percentage of this cost for each district is equal to the district's state share percentage of the base cost. Approximately 67,550 workforce development FTE students are funded each year. The executive budget proposes increases of 32.0% in FY 2008 and 6.9% in FY 2009 for this funding.

Career-Technical Education Basic Grant. These federal funds support the development of academic, vocational, and technical skills of secondary and post-secondary students who enroll in vocational and technical programs. A majority of these funds flow as entitlement grants to JVSDs and school districts based on career-technical enrollment. Revenue from this grant is expected to be flat in FY 2008 and FY 2009.

Program 9.03: Career-Based Intervention

Fund	ALI	Title/*Earmark*		FY 2008		FY 2009
GRF	200-545	Career-Technical Education Enhancements	$	2,509,152	$	2,584,427
		Institutional Unit Funding	*$*	*2,509,152*	*$*	*2,584,427*
GRF	200-550	Foundation Funding	$	12,899,511	$	13,595,967
Total Funding: Career-Based Intervention			**$**	**15,408,663**	**$**	**16,180,394**

This program supports career-based intervention programs. These programs help disadvantaged students through academic instruction combined with paid work or other work-based learning experiences. The executive budget proposes a decrease of 13.3% in FY 2008 and an increase of 5.0% in FY 2009 for this program.

Institutional Units. These funds support career-based intervention programs 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. In FY 2005, about 3,000 students were served through 55 programs funded at approximately $42,100 per unit. Eleven institutions operated by either the Department of Youth Services or the Department of Rehabilitation and Correction provide these programs.

Foundation Funding – Career-Based Intervention Weighted Funding. These funds provide the state share of the additional weighted cost for career-technical students enrolled in career-based intervention programs at regular school districts, JVSDs, and community schools. The additional weight is 0.28 for a full-time equivalent (FTE) student enrolled in a program. This weight is multiplied by the base cost formula amount per pupil ($5,585 in FY 2008 and $5,773 in FY 2009) to obtain the total weighted cost. The state share percentage of this cost for each district is equal to the district's state share percentage of the base cost. Approximately 8,500 FTE students are funded each year.

Program 9.04: Work and Family Studies

Fund	ALI	Title/*Earmark*		FY 2008		FY 2009
GRF	200-431	School Improvement Initiatives	$	1,000,000	$	1,000,000
		Jobs for Ohio Graduates (JOG)	*$*	*1,000,000*	*$*	*1,000,000*
GRF	200-550	Foundation Funding	$	16,043,243	$	16,752,472
FED 369	200-616	Career-Technical Education Federal Enhancement	$	346,400	$	346,400
Total Funding: Work and Family Studies			**$**	**17,389,643**	**$**	**18,098,872**

This program supports work and family studies programs. These programs teach 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. The executive budget proposes a decrease of 15.2% in FY 2008 and an increase of 4.1% in FY 2009 for this program.

Jobs for Ohio's Graduates (JOG). The JOG program is a school-to-career transition system that helps at-risk youth, ages 14 to 21, graduate from high school and achieve academic, career, personal, and social success. These funds provide services to approximately 1,800 at-risk youth in school and follow-up services to another 850 youth in the labor market. A 2:1 local match is required for all state funds received. Since 1987, on average graduation rates for students in the program have been about 91.3%, approximately 69.1% of graduates obtain full-time employment, and of those students who continue on to college approximately 81.1% return to college for their second year. The executive budget proposes flat funding for this program in FY 2008 and FY 2009.

Foundation Funding – Work and Family Studies. The foundation formula funds work and family studies programs through weighted funding and GRADS teacher grants.

Weighted Funding. This funding provides the state share of the additional weighted cost for career-technical students enrolled in work and family programs at regular school districts, JVSDs, and community schools. The additional weight is 0.28 for a full-time equivalent (FTE) student enrolled in a program. This weight is multiplied by the base cost formula amount per pupil ($5,565 in FY 2008 and $5,732 in FY 2009 under the executive budget) to obtain the total weighted cost. The state share percentage of this cost for each district is equal to the district's state share percentage of the base cost. Approximately 13,250 FTE students are funded each year.

Graduation, Reality, and Dual-Role Skills (GRADS). This program 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 2006, 5,596 were served. This funding provides a grant to school districts and JVSDs that offer the program and have been awarded units by ODE. For each district the grant is equal to the result of multiplying the number of units authorized by ODE by an allowance of $47,555 in FY 2008 and FY 2009 and the district's state share percentage of base cost funding. In FY 2006, 102 GRADS units were funded, 78 at JVSDs and 24 at regular school districts.

Career-Tech Education Federal Enhancement. These federal funds support the development and dissemination of occupational and employment information. This funding is expected to be flat in FY 2008 and FY 2009.

Program 9.05: College-Based Career-Technical Education

Fund	ALI	Title/*Earmark*		FY 2008		FY 2009
GRF	200-425	Tech Prep Consortia Support	$	2,069,217	$	2,069,217
GRF	200-545	Career-Technical Education Enhancements	$	2,621,507	$	2,621,507
		Tech Prep Expansion Grants	*$*	*2,621,507*	*$*	*2,621,507*
FED 369	200-616	Career-Technical Education Federal Enhancement	$	4,653,600	$	4,653,600
Total Funding: College-Based Career-Technical Education			**$**	**9,344,324**	**$**	**9,344,324**

This program supports Tech Prep programs. These programs allow students to enroll in a seamless career-technical program that begins in high school and continues through an associate's degree in college and beyond. The executive budget proposes an increase of 2.8% in FY 2008 and flat funding in FY 2009 for this program.

Tech Prep Consortia Support. These funds provide support to maintain a quality Tech Prep system in Ohio that includes 24 consortia (including 44 higher education institutions and 92 career-technical education planning districts). The executive budget proposes flat funding for this support in FY 2008 and FY 2009.

Tech Prep Expansion Grants. These funds are used for competitive grants to support Tech Prep enrollment expansion and new Tech Prep programming. Eligible grantees include school districts, post-secondary entities, and other eligible recipients. The Ohio Board of Regents and ODE co-administer the program. The executive budget proposes flat funding for this support in FY 2008 and FY 2009.

Career-Technical Education Federal Enhancement – Tech Prep Education. This federal funding is provided to the 24 Tech Prep consortia based on enrollment. The funds are used for the development and operation of four-year Tech Prep education programs leading to a two-year associate's degree or a two-year certificate. This funding is expected to increase 5.8% in FY 2008 and be flat in FY 2009.

Program 9.06: CTE Special Programs & Support

Fund	ALI	Title/*Earmark*		FY 2008		FY 2009
GRF	200-416	Career-Technical Education Match	$	2,233,195	$	2,233,195
GRF	200-514	Post-Secondary Adult Career-Technical Education	$	40,000	$	40,000
		Ohio Young Farmers	*$*	*40,000*	*$*	*40,000*
GRF	200-545	Career-Technical Education Enhancements	$	766,992	$	766,992
		Agriculture 5th Quarter Project	*$*	*300,000*	*$*	*300,000*
		Ohio Career Information System	*$*	*466,992*	*$*	*466,992*
GSF 596	200-656	Ohio Career Information System	$	529,761	$	529,761
SSR 4V7	200-633	Interagency Operational Support	$	132,100	$	136,423
Total Funding: CTE Special Programs & Support			**$**	**3,702,048**	**$**	**3,706,371**

This program helps students identify initial educational and career goals and develop the skills necessary to make informed career and educational decisions throughout life. These skills are developed through classroom integration activities, as well as career exploration experiences. The executive budget proposes increases of 0.2% in FY 2008 and 0.1% in FY 2009 for this program.

Career-Technical Education Match. These funds provide the dollar for dollar required state match for the administrative portion of the federal Vocational Education State grant. Total funding received in Ohio through this federal grant is expected to be approximately $48.0 million in both FY 2008 and FY 2009. This federal funding is included in Program 9.02, Secondary Workforce Development. The executive budget proposes flat funding in FY 2008 and FY 2009 to maintain this state match.

Ohio Young Farmers. This funding is used for statewide coordination of the activities of the Ohio Young Farmers. This organization supports agricultural education through conferences, scholarships, and the dissemination of information to farmers in Ohio. The executive budget proposes flat funding in FY 2008 and FY 2009 for this earmark.

Agriculture 5th Quarter Project. This funding is used to enable students to enroll in a "5th Quarter" of instruction based on the agricultural instructional model of delivering work-based learning through supervised agricultural experience. The executive budget proposes flat funding in FY 2008 and FY 2009 for this earmark.

Ohio Career Information System (OCIS). 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 is funded through the GRF and through GSF Fund 596, which receives site license fees from users of the system. The executive budget proposes flat funding in FY 2008 and FY 2009 to support this system.

Interagency Operational Support. This funding is used for career-technical education programs for at-risk students. The revenue is received through an interagency transfer. The executive budget proposes increases of 5.9% in FY 2008 and 3.3% in FY 2009 for this transfer.

Program Series 10: 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 Governor's recommended funding levels for the Gifted Education program series.

Appropriation Amounts for Program Series 10: Gifted Education						
Fund	**ALI**	**Title**		**FY 2008**		**FY 2009**
General Revenue Fund (GRF)						
GRF	200-521	Gifted Pupil Program	$	47,608,030	$	48,008,613
		General Revenue Fund Subtotal	***$***	***47,608,030***	***$***	***48,008,613***
Total Funding: Gifted Education			**$**	**47,608,030**	**$**	**48,008,613**

The Gifted Education program series contains two programs. These programs and their shares of the funding for this program series are:

- ***Program 10.01: Gifted Pupil Core – 97.9%***
- ***Program 10.02: Gifted Pupil Special Program – 2.1 %***

The executive budget proposes an increase of 1.1% over estimated FY 2007 expenditures in FY 2008 and another increase of 0.8% in FY 2009 for this program series. Of the $95.6 million in total biennial funding for this program series, 100.0% comes from the General Revenue Fund. Details for each program are given below.

Program 10.01: Gifted Pupil Core

Fund	ALI	Title/*Earmark*		FY 2008		FY 2009
GRF	200-521	Gifted Pupil Program	$	46,592,172	$	46,982,596
		Gifted Indentification	*$*	*4,747,000*	*$*	*4,794,470*
		Remainder	*$*	*41,845,172*	*$*	*42,188,126*
Total Funding: Gifted Pupil Core			**$**	**46,592,172**	**$**	**46,982,596**

This program supplements basic aid funding by providing certain coordination and gifted services above those provided in general education classrooms. The executive budget proposes increases of 1.0% in FY 2008 and 0.8% in FY 2009 for this program.

Gifted Identification. 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. Approximately 16.0% of Ohio students have been identified as gifted. The executive budget proposes increases of 1.0% in FY 2008 and FY 2009 for this funding.

Gifted Pupil Program – Remainder. This funding is provided through the school funding formula for the additional costs associated with gifted education. Funding is calculated based on gifted units, which is essentially a gifted education personnel based funding. The state model multiplies each approved gifted unit by a classroom allowance equal to $2,678, a supplemental unit allowance equal to $5,241, a salary allowance that is based on the state minimum teacher salary schedule prescribed by law, as it existed prior to FY 2002, and a fringe benefit allowance that is 15% of the salary allowance. Services in the gifted education program include resource rooms, self-contained classrooms, and accelerated coursework. Local coordinators and intervention specialists provide these services to students. Instruction in the gifted education program is based on the identified needs of students and a written education plan. In FY 2007, this funding supports up to 1,110 units at an estimated average of $38,120 per unit. The executive budget proposes to fund the same number of units in both fiscal years and increase gifted unit funding by 0.9% and 0.8%, respectively.

Program 10.02: Gifted Pupil Special Program

Fund	ALI	Title/*Earmark*		FY 2008		FY 2009
GRF	200-521	Gifted Pupil Program	$	1,015,858	$	1,026,017
		Summer Honors Institute	*$*	*1,015,858*	*$*	*1,026,017*
Total Funding: Gifted Pupil Special Program			**$**	**1,015,858**	**$**	**1,026,017**

This funding supports summer institutes, held at universities and colleges throughout Ohio that provide enrichment opportunities for gifted students who have completed their freshman or sophomore years. In FY 2005, 14 summer honors institutes served 2,000 students. The executive budget requires that this funding be provided using a request for proposals process. The executive budget proposes increases of 8.1% in FY 2008 and 1.0% in FY 2009 for this program.

Program Series 11: 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 Governor's recommended funding levels for the Students at Risk program series.

Appropriation Amounts for Program Series 11: Students At Risk						
Fund	**ALI**	**Title**		**FY 2008**		**FY 2009**
General Revenue Fund (GRF)						
GRF	200-550	Foundation Funding	$	204,559,609	$	225,208,799
		General Revenue Fund Subtotal	***$***	***204,559,609***	***$***	***225,208,799***
Federal Special Revenue Fund (FED)						
3AF	200-603	School Medicaid Administrative Claims	$	486,000	$	639,000
3M0	200-623	ESEA Title 1A	$	415,000,000	$	420,000,000
3M1	200-678	Innovation Education	$	5,369,100	$	5,363,706
3S2	200-641	Education Technology	$	10,000,000	$	5,000,000
3Y8	200-639	Rural and Low Income Technical Assistance	$	1,500,000	$	1,500,000
309	200-601	Educationally Disadvantaged Programs	$	8,750,000	$	8,750,000
		Federal Special Revenue Fund Subtotal	***$***	***441,105,100***	***$***	***441,252,706***
Total Funding: Students At Risk			**$**	**645,664,709**	**$**	**666,461,505**

The Students At Risk program series contains three programs. These programs and their shares of the funding for this program series are:

- ***Program 11.01: Title I Disadvantaged Students – 65.2%***
- ***Program 11.02: Poverty-Based Programs – 32.8%***
- ***Program 11.03: Innovative Education Programs – 2.0%***

The executive budget proposes an increase of 5.1% over estimated FY 2007 expenditures in FY 2008 and another increase of 3.2% in FY 2009 for this program series. Of the $1,312.1 million in total biennial funding for this program series, 32.8% comes from the General Revenue Fund with the remaining 67.2% from the federal special revenue fund group. Details for each program are given below.

Program 11.01: Title I Disadvantaged Students

Fund	ALI	Title/*Earmark*		FY 2008		FY 2009
FED 3M0	200-623	ESEA Title 1A	$	415,000,000	$	420,000,000
FED 3Y8	200-639	Rural and Low Income Technical Assistance	$	1,500,000	$	1,500,000
FED 309	200-601	Educationally Disadvantaged Programs	$	8,750,000	$	8,750,000
Total Funding: Title I Disadvantaged Students			**$**	**425,250,000**	**$**	**430,250,000**

This program provides federal funds for several educational programs to help support disadvantaged children, including those that are migrant, homeless, neglected and delinquent, or living in low income or rural school districts. The executive budget proposes increases of 0.9% in FY 2008 and 1.2% in FY 2009 for this program.

Elementary and Secondary Education Act Title 1A. 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 per pupil education expenditure and the number of school-age children from low income families. Three other types of grants are targeted to districts with high concentrations of poor students. One percent of the grant award is used by ODE 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 funding is expected to increase by 1.2% in FY 2008 and FY 2009.

Rural and Low Income Technical Assistance. These federal grants are provided to rural and low income districts to help them attract qualified teachers and to provide professional development appropriate for teaching low income students. This funding is expected to increase by 15.4% in FY 2008 and to be flat in FY 2009.

Educationally Disadvantaged Programs. This funding reflects three federal grants as described below. A fourth grant was funded in FY 2007 for $1.6 million to compensate schools that took in students affected by Hurricanes Rita and Katrina. Since this grant is no longer funded, total funding for this item decreases by 14.2% in FY 2008, funding is expected to be flat in FY 2009.

Neglected and Delinquent Children. This federal grant provides financial assistance to state or local institutions that serve neglected and delinquent children to help meet their needs. The grant award is estimated at $3,950,000 each fiscal year.

Migrant Education. This federal grant supports educational opportunities for migratory children to help reduce the educational disruptions and other problems that result from repeated moves. The grant award is estimated at $2,600,000 each fiscal year.

Homeless Children. This federal grant ensures access to a free and appropriate education for homeless school-age children and youth. The grant award is estimated at $2,200,000 each fiscal year.

Program 11.02: Poverty-Based Programs

Fund	ALI	Title/*Earmark*	FY 2008	FY 2009
GRF	200-550	Foundation Funding	$ 204,559,609	$ 225,208,799
Total Funding: Poverty-Based Programs			**$ 204,559,609**	**$ 225,208,799**

This funding is provided through the school funding formula as part of poverty-based assistance (PBA), which provides state funds to school districts that incur higher educational costs because of a high concentration of economically disadvantaged students. Funding is based on a school district's poverty

index, a ratio of the district's percentage of students in poverty compared to the statewide percentage of students in poverty. Under the executive budget, PBA consists of eight programs, four of which are included here in program 11.02 of ODE's budget. These four programs are described below. The executive budget proposes increases of 24.4% in FY 2008 and 10.1% in FY 2009 for this program.

