- Fully funds the updated per pupil base cost ($4,814) of an adequate education in FY 2002 – 12.1% increase over FY 2001
- $310.1 million in parity aid for education beyond adequacy

Department of Education

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ROLE

The role of the Department of Education is to assist local school districts in providing every student with an adequate education needed to successfully meet the challenges of the 21st century. The department is governed by a 19-member State Board of Education. Eleven of those 19 members are elected by the citizens and the other eight members are appointed by the Governor. The Superintendent of Public Instruction, who is hired by the State Board of Education, is responsible for the department's day-to-day operation. With a budget of approximately $7.8 billion in FY 2001, the department oversees an education system consisting of 612 public school districts and 49 joint vocational school districts with almost $15 billion in annual expenditures. In addition, there are public community schools, educational service centers, Head Start programs, state chartered nonpublic schools, and other school-related entities to monitor.

Agency In Brief					
Number of Employees	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2002	2003	2002	2003	
600 (FTEs)	$8,631.9 million	$9,046.8 million	$6,786.9 million	$7,164.5 million	Am. Sub. H.B. 94

OVERVIEW

Am. Sub. H.B. 94, the main operating budget bill of the 124th General Assembly, contains the state's responses to *DeRolph II* to ensure an adequate education for all students across the state. Primary and secondary education is the highest priority of the budget; 38.5 percent of the $40.0 billion state budget is devoted to K-12 education over the biennium. The total budget for the department features funding increases of 10.1 percent and 4.8 percent for fiscal years 2002 and 2003, respectively. The table below details the department's appropriations by fund group.

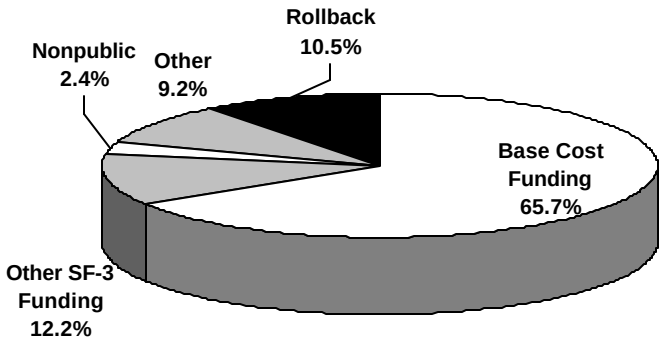
Fund	FY 2001	FY 2002	% Change, FY01-02	FY 2003	% Change, FY02-03
GRF	$6,140,315,324	$6,786,869,283	10.5%	$7,164,480,070	5.6%
General Services	$12,783,827	$37,446,829	192.9%	$37,776,554	0.9%
State Special Revenue	$14,106,437	$120,432,522	753.7%	$135,622,885	12.6%
Lottery	$690,213,536	$633,722,100	-8.2%	$621,722,600	-1.9%
Federal Special Revenue	$981,783,239	$1,053,439,891	7.3%	$1,087,241,044	3.2%
Grand Totals	***$7,839,202,363***	***$8,631,910,625***	***10.1%***	***$9,046,843,153***	***4.8%***
GRF + Lottery	***$6,830,528,860***	***$7,420,591,383***	***8.6%***	***$7,786,202,670***	***4.9%***

It can be seen from the table that the budget increases the General Revenue Fund (GRF) appropriations by 10.5 percent in FY 2002 and by 5.6 percent in FY 2003. The Lottery Profits Education Fund (LPEF) appropriations would experience decreases of 8.2 and 1.9 percent, respectively. As the LPEF source of education funding has declined in recent years, the GRF appropriations have been making up the difference. Total GRF and Lottery appropriations increase by 8.6 percent in FY 2002 and 4.9 percent in FY 2003.

The significant increase in the General Services Fund appropriations in FY 2002 reflects the lower expenditures ($3.8 million in actual expenditures vs. $30.0 million in original appropriations) in the school district solvency assistance program in FY 2001. The budget appropriates the program $24.0 million in each year of the FY 2002-FY 2003 biennium. The newly created line item 200-900, School District Property Tax Replacement, funded at $102.0 million in FY 2002 and $115.9 million in FY 2003, accounts for increases in State Special Revenue Fund appropriations. This, combined with GRF spending, is to compensate school districts for public utility value decreases as a result of S.B. 3 and S.B. 287, both of the 123rd General Assembly.

The majority of the department's appropriation dollars are distributed to the 612 school districts and the 49 joint vocational school districts through the foundation SF-3 formulas. Chart 1 shows the department's GRF and LPEF appropriations by major spending areas in FY 2002. The composition of the department's budget remains about the same in FY 2003. It is clear that the base cost funding, representing approximately 65.7 percent of total GRF and LPEF appropriations, is the largest spending area within the department's budget. Total SF-3 funding (including base cost funding, parity aid, and other SF-3 funding) represents approximately 77.9 percent of the department's total GRF and LPEF budget.

Chart 1: GRF and LPEF Appropriations by Components, FY 2002



THE SCHOOL FUNDING REFORM OVERVIEW

COST OF AN ADEQUATE EDUCATION

The budget continues to use a performance based cost model to ensure an adequate education for all school districts. The model includes a base cost – the cornerstone of the model – various adjustments to the base cost to reflect uncontrollable cost factors facing individual school districts in providing an adequate education, and the pupil transportation funding based on a statistical regression analysis. The model determines the total state and local cost of an adequate education for every district. The state share of an adequate education model cost for an individual district is equalized based on the district's property wealth with higher state shares for low property wealth school districts. The foundation SF-3 formulas guarantee every district receives the full amount of state and local funding for an adequate education as determined by the model and therefore ensures an adequate education for every school district.

Base Cost. The budget updates the base cost model, which is based on the average base expenditures of the 127 selected model districts meeting at least 20 out of 27 performance standards in FY 1999. It fully

funds the updated base cost formula amount of $4,814 in FY 2002, including $12 per pupil for increasing the minimum graduation credit requirement to 20 units. The inflationary-adjusted base cost formula amount is $4,949 in FY 2003. The budget also eliminates the previous phase-in approach in the cost of doing business factor (CDBF) application and fully funds the 7.5 percent range of the CDBF adjustment to the base cost formula amount. As a result, the budget spends $130 million more over the biennium in funding the CDBF adjustment. Overall, the budget distributes approximately $8.7 billion in the base cost funding with the CDBF adjustment to school districts and joint vocational school districts in the FY 2002-2003 biennium.

Special Education. The budget establishes a new six-weight system for special education largely based on the recommendation of the Ohio Coalition for the Education of Children with Disabilities. The new system is phased in at the 82.5 percent level in FY 2002 and at the 87.5 percent level in FY 2003. In addition to benefiting from the base cost funding increase, state special education weight funding for the 612 school districts is estimated to increase by 8.5 and 9.3 percent in FY 2002 and FY 2003, respectively.

Transportation and Excess Cost Supplement. Beginning in FY 2003, the transportation reimbursement rate will be 60 percent or a district's state share percentage of the base cost funding, whichever is greater. An estimated 248 districts will have state share percentages greater than 60 percent. Meanwhile, a district's combined local formula share of transportation as well as special and vocational education model costs is limited to a maximum of three mills of local property taxes. The budget provides an estimated $31.1 million in excess cost supplement to over 40 percent of school districts in FY 2003. This supplement significantly limits local share requirements for school districts that have a high intensity of service needs in these areas.

Gap Aid. The budget extends the charge-off supplement (gap aid) to also include the local share of the transportation model cost. As a result, gap aid calculations will include the local share of the base cost funding at 23 mill charge-off, the transportation model cost, as well as special and vocational education weight costs. The gap aid extension may seem to be subtle, however, it has significant implications. It effectively eliminates any formula phantom revenues and ensures every district receives the full amount of state and local funding for an adequate education as determined by the model.