Achievement Gap. This is a new program established by the executive budget to provide additional funding to help districts close achievement gaps. The funding is based on each district's "academic distress index." This index is calculated by dividing the percentage of buildings in the district that are in academic watch or academic emergency by the percentage of buildings in the state that are in academic watch or academic emergency. Districts qualify for funding if their academic distress indices and their poverty indices are greater than or equal to one. These districts receive per student 0.15% of the formula amount multiplied by their poverty indices and academic distress indices. In FY 2009, qualifying districts whose percentage of buildings in academic watch or academic emergency is less than the previous year receive an extra 3.5% of their calculated funding. According to the ratings on the local report card for the 2005-2006 school year, out of a total 3,867 buildings, 447 (11.6%) were in academic watch or academic emergency. Thirty-one districts have academic distress indices and poverty indices greater than or equal to one and would, therefore, qualify for funding. Academic distress indices for qualifying districts range from 1.0 to about 5.9 and poverty indices for qualifying districts range from about 1.0 to 4.4. Based on these estimates, funding in FY 2008 ranges from about $8 per student to about $217 per student and funding in FY 2009 ranges from about $9 per student to about $231 per student. The executive budget proposes funding of $34.0 million in FY 2008 and FY 2009 for this new program.

The executive budget stipulates that a district whose percentage of buildings in academic watch or academic emergency is greater than the prior year use this funding first for the expenses of an academic distress commission, if a commission has been established for the district. Under current law, the Superintendent of Public Instruction must establish an academic distress commission beginning in FY 2008 for each district that is in academic emergency and has failed to make adequate yearly progress (AYP) for four or more consecutive years. The executive budget makes the establishment of a commission permissive for the Superintendent. It also makes other changes[24] concerning these commissions including adding new operating procedures and requiring the adoption of an academic recovery plan. In FY 2006, there were no districts in academic emergency.

Increased Classroom Learning Opportunities (Class Size Reduction). The executive budget changes the name of the class size reduction program to increased classroom learning opportunities, but maintains the calculation method for the payment. The payment is based on a teacher salary allowance, which the executive budget establishes as $56,754 in FY 2008 and $58,621 in FY 2009, increases of 3.3% in each fiscal year. These are the same amounts as established for base classroom teacher compensation in the base cost formula amount calculation. The executive budget proposes funding of $117.0 million in FY 2008 and $136.0 million in FY 2009 for this newly named program.

Dropout Prevention. The executive budget retains the current calculation method for this program, but provides full funding for FY 2008 and FY 2009. Funding was phased-in at 70% in FY 2007. This program provides the big eight school districts, which are Akron, Canton, Cincinnati, Columbus, Cleveland, Dayton, Toledo, and Youngstown with 0.5% of the formula amount times the district's poverty index per student. Under the executive budget, the big eight districts will receive about $27.82 times their poverty indices per student in FY 2008 and about $28.66 times their poverty indices

[24] For a complete description of all the changes affecting academic distress commissions made by the executive budget, please see the LSC bill analysis, pages 78-81, which is available on the LSC web site.

per student in FY 2009. Poverty indices for these districts range from about 2.5 to 4.4. Therefore, per pupil funding levels range from about $70.67 to $121.59 in FY 2008 and from about $72.79 to $125.23 in FY 2009.

Community Outreach. The executive budget retains the current calculation method for this program, but provides full funding for FY 2008 and FY 2009. Funding was phased-in at 70% in FY 2007. This program provides the 21 major urban districts (Urban 21), which include the big eight districts as well as Cleveland Heights-University Heights, East Cleveland, Elyria, Euclid, Hamilton, Lima, Lorain, Mansfield, Middletown, Parma, South-Western, Springfield, and Warren with 0.5% of the formula amount times the district's poverty index per student. Under the executive budget, the Urban 21 districts will receive about $27.82 times their poverty indices per student in FY 2008 and about $28.66 times their poverty indices per student in FY 2009. Poverty indices for these districts range from about 0.4 to 4.4. Therefore, per pupil funding levels range from about $10.57 to $121.59 in FY 2008 and from about $10.89 to $125.23 in FY 2009. The executive budget proposes funding of $24.0 million in FY 2008 and $25.0 million in FY 2009 for the dropout prevention and the community outreach programs.

Program 11.03: Innovative Education Programs

Fund	ALI	Title/*Earmark*	FY 2008	FY 2009
FED 3AF	200-603	School Medicaid Administrative Claims	$ 486,000	$ 639,000
FED 3M1	200-678	Innovative Education	$ 5,369,100	$ 5,363,706
FED 3S2	200-641	Education Technology	$ 10,000,000	$ 5,000,000
Total Funding: Innovative Education Programs			**$ 15,855,100**	**$ 11,002,706**

This program provides federal funds for several educational programs to help support disadvantaged, at-risk, high-cost, or Medicaid-eligible children. The executive budget expects decreases of 44.4% in FY 2008 and 30.6% in FY 2009 for this program.

School Medicaid Administrative Claims. This federal program provides districts with reimbursement for administrative services associated with providing services to Medicaid-eligible students. This funding is expected to decrease by 46.0% in FY 2008 and to increase by 31.5% in FY 2009.

Innovative Education. 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 funding is expected to decrease by 54.5% in FY 2008 and by 0.1% in FY 2009.

Education Technology. This federal program funds two types of grants. The formula grants, which are administered by ODE, are distributed to districts based on the number of Title I eligible students served by the district. The others are awarded as competitive grants to 96 eligible buildings. 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 eight. This funding is expected to decrease by 36.7% in FY 2008 and by 50.0% in FY 2009.

Program Series 12: Adult Education

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

The following table shows the Governor's recommended funding levels for the Adult Education program series.

Appropriation Amounts for Program Series 12: Adult Education						
Fund	**ALI**	**Title**		**FY 2008**		**FY 2009**
General Revenue Fund (GRF)						
GRF	200-447	GED Testing	$	1,419,360	$	1,419,360
GRF	200-509	Adult Literacy Education	$	8,539,738	$	8,539,738
GRF	200-514	Postsecondary Adult Career-Technical Education	$	19,441,875	$	19,441,875
		General Revenue Fund Subtotal	***$***	***29,400,973***	***$***	***29,400,973***
Federal Special Revenue Fund (FED)						
366	200-604	Adult Basic Education	$	19,425,000	$	20,396,250
368	200-614	Veterans' Training	$	710,373	$	745,892
		Federal Special Revenue Fund Subtotal	***$***	***20,135,373***	***$***	***21,142,142***
State Special Revenue Fund (SSR)						
454	200-610	Guidance and Testing	$	400,000	$	400,000
		State Special Revenue Fund Subtotal	***$***	***400,000***	***$***	***400,000***
Total Funding: Adult Education			**$**	**49,936,346**	**$**	**50,943,115**

The Adult Education program series contains four programs. These programs and their shares of the funding for this program series are:

- ***Program 12.01: Adult Workforce Education – 38.5%***
- ***Program 12.02: Adult Literacy Education – 56.4%***
- ***Program 12.03: Veterans' Programs – 1.5%***
- ***Program 12.04: Adult Assessment – 3.6 %***

The executive budget proposes an increase of 1.9% over estimated FY 2007 expenditures in FY 2008 and another increase of 2.0% in FY 2009 for this program series. Of the $100.9 million in total biennial funding for this program series, 58.3% comes from the general revenue fund, 40.9% from the federal special revenue fund group, and 0.8% from the state special revenue fund group. Details for each program are given below.

The executive budget directs ODE, in collaboration with the Board of Regents (BOR) and the Governor's Workforce Policy Board, to develop a plan to move adult education and career programs from ODE to BOR. This plan must be submitted to the Governor by November 30, 2007, and the movement of the programs must be completed by July 1, 2008. The Director of Budget and Management is authorized to transfer appropriations as needed to support this reorganization.

Program 12.01: Adult Workforce Education

Fund	ALI	Title/*Earmark*	FY 2008	FY 2009
GRF	200-514	Postsecondary Adult Career-Technical Education	$ 19,441,875	$ 19,441,875
Total Funding: Adult Workforce Education			**$ 19,441,875**	**$ 19,441,875**

This program provides education and training through full-time and part-time adult career-technical training programs. School districts, JVSDs, and other public educational institutions, including corrections, are eligible for funding. Funding also supports 58 adult workforce education centers, 40 of which are full service centers that, in addition to education and training, provide career guidance and counseling, assessment services, job placement, financial aid, and transitional services. In FY 2005, approximately 130,000 adults were served under this program and approximately 80% of these adults completed a program. Of those who completed a program, approximately 92% experience a positive program placement, meaning they are employed, pursuing further education, or in the military. According to ODE, state funding represents approximately 10% to 12% of the funding for adult workforce education centers, with the rest coming from tuition, federal grants, and contracts. The executive budget proposes flat funding in FY 2008 and FY 2009 for this program.

Program 12.02: Adult Literacy Education

Fund	ALI	Title/*Earmark*	FY 2008	FY 2009
GRF	200-509	Adult Literacy Education	$ 8,539,738	$ 8,539,738
		Adult High School	*$ 175,000*	*$ 175,000*
		State Literacy Resource Center	*$ 488,037*	*$ 488,037*
		Remainder	*$ 7,876,701*	*$ 7,876,701*
FED 366	200-604	Adult Basic Education	$ 19,425,000	$ 20,396,250
Total Funding: Adult Literacy Education			**$ 27,964,738**	**$ 28,935,988**

This program provides free instruction in basic literacy, workplace literacy, family literacy, English for speakers of other languages (ESOL), and preparation for the GED test to adults who have less than a 12th grade education. The executive budget proposes increases of 3.4% in FY 2008 and 3.5% in FY 2009 for this program.

Adult High School. These funds provide reimbursements to districts for the cost of conducting high school credit classes for adults. Currently, 10 districts receive the reimbursement and serve approximately 1,000 participants, issuing more than 100 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 flat funding in FY 2008 and FY 2009 for these reimbursements.

State Literacy Resource Center. These funds support the Ohio Literacy Resource Center, housed at Kent State University. The center serves as a resource for adult literacy providers, helps in the coordination of adult literacy services, serves as the link between the National Institute for Literacy and Ohio service providers, and provides support for the ABLELink system, which is the statewide data management system for Adult Basic and Literacy Education programs. The executive budget proposes flat funding in FY 2008 and FY 2009 for this Center.

Adult Literacy Education – Remainder. These funds provide the state match for federal Adult Basic and Literacy Education (ABLE) grants. In FY 2006, 125 local ABLE programs in Ohio received grants and served over 48,000 adults. The programs provide instruction in basic literacy, workplace literacy, family literacy, English for speakers of other languages, and preparation for the General Education Development (GED) test. The average cost of the program in Ohio is approximately $511 per enrollee per year. The federal government provides approximately 56% of the funding, the state provides 30%, and the remaining 14% is generated locally. According to ODE, in FY 2006 from 53% to 69% of participants progressed in basic literacy by the equivalent of two grade levels over the program year and from 40% to 61% progressed by the equivalent of two grade levels in English as a second language. In addition, 77% of participants with the goal of obtaining a GED met that goal and 96% of participants with the goal of increasing their involvement in their children's education met that goal. The executive budget proposes flat funding in FY 2008 and FY 2009 for this program.

Adult Basic Education. These federal funds are combined with the state match to support ABLE programs as described above. Federal funding is expected to increase by 5.0% in FY 2008 and FY 2009.

Program 12.03: Veterans' Programs

Fund	ALI	Title/*Earmark*	FY 2008	FY 2009
FED 368	200-614	Veterans' Training	$ 710,373	$ 745,892
Total Funding: Veterans' Programs			**$ 710,373**	**$ 745,892**

This federal funding is used for the reviewing, approving, and supervising of school apprenticeships and on-the-job training programs for veterans and their eligible dependents. Funding is expected to increase 2.8% in FY 2008 and 5.0% in FY 2009.

Program 12.04: Adult Assessment

Fund	ALI	Title/*Earmark*	FY 2008	FY 2009
GRF	200-447	GED Testing	$ 1,419,360	$ 1,419,360
SSR 454	200-610	Guidance and Testing	$ 400,000	$ 400,000
Total Funding: Adult Assessment			**$ 1,819,360**	**$ 1,819,360**

This program supports the administration and processing of the General Educational Development (GED) program in Ohio. The executive budget proposes flat funding in FY 2008 and FY 2009 for this program.

GED Testing. This funding supports 79 GED testing centers and about 30 satellite testing centers in Ohio. The GED program provides a national test for Ohio adults without a high school diploma. ODE processes an average of 30,000 GED applications per year, and nearly 26,000 tests are taken annually with a 70.0% passing rate. Upon passing the GED, nongraduates receive an Ohio High School Equivalence Diploma. The executive budget proposes flat funding in FY 2008 and FY 2009 for this item.

Guidance and Testing. These funds are used for the administrative costs of the GED, which includes the costs of scoring the test and providing transcripts and confirmations of GED testing to employers. The funds are provided through a $10 fee charged for taking the test. The executive budget proposes flat funding in FY 2008 and FY 2009 for this item.

Program Series 13: State Administration and Infrastructure Support

Purpose: This program series includes functions that support agency operations and administration.

The following table shows the Governor's recommended funding levels for the State Administration and Infrastructure Support program series.

Appropriation Amounts for Program Series 13: State Administration and Infrastructure Support						
Fund	**ALI**	**Title**		**FY 2008**		**FY 2009**
General Revenue Fund (GRF)						
GRF	200-100	Personal Services	$	11,533,494	$	12,110,169
GRF	200-320	Maintenance and Equipment	$	4,574,479	$	4,803,203
GRF	200-420	Computer/Application/Network Development	$	5,536,362	$	5,793,700
		General Revenue Fund Subtotal	***$***	***21,644,335***	***$***	***22,707,072***
General Services Fund (GSF)						
138	200-606	Computer Services - Operational Support	$	7,600,091	$	7,600,091
452	200-638	Miscellaneous Educational Services	$	273,166	$	279,992
		General Services Fund Subtotal	***$***	***7,873,257***	***$***	***7,880,083***
Federal Special Revenue Fund (FED)						
3Z3	200-645	Consolidated Federal Grant Administration	$	8,500,000	$	8,500,000
		Federal Special Revenue Fund Subtotal	***$***	***8,500,000***	***$***	***8,500,000***
State Special Revenue Fund (SSR)						
4R7	200-695	Indirect Operational Support	$	4,528,039	$	4,847,150
620	200-615	Educational Improvement Grants	$	3,000,000	$	3,000,000
		State Special Revenue Fund Subtotal	***$***	***7,528,039***	***$***	***7,847,150***
Total Funding: State Administration and Infrastructure Support			**$**	**45,545,631**	**$**	**46,934,305**

The State Administration and Infrastructure Support program series contains two programs. These programs and their shares of the funding for this program series are:

- ***Program 13.01: Administrative Support – 71.3%***
- ***Program 13.02: IT Infrastructure – 28.7%***

The executive budget proposes an increase of 5.9% over estimated FY 2007 expenditures in FY 2008 and another increase of 3.0% in FY 2009 for this program series. Of the $92.5 million in total biennial funding for this program series, 48.0% comes from the general revenue fund, 17.0% from the general services fund group, 18.4% from the federal special revenue fund group, and 16.6% from the state special revenue fund group. Details for each program are given below.

Program 13.01: Administrative Support

Fund	ALI	Title/*Earmark*		FY 2008		FY 2009
GRF	200-100	Personal Services	$	11,533,494	$	12,110,169
		Outside Experts on Education Policy	*$*	*25,000*	*$*	*25,000*
		Remainder	*$*	*11,508,494*	*$*	*12,085,169*
GRF	200-320	Maintenance and Equipment	$	4,574,479	$	4,803,203
		State Board Travel	*$*	*25,000*	*$*	*25,000*
		Remainder	*$*	*4,549,479*	*$*	*4,778,203*
GSF 452	200-638	Miscellaneous Educational Services	$	273,166	$	279,992
FED 3Z3	200-645	Consolidated Federal Grant Administration	$	8,500,000	$	8,500,000
SSR 4R7	200-695	Indirect Operational Support	$	4,528,039	$	4,847,150
SSR 620	200-615	Educational Improvement Grants	$	3,000,000	$	3,000,000
Total Funding: Administrative Support			**$**	**32,409,178**	**$**	**33,540,514**

This program supports the administrative functions of ODE that are not directly related to a specific program. The executive budget proposes increases of 7.8% in FY 2008 and 3.5% in FY 2009 for this program.

Outside Experts on Education Policy. This new set aside recommended in the executive budget is to be used by the State Board of Education to pay for outside professionals to help inform the Board on topics of education policy.

Personal Services – Remainder. This funding primarily supports the wages and benefits of approximately 143 full-time equivalent (FTE) ODE personnel. These personnel support ODE's five administrative centers but generally do not work directly with a specific program, including personnel in human resources, accounting, board relations, policy analysis, and communications. The executive budget specifically permits ODE to use funds from this item to pay fees for ODE's membership in the Education Commission of the States (ECS). ECS is a nonprofit, nonpartisan organization that supports state efforts in developing education policy. Approximately 12.3% of this funding is used for purchased services. The executive budget provides increases of 5.8% in FY 2008 and 5.0% in FY 2009 for this funding.

The wages and benefits of the remaining ODE personnel (approximately 511 FTEs) are supported through other appropriation items. The executive budget provides a total of $59.3 million in FY 2008 and $61.6 million in FY 2009 from all funds for personal services.

State Board Travel. This funding is used by the State Board of Education to pay for out-of-state travel. The executive budget proposes flat funding in FY 2008 and FY 2009 for this earmark.

Maintenance and Equipment – Remainder. This funding supports the maintenance and equipment needs of ODE's five administrative centers. The executive budget proposes increases of 5.3% in FY 2008 and 5.0% in FY 2009 for this item. As with personal services, maintenance and equipment expenditures are also supported through other appropriation items. The executive budget provides a total of $50.6 million in FY 2008 and $50.8 million in FY 2009 from all funds for maintenance and equipment.

Miscellaneous Educational Services. This funding is provided through fees paid by attendees at conferences sponsored by ODE as well as through donations made to ODE. These funds are used for materials and facilities for conferences or for the specific purposes specified by donors.

Consolidated Federal Grant Administration. This federal funding represents a pool of state administrative funds from several federal grants. The funding is used to administer the various grants, to provide technical assistance to grant recipients, and to engage in state level activities related to the grants.

Indirect Operational Support. This funding is a consolidation of indirect administrative costs associated with ODE's management of federal grants and contracts. These indirect costs include such things as human resources and accounting costs. These indirect costs are combined into a single fund and recouped from the federal government.

Educational Improvement Grants. This funding is received from various donors for special projects.

Program 13.02: IT Infrastructure

Fund	ALI	Title/*Earmark*	FY 2008	FY 2009
GRF	200-420	Computer/Application/Network Development	$ 5,536,362	$ 5,793,700
GSF 138	200-606	Computer Services Operational Support	$ 7,600,091	$ 7,600,091
Total Funding: IT Infrastructure			**$ 13,136,453**	**$ 13,393,791**

This program provides funds for ODE's information technical (IT) infrastructure support. The executive budget proposes increases of 1.3% in FY 2008 and 2.0% in FY 2009 for this program.

Computer/Application/Network Development. This funding is used to develop and implement information technologies that meet the needs of the various business centers in ODE. These technologies include internet and intranet enhancements. ODE has several online applications such as the interactive Local Report Card and interactive continuous improvement planning, which are supported with this funding. The executive budget proposes increases of 3.3% in FY 2008 and 4.6% in FY 2009 for this activity.

Computer Services Operational Support. This funding supports information technology services and support to ODE programs. This support includes development and maintenance of the network infrastructure and software, purchase of all computer hardware and software, project management, and programming services. The various programs pay fees for these services, which are deposited into GSF Fund 136.

REQUESTS NOT FUNDED

This section looks at the budget request approved by the State Board of Education and the executive recommended appropriations from the General Revenue Fund (GRF) and the Lottery Profits Education Fund (LPE).[25] The table below summarizes the differences between the State Board of Education's budget request and the executive recommendations organized by ODE's 13 program series. Unfortunately, it is likely that the distribution of requested appropriations over the program series in the State Board request does not exactly match the distribution of appropriations over the program series in the executive budget analysis, so some of these program series differences may be misleading.

ODE GRF and LPE (Lottery) Requests Not Funded by Program Series, FY 2008 and FY 2009

Program Series	FY 2008			FY 2009		
	Executive	State Board	Difference	Executive	State Board	Difference
PS01: Curricula-Assessment Accountability	$110,183,187	$112,673,052	($2,489,865)	$110,057,584	$114,715,335	($4,657,751)
PS02: Educator Quality	$59,986,390	$95,708,826	($35,722,436)	$61,739,618	$116,712,211	($54,972,593)
PS03: Academic Achievement	$218,535,878	$401,586,583	($183,050,705)	$231,890,666	$443,833,081	($211,942,415)
PS04: School Choice	$452,943,624	$623,829,810	($170,886,186)	$487,786,979	$705,102,237	($217,315,258)
PS05: Basic Aid Support	$5,610,637,208	$5,651,219,402	($40,582,194)	$5,849,520,917	$5,939,995,381	($90,474,464)
PS06: School Operation Support	$489,517,448	$510,034,238	($20,516,790)	$493,959,404	$553,567,202	($59,607,798)
PS07: Special Education	$573,283,688	$505,790,281	$67,493,407	$610,327,280	$558,249,515	$52,077,765
PS08: Early Childhood Education	$252,812,694	$358,749,224	($105,936,530)	$259,567,258	$428,456,944	($168,889,686)
PS09: Career-Technical Education	$298,406,116	$284,366,546	$14,039,570	$313,096,808	$297,332,765	$15,764,043
PS10: Gifted Education	$47,608,030	$54,544,288	($6,936,258)	$48,008,613	$77,457,878	($29,449,265)
PS11: Students At Risk	$204,559,609	$158,131,449	$46,428,160	$225,208,799	$161,764,729	$63,444,070
PS12: Adult Education	$29,400,973	$30,169,300	($768,327)	$29,400,973	$30,959,398	($1,558,425)
PS13: State Administration and Infrastructure Support	$21,644,335	$21,667,697	($23,362)	$22,707,072	$22,728,366	($21,294)
Total GRF & LPE	**$8,369,519,180**	**$8,808,470,696**	**($438,951,516)**	**$8,743,271,971**	**$9,450,875,042**	**($707,603,071)**

[25] Payments from the LPE that are transferred to the Ohio School Facilities Commission to pay debt service on certain school facilities bonds are not included in this analysis.

As can be seen from the table, the State Board request exceeds the executive recommendations by $439.0 million in FY 2008 and by $707.6 million in FY 2009, for a total of $1,146.6 million over the biennium. Nevertheless, the executive recommendations do exceed the State Board request in three program series: special education ($119.6 million over for the biennium), students at risk ($109.9 million over for the biennium), and career-technical education ($29.8 million over for the biennium). The three program series for which the executive recommendations are furthest from the State Board request are academic achievement ($395.0 million under for the biennium), school choice ($388.2 million under for the biennium), and early childhood education ($274.8 million under for the biennium).

Some of these differences are misleading, however. As explained below, the State Board request includes funding community schools separately. All funding for community schools, therefore, is included in program series 4, School Choice, under the State Board request. The executive budget does not fund community schools separately. Only basic aid funding for community schools is included in program series 4 in the executive budget. The formula funding for special and career-technical education weights, as well as poverty-based assistance for community schools is included with school district funding for these formula components in their respective program series.

The changes to the school funding formula requested by the State Board are described below, then the major differences between the State Board request and the executive recommendations for each program series are discussed.

State Board School Funding Formula Requested Changes

Formula ADM

The State Board proposes to no longer count community school students in the formula ADM of their resident districts, but instead to calculate community school funding separately from school district funding. In addition, the State Board proposes to provide all-day kindergarten funding to all school districts by counting each kindergarten student who receives all-day kindergarten services as 1.0 in formula ADM instead of 0.5 as all kindergarten students are now counted. The executive budget does not include either of these proposals.

Base Cost Funding

The State Board proposes to increase the base classroom teacher component and the other personnel component of the base cost formula amount by 3.6% each year in accordance with the projected employment cost index for wages, and to increase the nonpersonnel component by 2.0% per year in accordance with the projected gross domestic product deflator. This methodology increases the base cost formula amount 3.4% each year to $5,585 in FY 2008 and $5,773 in FY 2009. These amounts are $20 higher in FY 2008 and $41 higher in FY 2009 than the executive budget recommended amounts. The hourly rate for intervention in both the base cost supplement and poverty-based assistance is also increased by 3.4% each fiscal year under the State Board request to $21.09 in FY 2008 and $21.81 in FY 2009, whereas it is increased by 3.0% each fiscal year under the executive proposal. The State Board request funds the base funding supplement for professional development at 80% in FY 2008 and 95% in FY 2009, whereas the executive proposes to pay this supplement at 75% in each year. All other base funding supplements continue to be funded at 100% under both the State Board and executive proposals. The State Board also proposes to add the base funding supplements to the base cost after the local share is subtracted. In that way the state will pay the full amount of the base funding supplements even for very high wealth districts. The executive budget does not follow this recommendation, however, the executive budget includes parity aid and poverty-based assistance in the base cost calculation, resulting in higher

state shares for school districts. Finally, the State Board proposes to eliminate the cost-of-doing business factor and the base cost guarantee, both of which the executive budget does.

Poverty-Based Assistance

The State Board proposes to use a poverty indicator that includes participation in six different welfare programs instead of the current poverty indicator that includes only participation in the Ohio Works First (OWF) welfare program. The executive proposal continues to use the current OWF-only poverty indicator. The use of this new indicator makes significant changes to the poverty indices of school districts. As a result, the State Board proposes to make adjustment to the indices used to determine which districts qualify for each tier of intervention funding. The State Board also phases in intervention funding at 75% in FY 2008 and 80% in FY 2009. The State Board proposes a new method of calculating funding for limited-English proficient (LEP) student intervention. The State Board proposes to provide the funding to all districts with at least 2% LEP students in their student populations, regardless of the poverty indices of the districts. The State Board also proposes to base this funding on the number of years the LEP student has been in the country. Finally, the State Board proposes to phase in this new calculation at 85% in FY 2008 and 95% in FY 2009. The executive budget does not change the LEP student intervention calculation. The State Board proposes to phase in the poverty-based assistance program for teacher professional development at 85% in FY 2008 and 95% in FY 2009, whereas the executive budget provides full funding for this program in both fiscal years. Finally, the State Board proposes to fund the community outreach and drop out prevention programs at 100% in both fiscal years and to eliminate the poverty-based assistance guarantee, both of which the executive budget does.

Parity Aid

The State Board proposes to increase the millage equalized through parity aid to 8.5 mills in FY 2008 and 9.7 mills in FY 2009. The executive budget increases the millage to 8.0 mills in FY 2008 and 8.5 mills in FY 2009, but also decreases the number of districts that receive this funding.

Transportation

The State Board proposes a new transportation formula and phases in funding for the formula at 85% in FY 2008 and 90% in FY 2009. The executive budget puts the new formula in the Revised Code, but notwithstands it for FY 2008 and FY 2009, providing annual increases in transportation funding of 1.0% each fiscal year instead.

Other Formula Changes

The State Board proposes to increase the number of gifted units funded by the state from 1,110 to 1,300 in FY 2008 and 1,530 in FY 2009, and, in FY 2009, to increase the salary allowance used to calculate the funding to reflect the current state minimum salary schedule. The executive budget continues to fund 1,110 units at the lower salary allowance. The State Board proposes to fund special education weights at 92.5% in FY 2008 and 97.5% in FY 2009. The executive budget maintains the current phase-in percentage of 90% for both fiscal years. Finally, the State Board proposes to eliminate the reappraisal guarantee and to provide transitional aid to guarantee 100% of state funding from the previous year, both of which the executive budget does.

Major Requests not Funded

PS01: Curricula-Assessment-Accountability

The executive recommended GRF appropriations for the curricula-assessment-accountability program series are $7.1 million under the State Board request for the biennium. The State Board requested funding for some new initiatives in this program series that did not receive funding or full funding in the executive budget. These include $3.0 million over the biennium to develop end of course exams, $2.7 million over the biennium for a technical study of the cognitive skill patterns found in the state assessment items, and $1.5 million over the biennium for data-driven decision-making.

PS02: Educator Quality

The executive recommended GRF appropriations for the educator quality program series are $90.7 million under the State Board request for the biennium. The State Board requested funding for some new initiatives in this program series that did not receive funding or full funding in the executive budget. These requests are summarized below.

Alternative Preparation for Teachers. The State Board requested $3.0 million over the biennium for this program to develop a new license for mathematics and science teachers in grades 4 through 12. The funds were to be used to provide two-year grants of $150,000 to 12 institutions of higher education to recruit and train 20 new teachers annually to receive an alternative teacher license. This would have produced 240 newly licensed teachers over the biennium.

Alternative Preparation for Principals. The State Board requested $1.0 million over the biennium for this program to develop alternative preparation programs for school leaders and support licensure of principals and assistant principals through training that is aligned to Ohio's new standards for principals. The funds were to be used to provide grants of $100,000 per year to 6 institutions of higher education to train 25 new principals to receive an alternative principal license. This would have produced 150 newly licensed principals over the biennium.

Loan Forgiveness. The State Board requested $0.6 million over the biennium for this program to provide 50 teachers per year who remain teaching in hard-to-staff schools in high need areas with loan forgiveness of $4,000 per year for the biennium. Although the executive budget did not fund this program in ODE's budget, the executive budget provides $6.5 million in FY 2009 in the Board of Regents budget for loan forgiveness and signing bonus programs for licensed foreign language, science, and mathematics teachers to teach in hard-to-staff schools as identified by ODE. The signing bonus program is funded at $4.0 million in FY 2009 and the loan forgiveness program is funded at $2.5 million in FY 2009. To qualify for either program, an individual must: (a) be licensed to teach; (b) be assigned to teach in foreign language, science, or mathematics; and (c) agree to teach in a hard-to-staff traditional public school for a minimum of five years. An individual who has met all requirements will receive either $20,000 in signing bonus or $20,000 in loan forgiveness funding.

Mentoring Plus. The State Board requested $5.0 million over the biennium for this program to provide for the development of innovative, differentiated, multi-year induction programs for teachers in high-need schools and shortage areas. Funds were to support the following four pilot models: Model 1 – focuses on the unique needs of secondary mathematics and science teachers; Model 2 – supports teachers that teach in high-need schools that serve high proportions of low-income students; Model 3 – supports intervention specialists; and, Model 4 – focuses on adjunct college faculty who serve as part-time high school instructors in mathematics, science, and foreign languages.

Literacy Specialists. The State Board requested $11.0 million over the biennium for this program to support university and college faculty to train literacy specialists in schools and support intervention specialists and language arts curriculum specialists who provide technical assistance and professional development in schools.

Mathematics and Science Specialists. The State Board requested $18.2 million over the biennium for higher education institutions to train and support these specialists who, in turn, provide on site technical assistance and professional development to classroom teachers.

Differentiated Instruction. The State Board requested $0.9 million over the biennium for this program to develop teacher training modules to help teachers to differentiate instruction based on the needs of individual students.

Literacy Initiative External Evaluation. The State Board requested $1.0 million over the biennium for this program to fund an external evaluation of the work of early learning literacy specialists.

The executive budget also discontinued funding for the following programs.

Special Needs Recruitment. The State Board requested $1.8 million over the biennium to continue this program that supports recruitment of qualified individuals, who hold content expertise in mathematics, science, foreign language, and special education, to enter the teaching profession via the alternative educator license. Funds are distributed through competitive grants, with applicants having to demonstrate a partnership between higher education institutions and local school districts, as well as comprehensive and rigorous training programs.

Educator Availability Study. The State Board requested $200,000 in FY 2009 to support the development and dissemination of a 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. It is available on the Department's web site.

Finally, the executive budget provided less funding than requested for the following programs that are described in the analysis of the executive proposal: professional development base funding supplements and poverty-based assistance ($33.0 million less for the biennium); knowledge/skill-based compensation ($2.1 million less for the biennium); entry year for teachers and principals ($9.8 million less for the biennium); mathematics initiatives ($0.9 million less for the biennium); science initiatives ($2.6 million less for the biennium); educator training in literacy ($0.4 million less for the biennium); and professional development partnerships ($2.2 million less for the biennium). However, the executive budget provides $2.6 million more than the State Board requested for application fees and stipend for teachers certified by the National Board of Professional Teaching Standards.

PS03: Academic Achievement

The executive recommended GRF appropriations for the academic achievement program series are $395.0 million under the State Board request for the biennium. The State Board requested funding for some new initiatives in this program series that did not receive funding or full funding in the executive budget. These requests are summarized below.

Regional School Improvement Teams. Ohio currently has a system of 16 regional school improvement teams (RSITs). These teams provide services to the districts and buildings in their regions. These services include data analysis, planning, professional development, and resource management aligned with the district's comprehensive continuous improvement plan (CCIP). The State Board

requested approximately $43.8 million over the biennium for the work of the RSITs. The executive budget appears to move away from funding the RSITs, opting instead to provide more funds directly to districts through a new program in poverty-based assistance. The executive budget decreases funding for technical assistance provided by the RSITs from as estimated $13.7 million in FY 2007 to $0.8 million in FY 2008 and FY 2009 and does not provide any funding for the new initiatives involving the RSITs that are requested by the State Board. As a result, the executive budget recommendations are $43.0 million below the State Board's request.

Advanced Placement (AP) Participation. The State Board requested $7.3 million over the biennium in addition to the federal funding provided to support educational resources necessary to implement AP coursework, professional development for teachers to facilitate the development and implementation of AP courses, AP test preparation programs, PSAT testing for all Ohio sophomores, and coordination of these activities.

Program Models. The State Board requested $2.1 million over the biennium to create models demonstrating how the academic content standards can be met through different sequences of courses in middle school and high school. Although the executive budget does not fund this request, it specifically states that the appropriation for model curricula may be used to create program models.

High School Task Force. The State Board requested $49.0 million over the biennium to be used as recommended by the State Board of Education High School Task force. The funds were to be targeted to address three points along the education continuum: eighth to ninth grade transition; the Ohio Graduation Test (OGT); and the transition from high school to post-secondary education or work.

Extended School Day or Year. The State Board requested $7.0 million over the biennium for a pilot program to provide extended learning time for students, along with professional development for teachers, in selected urban and rural poor schools identified for school improvement.

Middle School Student Intervention Tools. The State Board requested $9.3 million over the biennium to provide tools for teachers to gather frequent, real-time data on middle school students' current instructional levels in literacy and numeracy.

Academic Distress Commissions. The State Board requested $2.4 million over the biennium to support academic distress commissions. The executive budget does not provide this funding, but requires that districts receiving funding under the closing the achievement gap funding program in poverty-based assistance use this funding first to support an academic distress commission if one has been created for it.

The executive budget also discontinued funding for the following programs.

Volunteers and Community Engagement. This program provides resources to engage families and communities in literacy education, as well as support volunteer programs in schools. The State Board requested $10.2 million over the biennium for this program.