State Share Stabilization. The budget requires the General Assembly to update the cost of an adequate education every six years. It limits the variation of the state share percentage of the base cost funding and parity aid for years between any two updates to a 2.5 percent range to stabilize the state and local shares. The state share of the base cost funding and parity aid is 49 percent in FY 2002 – the first update year. This is the target state share percentage for FY 2003 through FY 2007. By stabilizing the state share percentage of the base cost funding, the state share of special and vocational education additional funding is also stabilized. Disadvantaged Pupil Impact Aid is 100 percent state funded. The state pays the greater of 60 percent or the district's state share percentage of the base cost funding for pupil transportation. It should be noted that the 49 percent state share in FY 2002 only includes the base cost funding and parity aid and excludes the state funding for various adjustments to the base cost. An adequate education cost model includes the base cost, various adjustments to the base cost, and pupil transportation. The average state share of the model cost of an adequate education is approximately 55.8 percent in FY 2002.

FINDING FOR EDUCATION BEYOND ADEQUACY – PARITY AID

The model cost of an adequate education for an individual school district does not depend on the district's property wealth or income wealth. Instead, it depends on a rational model that takes into account the characteristics of the district and its students. A school district with a higher need (for example, a higher concentration of poverty or special education students) will have a higher per pupil cost under the model. There are little disparities in the adequate education level across all school districts. Disparities occur in

spending above the adequacy level largely due to the existence of local enhancement revenues. With gap aid, formula phantom revenue has been completely eliminated. H.B. 920 mainly affects local enhancement revenues above the adequacy level (or reappraisal phantom revenue). Furthermore, H.B. 920 generally affects high wealth districts more than it does low wealth districts. The elimination of H.B. 920 would further exacerbate disparities among school districts.

The budget establishes parity aid to address disparities in local enhancement revenues and to buffer reappraisal phantom revenue. Parity aid equalizes an additional 9.5 mills (above the adequacy level) to the 80th percentile district's wealth level. The parity aid wealth is a weighted average property wealth (2/3) and income wealth (1/3). Districts with wealth levels between the 70th and 90th percentiles had on average 9.5 additional mills above the foundation program for local enhancement services in FY 2001. The top wealthiest 20 percent of school districts (including about 25 percent of all students) consistently have much higher per pupil revenues than the other 80 percent of school districts (including about 75 percent of all students). Local property taxes are the primary factor behind the higher per pupil revenues for the top 20 percent of school districts. By using the 80th percentile level as the threshold, parity aid will significantly reduce disparities in spending above the adequacy level once it is fully implemented.

Alternatively, certain districts are eligible for parity aid that provides the FY 2001 level of the income factor adjustment benefit. Overall, about 492 school districts are eligible for parity aid with no additional local effort requirement. Parity aid is to be phased-in over a five-year period. The budget provides $310.1 million in parity aid over the biennium. If parity aid were fully implemented in FY 2002, it would provide approximately $494.3 million to school districts for education enhancement services. The per pupil benefit would range from $987 to less than $10 with an average of $378 per pupil.

BUDGET ISSUES

FUNDING MODEL FOR THE COST OF AN ADEQUATE EDUCATION

Theory and Method

Primary and secondary education funding in Ohio has historically been a partnership between the state and local school districts. Each individual district's spending is essentially the function of the following three factors: (1) a uniform base cost for providing a core general education for all students in regular classes; (2) variable costs of providing comparable core education services due to uncontrollable cost factors facing individual districts; and (3) additional spending due to local preference for a "premium" education. To ensure an adequate education for all school children, in addition to funding the uniform base cost, the state needs to compensate a school district for its higher cost of providing an adequate education due to uncontrollable cost factors, such as a higher concentration of low-income, special education, or vocational education students. In other words, the cost of an adequate education for an individual district includes a uniform base cost and variable costs that reflect the district's unique circumstances. The state has a responsibility to ensure funding for an adequate education for all students regardless of the wealth and location of school districts.

Obviously, there exists more than one rational method to determine the cost of an adequate education. In response to the directive of *DeRolph I*, the 122nd General Assembly adopted a performance based method with an input supplement. The underpinning theory behind the performance based model is that most districts should have potential to provide a quality education opportunity similar to that offered by a representative group of well-performing districts, provided they have a similar amount of revenues

adjusted for the uncontrollable cost factors faced by individual districts. Meanwhile, the performance based model maximizes local control. It also allows the state to institute a statewide accountability system and to intervene when it is necessary.

In preparing the response to *DeRolph II*, several legislative committees were formed, one of which was the Joint Committee to Re-examine the Cost of an Adequate Education. In December 2000, the Joint Committee issued its final report containing recommendations to address *DeRolph II*. In its final report, the Joint Committee largely affirmed the legislative policy choice of using the performance based method to determine the cost of an adequate education. This method is enacted in the budget by the 124th General Assembly to determine the cost of an adequate education.

Model

The performance based model adopted by the General Assembly is a total state and local education cost model. The model includes the base cost – the cornerstone of the model – various adjustments to the base cost to reflect unique uncontrollable cost factors facing individual school districts, and the pupil transportation funding based on a statistical regression analysis. The discussion of individual elements of an adequate education cost model follows.

Base Cost

What is the Base Cost? The center of the model is the development of a uniform base cost for all students across the state. Expenditures related to uncontrollable cost pressures (such as student poverty, special and career-technical education programs, and the labor market cost difference) as well as transportation expenditures and federal revenues are subtracted from a school district's "Total Operating Expenditures" to give the district's "Base Cost" (see Table 1). The base cost is comparable and similar from one district to another. It basically reflects the state base cost funding, equity aid, other state grants outside the foundation program, and bcal revenues for general education from the first 23 mills and beyond (local enhancement funding).

Table 1: Base Cost Calculation

A District's Total Operating Expenditures
Minus all of the following:
-- Special education expenditures
-- Career-technical education expenditures
-- State DPIA Funding
-- Transportation expenditures
-- Federal revenues
-- Deflated by the 7.5 percent range of the cost of doing business factor
= ***BASE COST***

How to Determine a Statewide Base Cost Formula Amount? The model adopted by the 122nd General Assembly (H.B. 650 model) was based on the analysis of the FY 1996 performance and base cost data of all school districts. The 124th General Assembly updates the model to utilize the most recent available FY 1999 performance and base cost data (H.B. 94 model). Specifically, the H.B. 94 model used 27 indicators (25 proficiency test results, attendance rate, and graduation rate) to measure each school

district's performance. The evaluation of school district performance produced 170 (28.0 percent of all districts) high performing school districts that met at least 20 out of 27 performance indicators.[1] A total of 43 non-representative high performing districts were removed from the model based on high (in the top five percent of all districts) or low (in the bottom five percent of all districts) property wealth or income wealth. The remaining 127 representative high performing districts formed the model used to determine the statewide base cost formula amount of an adequate education.

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

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

With an inflationary (2.8 percent per year) adjustment, the updated statewide base cost formula amount is determined at $4,814 in FY 2002, including $12 per pupil for increasing the high school minimum

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

graduation credit requirement to 20 units.[2] The base cost formula amount is $4,949 in FY 2003 by applying the same inflationary factor of 2.8 percent to the formula amount of $4,814 for FY 2002.

Various Adjustments to the Base Cost

The uniform base cost is the cornerstone of an adequate education funding model. However, any sound school funding model needs to recognize the fact that students and school districts are not all the same. A flat per pupil base cost funding will not ensure a similar adequate education opportunity for every student in every district. A rational school funding model should provide additional funds above the base cost to compensate individual districts for higher costs they may have to incur in order to provide an adequate education to all students. Both H.B. 650 and H.B. 94 models include series of adjustments to the base cost to account for individual districts' unique characteristics. These adjustments mainly include the regional labor market difference, special education, career-technical education, student poverty, and pupil transportation. Through these adjustments, all expenditures (Table 1) that were previously excluded from a district's base cost were added back to level the playing field for every district. Federal revenues also continue to flow to school districts outside of the model.