Finally, the executive budget provides less funding than requested for the following programs that are described in the analysis of the executive proposal: violence prevention and school safety ($16.1 million less for the biennium); intervention and LEP programs through foundation funding ($248.5 million less for the biennium); alternative education programs ($4.3 million less for the biennium); and operation extend ($2.0 million less for the biennium). However, the executive budget provides $2.2 million more that the State Board requested for early college high schools and also funded a number of earmarks that were not requested by the State Board.

PS04: School Choice

The executive recommended GRF appropriations for the school choice program series are $388.2 million under the State Board request for the biennium. The executive budget proposes $373.6 million less over the biennium than the State Board requested for community schools, $12.9 million less over the biennium than the State Board requested for the Cleveland Scholarship and Tutoring Program, and $1.7 million less over the biennium than the State Board requested for the Educational Choice Scholarship Program, which is eliminated by the executive budget. As stated previously, however, much of this difference in funding for community schools is due to the State Board request funding community schools separately and, therefore, including all formula funding for community schools in this program series, whereas the executive budget only includes basic aid.

PS05: Basic Aid Support

The executive recommended GRF and LPE appropriations for the basic aid support program series are $131.1 million under the State Board request for the biennium. The executive budget provides $179.6 million less than the State Board requested for base cost funding, the excess cost supplement, the charge-off supplement (gap aid), transitional aid, and parity aid and $11.0 million less than the State Board requested for private treatment facilities. However, the executive budget provides $16.8 million more than the State Board requested for nonpublic schools and $42.7 million more than the State Board requested for local tax supplements.

PS06: School Operation Support

The executive recommended GRF and LPE appropriations for the school operation support program series are $80.1 million under the State Board request for the biennium. The executive budget provides $33.1 million less than the State Board requested for pupil transportation, $32.0 million less than the State Board requested for school bus purchases, $0.9 million less than the State Board requested for finance and management services, $2.8 million less than the State Board requested for the Ohio Educational Computer Network, and $13.3 million less than the State Board requested for the data-driven decision-making base funding supplement. However, the executive budget provides $1.8 million more than the State Board requested for the school breakfast program.

PS07: Special Education

The executive recommended GRF appropriations for the special education program series are $119.6 million over the State Board request for the biennium. The executive budget provides $142.5 million more than the State Board requested for special education weighted funding and $2.3 million more than the State Board requested for various special education earmarks. However, the executive budget provides $25.2 million less than the State Board requested for the catastrophic cost supplement. The executive budget proposal to include parity aid and poverty-based assistance in the base cost calculation increases the state share percentage of the base cost. This percentage is used to calculate the state share of special education and career-technical education weighted funding. As stated previously, however, much of this difference in funding for special education weights is due to the State Board request funding community schools separately and, therefore, including all formula funding for community schools in program series 4.

PS08: Early Childhood Education

The executive recommended GRF appropriations for the early childhood education program series are $274.8 million under the State Board request for the biennium. The executive budget provides

$158.0 million less than the State Board requested for all-day kindergarten funding. As mentioned above, the State Board request provided all-day kindergarten funding to all school districts through base cost funding. The State Board requested $63.0 million in GRF funding to supplement TANF funding for the Early Learning Initiative (ELI). This additional funding was to pay for continued services to children whose families become ineligible for TANF during the school year. The executive budget does not fund this request, however, the executive budget makes some changes to ELI that are designed to allow these children to continue receiving services through the end of the school year. The executive budget also provides $19.6 million more than the State Board requested for the GRF-funded early childhood education program. The State Board requested funding for an additional 979 preschool special education units and an increase in the salary allowance used to calculate the funding. The executive budget does not provide this additional funding. Over the biennium, therefore, the executive budget provides $73.4 million less than the State Board requested for special education unit funding.

PS09: Career-Technical Education

The executive recommended GRF appropriations for the career-technical education program series are $29.8 million over the State Board request for the biennium. The executive budget provides $18.1 million more than the State Board requested for joint vocational school district base cost funding and transitional aid and $11.5 million more than the State Board requested for career-technical weighted funding and GRADS grants. In addition, the executive budget continues to fund some earmarks that the State Board did not include in its request.

PS10: Gifted Education

The executive recommended GRF appropriations for the gifted education program series are $36.4 million under the State Board request for the biennium. This difference in funding comes from a difference in funding for gifted education units. As mentioned above, the State Board request funded an additional 420 gifted units and increased the salary allowance used to calculate the payment. The executive budget did not provide this additional funding.

PS11: Students at Risk

The executive recommended GRF appropriations for the students at risk program series are $109.9 million over the State Board request for the biennium. The GRF funds four of the programs in poverty-based assistance: drop out prevention, community outreach, increased classroom learning opportunities, and the new closing the achievement gap program proposed by the executive budget.

PS12: Adult Education

The executive recommended GRF appropriations for the adult education program series are $2.3 million under the State Board request for the biennium. This difference in funding is spread out over all the GRF-funded adult education programs in this program series. The State Board requested annual increases in funding for these programs of 2.6%, and the executive budget provides flat funding in each fiscal year.

PS13: State Administration and Infrastructure Support

The difference in funding for this program series between the executive budget and the State Board request is negligible.

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General Revenue Fund

GRF 200-100 Personal Services

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$11,213,947	$11,174,342	$9,678,768	$10,880,655	**$11,533,494**	**$12,110,169**
	-0.4%	-13.4%	12.4%	**6.0%**	**5.0%**

Source: GRF

Legal Basis: ORC 3301.13; Section 206.09 of Am. Sub. H.B. 66 of the 126th 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 and the Department's membership in the Education Commission of the States (beginning in FY 2008), which is an interstate nonprofit, nonpartisan organization that supports states with the development of education policy.

GRF 200-320 Maintenance and Equipment

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$4,989,036	$4,523,134	$3,935,861	$4,344,235	**$4,574,479**	**$4,803,203**
	-9.3%	-13.0%	10.4%	**5.3%**	**5.0%**

Source: GRF

Legal Basis: ORC 3301.13; Section 206.09.03 of Am. Sub. H.B.66 of the 126th 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. A portion of these funds may also be used for State Board of Education out-of-state travel. Line items 200-200, Maintenance, and 200-300, Equipment, were collapsed into this line item in FY 2000.

GRF 200-406 Head Start

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$1,945,982	$0	$0	$0	**$0**	**$0**

Source: GRF

Legal Basis: Discontinued line item (originally established by H.B. 111 of the 117th G.A.)

Purpose: These funds were used for the expansion of the federal Head Start program, which 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 and FY 2005, funding for this purpose was provided by federal TANF dollars provided to the state through State Special Revenue Fund appropriation item 200-663, Head Start Plus/Head Start (Fund 5W2). Beginning in FY 2006, the state-funded Head Start program was discontinued in favor of the Early Learning Initiative, which is funded with federal TANF dollars through State Special Revenue Fund appropriation item 200-663, Early Learning Initiative (Fund 5W2). Beginning in FY 2008, all TANF subsidies for the ELI will be provided through Federal Special Revenue Fund appropriation item 600-689, TANF Block Grant (Fund 3V2) of the Department of Job and Family Services.

GRF 200-408 Early Childhood Education

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$17,825,893	$18,582,811	$19,016,393	$19,002,195	**$29,002,195**	**$31,502,195**
	4.2%	2.3%	-0.1%	**52.6%**	**8.6%**

Source: GRF

Legal Basis: Section 206.09.06 of Am. Sub. H.B. 66 of the 126th G.A.

Purpose: This line item provides funds to help finance Early Childhood Education (ECE) programs for children at least age 3 and not kindergarten age eligible that provided by school districts and educational service centers. The programs are directed at those families with an income level at or below 200 percent of the federal poverty level. Families with incomes above the federal poverty level pay fees on a sliding scale to participate in these programs. Each ECE program must align its curriculum to early learning content standards for school readiness developed by the Department of Education, administer diagnostic assessments adopted by the State Board of Education, require teachers to attend at least 20 hours of professional development annually, and document and report child progress and school readiness. This program will be transferred to the Department of Job and Family Services beginning in FY 2008.

GRF 200-410 Educator Training

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$23,347,712	$27,577,601	$19,282,518	$19,802,057	**$18,828,817**	**$19,828,817**
	18.1%	-30.1%	2.7%	**-4.9%**	**5.3%**

Source: GRF

Legal Basis: Section 206.09.09 of Am. Sub. H.B. 66 of the 126th 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 National Board teacher certification, entry-year programs for beginning teachers in year one and the Take One program for beginning teachers in years two and three, grants for local knowledge/skills-based compensation systems, the Ohio University Leadership Program, and the Ohio School Leadership Institute. 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

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$3,324,750	$3,125,265	$0	$0	**$0**	**$0**
	-6.0%				

Source: GRF

Legal Basis: Discontinued line item; 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 was responsible for distributing these funds. A portion of the funds was used for grants to treat multi-need children through the Department of Mental Retardation and Developmental Disabilities. The remainder of the funds was used to provide grants to county family and children first councils to help fund county council coordinators, administrative support, training, and parental involvement. Am. Sub. H.B. 66 of the 126th G.A. moved funding for this purpose to the Department of Mental Health.

GRF 200-416 Career-Technical Education Match

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$39,269	$0	$2,224,310	$2,233,195	**$2,233,195**	**$2,233,195**
		N/A	0.4%	**0.0%**	**0.0%**

Source: GRF

Legal Basis: Section 206.09.10 of Am. Sub. H.B. 66 of the 126th G.A. (originally established by Am. Sub. H.B. 191 of the 112th G.A.)

Purpose: Moneys in this line item support 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 provide vocational administration matching funds for federal funds for career-technical education, which are deposited in Fund 369 to support line item 200-616, Career-Technical Education Federal Enhancement. In FY 2004 and FY 2005, these matching funds were provided through GRF appropriation items 200-100, Personal Services, and 200-320, Maintenance and Equipment.

GRF 200-420 Computer/Application/Network Development

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$5,423,991	$4,418,075	$4,170,217	$5,361,525	**$5,536,362**	**$5,793,700**
	-18.5%	-5.6%	28.6%	**3.3%**	**4.6%**

Source: GRF

Legal Basis: Section 206.09.12 of Am. Sub. H.B. 66 of the 126th 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

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$15,304,184	$15,136,156	$13,344,758	$14,032,666	**$13,482,665**	**$13,482,665**
	-1.1%	-11.8%	5.2%	**-3.9%**	**0.0%**

Source: GRF

Legal Basis: Section 206.09.12 of Am. Sub. H.B. 66 of the 126th G.A. (originally established by Am. Sub. H.B. 640 of the 123rd G.A.)

Purpose: These funds are primarily used to 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 Services' facility. Funds are also provided for program administration, technical support, and evaluation, as well as other related programs. In the FY 2006-FY 2007 biennium, this line item also includes funds for the Department of Education to administer the Educational Choice Scholarship Pilot Program established in Am. Sub. H.B. 66 of the 126th G.A.

GRF 200-422 School Management Assistance

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$1,822,044	$1,623,648	$2,593,664	$2,710,572	**$2,460,572**	**$2,460,572**
	-10.9%	59.7%	4.5%	**-9.2%**	**0.0%**

Source: GRF

Legal Basis: ORC 3301.073 and 3316; Section 206.09.12 of Am. Sub. H.B. 66 of the 126th G.A. (originally established by Am. H.B. 1285 of the 112th G.A.)

Purpose: These funds 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. Beginning in FY 2008, funds are also provided to be used by the Department to work with school districts and other educational entities to develop and deploy analytical tools that allow school districts and other stakeholders to more thoroughly analyze school district spending patterns.

GRF 200-424 Policy Analysis

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$565,861	$487,926	$542,419	$556,687	**$576,000**	**$611,000**
	-13.8%	11.2%	2.6%	**3.5%**	**6.1%**

Source: GRF

Legal Basis: Section 206.09.12 of Am. Sub. H.B. 66 of the 126th 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

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$1,537,926	$2,076,080	$2,054,233	$2,069,217	**$2,069,217**	**$2,069,217**
	35.0%	-1.1%	0.7%	**0.0%**	**0.0%**

Source: GRF

Legal Basis: Section 206.09.12 of Am. Sub. H.B. 66 of the 126th 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, program promotion, 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

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$28,051,278	$31,303,989	$30,447,712	$30,446,197	**$30,446,197**	**$30,446,197**
	11.6%	-2.7%	0.0%	**0.0%**	**0.0%**

Source: GRF

Legal Basis: ORC 3301.07; Section 206.09.12 of Am. Sub. H.B. 66 of the 126th 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 funding 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 information technology centers (also known as “DA-sites”) that provide Education Management Information System (EMIS) and other computer services to member school districts on a regional basis and to school districts to subsidize their costs related to EMIS. Beginning in the FY 2006-FY 2007 biennium, this line item also includes funds for the Union Catalog and InfOhio Network.

GRF 200-427 Academic Standards

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$6,358,178	$8,211,391	$9,701,756	$11,679,181	**$11,514,730**	**$11,514,730**
	29.1%	18.1%	20.4%	**-1.4%**	**0.0%**

Source: GRF

Legal Basis: ORC 3301.079; Section 206.09.12 of Am. Sub. H.B. 66 of the 126th G.A.

Purpose: Funding in this line item is used to develop and disseminate academic standards, create curriculum models, and communicate these standards and curriculum models to school districts. Funds are also used to support the teachers-on-loan program, Ohio's Partnership for Continued Learning (in conjunction with the funding provided in GRF appropriation item 235-321, Operating Expenses of the Board of Regents), Project Lead the Way, intensive professional development for teachers focused on classroom implementation of mathematic standards, the Ohio Resource Center for Mathematics and Science, the Jason Expedition project, and the Ohio Science Institute (OSCI).

GRF 200-431 School Improvement Initiatives

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$10,014,950	$9,916,955	$19,302,814	$23,842,828	**$12,270,150**	**$12,955,150**
	-1.0%	94.6%	23.5%	**-48.5%**	**5.6%**

Source: GRF

Legal Basis: ORC 3302.03 and 3302.04; Section 206.09.15 of Am. Sub. H.B. 66 of the 126th G.A. (originally established by Am. Sub. H.B. 111 of the 118th G.A.)

Purpose: This line item provides earmarked funds for various school improvement initiatives. The bulk of funding is earmarked for: (a) the early college high school initiative (in conjunction with funding from GRF line item 235-434, College Readiness and Access, of the Board of Regents), which provides Ohio public schools with instructional resources and services with priority given to resources and services aligned with state academic content standards; (b) the small personalized high school initiative, which is to convert large urban high schools in Urban 21 schools into small personalized high schools in partnership with nonprofit groups that possess expertise in this area; and (c) technical assistance to academic watch and academic emergency school districts for the development of their continuous improvement plans and to school buildings not meeting the accountability measures established by the federal No Child Left Behind (NCLB) act.

GRF 200-432 School Conflict Management

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$20,832	$0	$0	$0	**$0**	**$0**

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 Literacy Improvement - Professional Development

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$14,022,917	$17,869,347	$10,015,502	$16,165,000	**$15,915,000**	**$15,915,000**
	27.4%	-44.0%	61.4%	**-1.5%**	**0.0%**

Source: GRF

Legal Basis: Section 206.09.15 of Am. Sub. H.B. 66 of the 126th G.A. (originally established by Am. Sub. H.B. 94 of the 124th G.A.)

Purpose: These funds are used to fund various professional development programs designed to improve literacy instruction in public schools. The two major programs funded inthis line item are professional development in literacy for classroom teachers, administrators, and literacy specialists; and literacy professional development partnerships between the Department of Education, higher education institutions, literacy networks, and school districts. This line item also includes funds for the Reading Recovery Training Network, and the Department's administrative support for literacy professional development programs.

GRF 200-437 Student Assessment

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$35,276,452	$31,643,452	$59,230,269	$60,011,936	**$79,150,819**	**$78,387,144**
	-10.3%	87.2%	1.3%	**31.9%**	**-1.0%**

Source: GRF

Legal Basis: ORC 3301.0710, 3301.0711, and 3301.27; Section 206.09.15 of Am. Sub. H.B. 66 of the 126th G.A. (originally established by Am. Sub. H.B. 111 of the 118th G.A.)

Purpose: These funds are primarily used to develop, field test, print, distribute, score, and report results of Ohio proficiency tests, achievement tests, the Ohio Graduation Test, and diagnostic assessments.

GRF 200-439 Accountability/Report Cards

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$1,913,474	$2,012,954	$3,451,843	$7,457,290	**$8,096,040**	**$8,223,540**
	5.2%	71.5%	116.0%	**8.6%**	**1.6%**

Source: GRF

Legal Basis: ORC 3302.03; Section 206.09.15 of Am. Sub. H.B. 66 of the 126th G.A. (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. Funds are also provided for the incorporation of a statewide pilot value-added progress dimension into performance ratings for school districts; and for training districts and regional specialists in the use of the value-added progress dimension. Funding for the development of an accountability system was previously provided through a set-aside within line item 200-431, School Improvement Initiatives.

GRF 200-441 American Sign Language

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$136,943	$195,254	$0	$0	**$0**	**$0**
	42.6%				

Source: GRF

Legal Basis: Discontinued line item (originally established by Am. Sub. H.B. 111 of the 118th G.A.)

Purpose: Funds in this line item were used to implement pilot projects for the integration of American Sign Language into the K-12 curriculum. Funds were also used to provide supervision and consultation to school districts in dealing with parents of handicapped children who are deaf or hard of hearing, in integrating American Sign Language as a foreign language, and in obtaining interpreters and improving their skills.