The Cost of Doing Business Factor (CDBF). As shown in Table 1, each district's base cost used in the model was deflated by its countywide CDBF within a 7.5 percent range in order to make the base cost comparable from one district to another. In the actual base cost funding formula, each district's base cost is adjusted by the county-based CDBF, which attempts to measure the county-by-county systematic differences in the regional labor market faced by school districts. This adjustment enables the formula to provide additional aid to those districts which may have to incur higher labor costs in providing an adequate education. Without this adjustment, school districts in counties with a high labor cost may be forced to hire fewer teachers, resulting in a large class size. This would be particularly true for low wealth districts in high labor cost counties, such as East Cleveland City School District in Cuyahoga County. Wealthy districts may be able to overcome this obstacle by passing additional local levies. It should be noted that the cost of doing business factor adjustment in the base cost funding formula merely reflects the systematic wage differences from one county to another based on private sector wage patterns. On average, about 80 percent of a school district's operating budget is for salaries and fringe benefits.

Under the H.B. 650 model, each district's base cost used in the model was deflated by its countywide CDBF within an 18 percent range. Meanwhile, there was a phased-in approach to add back the full 18 percent range of CDBF beginning in FY 2004. Under this approach, the phased-in CDBF adjustment in the base cost funding formula was 13.8 percent in FY 2001 and would have been 15.2 percent in FY 2002 and 16.6 percent in FY 2003. The H.B. 94 model eliminates this phase-in approach. It deflates the model districts' base expenditures by their respective CDBF within a 7.5 percent range and fully adds back the same 7.5 percent range of CDBF in the base cost funding formula. As a result, the budget spends approximately $130 million more over the biennium in funding the CDBF adjustment.

It should be noted that the base cost formula amount and CDBF are interdependent. With the same group of model districts' base expenditures, the base cost formula amount would be higher if they were deflated by a smaller range of CDBF. Conversely, deflating the same base expenditures by a larger range of CDBF

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

would produce a lower base cost formula amount. While the 7.5 percent range of CDBF produces a statewide base cost formula amount of $4,814 in FY 2002, the CDBF method used by the H.B. 650 model (an 18 percent range) would have produced a statewide base cost formula amount of $4,559 in FY 2002 based on the same 127 model districts' adjusted base expenditures. The method selected results in a flatter distribution of modeled costs (less disparities) and almost the same overall cost to the state.

Special Education. In addition to the base cost, the budget establishes a new six-weight system for special education largely based on the recommendation of the Ohio Coalition for the Education of Children with Disabilities. Special education students are grouped into six categories and assigned additional weights to reflect higher costs required by special education services (Table 2). The new system is phased in at the 82.5 percent level in FY 2002 and at the 87.5 percent level in FY 2003. The state funding for special education additional weight costs is equalized based on the wealth of school districts.

Table 2: Special Education Total Weight Categories

Category One: 1 + 0.2892 = 1.2892 – Speech only

Category Two: 1 + 0.3691 = 1.3691 – Specific learning disabled, developmentally handicapped, other health – minor

Category Three: 1 + 1.7695 = 2.7695 – Hearing impaired, vision impaired, severe behavior handicapped

Category Four: 1 + 2.3646 = 3.3646 – Orthopedically handicapped, other health – major

Category Five: 1 + 3.1129 = 4.1129 – Multihandicapped

Category Six: 1 + 4.7342 = 5.7342 – Autism, traumatic brain injury, both visually and hearing disabled

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

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

Table 3: Career-technical Education Total Weight Categories

Workforce Development Program Weight: 1 + 0.57 = 1.57

Non-Workforce Development Program Weight: 1 + 0.28 = 1.28

0.05 – All Career-technical Education Program Associated Service Weight

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

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

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

The creation of a DPIA index has lessened the impact of the decline of the welfare caseload on the amount of DPIA funding for individual districts. The budget adopts a new poverty indicator to further stabilize DPIA funding beginning in FY 2004 – the earliest possible schedule for using the new indicator based on the recommendations of the Legislative Office of Education Oversight (LOEO). Instead of using the single measure of the number of students whose families participate in OWF, the new indicator uses the unduplicated count of children whose families participate in four state welfare programs, including OWF. Based on the LOEO research, the new indicator is likely to increase DPIA eligible students by 27.1 percent. State DPIA funding is likely to increase by 11.0 percent as a result. Since significant assumptions

were needed to complete the estimates, these results should be viewed as fairly tentative, especially for individual school districts.

A Statistical Pupil Transportation Funding Model

To promote transportation efficiency, the budget continues to use a multiple regression model with a rough road subsidy to fund pupil transportation. The model uses an algebraic equation to predict each district's transportation cost based on each district's daily bus mileage per ADM and its percentage of pupils transported. The state funding is based on the transportation model cost instead of actual transportation expenditures. The state reimbursement rate is 57.5 percent in FY 2002 and 60 percent or the district's state share percentage of the base cost funding, whichever is greater, beginning in FY 2003. The additional rough road supplement is provided to mainly sparse rural districts in counties with a high percentage of rough roads as defined by the Department of Transportation.

Summary of an Adequate Education Cost Model

In summary, the model adopted by the 124th General Assembly to determine the cost of an adequate education includes three main components: (1) base cost; (2) adjustments to the base cost to account for uncontrollable cost factors individual districts face in providing an adequate education (including the regional labor market cost, special education, career-technical education, and DPIA); and (3) a statistical pupil transportation model. Federal revenues that are beyond the control of state and local school districts will continue to flow independently of the model. (Most of the federal dollars are distributed based on poverty.) The adequate education cost model includes both state and local costs. The total cost of an adequate education for an individual district is determined by the model that takes into account the characteristics of the district and its students. Once total model cost of an adequate education is determined for a school district, the foundation SF-3 formulas are used to determine an equitable way of sharing the district's total model cost between the state and the district (see next section for details).

FUNDING FORMULAS FOR AN ADEQUATE EDUCATION MODEL COST

As indicated earlier, the performance based model adopted by the General Assembly determines the total state and local cost of an adequate education for an individual district. Once the total cost of an adequate education is established, the state share is largely equalized based on each individual district's property wealth. The GRF and lottery appropriations for the department total $17.7 billion in the FY 2002-FY 2003 biennium. Of this amount, an estimated $11.5 billion will be distributed to the 612 school districts and the 49 joint vocational school districts through equalized foundation SF-3 formulas, named after the form used by the department to calculate the state share of an adequate education model cost for each individual school district. Gap aid is also an essential part of the formula since it provides subsidies to eligible districts to ensure they receive the full amount of state and local revenues to fund the model cost of an adequate education. These various formulas are discussed in the following sections.

Base Cost Funding Formula

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

Table 4: Base Cost Funding Formula

Total Base Cost = State Share + Local Share (Charge-off)

Total Base Cost = Per Pupil Base Cost Formula Amount x CDBF x Formula ADM

Charge-off = Total Recognized Valuation x 23 Mills

Total Base Cost

Total base cost for a school district is essentially a result of multiplying the per pupil base cost formula amount with the CDBF adjustment by the number of students enrolled in the district.

Base Cost Formula Amount. As indicated earlier, the 124th General Assembly continues to use a performance based method to determine the base cost of an adequate education. The formula amount determination is independent of the state budget preparation process. The so-called residual budgeting phenomenon has been eliminated. The updated base cost formula amount is $4,818 in FY 2002. With an inflationary adjustment, the formula amount is $4,949 in FY 2003. The General Assembly is required to update the cost of an adequate education every six years. For years between updates (FY 2003-FY 2007), the base cost formula amount will be adjusted by a minimum inflationary factor of 2.8 percent per year.

Cost of Doing Business Factor. To compensate school districts for higher costs they may have to incur to provide an adequate education due to the county by county systematic differences in the regional labor markets, the formula amount is adjusted by the countywide based CDBF. The budget permanently freezes the range of CDBF at 7.5 percent with the lowest factor of one for Galia County and the highest factor of 1.075 for Hamilton County. The adjusted formula amount of $5,175 ($4,814 x 1.075) in FY 2002 for school districts in Hamilton County is viewed as equivalent to the formula amount of $4,814 in Galia County. In other words, to ensure a similar ability to provide an adequate education, the formula provides 7.5 percent more in the base cost funding to districts in Hamilton County than it provides to districts in Galia County. The cost of the CDBF adjustment totals approximately $670.1 million over the biennium. Counties with the highest labor market costs in the state are Hamilton, Cuyahoga, Butler, Warren, and Summit.

Formula ADM. Total base cost calculations for a given year are based on the so-called October count, or the average daily membership (ADM) of students during the first full week of October classes for that fiscal year. The formula ADM is an adjusted October count. All K-12 students, including special and career-technical education students, are included, but kindergarten students are counted at the 50 percent level and JVSD students are counted at the 25 percent level.

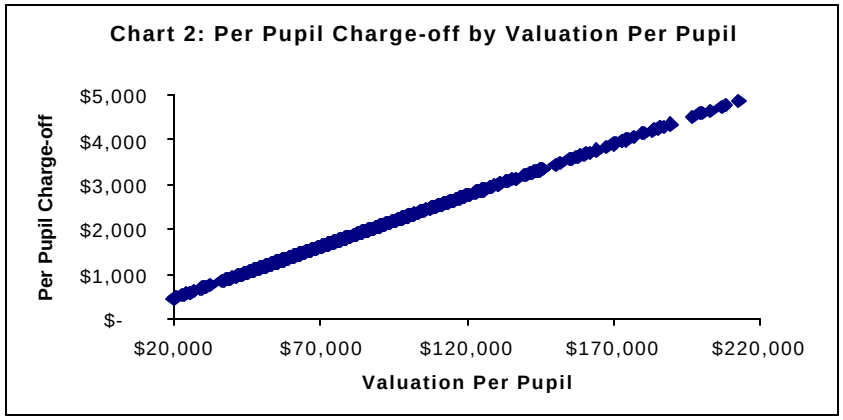
The growth of public school student enrollment in the 1990s reached its peak in FY 1998 and the enrollment has decreased consistently since then. The statewide formula ADM is projected to decrease by 0.3 percent per year in the FY 2002-FY 2003 biennium. Enrollments are estimated to decline in about 397 school districts (or 65 percent of all districts) in FY 2002. As one of the several measures to minimize the fluctuation in state aid due to declining enrollments, the greater of current year or 3-year average formula ADM is used in the base cost funding formula. As a result, the state funds more than 31,000 students who are not enrolled in any school over the biennium with a cost of approximately $134.7 million.

Local Share (23 Mills Charge-off)

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

Charge-off = Total Recognized Valuation x 0.023

This charge-off method assumes 23 effective mills against all property adjusted for phasing-in the inflationary increases in carryover real property in update/reappraisal years. This is a rational and equitable statewide charge-off system. Per pupil local share under this method has an upward linear straight line relationship with each district's valuation per pupil, i.e., higher per pupil valuation, higher per pupil charge-off (see Chart 2). This method is closely connected to each district's actual property wealth.



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

Real property is updated every three years and reappraised every six years in Ohio. School districts generally will experience significant increases in real property value in the reappraisal or update year. Revenue from voted operating mills on existing (carryover) real property, however, does not grow with appreciation in value of property due to H.B. 920. Millage rates are generally adjusted downward to maintain the same dollar amount of revenue from levies. For example, a school district may have a 15 percent increase in real property valuation in a reappraisal year and end up with only 2.3 percent growth in revenue from real property. However, the previous base aid formula used the full growth value and assigned a 15 percent increase in local share for the district in that reappraisal year. While the effect of that increase was at least partially offset by the increase in the formula amount, a district's state aid would sometimes decrease by a significant percentage in that year. The state funding fluctuated along the reappraisal/update cycles. (This was never a fair comparison because a three-year increase in value was matched against an annual increase in the formula amount.)

To minimize the fluctuation in state funding due to reappraisal/update cycles, Am. Sub. H.B. 215 of the 122nd General Assembly adopted the "recognized" valuation provision. Beginning in FY 1998, a school district's inflationary increase in carryover real property in the reappraisal/update year has been "recognized" evenly over a three-year phase-in period. If a district experiences a 15 percent inflationary increase in real property in a reappraisal year, the base cost formula only recognizes a 5 percent increase in that year, 10 percent increase in the following year, and the full 15 percent growth in the third year. In other words, in the third year recognized valuation equals assessed valuation. On average, the recognized valuation provision lowers the charge-off by approximately $125 million statewide per year.

Income Factor. An income factor was first adopted in the base cost funding formula in FY 1996. It originally lowered valuations for districts with median incomes below the statewide median and adjusted valuations upward for districts with median incomes above the statewide median. The adjustment applies to a uniform per pupil valuation of $60,000 to standardize the benefit of the income factor. By altering a district's true property wealth in the eyes of the formula, the income factor adjustment provided more (less) state aid to low (high) personal income districts than if their "true" valuations were used in the calculations. For example, while the formula amount was $3,851 in FY 1999, the usage of the income factor adjustment caused the state to provide less than $3,851 in the base cost funding for students in higher income districts and more than $3,851 for students in lower income districts. In response to *DeRolph I*, the 122nd General Assembly eliminated the income factor adjustment for higher income districts beginning in FY 2000 to ensure an adequate education for students in every district regardless of the district's wealth. Meanwhile, it continued the adjustment (at the 4/15 level) for lower income districts to further increase state aid (above the base cost funding level) to districts where taxpayers have a low ability to pay property taxes.

It is clear that the base cost funding formula requires the state to provide equalized state aid to ensure the same per pupil base cost funding adjusted by CDBF for every student in every district. The property or income wealth of a district has no impact on the district's ability in funding the base cost. The purpose of the income factor adjustment is to distribute additional state aid within the base cost funding program to help lower income districts provide educational services beyond the adequacy level. The budget eliminates the income factor adjustment in the base cost funding formula and moves the personal income wealth consideration into newly established Parity Aid, which provides equalized state aid for local education enhancements (see section "Funding Model and Formula for Education Beyond Adequacy" of this analysis for details).

State Base Cost Funding

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

State Base Cost Funding = District's Total Base Cost – District's 23 Mill Charge-off

Total statewide base cost for the 612 school districts is projected at approximately $17.5 billion over the biennium. The biennial local share is approximately $9.0 billion. The state base cost funding (excluding any guarantee) amounts to approximately $8.5 billion over the biennium.

Since the formula requires the state to provide funding to make up the difference between the total base cost and the 23 mill charge-off for every district, it effectively guarantees the same per pupil base cost funding with the CDBF adjustment from the combination of state and local revenues at 23 mills for all Ohio school children. The same 23 mill property tax levies generate more local revenues in high property wealth districts than they do in low property wealth districts. However, the formula requires the state to provide more base cost funding for low wealth districts. In other words, the state share percentage of the base cost funding is higher for a low wealth district than that for a high wealth district.

"Marginal" Students vs. State Share Percentage (Average Per Pupil Base Cost Funding)

While the average per pupil base cost funding is a widely used statistic indicating the state share percentage of the base cost funding for an individual school district, the base cost funding formula itself

does not operate based on the average per pupil base cost funding. A district's total property value does not depend on the number of students in the district. The district's formula share is a fixed amount of revenues generated by 23 mills of local property tax levies. When adding or subtracting students from the formula, the vast majority of districts will gain or lose the full formula amount with the CDBF adjustment, instead of average per pupil base cost funding, for every student being added into or subtracted from the formula ADM. These students are commonly referred to as "marginal" students.