GRF 200-442 Child Care Licensing

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$970,074	$1,538,618	$879,057	$1,302,495	**$1,302,495**	**$1,302,495**
	58.6%	-42.9%	48.2%	**0.0%**	**0.0%**

Source: GRF

Legal Basis: ORC 3301.52 through 3301.59; Section 206.09.15 of Am. Sub. H.B. 66 of the 126th G.A. (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

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$124,150	$0	$0	$0	**$0**	**$0**

Source: GRF

Legal Basis: Discontinued line item

Purpose: Funds in this line item were used by the Department of Education 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: 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

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$4,350,749	$3,510,566	$3,708,350	$3,905,000	**$0**	**$0**
	-19.3%	5.6%	5.3%		

Source: GRF

Legal Basis: Section 206.09.15 of Am. Sub. H.B. 66 of the 126th 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 of Education for volunteer coordinators in public school buildings, background checks for volunteers, program evaluation, as well as for the development, implementation, and support of literacy improvement activities and interventions for students in grades K-12.

GRF 200-446 Education Management Information System

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$14,673,921	$15,198,026	$15,563,949	$15,674,805	**$16,110,510**	**$16,586,082**
	3.6%	2.4%	0.7%	**2.8%**	**3.0%**

Source: GRF

Legal Basis: ORC 3301.0714; Section 206.09.18 of Am. Sub. H.B. 66 of the 126th G.A.

Purpose: These funds support the collection and reporting of student participation and performance, staff, and financial information data through the Education Management Information System (EMIS). The bulk of the funding from this line item is distributed to school districts, the 23 information technology centers, and other education entities on a per pupil basis to assist them with costs relating to collecting, processing, storing, and transferring data for the effective operation of the EMIS. Funds are also used to develop a common core of data definitions and standards as adopted by the Education Data Advisory Council.

GRF 200-447 GED Testing

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$1,738,152	$1,486,406	$1,828,631	$1,544,360	**$1,544,360**	**$1,544,360**
	-14.5%	23.0%	-15.5%	**0.0%**	**0.0%**

Source: GRF

Legal Basis: ORC 3313.531; Section 206.09.18 of Am. Sub. H.B. 66 of the 126th 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 eligible applicants, reimburse expenses incurred by testing centers, and reimburse costs incurred by school districts and community schools for summer instructional or intervention services. Am. Sub. H.B. 152 of the 120th G.A. combined funds and responsibilities from the former GRF appropriation item 200-515, Adult High School, 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. Am. Sub. H.B. 66 of the 126th G.A. moved the Adult High School program from this line item to GRF appropriation item 200-509, Adult Literacy Education.

GRF 200-448 Educator Preparation

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$9,038	$20,915	$1,235,276	$1,651,000	**$1,651,000**	**$1,651,000**
	131.4%	5806.2%	33.7%	**0.0%**	**0.0%**

Source: GRF

Legal Basis: Section 206.09.18 of Am. Sub. H.B. 66 of the 126th G.A.

Purpose: These funds are used to support the Educator Standards Board as it develops and recommends standards for educator training and leadership positions. In addition, a portion of these funds is used in conjunction with GRF appropriation item 235-435, Teacher Improvement Initiatives, of the Board of Regents to support the Teacher Quality Partnership project's comprehensive longitudinal study of the preparation, in-school support and effectiveness of Ohio teachers.

GRF 200-449 Head Start/Head Start Plus Start Up

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$11,000,000	$4,479,487	$0	$0	**$0**	**$0**
	-59.3%				

Source: GRF

Legal Basis: Discontinued line item (originally established by Am. Sub. H.B. 95 of the 125th G.A.)

Purpose: This line item provided start-up grants to Head Start and Head Start Plus providers. These funds were used to allow providers to start to receive TANF reimbursements. Grantees spent these GRF funds on start-up expenditures that were completely eligible for TANF reimbursement. Grants must be reimbursed to the GRF when the Title IV-A Head Start or the Title IV-A Head Start Plus programs cease to exist in FY 2006 or are no longer funded with Title IV-A funds. Am. Sub. H.B. 66 of the 126th G.A. replaced Tile IV-A Head Start/Head Start Plus with the Early Learning Initiative, beginning in FY 2006.

GRF 200-452 Teaching Success Commission Initiatives

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$266,157	$530,687	$34,057	$0	**$0**	**$0**
	99.4%	-93.6%			

Source: GRF

Legal Basis: Discontinued line item (originally established by 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 mainly used to fund the Educator Standards Board that is funded through GRF appropriation item 200-448, Educator Preparation, beginning in FY 2006.

GRF 200-455 Community Schools

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$4,057,754	$3,940,532	$1,488,757	$2,942,095	**$1,533,661**	**$1,533,661**
	-2.9%	-62.2%	97.6%	**-47.9%**	**0.0%**

Source: GRF

Legal Basis: ORC 3314.11; Section 206.09.18 of Am. Sub. H.B. 66 of the 126th G.A. (originally established by Am. Sub. H.B. 215 of the 122nd G.A.)

Purpose: Funds provided by this line item have been used to provide start-up grants for new community schools, develop and conduct training sessions for community school sponsors, and provide the Department of Education with funds for administration associated with oversight and technical assistance. The executive budget eliminates the start-up grant component beginning in FY 2008.

GRF 200-500 School Finance Equity

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$13,371,385	$7,105,137	$0	$0	**$0**	**$0**
	-46.9%				

Source: GRF

Legal Basis: Discontinued line item (originally established in Sub. H.B. 671 of the 119th G.A.)

Purpose: This line item provided subsidies 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. 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. Am. Sub. H.B. 94 of the 124th G.A. established parity aid to provide additional state funding for lower-wealth school districts. Equity aid was eliminated in FY 2006.

GRF 200-501 Base Cost Funding

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$4,506,711,651	$4,588,586,501	$23,550,182	$0	**$0**	**$0**
	1.8%	-99.5%			

Source: GRF

Legal Basis: Discontinued line item (originally established in OEC 3317.022)

Purpose: This line item provided the main source of state foundation payments to all school districts in the state. Allocations were based on the school foundation (SF-3) formulas, and were administered by the Department of Education, with the approval of the Controlling Board. The amounts paid to each eligible district were 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 were 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. Am. Sub. H.B. 66 of the 126th G.A., merged this item into GRF appropriation item 200-550, Foundation Funding.

GRF 200-502 Pupil Transportation

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$420,271,400	$404,301,894	$412,170,713	$420,577,343	**$424,783,117**	**$429,030,948**
	-3.8%	1.9%	2.0%	**1.0%**	**1.0%**

Source: GRF

Legal Basis: ORC 3317.022 and 3317.02; Section 206.09.21 of Am. Sub. H.B. 66 of the 126th 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. Since FY 2003, the state reimbursement rate has been 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 has been distributed pursuant to rules and formulas adopted by the State Board of Education and approved by the Controlling Board. 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 receive a 2% increase over the prior fiscal year's reimbursement amount, notwithstanding the funding formula. The executive budget proposes a new funding formula based on the recommendation of the Department of Education. However, it also suspends the new formula in FY 2008 and FY 2009 and provides districts with a 1% increase per year.

GRF 200-503 Bus Purchase Allowance

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$18,674,944	$17,048,756	$14,400,931	$14,000,000	**$14,000,000**	**$14,000,000**
	-8.7%	-15.5%	-2.8%	**0.0%**	**0.0%**

Source: GRF

Legal Basis: ORC 3317.07; Section 206.09.21 of Am. Sub. H.B. 66 of the 126th G.A.

Purpose: These funds 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. Seventy-two percent of the appropriation for this line item 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. The remaining 28 percent of the appropriation is earmarked for "handicapped and nonpublic" buses. Am. Sub. H.B. 66 of the 126th G.A. replaced the previous 100 percent reimbursement method for these buses with a per pupil-based distribution formula. Funding for county MR/DD boards' school buses was previously provided in line item 200-552, County MR/DD Boards Vehicle Purchases.

GRF 200-505 School Lunch Match

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$9,033,592	$8,990,480	$8,986,466	$8,998,025	**$8,998,025**	**$8,998,025**
	-0.5%	0.0%	0.1%	**0.0%**	**0.0%**

Source: GRF

Legal Basis: ORC 3313.81 and 3317.024; Section 206.09.21 of Am. Sub. H.B. 66 of the 126th G.A.

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

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$8,774,250	$8,496,363	$8,437,205	$8,669,738	**$8,669,738**	**$8,669,738**
	-3.2%	-0.7%	2.8%	**0.0%**	**0.0%**

Source: GRF

Legal Basis: ORC 3317.024; Section 206.09.24 of Am. Sub. H.B. 66 of the 126th 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

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$693,938	$0	$0	$0	**$0**	**$0**

Source: GRF

Legal Basis: Discontinued line item (originally established by Controlling Board on July 1, 2002)

Purpose: These funds are used to reimburse county commissioners for part of the cost of housing educational service centers. Funds are transferred as needed from GRF appropriation item 911-404, Mandate Assistance, of the Controlling Board. These funds were previously paid through the State and Local Government Commission. Beginning in FY 2007, county commissioners will no longer be required to provide office space for educational service centers. Am. Sub. H.B. 94 of the 124th G.A. phased out this requirement.

GRF 200-511 Auxiliary Services

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$127,903,356	$127,854,857	$127,733,752	$127,903,356	**$131,740,457**	**$135,692,670**
	0.0%	-0.1%	0.1%	**3.0%**	**3.0%**

Source: GRF

Legal Basis: ORC 3317.024 and 3317.06; Section 206.09.24 of Am. Sub. H.B. 66 of the 126th G.A.

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 to provide eligible services to chartered nonpublic school students. Funds are also set aside for payment of the Post-Secondary Enrollment Option Program for nonpublic students.

GRF 200-513 Student Intervention Services

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$36,666,759	$38,874,974	$7,377,644	$0	**$0**	**$0**
	6.0%	-81.0%			

Source: GRF

Legal Basis: Discontinued line item (originally established by Am. Sub. H.B. 282 of the 123rd G.A.)

Purpose: This line item provided funds to school districts for providing state-mandated student intervention services. Moneys were targeted to provide more time for learning, including extended day, extended year, after school, Saturday school, and summer school. This line item also included earmarked funds 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 Am. Sub. H.B. 66 of the 126th G.A., basic intervention services are funded in GRF line item 200-550, Foundation Funding.

GRF 200-514 Postsecondary Adult Career-Technical Education

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$20,044,319	$19,819,126	$19,608,189	$19,481,875	**$19,481,875**	**$19,481,875**
	-1.1%	-1.1%	-0.6%	**0.0%**	**0.0%**

Source: GRF

Legal Basis: ORC 3313.52 and 3313.53; Section 206.09.24 of Am. Sub. H.B. 66 of the 126th G.A.

Purpose: This line item mainly 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 formula developed by the Department of Education.

GRF 200-520 Disadvantaged Pupil Impact Aid

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$347,031,124	$348,588,897	$818,730	$0	**$0**	**$0**
	0.4%	-99.8%			

Source: GRF

Legal Basis: Discontinued line item (originally established in ORC 3317.029)

Purpose: This line item was used to provide funds to school districts that incurred higher educational costs due to a higher concentration of economically disadvantaged students. The program 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 was 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. Am. Sub. H.B. 66 of the 126th G.A. established 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

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$46,709,389	$47,266,441	$47,239,110	$47,157,293	**$47,608,030**	**$48,008,613**
	1.2%	-0.1%	-0.2%	**1.0%**	**0.8%**

Source: GRF

Legal Basis: ORC 3317.024; Section 206.09.27 of Am. Sub. H.B. 66 of the 126th 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

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$316,164,258	$427,388,580	$0	$0	**$0**	**$0**
	35.2%				

Source: GRF

Legal Basis: Discontinued line item (originally established by Am. Sub. H.B. 282 of the 123rd G.A.)

Purpose: This line item provided additional state aid above the basic education level to eligible school districts. It equalized an additional 9.5 mills (above the 23 mills of the basic education foundation program) to the 80th percentile school district's wealth level per pupil. 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. Am. Sub. H.B. 66 of the 126th G.A. modified the parity aid formula to equalize 7.5 mills instead of 9.5 mills, completely funded this new formula, and merged this line item into GRF appropriation item 200-550, Foundation Funding.

GRF 200-532 Nonpublic Administrative Cost Reimbursement

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$55,765,047	$54,063,375	$56,716,592	$58,068,463	**$59,810,517**	**$61,604,832**
	-3.1%	4.9%	2.4%	**3.0%**	**3.0%**

Source: GRF

Legal Basis: ORC 3317.063; Section 206.09.27 of Am. Sub. H.B. 66 of the 126th G.A. (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. Beginning in FY 2006, the reimbursement rate is the lesser of the actual cost or $275 per pupil.

GRF 200-536 Ohio Core Support

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$0	$0	$0	$30,000,000	**$9,700,000**	**$15,200,000**
			N/A	**-67.7%**	**56.7%**

Source: General Revenue Fund

Legal Basis: Originally established by Sub. H.B. 115 of the 126th G.A.

Purpose: This line item funds various initiatives that support the purposes of the Ohio Core curriculum for high school students, which was established by Am. Sub. S.B. 311 of the 126th General Assembly. Major initiatives funded under this line item include the development and participation of alternative teacher licensure programs that support teacher licensure in a laboratory-based science, advanced mathematics and foreign language; and contractual services provided by institutions of higher education in mathematics, science, or foreign language for dual credit for high school students. Beginning in FY 2008, funds are also provided for the National Aeronautics and Space Administration Resource Center and supplemental post-secondary enrollment option participation. Two additional initiatives also support the Ohio Core, the Board of Regents' regional summer academies that focus on secondary teaching in science, technology, engineering, mathematics, and foreign language; and the eTech Ohio's online resources for educational success in mathematics, science, and foreign language.

GRF 200-537 Entry Year for Principals

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$0	$0	$0	$0	**$800,000**	**$800,000**
					0.0%

Source: General Revenue Fund

Legal Basis: Proposed by the executive budget

Purpose: These funds are primarily used to support mentoring services and performance assessments of beginning principals in school districts and chartered nonpublic schools. Prior to FY 2008, funding for entry-year principals is provided under line item 2--431, School Improvement Initiatives.

GRF 200-540 Special Education Enhancements

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$133,821,049	$129,477,586	$129,035,206	$135,430,126	**$138,619,945**	**$139,756,839**
	-3.2%	-0.3%	5.0%	**2.4%**	**0.8%**

Source: GRF

Legal Basis: ORC 3317.20, 3317.052, and 3317.05; Section 206.09.30 of Am. Sub. H.B. 66 of the 126th G.A. (originally established by Am. Sub. H.B. 650 of the 122nd G.A.)

Purpose: These funds are primarily used to fund special education and related services at county MR/DD boards and state institutions for school-aged students and to fund preschool special education and related services at school districts, educational service centers, and county MR/DD boards. Funding for county MR/DD boards' school-aged children and special education students at state institutions is distributed through the same weighted funding formula used to fund special education students in school districts. (Prior to Am. Sub. H.B. 66 of the 126th G. A., funding for institutions was distributed based on a unit funding formula). Funding for preschool special education is distributed through a unit funding formula. This line item also provides earmarked funds for several other special education enhancement related programs.

GRF 200-545 Career-Technical Education Enhancements

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$13,079,934	$12,849,685	$10,276,506	$9,225,569	**$9,298,651**	**$9,373,926**
	-1.8%	-20.0%	-10.2%	**0.8%**	**0.8%**

Source: GRF

Legal Basis: Section 206.09.33 of Am. Sub. H.B. 66 of the 126th 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, Tech Prep enrollment expansion 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. Beginning in FY 2006, foundation funding for JVSDs will be paid out of funds in GRF appropriation item 200-550, Foundation Funding.

GRF 200-546 Charge-Off Supplement

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$49,812,720	$59,199,463	$0	$0	**$0**	**$0**
	18.8%				

Source: GRF

Legal Basis: Discontinued line item (originally established by Am. Sub. H.B. 650 of the 122nd G.A.)

Purpose: The funds from this line item were used to provide subsidies to school districts that did not raise enough local operating revenue to cover the local formula share that the state foundation formula attributed to them in base cost funding, special and career-technical education weighted cost funding, and pupil transportation model cost. These subsidies ensured every district received the full amount of state and local revenues as determined by the model to fund a similar basic education. Under Am. Sub. H.B. 66 of the 126th G.A., this line item is merged into GRF appropriation item 200-550, Foundation Funding.

GRF 200-550 Foundation Funding

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$0	$0	$5,500,523,243	$5,708,762,766	**$5,761,699,328**	**$6,034,943,246**
		N/A	3.8%	**0.9%**	**4.7%**

Source: GRF

Legal Basis: ORC 3317; Sections 206.09.36, 206.09.39, and 206.09.42 of Am. Sub. H.B. 66 of the 126th G.A. (originally established by Am. Sub. H.B. 66 of the 126th G.A.)

Purpose: This line item is 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. Am. Sub. H.B. 66 of the 126th G.A. combined former GRF appropriation items 200-501, Base Cost Funding; 200-520, Disadvantaged Pupil Impact Aid; 200-525, Parity Aid; and 200-546, Charge-Off Supplement, into this item.

GRF 200-552 County MR/DD Boards Vehicle Purchases

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$0	$576,696	$473,500	$0	**$0**	**$0**
		-17.9%			

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. Funding for county MR/DD boards school bus purchases is now provided in GRF appropriation item 200-503, Bus Purchase Allowance.