To determine the state base cost funding for a school district in a given year, the formula first looks at how many students can be supported by the fixed amount of local charge-off revenues (or the break-even ADM number). If the number of students for a district is less than the number of students supported by the 23 mills (the district is very wealthy and above the formula equalization level), the district is not eligible for any state aid from the formula calculation alone since the total base cost for the district is equal to or less than the 23 mill charge-off amount. For every marginal student above the break-even ADM number, the formula requires the state to pay the full formula amount with the CDBF adjustment for the district. Conversely, the district would lose the full formula amount with the CDBF adjustment when it loses a "marginal" student.

The state share percentage (or average per pupil base cost funding) is an end result of the formula. The base cost funding formula does not operate based on each district's state share percentage. Rather, it produces a state share percentage for a given number of students. The district's state share percentage (or average per pupil base cost funding) changes when students are added into or subtracted from the formula because the total base cost funding amount changes.

The State Share Percentage of the Base Cost Funding (excluding guarantee)

The base cost funding formula produces an equalized state share percentage (excluding guarantee) of the base cost funding for every district. This percentage is then used to equalize additional state funding for various adjustments to the base cost funding, such as special education, career-technical education, and pupil transportation (beginning in FY 2003). In FY 2002, the estimated state share percentage ranges from zero percent for 21 districts with above the formula equalization wealth levels to approximately 93.8 percent for the district with the lowest charge-off valuation per pupil in the state. The average state share percentage is 48.4 percent. However, the median state share percentage is 56.3 percent in the same year. In other words, about 306 districts receive more than 56 percent of their base cost funding from the state. Also, approximately 374 school districts (or 61.1 percent of all districts) receive more than 50 percent of their base cost funding from the state.

Public Utility Property Assessment Rate Reduction – S.B. 3 and S.B. 287 of the 123rd General Assembly

S.B. 3 and S.B. 287 of the 123rd General Assembly, among other things, reduce the tangible personal property assessment rates to 25 percent for all non-transmission and non-distribution of both for profits and rural electrics and natural gas. Before these changes, public utility property was assessed at rates from 50 percent, 88 percent, to 100 percent of true value. These tax changes first apply to tax year 2001. Thus, they will affect the property tax revenues to school districts and other local government beginning in calendar year 2002 and will affect state foundation payments to school districts beginning in FY 2003. S.B. 3 and S.B. 287 also establish excise taxes on usage of electricity and distribution of natural gas to provide replacement revenues for all taxing districts for at least five years equal to their tax value losses as determined by the Department of Taxation. (The revenue replacement for a bond levy would last for the duration of the levy.)

The school district replacement mechanism is tied in with the school foundation formulas. A decrease in a district's taxable value will increase the amount of state aid paid to the district under the formulas. In

recognition of this formula effect, S.B. 3 and S.B. 287 divide school district replacement revenues into two parts: GRF for state foundation aid and non-GRF for direct school district property tax replacement. In other words, school districts are to be compensated for their tax value losses in the first 23 mills from the state foundation formulas. Any millages above the foundation program are to be paid from non-GRF School District Property Tax Replacement Fund (Fund 053). On average, school districts levy 45 mills in public utility tangible taxes.

According to the Department of Taxation, tax value loss as a result of S.B. 3 and S.B. 287 totals approximately $4.4 billion. The estimated per pupil tax value loss ranges from $152 to $129,260 with an average of $2,622 per pupil or approximately two percent of value on average. Tax value losses affect all but one district. (One district actually gains taxable value due to S.B. 3 and S.B. 287.) Based on the current available data, school districts will receive approximately $91.5 million in additional state foundation aid in FY 2003 for their tax value loss due to changes made by S.B. 3 and S.B. 287. In addition, the budget provides $102.0 million in FY 2002 and $115.9 million in FY 2003 in state special revenue funds for school district property tax replacements (item 200-900). On average, school districts will receive approximately $68 per pupil per year in non-GRF school district property tax replacement aid.

Equity Aid Phased-Out

Equity aid was first created in FY 1993 against the backdrop of the *DeRolph* case to target more state aid to low wealth districts. At the peak of equity aid (FY 1998), it equalized an additional 13 mills (above 23 mills) to the 48th percentile district's wealth level with no additional local effort requirement. A total of 292 low wealth districts received $109.4 million in equity aid in FY 1998; the poorest district in the state received more than $700 in per pupil equity aid. The 122nd General Assembly began to phase-out equity aid with the commitment of bringing every district to the same adequate education level. Under H.B. 282 of the 123rd General Assembly, the 117 lowest wealth districts would be eligible for equity aid at 9 mills in FY 2002. There would be no equity aid beginning in FY 2003.

The 124th General Assembly recognizes the importance of equalizing local enhancement revenues in order to narrow overall spending disparities among school districts. To this end, the budget establishes a better defined Parity Aid model to fund education enhancements (see section "Funding Model and Formula for Education Beyond Adequacy" of this analysis for details). The budget also slows the phase-out of equity aid in recognition of the parity aid phase-in. From FY 2002 to FY 2005, every year the 117 lowest wealth districts will be eligible for equity aid at 9 mills, but at the 100, 75, 50, and 25 percent levels, respectively (see Table 5).

Table 5: Equity Aid =

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

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

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

The budget appropriates $23.5 million in FY 2002 and $20.0 million in FY 2003 for equity aid. If the General Assembly were to follow the original phase-out schedule, there would be no equity aid in FY 2003. In other words, the budget provides an additional $20.0 million in equity aid. Under the budget,

equity aid will be completely phased out beginning in FY 2006 while parity aid will be fully implemented in the same year.

Additional Funding for Special Education

Special Education Weight Cost Funding. The budget establishes a new six-weight system to provide additional funding for special education. In addition to the base cost funding, special education students are grouped into six categories and assigned additional weights to reflect higher costs of special education services. The state share of the special education weight cost funding is equalized based on each district's share percentage of the base cost funding (see Table 6a).

Table 6a: State Special Education Weight Funding =

Total Special Education Weights x Formula Amount x District's State Share % x State Payment %

State Payment % - 82.5% in FY 2002 and 87.5% in FY 2003.

In FY 2001, there were about 201,643 special education students, representing 11.8 percent of total students in the 612 school districts. Over $600 million in state special education weight funding will be distributed over the biennium.

Speech Service Supplement. The budget also continues to fund the state share of supplemental funding for one speech service personnel for every 2,000 ADM (see Table 6b). The personnel allowance is $30,000 per year. The formula provides approximately $24.7 million over the biennium for speech service supplement.

Table 6b: State Speech Service Funding =

(Formula ADM / 2,000) x $30,000 x District's State Share %

Additional Funding for Career-technical Education

Career-technical Education Weight Cost Funding. Just like special education students, career-technical education students receive additional funding above the base cost funding. The additional weight is 0.57 for a career-technical FTE student enrolled in the workforce development programs and 0.28 for a career-technical FTE student enrolled in all other career-technical education programs. All career-technical education students also receive a 0.05 weight for associated services. The state career-technical education weight funding is also equalized based on each district's state share percentage (see Table 7a). More than $90 million in career-technical education weight funding will be distributed to the 612 school districts over the biennium. Additional amounts are distributed to the 49 joint vocational school districts for the same purpose (see section "JVSD SF-3 Funding Formula" of this analysis for details).

Table 7a: State Career-technical Education Weight Funding =

Total Career-technical Education Student Weights x Formula Amount x District's State Share %

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

GRADS Teacher Grants. The budget funds equalized state grants for up to 225 full-time equivalent GRADS (Graduation, Reality, and Dual-role Skills) teachers approved by the department. The grant funds the state share of the personnel allowance of $46,260 per GRADS teacher in each year (see Table 7b). Most GRADS teachers are currently employed by joint vocational school districts. The bulk of the estimated biennial $13.0 million in GRADS teacher grants would therefore go to the 49 joint vocational education school districts.

Table 7b: State GRADS Teacher Grant =

$46,260 x Approved GRADS Teacher FTE(s) x District's State Share %

Gifted Unit Funding

The budget continues unit funding for gifted education and increases the number of state funded gifted units from 1,000 in FY 2001 to 1,050 in FY 2002 and to 1,100 in FY 2003. Unit funding is largely unequalized and funds part of gifted education personnel cost based on the following formula:

Table 8: State Gifted Unit Funding =

Approved Unit Numbers x [Salary Allowance + 15% Fringe Benefits + Classroom Allowance ($2,678) + Supplemental Unit Allowance ($5,241)]

Salary allowance is based on the state minimum teacher salary schedule prescribed by law. The classroom allowance has remained steady for many years. The supplemental unit allowance remains at the FY 2001 funding level. Approximately 50 percent of the supplemental unit allowance is equalized based on each district's state share percentage. There is no equalization component for gifted units located in educational service centers. Approximately 20 percent of gifted units are currently located in the educational service centers. The state gifted unit funding will amount to about $80 million over the biennium. The unit reimbursement value will largely remain at the FY 2001 level of approximately $36,850 in each year.

Disadvantaged Pupil Impact Aid (DPIA)

The budget adopts a new poverty indicator for the DPIA program beginning in FY 2004 – the earliest possible schedule for using the new indicator based on the recommendations of the Legislative Office of Education Oversight. Instead of using the single measure of the number of children whose families participate in Ohio Works First (OWF), the new indicator will use the unduplicated count of children whose families are enrolled in four state welfare programs, including OWF. Based on LOEO research, the new indicator is likely to increase DPIA eligible students by about 27 percent. The state DPIA funding is likely to increase by approximately 11 percent as a result. Because significant assumptions were made in order to complete the estimates, these results should be viewed as fairly tentative estimates.

Meanwhile, the budget continues to use OWF student counts as the poverty indicator for the FY 2002-FY 2003 biennium. Funding is distributed based on the DPIA index, which compares each district's OWF student percentage to the statewide average OWF student percentage. When a district's OWF student count and the statewide OWF student count decrease at the same time, the district's index count could remain unchanged or could change by a smaller magnitude. The program funding stability increases as a result of tying a district's funding level to the index.

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

Table 9: All-day and Every Day Kindergarten Funding =

Kindergarten ADM x 50% x Formula amount x Actual all-day kindergarten percentage

(The other 50 percent of kindergarten ADM is included in formula ADM to qualify for the base cost funding)

The change in a district's DPIA index from slightly above one to slightly below one or vice versa could have a significant impact on the district's all-day kindergarten funding. The budget guarantees school districts that actually provided all-day kindergarten in the previous year will continue to be eligible for this funding in the next year regardless of their index numbers.

The budget provides $220.8 million over the biennium for eligible districts to provide this service. In FY 2001, $96.8 million was allocated to fully fund all-day kindergarten in all 106 eligible districts and $87.5 million (or 90.4 percent) was distributed to 99 districts that actually provided this service. The other seven eligible districts did not receive funding due to the lack of all-day and every day kindergarten service.

K-3 Class Size Reduction. School districts with a DPIA index of greater than or equal to 0.6 are eligible for funding to reduce K-3 pupil/teacher ratios ranging from 23:1 to 15:1 depending on districts' poverty levels. Districts with a DPIA index greater than or equal to 2.5 will receive funding to reduce ratios to 15:1. Districts with a DPIA index greater than or equal to 0.6, but less than 2.5, will receive funding based on a sliding scale to reduce pupil/teacher ratios ranging from 23:1 down to 15:1.

The formula assumes that every eligible district currently has a student to teacher ratio of 23:1. Then, the formula identifies how many additional teachers would be needed to reduce an eligible district's ratio

down to 15:1 according to a sliding scale based on its poverty level and provides funding for the district to hire new teachers. The cost of hiring a new teacher is set at $42,469 in FY 2002 and $43,658 in FY 2003. An estimated $226.2 million is provided over the biennium to fund K-3 class size reduction in approximately 165 eligible school districts.

Safety and Remediation Measures. School districts with a DPIA index greater than or equal to 0.35 are eligible for funding for any safety measures and remediation programs districts elect to implement at approximately $230 per ADC/OWF student. The $230 per pupil subsidy amount is adjusted by a district's DPIA index if the district's index is greater than one. For example, for a district with an index of two, per ADC/OWF student subsidy amount is $460 ($230 x 2). For a district with an index of 2.5, per ADC/OWF student subsidy amount is $690 ($230 x 2.5). An estimated $184.2 million is provided over the biennium for safety and remediation measures.

It should be noted that the amount of state DPIA funding is driven by the formula calculations. Based on the current estimate, the program will provide approximately $699.9 million over the biennium to districts with certain levels of poverty. Of this amount, approximately $460.1 million (65.7 percent) goes to the Big 8 urban districts.

Pupil Transportation

Multiple Regression Model. To promote efficiency, the budget continues to use a regression model to distribute the bulk of funding for regular pupil transportation. The model is based on a statewide analysis of each district's daily bus mileage per ADM and pupil transported percentage. The FY 2000 data analysis yields a simple algebraic equation that can be used to predict the expected transportation cost per ADM for each district as follows:

Cost per ADM = 67.710558 + (165.825598 x Daily Miles per Total ADM) + (124.670680 x Transported Pupil %)

Under the H.B. 650 schedule, the state reimbursement rate is 57.5 percent of each district's predicted cost in FY 2002 and 60 percent beginning in FY 2003. The budget increases the reimbursement rate in FY 2003 to the greater of 60 percent or the district's state share percentage of the base cost funding. This provision significantly benefits low wealth districts with a high intensity of transportation service need. It provides an additional $10.7 million in state funding to about 248 school districts with state share percentages higher than 60 percent.

Rough Road Supplement. The budget continues the rough road subsidy to provide additional supplemental funding to sparse rural districts in counties with high rough road percentages for their higher pupil transportation costs. To be eligible for this supplement, a district must have a below statewide average pupil density (number of students per square mile) and a higher than the statewide average rough road percentage. The maximum rough road subsidy is $0.75 per mile. Based on the current estimates, 111 districts will receive approximately $3.3 million each year in rough road supplemental funding.

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

the State Board of Education. It is estimated that the state funding for regular pupil transportation will amount to approximately $598.2 million over the biennium.

The budget also provides funding for special education pupil transportation. This funding was significantly improved beginning in FY 2000. The state reimbursement rate is now the same as that for regular pupil transportation, i.e., 57.5 percent in FY 2002 and the greater of 60 percent or the state share percentage of the base cost funding beginning in FY 2003. However, the state reimbursement for special education transportation has historically been based on actual expenditures reported by school districts and is made outside the foundation SF-3 formula. It is estimated that the state funding for special education pupil transportation will amount to approximately $98.4 million over the biennium.

Excess Cost Supplement – New

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

The local share of special and career-technical education is already equalized based on a district's state share percentage of the base cost funding. For a given service need, the local required share would result in the same number of mills. However, the need for these services can vary greatly from one district to another, especially for certain individual districts. Therefore, the local share of these items could require different levels of local property tax levies. For example, the estimated local share for transportation as well as special and career-technical education model costs ranged from less than one mill to more than seven mills with a statewide average of three mills in FY 2001.

By establishing the excess cost supplement, the budget effectively puts a cap on the maximum required local contribution (26 mills) on funding the model cost of an adequate education. It provides an estimated $31.1 million in state funding to over 40 percent of school districts in FY 2003. Per pupil benefit ranges from less than $10 in some districts to more than $300 in a few districts with an average of $48 for all eligible districts.