GRF 200-558 Emergency Loan Interest Subsidy

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$2,728,900	$2,001,804	$1,265,594	$651,404	**$0**	**$0**
	-26.6%	-36.8%	-48.5%		

Source: GRF

Legal Basis: ORC 3313.484; Section 206.09.42 of Am. Sub. H.B. 66 of the 126th G.A.

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. All preexisting emergency loans will be paid off after FY 2007.

GRF 200-566 Literacy Improvement - Classroom Grants

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$12,874,776	$10,462,342	$12,345,523	$12,062,336	**$12,062,336**	**$12,062,336**
	-18.7%	18.0%	-2.3%	**0.0%**	**0.0%**

Source: GRF

Legal Basis: Section 206.09.45 of Am. Sub. H.B. 66 of the 126th 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 used to support volunteer reading improvement efforts in public schools and are intended to improve reading outcomes and close achievement gaps.

GRF 200-578 Violence Prevention and School Safety

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$3,497,353	$3,359,886	$1,060,932	$1,218,555	**$1,218,555**	**$1,218,555**
	-3.9%	-68.4%	14.9%	**0.0%**	**0.0%**

Source: GRF

Legal Basis: Section 206.09.45 of Am. Sub. H.B. 66 of the 126th 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 of Education to enhance school safety. The guidelines are required to include 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, safe and drug free school coordinators, and social-emotional development programs. Some of these activities received support previously through former GRF appropriation items 200-574, Substance Abuse Prevention, and 200-438, Safe Schools.

GRF 200-901 Property Tax Allocation - Education

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$782,182,369	$828,384,762	$796,169,148	$766,632,774	**$794,583,404**	**$850,868,654**
	5.9%	-3.9%	-3.7%	**3.6%**	**7.1%**

Source: GRF

Legal Basis: ORC 319.301 and 323.151 through 323.157; Section 206.09.48 of Am. Sub. H.B. 66 of the 126th G.A.

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

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$60,849,770	$54,088,685	$43,270,947	$32,122,865	**$21,415,244**	**$10,707,622**
	-11.1%	-20.0%	-25.8%	**-33.3%**	**-50.0%**

Source: GRF

Legal Basis: ORC 5709.01; Section 206.09.48 of Am. Sub. H.B. 66 of the 126th G.A.

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. began to phase out the state's reimbursements of the cost of this exemption over a 10-year period beginning in FY 2004. Am. Sub. H.B. 66 of the 126th G.A. accelerated this phase-out; the reimbursement will be completely eliminated by FY 2009 instead of by FY 2012. School districts may recover about one-half of their losses through state formula aid.

General Services Fund Group

138 200-606 Computer Services - Operational Support

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$7,218,332	$6,870,046	$5,344,347	$7,600,091	**$7,600,091**	**$7,600,091**
	-4.8%	-22.2%	42.2%	**0.0%**	**0.0%**

Source: GSF: Proceeds from the sale of technology services

Legal Basis: Section 206.09 of Am. Sub. H.B. 66 of the 126th 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 about Ohio schools to various organizations, including government agencies.

452 200-638 Miscellaneous Educational Services

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$191,540	$265,537	$216,526	$266,650	**$273,166**	**$279,992**
	38.6%	-18.5%	23.1%	**2.4%**	**2.5%**

Source: GSF: Registration fees for conferences sponsored by the Department of Education; sale of publications; gifts and bequests

Legal Basis: Section 206.09 of Am. Sub. H.B. 66 of the 126th 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 gifts or bequests 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 and bequests. It also includes fees for the purchase of publications and other miscellaneous items.

4D1 200-602 Ohio Prevention/Education Resource Center

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$506,100	$957,900	$0	$832,000	**$832,000**	**$832,000**
	89.3%		N/A	**0.0%**	**0.0%**

Source: GSF: Transfer from the Ohio Department of Alcohol and Drug Addiction Services

Legal Basis: Section 206.09 of Am. Sub. H.B. 66 of the 126th 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

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$3,953,093	$4,370,211	$6,206,888	$6,323,832	**$5,966,032**	**$6,323,994**
	10.6%	42.0%	1.9%	**-5.7%**	**6.0%**

Source: GSF: Sale of certificates and licenses

Legal Basis: Section 206.09.51 of Am. Sub. H.B. 66 of the 126th 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

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$460,208	$466,871	$423,879	$448,822	**$529,761**	**$529,761**
	1.4%	-9.2%	5.9%	**18.0%**	**0.0%**

Source: GSF: Service fees

Legal Basis: Section 206.09 of Am. Sub. H.B. 66 of the 126th 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. Educational institutions, libraries, agencies and others pay for their use of the system on a fee-for-service basis, with all fee revenues deposited in Fund 596.

5B1 200-651 Child Nutrition Services

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$70,813	$0	$0	$0	**$0**	**$0**

Source: GSF: Transfers from line item 600-411, TANF Federal Block Grant in the Department of Job and Family Services.

Legal Basis: Discontinued line item (originally established by Am. Sub. H.B. 282 of the 123rd G.A.)

Purpose: These funds were 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 were not to be used as matching funds. The Director of the Department of Job and Family Services (JFS) and the Superintendent of Public Instruction were required to develop reporting guidelines for the use of these moneys. The Department of Education was required to assure that children receiving these benefits meet TANF eligibility criteria.

5H3 200-687 School District Solvency Assistance

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$22,825,412	$16,066,628	$41,000	$18,000,000	**$18,000,000**	**$18,000,000**
	-29.6%	-99.7%	43802.4%	**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 unforeseen catastrophic events that severely deplete the districts,'financial resources. A gant does 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 Programs

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$18,222,752	$14,584,260	$17,427,258	$20,865,560	**$12,750,000**	**$8,750,000**
	-20.0%	19.5%	19.7%	**-38.9%**	**-31.4%**

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 206.09 of Am. Sub. H.B. 66 of the 126th 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; and state and local neglected and delinquent child support, supporting state and local institutions that serve neglected and delinquent children.

366 200-604 Adult Basic Education

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$21,039,810	$17,902,665	$19,422,071	$18,500,001	**$19,425,000**	**$20,396,250**
	-14.9%	8.5%	-4.7%	**5.0%**	**5.0%**

Source: FED: CFDA 84.002, Adult Education/State Grant Programs

Legal Basis: Section 206.09 of Am. Sub. H.B. 66 of the 126th 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 by 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

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$9,422,788	$10,278,498	$11,327,403	$11,666,732	**$5,849,748**	**$6,088,737**
	9.1%	10.2%	3.0%	**-49.9%**	**4.1%**

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 206.09 of Am. Sub. H.B. 66 of the 126th 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

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$517,641	$540,319	$473,220	$691,130	**$710,373**	**$745,892**
	4.4%	-12.4%	46.0%	**2.8%**	**5.0%**

Source: FED: CFDA 64.124, All-Volunteer Force Educational Assistance

Legal Basis: Section 206.09 of Am. Sub. H.B. 66 of the 126th 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

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$6,551,994	$5,264,265	$5,138,035	$4,895,420	**$5,000,000**	**$5,000,000**
	-19.7%	-2.4%	-4.7%	**2.1%**	**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 206.09 of Am. Sub. H.B. 66 of the 126th 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; the Appalachian Regional Commission, which promotes workforce training and community service participation; 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

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$2,198,286	$1,195,146	$2,531,091	$3,237,762	**$1,811,520**	**$575,454**
	-45.6%	111.8%	27.9%	**-44.1%**	**-68.2%**

Source: FED: CFDA 84.323, Special Education State Program Improvement Grant; CFDA 84.330, Advanced Placement Program

Legal Basis: Section 206.09 of Am. Sub. H.B. 66 of the 126th 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 exceptional children. 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 Immigrant Education Opportunities

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$198,371	$243,593	$150,600	$181,500	**$0**	**$0**
	22.8%	-38.2%	20.5%		

Source: FED: CFDA 93.576, Refugee and Entrant Assistance Discretionary Grants

Legal Basis: Section 206.09 of Am. Sub. H.B. 66 of the 126th G.A. (originally established by Controlling Board on August 24, 1971)

Purpose: These funds are provided to school districts with significant numbers of refugee students to supplement instructional services, to provide training for staff working with refugee students, and to support parental involvement programs. The Department retains 1% of the funds for materials and supplies, specifically related to mailings of materials to districts.

374 200-647 Troops to Teachers

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$187,796	$617,999	$729,412	$763,950	**$100,000**	**$100,000**
	229.1%	18.0%	4.7%	**-86.9%**	**0.0%**

Source: FED: CFDA 84.215 Fund for the Improvement of Education

Legal Basis: Section 206.09 of Am. Sub. H.B. 66 of the 126th 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 Learn and Serve

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$1,467,889	$956,667	$1,156,939	$1,200,000	**$1,561,954**	**$1,561,954**
	-34.8%	20.9%	3.7%	**30.2%**	**0.0%**

Source: FED: CFDA 94.004, Learn and Serve America

Legal Basis: Section 206.09 of Am. Sub. H.B. 66 of the 126th G.A. (originally established by Controlling Board on July 29, 1985)

Purpose: This program combines classroom instruction and community service for at-risk youth. Grants are awarded to local education agencies that engage K-12 students in opportunities to help communities address education, public safety, human and environmental needs. Previously, Eisenhower Professional Development Funds were also part of this line item until the grant was discontinued by the No Child Left Behind Act. Federal funding for Professional Development is now provided by line item 200-635, Improving Teacher Quality (Fund 3Y6).

3AF 200-603 Schools Medicaid Administrative Claims

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$0	$0	$158,138	$900,000	**$486,000**	**$639,000**
		N/A	469.1%	**-46.0%**	**31.5%**

Source: FED: CFDA 93.778 Medical Assistance Program

Legal Basis: Section 206.09 of Am. Sub. H.B. 66 of the 126th G.A. (Originally established by Controlling Board on September 22, 2003)

Purpose: These funds are used for federal reimbursement of the costs of Medicaid administrative activities performed in schools. The costs include enrolling eligible children in the Medicaid program and assisting children who are already enrolled to access the benefits available to them. The Department of Education administers the program, receiving the claims and financial reports and then submitting the claims to the Ohio Department of Jobs and Family Services.

3AK 200-692 State Homeland Security

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$0	$55,830	$0	$0	**$0**	**$0**

Source: FED: CFDA 97.004, Domestic Preparedness

Legal Basis: Discontinued line item (originally established by Controlling Board on February 9, 2004)

Purpose: These funds were 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.

3BV 200-636 Character Education

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$0	$0	$0	$488,565	**$700,000**	**$700,000**
			N/A	**43.3%**	**0.0%**

Source: FED: Federal Special Revenue Fund Group: CFDA 84.215S, Fund for the Improvement of Education

Legal Basis: Originally established by Controlling Board on September 25, 2006

Purpose: The funds are used to provide grant coordination, program implementation, and evaluation for the Ohio Partnerships in Character Education Project. Grant funds flow to the Ohio Partners in Character Education (OPCE), a program component of the Better Business Bureau Education Foundation, Inc. for the purpose of creating Smart and Good Schools. The objectives of this program are to improve achievement and high school success, especially in underrepresented populations. The funds are distributed by the OPCE to participating school districts.

3C5 200-661 Early Childhood Education

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$21,217,863	$21,828,553	$20,878,918	$18,989,779	**$18,989,779**	**$18,989,779**
	2.9%	-4.4%	-9.0%	**0.0%**	**0.0%**

Source: FED: CFDA 84.173, Special Education Preschool Grants; CFDA 84.213, Even Start

Legal Basis: Section 206.09 of Am. Sub. H.B. 66 of the 126th G.A. (originally established by Controlling Board on November 11, 1986)

Purpose: These funds are used for two major purposes: To provide special education and related services to preschool-aged children; and to provided to support local family literacy projects that integrate early childhood education, adult literacy, parenting education, and interactive parent and child literacy activities.

3D1 200-664 Drug Free Schools

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$12,594,085	$12,379,067	$11,780,533	$13,347,966	**$13,347,966**	**$13,347,966**
	-1.7%	-4.8%	13.3%	**0.0%**	**0.0%**

Source: FED: CFDA 84.186, Safe and Drug Free Schools & Communities

Legal Basis: Section 206.09 of Am. Sub. H.B. 66 of the 126th 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 federal formula. These funds are used by the districts for drug and violence prevention activities, which are coordinated with other school and community-based services and programs to foster a safe and drug-free learning environment that supports academic achievement, prevents or reduces violence, prevents or reduces the use, possession, and distribution of illegal drugs, and creates a well disciplined environment conducive to learning. The other seven percent of the funds are used for related Ohio Department of Education administrative and state level activities.

3D2 200-667 Honors Scholarship Program

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$1,853,985	$4,037,228	$4,380,731	$5,833,965	**$6,573,968**	**$6,665,000**
	117.8%	8.5%	33.2%	**12.7%**	**1.4%**

Source: FED: CFDA 84.185, Byrd Honors Scholarships; CFDA 84.366 Mathematics and Science Partnerships

Legal Basis: Section 206.09 of Am. Sub. H.B. 66 of the 126th G.A. (originally established by Controlling Board on April 20, 1987)

Purpose: These funds are used to provide Byrd Scholarships, a nonrenewable $1500 merit scholarship for the first year of study at an institution of higher education for exceptional students. The program is authorized under the Higher Education Act of 1965, Title IV, Part A, as amended by the Higher Education amendments of 1986. These funds are also used to provide Mathematics and Science Partnerships grants to improve the academic achievement of students in mathematics and science through projects that involve organizations representing preschool through higher education. These projects promote strong teaching skills for elementary and secondary school teachers and integrate teaching methods based on scientifically-based research and technology into the curriculum.

3E2 200-668 AIDS Education Project

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$67	$0	$0	$0	**$0**	**$0**

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

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$204,990	$411,989	$215,260	$275,000	**$275,000**	**$275,000**
	101.0%	-47.8%	27.8%	**0.0%**	**0.0%**

Source: FED: CFDA 93.600, Head Start

Legal Basis: Section 206.09 of Am. Sub. H.B. 66 of the 126th G.A. (authorized by the Human Services Amendment Act of 1994, Public Law 103-252)

Purpose: This line item provides funds to create partnerships in order to provide better coordination of Head Start programs for disadvantaged children and their families. Before FY 1994, funding for this project came from line item 040-603, Head Start-Ohio Collaboration Project, of the Office of the Governor.

3L6 200-617 Federal School Lunch

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$186,502,818	$209,742,574	$213,082,902	$227,583,653	**$244,714,211**	**$249,903,970**
	12.5%	1.6%	6.8%	**7.5%**	**2.1%**

Source: FED: CFDA 10.555, School Lunch Program

Legal Basis: Section 206.09 of Am. Sub. H.B. 66 of the 126th G.A. (originally established by Am. Sub. H.B. 152 of the 120th G.A.)

Purpose: These funds are used to provide subsidies to school districts to assist them in providing school lunch programs. This line item was formerly part of item 200-607, School Food Services. State matching funds are provided through GRF appropriation item 200-505, School Lunch Match.

3L7 200-618 Federal School Breakfast

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$41,538,213	$51,607,275	$54,584,745	$58,405,608	**$63,927,606**	**$69,041,814**
	24.2%	5.8%	7.0%	**9.5%**	**8.0%**

Source: FED: CFDA 10.553, School Breakfast Program

Legal Basis: Section 206.09 of Am. Sub. H.B. 66 of the 126th 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

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$59,570,746	$61,587,360	$64,679,007	$67,915,843	**$69,280,946**	**$70,691,653**
	3.4%	5.0%	5.0%	**2.0%**	**2.0%**

Source: FED: CFDA 10.558, Child and Adult Care Food Program

Legal Basis: Section 206.09 of Am. Sub. H.B. 66 of the 126th 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 Grant

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$47,649,091	$47,286,257	$48,299,233	$48,029,701	**$48,029,701**	**$48,029,701**
	-0.8%	2.1%	-0.6%	**0.0%**	**0.0%**

Source: FED: CFDA 84.048, Vocational Education - Basic Grants to States

Legal Basis: Section 206.09 of Am. Sub. H.B. 66 of the 126th 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 and in administration of the state plan for career-technical education, and to support ormula grants to districts and post secondary institutions administering career-technical programs. State matching funds for this item are provided through GRF appropriation item 200-416, Career-Technical Education Match.

3M0 200-623 ESEA Title 1A

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$391,410,430	$384,512,879	$396,584,110	$410,000,000	**$415,000,000**	**$420,000,000**
	-1.8%	3.1%	3.4%	**1.2%**	**1.2%**

Source: FED: CFDA 84.010, Title I Grants to Local Educational Agencies

Legal Basis: Section 206.09 of Am. Sub. H.B. 66 of the 126th 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

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$14,851,925	$13,277,731	$7,089,449	$11,800,001	**$5,369,100**	**$5,363,706**
	-10.6%	-46.6%	66.4%	**-54.5%**	**-0.1%**

Source: FED: CFDA 84.298, Innovative Education Program Strategies

Legal Basis: Section 206.09 of Am. Sub. H.B. 66 of the 126th G.A. (originally established by Am. Sub. H.B. 152 of the 120th G.A. and authorized by ESEA, 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

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$288,124,038	$411,527,679	$487,004,020	$491,894,073	**$500,000,000**	**$405,000,000**
	42.8%	18.3%	1.0%	**1.6%**	**-19.0%**

Source: FED: CFDA 84.027, Special Education - Grants to States (Part B, Individuals with Disabilities Education Act)

Legal Basis: Section 206.09 of Am. Sub. H.B. 66 of the 126th G.A. (originally established by Am. Sub. H.B. 152 of the 120th G.A.)