Table 10 shows examples of estimated excess cost supplement payments for five districts. It can be seen from the table that a required higher local millage rate is primarily due to a higher need for these services. The excess cost supplement intends to ensure school districts will not be overburdened by the local share of the formula costs for these items. It will allow school districts (especially those low wealth districts) that make a greater effort to enhance their education services to have more local revenues available for their local enhancement purposes. The higher need for transportation service generally concentrates on rural southeastern Ohio school districts. The higher need for special education services, however, also affects many medium and even a few high wealth suburban districts.

Table 10: Examples of Excess Cost Supplement

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

The SF-3 Funding Guarantee

The guarantee provision provides more state aid than the amounts determined by the formula to eligible districts. School districts are guaranteed to receive their FY 1998 fundamental aid (SF-3 minus transportation funding) amounts. An estimated $83.1 million is provided over the biennium to eligible districts because of the FY 1998 fundamental aid guarantee provision. The guarantee amount has been declining in recent years largely due to the rapid state aid increases. In the FY 2000-FY 2001 biennium, the FY 1998 fundamental aid guarantee amounted to $133.2 million.

Charge-off Supplement (Gap Aid) Expansion

One of the most significant but least understood new features in H.B. 650 of the 122nd General Assembly is the charge-off supplement (more commonly know as gap aid) provision. Gap aid previously filled any missing local revenues for every district's formula share of the base cost funding as well as special and career-technical education weight costs. It assures every district has the full amount of state and local revenues to fund the cost of these items. It also effectively ensures the local share of the base cost funding as well as special and career-technical education weight cost funding does not depend on the locally voted property tax system.

The budget extends gap aid to include the local share of transportation model cost and provides $69.6 million over the biennium for the program. Due to the establishment of the excess cost supplement and a higher pupil transportation reimbursement rate, the need for gap aid declines in FY 2003. Gap aid is now calculated as follows:

Table 11: Gap Aid =
+ Local share of the base cost funding (23 mill charge-off)
+ Local share of special education weight cost funding
+ Local share of career-technical education weight cost funding
+ Local share of transportation model cost funding
- Excess cost supplement
- Total local operating revenues (including property taxes and school district income taxes)

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

It should be noted that the cost of gap aid and the excess cost are somewhat interdependent. For example, if two districts both have the same total formula local share of 27 mills (23 mills for the base cost funding and 4 mills for special education, vocational education, and pupil transportation), District 1 has an amount of local operating revenue equal to 22 mills of property tax levies and District 2 has 26 mills. District 1 would receive an amount of state subsidy equal to one mill (4 mills – 3 mills) of levy from the excess cost supplement and the equivalent of 4 mills (26 mills – 22 mills) of levies from gap aid. District 2 would be eligible for an equivalent of one mill (4 mills – 3 mills) of levy from the excess cost supplement. If there were no excess cost supplement, District 1 would receive an amount of state subsidy equal to 5 mills (27 mills – 22 mills) of levies from gap aid. District 2 would also be eligible for the equivalent of 1 mill (27 mills – 26 mills) of levy from gap aid.

JVSD SF-3 Funding Formulas

The 49 joint vocational school districts serve approximately 35,000 career-technical education students from their 495 associate districts. They are funded through separate SF-3 formulas that are parallel to the ones used to fund the 612 school districts. The JVSD SF-3 funding formulas also include the base cost funding, special education weight, speech service supplement, career-technical education weight, and GRADS teacher grants. Joint vocational school districts are guaranteed to receive at least their FY 1999 funding amounts.

The charge-off millage rate for the JVSD base cost funding formula is 0.5 mills. The estimated state share percentage of the base cost funding ranges from zero percent to almost 90 percent with an average of 66 percent in FY 2002. Forty-one out of the 49 JVSDs will receive more than 50 percent of the base cost funding from the state. Two are above the formula equalization level with a zero percent state share percentage and state share percentages for the remaining six districts range from 13 to 46 percent.

The state funding for career-technical and special education for JVSDs is also equalized based on an individual district's state share percentage. It is estimated that the JVSD SF-3 funding will amount to more than $383 million over the biennium.

Summary

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

Once the model cost of an adequate education is determined, various foundation SF-3 formulas are used to determine an equitable state and local share of the adequate education cost. These formulas ensure every district receives sufficient state and local revenues to fund the model cost of an adequate education. There are little disparities in the adequate education level (see Chart 3).

Chart 3: State & Local Share of Per Pupil Adequacy Cost by Wealth Based Quartile, FY 2002

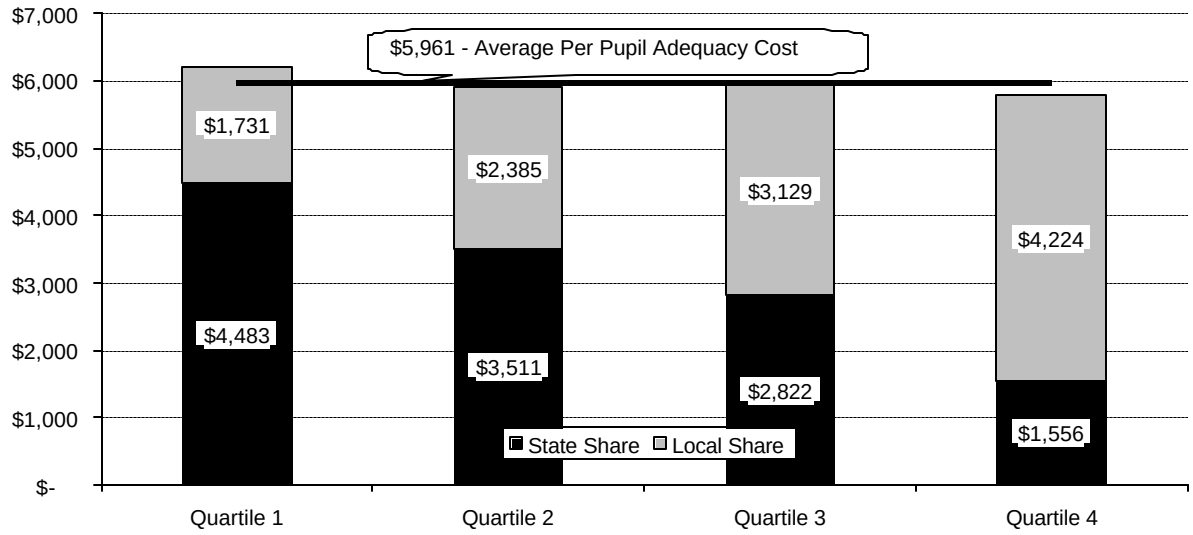


Chart 3 groups the 612 school districts into quartiles based on property wealth with Quartile 1 having the lowest average per pupil recognized valuation and Quartile 4 having the highest average per pupil recognized valuation. Each quartile includes approximately 25 percent of total students statewide. It can be seen from the chart that per pupil adequacy cost has no relationship with a district's property or income wealth. While Quartile 1 has the lowest property wealth in the state, its per pupil adequacy cost is actually slightly higher than the other three quartiles and is also higher than the state average. This is due to the fact that Quartile 1 districts tend to have a higher need (poverty, transportation, special education, etc.). Overall, all four quartiles have similar amounts of per pupil adequacy cost under the model ($6,214, $5,896, $5,951, and $5,780, respectively). Small differences are legitimate due to differences in characteristics of students and school districts in each quartile. They are not due to the wealth level of each quartile.