Purpose: Most of these funds are distributed to school districts based on a formula prescribed by the U.S. Department of Education, including a base amount for each local education agency and additional population and poverty allocations. Districts use the funds to provide free and appropriate public education to children with disabilities, including special education and related services.

3R3 200-654 Goals 2000

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$216,007	$1,547	$0	$0	**$0**	**$0**
	-99.3%				

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 Ohio Department of Education. Specifically, they were used to support Ohio's comprehensive school improvement plan and to 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

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$18,159,398	$20,231,594	$17,839,465	$15,800,000	**$10,000,000**	**$5,000,000**
	11.4%	-11.8%	-11.4%	**-36.7%**	**-50.0%**

Source: FED: CFDA 84.318, Education Technology State Grants

Legal Basis: Section 206.09 of Am. Sub. H.B. 66 of the 126th 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, which are jointly administered by the Department of Education and eTech Ohio. Two percent are used for state level activities and three percent for administration.

3T4 200-613 Public Charter Schools

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$15,241,842	$20,885,506	$21,450,613	$13,498,476	**$13,850,827**	**$14,212,922**
	37.0%	2.7%	-37.1%	**2.6%**	**2.6%**

Source: FED: CFDA 84.282, Charter Schools

Legal Basis: Section 206.09 of Am. Sub. H.B. 66 of the 126th 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

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$3,028,708	$244,133	$0	$0	**$0**	**$0**
	-91.9%				

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 sizes (particularly in early grades) in an effort to improve achievement for regular and special needs children. Funding for this purpose is now part of line item 200-635, Improving Teacher Quality (Fund 3Y6).

3U2 200-662 Teacher Quality Enhancement Grants

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$1,052,893	$595,527	$748,843	$795,280	**$0**	**$0**
	-43.4%	25.7%	6.2%		

Source: FED: CFDA 84.336, Teacher Quality Enhancement Grants

Legal Basis: Section 206.09 of Am. Sub. H.B. 66 of the 126th 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

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$0	$163,877	$0	$0	**$0**	**$0**

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 to read once they enter school, to 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.

3X5 200-684 School Renovation/IDEA

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$16,743,837	$4,912,434	$723,700	$1,460,663	**$0**	**$0**
	-70.7%	-85.3%	101.8%		

Source: FED: CFDA 84.352 School Renovation Grants

Legal Basis: Section 206.09 of Am. Sub. H.B. 66 of the 126th G.A. (originally established by Controlling Board on October 29, 2001)

Purpose: These funds are distributed to school districts mainly for making urgent school repairs. A portion of the funds may also be used for other activities authorized by the Individuals with Disabilities Education Act. The funds are administered by the School Facilities Commission and eTech Ohio.

3Y2 200-688 21st Century Community Learning Centers

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$15,880,676	$29,098,903	$30,657,423	$30,681,554	**$30,681,554**	**$30,681,554**
	83.2%	5.4%	0.1%	**0.0%**	**0.0%**

Source: FED: CFDA 84.287 21st-Century Community Learning Centers

Legal Basis: Section 206.09 of Am. Sub. H.B. 66 of the 126th G.A. (originally established by Controlling Board on July 29, 2002)

Purpose: These funds are used to provide grants to local educational agencies and to community and faith-based organizations to create community learning centers that provide academic enrichment opportunities for children, particularly students who attend high-poverty and low-performing schools. The grant funds are used for remedial education activities and academic enrichment programs, tutorial and mentor services, after school activities emphasizing language skills, recreation activities for limited English proficient students, technology programs, and activities that promote parental involvement, drug prevention, arts and music education, mathematics and science education, violence prevention, and character education. Five percent of the funds are used by the Ohio Department of Education for administrative expenses.

3Y4 200-632 Reading First

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$23,083,588	$31,762,814	$46,375,143	$31,215,798	**$35,215,798**	**$31,215,798**
	37.6%	46.0%	-32.7%	**12.8%**	**-11.4%**

Source: FED: CFDA 84.357 Reading First

Legal Basis: Section 206.09.51 of Am. Sub. H.B. 66 of the 126th 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 federal diagnostics tests; resource materials; program research, monitoring, and evaluation; and administration of the program. Reading First is a classroom- and teacher- based program and is available only for high poverty schools.

3Y5 200-634 Community Service Grants

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$1,515,155	$571,271	$307,092	$0	**$0**	**$0**
	-62.3%	-46.2%			

Source: FED: CFDA 84.184 Safe and Drug-Free Schools

Legal Basis: Section 206.09 of Am. Sub. H.B. 66 of the 126th 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

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$97,688,454	$103,715,394	$106,161,716	$104,484,000	**$102,692,685**	**$102,698,246**
	6.2%	2.4%	-1.6%	**-1.7%**	**0.0%**

Source: FED: CFDA 84.367 Improving Teacher Quality State Grants

Legal Basis: Section 206.09 of Am. Sub. H.B. 66 of the 126th 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 partnerships of higher education institutions.

3Y7 200-689 English Language Acquisition

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$4,855,665	$7,042,883	$7,035,380	$7,000,114	**$8,000,000**	**$8,000,000**
	45.0%	-0.1%	-0.5%	**14.3%**	**0.0%**

Source: FED: CFDA 84.365 English Language Acquisition

Legal Basis: Section 206.09 of Am. Sub. H.B. 66 of the 126th 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 Technical Assistance

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$1,438,327	$1,481,025	$1,132,432	$1,300,000	**$1,500,000**	**$1,500,000**
	3.0%	-23.5%	14.8%	**15.4%**	**0.0%**

Source: FED: CFDA 84.358 Rural Education

Legal Basis: Section 206.09 of Am. Sub. H.B. 66 of the 126th 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

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$3,552,270	$18,050,518	$8,539,937	$12,883,799	**$12,883,799**	**$12,883,799**
	408.1%	-52.7%	50.9%	**0.0%**	**0.0%**

Source: FED: CFDA 84.369 State Assessments

Legal Basis: Section 206.09 of Am. Sub. H.B. 66 of the 126th G.A. (originally established by Controlling Board on July 29, 2002)

Purpose: These funds support the development, production, scoring, and reporting of state reading and mathematics achievement tests 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 Federal Grant Administration

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$5,492,946	$7,598,876	$6,393,174	$6,867,070	**$8,500,000**	**$8,500,000**
	38.3%	-15.9%	7.4%	**23.8%**	**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: Section 206.09 of Am. Sub. H.B. 66 of the 126th G.A. (Originally established by Controlling Board on July 7, 2003)

Purpose: This line item enables the Department of Education to consolidate administrative spending that is allowable under various federal grants.

3BK 200-628 Longitudinal Data Systems

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$0	$0	$28,437	$2,788,680	**$1,795,570**	**$307,050**
		N/A	9706.6%	**-35.6%**	**-82.9%**

Source: FED: Federal Special Revenue Fund Group: CFDA 84.372A, Statewide Longitudinal Data Systems

Legal Basis: Originally established by Controlling Board on January 9, 2006

Purpose: These funds are used by the Department of Education to design and develop longitudinal data systems to efficiently and accurately manage, analyze, disaggregate, and use individual student data, and to implement these systems statewide. The Department, among other activities, develops Information Technology Centers (ITCs) in large city school districts, implements a statewide data definition and standard transfer mechanism for sharing data, provides staff training and professional development for educators on the use of data to improve instruction, and conducts an evaluation of the effectiveness of the systems.

3CF 200-644 Foreign Language Assistance

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$0	$0	$0	$100,000	**$85,000**	**$285,000**
			N/A	**-15.0%**	**235.3%**

Source: FED: FED: Federal Special Revenue Fund Group: CFDA 84.239, Foreign Language Assistance

Legal Basis: Originally established by Controlling Board on December 4, 2006

Purpose: These funds provide grant coordination and program development, implementation, and evaluation for the Ohio Foreign Language Assistance program, and the K-6 Mandarin Chinese curriculum. The objectives of this program are to develop a content based elementary Chinese curriculum. The Department of Education has identified Shaker Heights, Chagrin Falls, Beavercreek, Tipp City, and Belpre school districts to pilot the Mandarin Chinese program in their elementary schools, along with the Cincinnati Academy of World Languages.

3CG 200-646 Teacher Incentive Fund

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$0	$0	$0	$5,510,860	**$6,552,263**	**$3,994,338**
			N/A	**18.9%**	**-39.0%**

Source: FED: Federal Special Revenue Fund Group: CFDA 84.374, Elementary and Secondary Act, Title V, Part D, Subpart 1

Legal Basis: Originally established by Controlling Board on December 4, 2006

Purpose: These funds are used to develop and implement performance based teacher and principal compensation systems, based primarily on increases in student achievement in high-needs schools. The objective of the Ohio Teacher Incentive Fund (OTIF) is to create and sustain performance based teacher and principal compensation systems. OTIF is a partnership of the Ohio Department of Education, Columbus, Cincinnati, and Toledo city schools, and the National Institute for Excellence in Teaching. It provides funding for the implementation of the Teacher Advancement Program (TAP) in Cincinnati Public Schools and the expansion of the TAP in Toledo Public Schools.

State Special Revenue Fund Group

454 200-610 Guidance & Testing

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$161,105	$281,199	$595,473	$300,000	**$400,000**	**$400,000**
	74.5%	111.8%	-49.6%	**33.3%**	**0.0%**

Source: SSR: Sale of tests and test service proceeds

Legal Basis: Section 206.09 of Am. Sub. H.B. 66 of the 126th 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

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$17,534,994	$16,656,368	$16,809,035	$24,000,000	**$24,000,000**	**$24,000,000**
	-5.0%	0.9%	42.8%	**0.0%**	**0.0%**

Source: SSR: Food processing and handling charges

Legal Basis: Section 206.09 of Am. Sub. H.B. 66 of the 126th G.A. (originally established by Controlling Board in September 1978)

Purpose: This line item is supported by the processing and handling fees that are paid by recipients of food. The Department uses the appropriation to obtain 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

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$3,918,828	$4,911,291	$4,959,055	$5,449,747	**$5,449,748**	**$5,810,464**
	25.3%	1.0%	9.9%	**0.0%**	**6.6%**

Source: SSR: Indirect payment for the Department's role in running federal projects (allowed by the federal government)

Legal Basis: Section 206.09 of Am. Sub. H.B. 66 of the 126th 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 Operational Support

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$128,062	$185,201	$648,381	$926,250	**$392,100**	**$376,423**
	44.6%	250.1%	42.9%	**-57.7%**	**-4.0%**

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 206.09 of Am. Sub. H.B. 66 of the 126th G.A. (originally established by Controlling Board in June 1995)

Purpose: This line item is supported by funding from other state agencies for specific programs (such as Training for At Risk Youth, Child Abuse Detection, Building Inspection, Commission on Fatherhood) that require the Department of Education's assistance.

598 200-659 Auxiliary Services Reimbursement

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$1,104,135	$1,095,470	$1,012,663	$1,328,910	**$1,328,910**	**$1,328,910**
	-0.8%	-7.6%	31.2%	**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 is supported by moneys received from the Auxiliary Services Personnel Unemployment Compensation Fund that are deemed to be in excess of the amount needed to pay unemployment claims. The funds are used to replace and repair mobile units used in providing auxiliary services to state chartered nonpublic schools .

5BB 200-696 State Action for Education Leadership

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$0	$474,876	$1,225,110	$1,199,999	**$1,250,000**	**$1,250,000**
	N/A	158.0%	-2.0%	**4.2%**	**0.0%**

Source: SSR: Grants from the Wallace Foundation

Legal Basis: ORC 3301.21 (originally established by Am. Sub. H.B. 16 of the 126th G.A.)

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

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$0	$0	$0	$10,700,000	**$10,700,000**	**$10,700,000**
			N/A	**0.0%**	**0.0%**

Source: SSR: Excess funds from the School District Property Tax Replacement Fund (Fund 053)

Legal Basis: ORC 3318 (F); Section 206.09 of Am. Sub. H.B. 66 of the 126th G.A.

Purpose: These funds are used to equalize the half-mill levy that school districts participating in the Ohio School Facilities Commission's school building assistance program are required to levy to help pay for the maintenance costs of their new or renovated buildings. Districts whose per pupil valuations are less than the state average will receive funds to equalize this levy to the state average. Funding can be used only to maintain state-assisted school buildings.

5U2 200-685 National Education Statistics

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$130,098	$156,983	$162,488	$300,000	**$300,000**	**$300,000**
	20.7%	3.5%	84.6%	**0.0%**	**0.0%**

Source: SSR: Grant for NAEP

Legal Basis: Section 206.09 of Am. Sub. H.B. 66 of the 126th 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

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$47,411,106	$44,151,453	$12,729,277	$8,200,000	**$2,200,000**	**$2,200,000**
	-6.9%	-71.2%	-35.6%	**-73.2%**	**0.0%**

Source: SSR: Federal Title IV-A funds

Legal Basis: Section 206.09 of Am. Sub. H.B. 66 of the 126th G.A. (originally establish by Section 41.19 of Am. Sub. H.B. 95 of the 125th G.A.)

Purpose: These federal Temporary Assistance to Needy Families (TANF) funds support the Early Learning Initiative (ELI) that is established by Am. Sub. H.B. 66 of the 126th G.A. ELI provides early learning and child care services for families earning not more than 185% of the federal poverty level. ELI is jointly administered by the Ohio Department of Education (ODE) and the Ohio Department of Job and Family Services (ODJFS). Actual ELI subsidies are disbursed by ODJFS. In FY 2004 and FY 2005, this item supported the TANF-supported Head Start and Head Start Plus programs. These two programs were replaced by ELI.

620 200-615 Educational Improvement Grants

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$778,341	$284,195	$1,286,579	$2,980,500	**$3,000,000**	**$3,000,000**
	-63.5%	352.7%	131.7%	**0.7%**	**0.0%**

Source: SSR: Miscellaneous education grants

Legal Basis: Section 206.09 of Am. Sub. H.B. 66 of the 126th G.A. (originally established by Am. Sub. H.B. 282 of the 123rd G.A.)

Purpose: Funds for 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 parental involvement initiatives.

Lottery Profits/Education Fund Group

017 200-612 Foundation Funding

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$606,123,500	$606,195,300	$606,208,300	$606,296,800	**$635,198,000**	**$667,900,000**
	0.0%	0.0%	0.0%	**4.8%**	**5.1%**

Source: LPE: Lottery Profits Education Fund

Legal Basis: Section 206.09 of Am. Sub. H.B. 66 of the 126th 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 joint vocational school districts, and to fund some other education subsidies. Also see the 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 by Am. Sub. H.B. 650 of the 122nd G.A..

017 200-682 Lease Rental Payment Reimbursement

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$31,776,500	$31,704,700	$31,691,700	$31,603,200	**$22,702,000**	**$0**
	-0.2%	0.0%	-0.3%	**-28.2%**	

Source: LPE: Lottery Profits Education Fund

Legal Basis: ORC 3318.01 through 3318.20; Section 206.09 of Am. Sub. H.B. 66 of the 126th G.A. (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 special revenue 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. Since then funds in this line item have been transferred to support GRF appropriation item 230-428, Lease Rental Payments, of the SFC. All special revenue bonds issued for schools will be completely retired after FY 2007.

020 200-620 Vocational School Building Assistance

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$3,000,000	$1,000,000	$0	$0	**$0**	**$0**
	-66.7%				

Source: LPE: Funds are transferred by the Controlling Board, as needed

Legal Basis: Discontinued line item (originally established in ORC 3317.22 and 3317.23)

Purpose: This line item provided interest-free loans to eligible school districts and joint vocational school districts, 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 intended to approve a loan under this program, it had first to obtain approval of the Controlling Board to transfer moneys from the Lottery Profits Education Fund to Fund 020. The Department then lent the funds to the district. The district repaid the loan directly to Fund 020. The Department made one to two loans per year under this line item, which began in FY 1993. This program has been transferred to the School Facilities Commission as a result of Am. Sun. H.B. 66 of the 126th G.A.

Revenue Distribution Fund Group

047 200-909 School District Property Tax Replacement - Business

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$0	$0	$67,143,154	$420,000,000	**$611,596,856**	**$763,316,819**
		N/A	525.5%	**45.6%**	**24.8%**

Source: RDF: Transfers from the commercial activity tax

Legal Basis: ORC 5721.21; Section 206.09 of Am. Sub. H.B. 66 of the 126th 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 increases in state education aid resulting from lower property values, compensate school districts and joint vocational school districts for their losses arising from the phase-out of general business tangible personal property taxes as a result of Am. Sub. H.B. 66 of the 126th G.A.

053 200-900 School District Property Tax Replacement - Utility

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
$108,710,848	$116,520,891	$125,978,243	$101,647,522	**$91,123,523**	**$91,123,523**
	7.2%	8.1%	-19.3%	**-10.4%**	**0.0%**

Source: RDF: Kilowatt-hour taxes on electricity and MCF taxes on natural gas

Legal Basis: ORC 5727.84 and 5727.85; Section 206.09 of Am. Sub. H.B. 66 of the 126th G.A. (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 increases in state education aid resulting from lower property values, compensate school districts and joint vocational school districts for their losses of property tax revenues because of 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 2008 - FY 2009

Fund	ALI	ALI Title	2006	Estimated 2007	Executive 2008	% Change 2007 to 2008	Executive 2009	% Change 2008 to 2009
EDU		**Education, Department of**						
GRF	200-100	Personal Services	$ 9,678,768	$10,880,655	$ 11,533,494	6.0%	$ 12,110,169	5.0%
GRF	200-320	Maintenance and Equipment	$ 3,935,861	$4,344,235	$ 4,574,479	5.3%	$ 4,803,203	5.0%
GRF	200-408	Early Childhood Education	$ 19,016,393	$19,002,195	$ 29,002,195	52.6%	$ 31,502,195	8.6%
GRF	200-410	Educator Training	$ 19,282,518	$19,802,057	$ 18,828,817	-4.9%	$ 19,828,817	5.3%
GRF	200-416	Career-Technical Education Match	$ 2,224,310	$2,233,195	$ 2,233,195	0.0%	$ 2,233,195	0.0%
GRF	200-420	Computer/Application/Network Development	$ 4,170,217	$5,361,525	$ 5,536,362	3.3%	$ 5,793,700	4.6%
GRF	200-421	Alternative Education Programs	$ 13,344,758	$14,032,666	$ 13,482,665	-3.9%	$ 13,482,665	0.0%
GRF	200-422	School Management Assistance	$ 2,593,664	$2,710,572	$ 2,460,572	-9.2%	$ 2,460,572	0.0%
GRF	200-424	Policy Analysis	$ 542,419	$556,687	$ 576,000	3.5%	$ 611,000	6.1%
GRF	200-425	Tech Prep Consortia Support	$ 2,054,233	$2,069,217	$ 2,069,217	0.0%	$ 2,069,217	0.0%
GRF	200-426	Ohio Educational Computer Network	$ 30,447,712	$30,446,197	$ 30,446,197	0.0%	$ 30,446,197	0.0%
GRF	200-427	Academic Standards	$ 9,701,756	$11,679,181	$ 11,514,730	-1.4%	$ 11,514,730	0.0%
GRF	200-431	School Improvement Initiatives	$ 19,302,814	$23,842,828	$ 12,270,150	-48.5%	$ 12,955,150	5.6%
GRF	200-433	Literacy Improvement - Professional Development	$ 10,015,502	$16,165,000	$ 15,915,000	-1.5%	$ 15,915,000	0.0%
GRF	200-437	Student Assessment	$ 59,230,269	$60,011,936	$ 79,150,819	31.9%	$ 78,387,144	-1.0%
GRF	200-439	Accountability/Report Cards	$ 3,451,843	$7,457,290	$ 8,096,040	8.6%	$ 8,223,540	1.6%
GRF	200-442	Child Care Licensing	$ 879,057	$1,302,495	$ 1,302,495	0.0%	$ 1,302,495	0.0%
GRF	200-445	OhioReads Volunteer Support	$ 3,708,350	$3,905,000	$ 0	-100.0%	$ 0	N/A
GRF	200-446	Education Management Information System	$ 15,563,949	$15,674,805	$ 16,110,510	2.8%	$ 16,586,082	3.0%
GRF	200-447	GED Testing	$ 1,828,631	$1,544,360	$ 1,544,360	0.0%	$ 1,544,360	0.0%
GRF	200-448	Educator Preparation	$ 1,235,276	$1,651,000	$ 1,651,000	0.0%	$ 1,651,000	0.0%
GRF	200-452	Teaching Success Commission Initiatives	$ 34,057	$0	$ 0	N/A	$ 0	N/A
GRF	200-455	Community Schools	$ 1,488,757	$2,942,095	$ 1,533,661	-47.9%	$ 1,533,661	0.0%
GRF	200-501	Base Cost Funding	$ 23,550,182	$0	$ 0	N/A	$ 0	N/A
GRF	200-502	Pupil Transportation	$ 412,170,713	$420,577,343	$ 424,783,117	1.0%	$ 429,030,948	1.0%
GRF	200-503	Bus Purchase Allowance	$ 14,400,931	$14,000,000	$ 14,000,000	0.0%	$ 14,000,000	0.0%
GRF	200-505	School Lunch Match	$ 8,986,466	$8,998,025	$ 8,998,025	0.0%	$ 8,998,025	0.0%

LSC Budget Spreadsheet by Line Item, FY 2008 - FY 2009

Fund	ALI	ALI Title	2006	Estimated 2007	Executive 2008	% Change 2007 to 2008	Executive 2009	% Change 2008 to 2009
EDU Education, Department of								
GRF	200-509	Adult Literacy Education	$ 8,437,205	$8,669,738	$ 8,669,738	0.0%	$ 8,669,738	0.0%
GRF	200-511	Auxiliary Services	$ 127,733,752	$127,903,356	$ 131,740,457	3.0%	$ 135,692,670	3.0%
GRF	200-513	Student Intervention Services	$ 7,377,644	$0	$ 0	N/A	$ 0	N/A
GRF	200-514	Postsecondary Adult Career-Technical Education	$ 19,608,189	$19,481,875	$ 19,481,875	0.0%	$ 19,481,875	0.0%
GRF	200-520	Disadvantaged Pupil Impact Aid	$ 818,730	$0	$ 0	N/A	$ 0	N/A
GRF	200-521	Gifted Pupil Program	$ 47,239,110	$47,157,293	$ 47,608,030	1.0%	$ 48,008,613	0.8%
GRF	200-532	Nonpublic Administrative Cost Reimbursement	$ 56,716,592	$58,068,463	$ 59,810,517	3.0%	$ 61,604,832	3.0%
GRF	200-536	Ohio Core Support	----	$30,000,000	$ 9,700,000	-67.7%	$ 15,200,000	56.7%
GRF	200-537	Entry Year for Principals	----	$0	$ 800,000	N/A	$ 800,000	0.0%
GRF	200-540	Special Education Enhancements	$ 129,035,206	$135,430,126	$ 138,619,945	2.4%	$ 139,756,839	0.8%
GRF	200-545	Career-Technical Education Enhancements	$ 10,276,506	$9,225,569	$ 9,298,651	0.8%	$ 9,373,926	0.8%
GRF	200-550	Foundation Funding	$ 5,500,523,243	$5,708,762,766	$ 5,761,699,328	0.9%	$ 6,034,943,246	4.7%
GRF	200-552	County MR/DD Boards Vehicle Purchases	$ 473,500	$0	$ 0	N/A	$ 0	N/A
GRF	200-558	Emergency Loan Interest Subsidy	$ 1,265,594	$651,404	$ 0	-100.0%	$ 0	N/A
GRF	200-566	Literacy Improvement - Classroom Grants	$ 12,345,523	$12,062,336	$ 12,062,336	0.0%	$ 12,062,336	0.0%
GRF	200-578	Violence Prevention and School Safety	$ 1,060,932	$1,218,555	$ 1,218,555	0.0%	$ 1,218,555	0.0%
GRF	200-901	Property Tax Allocation - Education	$ 796,169,148	$766,632,774	$ 794,583,404	3.6%	$ 850,868,654	7.1%
GRF	200-906	Tangible Tax Exemption-Education	$ 43,270,947	$32,122,865	$ 21,415,244	-33.3%	$ 10,707,622	-50.0%
General Revenue Fund Total			**$ 7,455,191,231**	**$ 7,658,577,679**	**$ 7,734,321,180**	**1.0%**	**$ 8,075,371,971**	**4.4%**
138	200-606	Computer Services - Operational Support	$ 5,344,347	$7,600,091	$ 7,600,091	0.0%	$ 7,600,091	0.0%
452	200-638	Miscellaneous Educational Services	$ 216,526	$266,650	$ 273,166	2.4%	$ 279,992	2.5%
4D1	200-602	Ohio Prevention/Education Resource Center	----	$832,000	$ 832,000	0.0%	$ 832,000	0.0%
4L2	200-681	Teacher Certification and Licensure	$ 6,206,888	$6,323,832	$ 5,966,032	-5.7%	$ 6,323,994	6.0%
596	200-656	Ohio Career Information System	$ 423,879	$448,822	$ 529,761	18.0%	$ 529,761	0.0%
5H3	200-687	School District Solvency Assistance	$ 41,000	$18,000,000	$ 18,000,000	0.0%	$ 18,000,000	0.0%
General Services Fund Group Total			**$ 12,232,640**	**$ 33,471,395**	**$ 33,201,050**	**-0.8%**	**$ 33,565,838**	**1.1%**
309	200-601	Educationally Disadvantaged Programs	$ 17,427,258	$20,865,560	$ 12,750,000	-38.9%	$ 8,750,000	-31.4%

LSC Budget Spreadsheet by Line Item, FY 2008 - FY 2009

Fund	ALI	ALI Title	2006	Estimated 2007	Executive 2008	% Change 2007 to 2008	Executive 2009	% Change 2008 to 2009
EDU		**Education, Department of**						
366	200-604	Adult Basic Education	$ 19,422,071	$18,500,001	$ 19,425,000	5.0%	$ 20,396,250	5.0%
367	200-607	School Food Services	$ 11,327,403	$11,666,732	$ 5,849,748	-49.9%	$ 6,088,737	4.1%
368	200-614	Veterans' Training	$ 473,220	$691,130	$ 710,373	2.8%	$ 745,892	5.0%
369	200-616	Career-Technical Education Federal Enhancement	$ 5,138,035	$4,895,420	$ 5,000,000	2.1%	$ 5,000,000	0.0%
370	200-624	Education of Exceptional Children	$ 2,531,091	$3,237,762	$ 1,811,520	-44.1%	$ 575,454	-68.2%
371	200-631	Immigrant Education Opportunities	$ 150,600	$181,500	$ 0	-100.0%	$ 0	N/A
374	200-647	Troops to Teachers	$ 729,412	$763,950	$ 100,000	-86.9%	$ 100,000	0.0%
378	200-660	Learn and Serve	$ 1,156,939	$1,200,000	$ 1,561,954	30.2%	$ 1,561,954	0.0%
3AF	200-603	Schools Medicaid Administrative Claims	$ 158,138	$900,000	$ 486,000	-46.0%	$ 639,000	31.5%
3BV	200-636	Character Education	----	$488,565	$ 700,000	43.3%	$ 700,000	0.0%
3C5	200-661	Early Childhood Education	$ 20,878,918	$18,989,779	$ 18,989,779	0.0%	$ 18,989,779	0.0%
3D1	200-664	Drug Free Schools	$ 11,780,533	$13,347,966	$ 13,347,966	0.0%	$ 13,347,966	0.0%
3D2	200-667	Honors Scholarship Program	$ 4,380,731	$5,833,965	$ 6,573,968	12.7%	$ 6,665,000	1.4%
3H9	200-605	Head Start Collaboration Project	$ 215,260	$275,000	$ 275,000	0.0%	$ 275,000	0.0%
3L6	200-617	Federal School Lunch	$ 213,082,902	$227,583,653	$ 244,714,211	7.5%	$ 249,903,970	2.1%
3L7	200-618	Federal School Breakfast	$ 54,584,745	$58,405,608	$ 63,927,606	9.5%	$ 69,041,814	8.0%
3L8	200-619	Child/Adult Food Programs	$ 64,679,007	$67,915,843	$ 69,280,946	2.0%	$ 70,691,653	2.0%
3L9	200-621	Career-Technical Education Basic Grant	$ 48,299,233	$48,029,701	$ 48,029,701	0.0%	$ 48,029,701	0.0%
3M0	200-623	ESEA Title 1A	$ 396,584,110	$410,000,000	$ 415,000,000	1.2%	$ 420,000,000	1.2%
3M1	200-678	Innovative Education	$ 7,089,449	$11,800,001	$ 5,369,100	-54.5%	$ 5,363,706	-0.1%
3M2	200-680	Individuals with Disabilities Education Act	$ 487,004,020	$491,894,073	$ 500,000,000	1.6%	$ 405,000,000	-19.0%
3S2	200-641	Education Technology	$ 17,839,465	$15,800,000	$ 10,000,000	-36.7%	$ 5,000,000	-50.0%
3T4	200-613	Public Charter Schools	$ 21,450,613	$13,498,476	$ 13,850,827	2.6%	$ 14,212,922	2.6%
3U2	200-662	Teacher Quality Enhancement Grants	$ 748,843	$795,280	$ 0	-100.0%	$ 0	N/A
3X5	200-684	School Renovation/IDEA	$ 723,700	$1,460,663	$ 0	-100.0%	$ 0	N/A
3Y2	200-688	21st Century Community Learning Centers	$ 30,657,423	$30,681,554	$ 30,681,554	0.0%	$ 30,681,554	0.0%
3Y4	200-632	Reading First	$ 46,375,143	$31,215,798	$ 35,215,798	12.8%	$ 31,215,798	-11.4%

LSC Budget Spreadsheet by Line Item, FY 2008 - FY 2009

Fund	ALI	ALI Title	2006	Estimated 2007	Executive 2008	% Change 2007 to 2008	Executive 2009	% Change 2008 to 2009
EDU Education, Department of								
3Y5	200-634	Community Service Grants	$ 307,092	$0	$ 0	N/A	$ 0	N/A
3Y6	200-635	Improving Teacher Quality	$ 106,161,716	$104,484,000	$ 102,692,685	-1.7%	$ 102,698,246	0.0%
3Y7	200-689	English Language Acquisition	$ 7,035,380	$7,000,114	$ 8,000,000	14.3%	$ 8,000,000	0.0%
3Y8	200-639	Rural and Low Income Technical Assistance	$ 1,132,432	$1,300,000	$ 1,500,000	15.4%	$ 1,500,000	0.0%
3Z2	200-690	State Assessments	$ 8,539,937	$12,883,799	$ 12,883,799	0.0%	$ 12,883,799	0.0%
3Z3	200-645	Consolidated Federal Grant Administration	$ 6,393,174	$6,867,070	$ 8,500,000	23.8%	$ 8,500,000	0.0%
3BK	200-628	Longitudinal Data Systems	$ 28,437	$2,788,680	$ 1,795,570	-35.6%	$ 307,050	-82.9%
3CF	200-644	Foreign Language Assistance	----	$100,000	$ 85,000	-15.0%	$ 285,000	235.3%
3CG	200-646	Teacher Incentive Fund	----	$5,510,860	$ 6,552,263	18.9%	$ 3,994,338	-39.0%
Federal Special Revenue Fund Group Total			**$ 1,614,486,429**	**$ 1,651,852,503**	**$ 1,665,660,368**	**0.8%**	**$ 1,571,144,583**	**-5.7%**
454	200-610	Guidance & Testing	$ 595,473	$300,000	$ 400,000	33.3%	$ 400,000	0.0%
455	200-608	Commodity Foods	$ 16,809,035	$24,000,000	$ 24,000,000	0.0%	$ 24,000,000	0.0%
4R7	200-695	Indirect Operational Support	$ 4,959,055	$5,449,747	$ 5,449,748	0.0%	$ 5,810,464	6.6%
4V7	200-633	Interagency Operational Support	$ 648,381	$926,250	$ 392,100	-57.7%	$ 376,423	-4.0%
598	200-659	Auxiliary Services Reimbursement	$ 1,012,663	$1,328,910	$ 1,328,910	0.0%	$ 1,328,910	0.0%
5BB	200-696	State Action for Education Leadership	$ 1,225,110	$1,199,999	$ 1,250,000	4.2%	$ 1,250,000	0.0%
5BJ	200-626	Half-Mill Maintenance Equalization	----	$10,700,000	$ 10,700,000	0.0%	$ 10,700,000	0.0%
5U2	200-685	National Education Statistics	$ 162,488	$300,000	$ 300,000	0.0%	$ 300,000	0.0%
5W2	200-663	Early Learning Initiative	$ 12,729,277	$8,200,000	$ 2,200,000	-73.2%	$ 2,200,000	0.0%
620	200-615	Educational Improvement Grants	$ 1,286,579	$2,980,500	$ 3,000,000	0.7%	$ 3,000,000	0.0%
State Special Revenue Fund Group Total			**$ 39,428,062**	**$ 55,385,406**	**$ 49,020,758**	**-11.5%**	**$ 49,365,797**	**0.7%**
017	200-612	Foundation Funding	$ 606,208,300	$606,296,800	$ 635,198,000	4.8%	$ 667,900,000	5.1%
017	200-682	Lease Rental Payment Reimbursement	$ 31,691,700	$31,603,200	$ 22,702,000	-28.2%	$ 0	-100.0%
Lottery Profits/Education Fund Group Total			**$ 637,900,000**	**$ 637,900,000**	**$ 657,900,000**	**3.1%**	**$ 667,900,000**	**1.5%**
047	200-909	School District Property Tax Replacement - Busines	$ 67,143,154	$420,000,000	$ 611,596,856	45.6%	$ 763,316,819	24.8%
053	200-900	School District Property Tax Replacement - Utility	$ 125,978,243	$101,647,522	$ 91,123,523	-10.4%	$ 91,123,523	0.0%
Revenue Distribution Fund Group Total			**$ 193,121,397**	**$ 521,647,522**	**$ 702,720,379**	**34.7%**	**$ 854,440,342**	**21.6%**

LSC Budget Spreadsheet by Line Item, FY 2008 - FY 2009

Fund	ALI	ALI Title	2006	Estimated 2007	Executive 2008	% Change 2007 to 2008	Executive 2009	% Change 2008 to 2009
EDU		Education, Department of						
Total All Budget Fund Groups			$ 9,952,359,759	$ 10,558,834,505	$ 10,842,823,735	2.7%	$ 11,251,788,531	3.8%