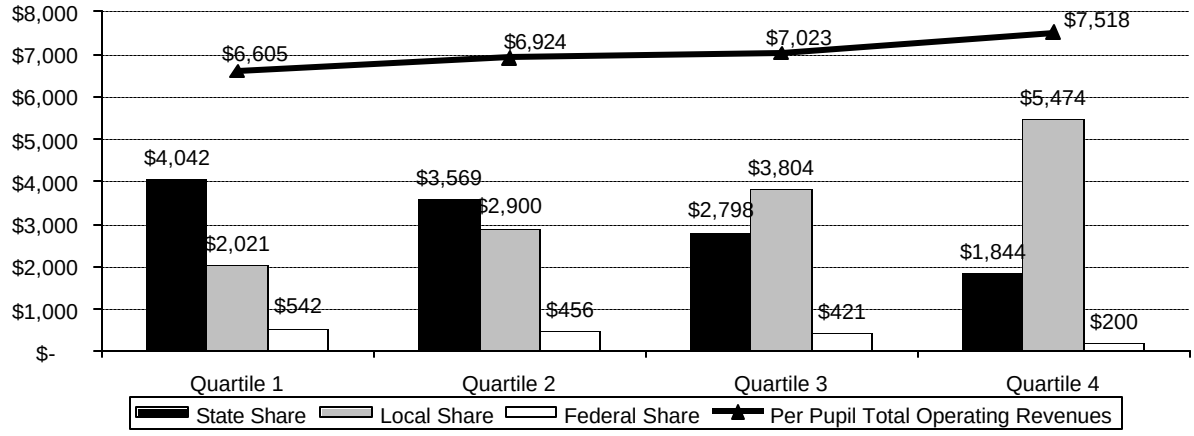
Various components of foundation SF-3 formulas are used to provide equalized state aid to neutralize the impact of property wealth on districts' abilities in funding the model cost of an adequate education. The state share percentages of an adequate education for quartiles 1 to 4 are 72.1, 59.5, 47.4,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

FUNDING MODEL AND FORMULA FOR EDUCATION BEYOND ADEQUACY – PARITY AID

Where Are The Disparities?

There are no disparities in the adequate education level as indicated earlier. Then, where are the disparities? As shown in Chart 4, spending above the adequacy level is the origin of disparities. In Chart 4, school districts are grouped based on the same method used in Chart 3. While there is little difference in the four quartiles in Chart 3, in Chart 4 the average amount of per pupil total revenues available for Quartile 4 districts is more than $900 higher than that for Quartile 1 districts. Quartile 4 districts on

Chart 4: State, Local, and Federal Shares of Per Pupil Operating Revenues by Wealth Based Quartiles, FY 2000



average raise more than $3,400 per pupil in local revenues to support their higher spending. (Lower state and federal revenues reduce the total revenue advantage to the net level of $900.)

Under Ohio's school funding system, there is no limit on the amount of additional taxes local residents can approve for their schools. The state foundation program equalizes approximately 72 percent of local operating revenues and the other 28 percent (about $1.9 billion in FY 2002) is available for local school districts to provide education services beyond adequacy. The 25 percent of students in the wealthiest districts (about 20 percent of all districts) have a disproportionate share of local enhancement revenues. Without a major property tax reform or increasing the foundation program charge-off millage rate, the state would have to somewhat equalize spending above adequacy if it wishes to narrow disparities in local enhancement revenues.

Funding Model for Education beyond Adequacy – Parity Aid

The budget establishes parity aid to address disparities in local enhancement revenues. Parity aid equalizes an additional 9.5 mills (above the adequacy level) to the 80th percentile district's wealth level. The parity aid wealth is a weighted average of property wealth (2/3) and income wealth (1/3). The property wealth is measured by per pupil property valuation and the income wealth is measured by the federal adjusted gross income per pupil. These weights generally reflect the recognition of the main local revenue source (property taxes) and the importance of income wealth in determining a district's ability to raise local enhancement revenues above the adequacy level. The combination of property wealth and income wealth also provides a better local capacity measure than property wealth or income wealth alone does.

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

Alternatively, certain districts are eligible for parity aid at the FY 2001 income factor adjustment level. As indicated earlier, the budget eliminates the previous income factor adjustment in the base cost funding formula since the purpose of the adjustment is to provide state funding for education enhancement services. The budget provides alternative parity aid to continue the income factor adjustment benefit at the FY 2001 level for certain school districts. Specifically, school districts with a cost of doing business factor greater than 1.0375 and a DPIA index of greater than one are eligible for alternative parity aid.

Funding Formulas for Parity Aid

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

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

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

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

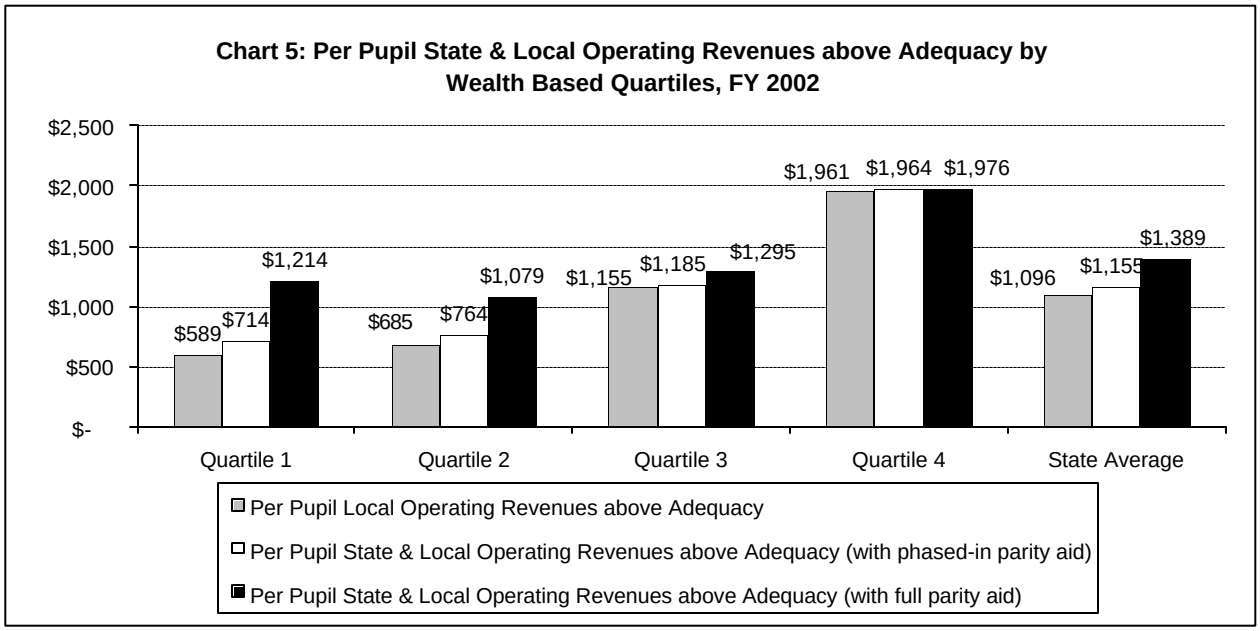
State Payment % = 50% in FY 2002 and 100% beginning in FY 2003

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

Overall, about 492 school districts are eligible for parity aid. The vast majority of these districts will receive standard parity aid. The estimated threshold wealth is $137,699 in FY 2002 and $142,894 in FY 2003 based on the current available data. The budget provides $310.1 million in parity aid over the biennium. If parity aid were fully implemented in FY 2002, it would provide approximately $494.3 million in state funding for education enhancement services for school districts. Per pupil benefit would range from $987 to less than $10 with an average of $378 per pupil.

Effect of Parity Aid

As indicated earlier, one of the main goals for parity aid is to equalize local spending beyond the adequate education foundation program among school districts. Chart 5 shows the effect of parity aid in equalizing local enhancement spending in FY 2002 under phased-in parity aid and assumed full implementation of parity aid. These school district quartiles are constructed in the same manner as those shown in Chart 3 and Chart 4. Each quartile includes approximately 25 percent of total students statewide. Quartile 1 districts have the lowest average valuation per pupil and Quartile 4 districts have the highest average valuation per pupil. The chart only includes local property taxes and school district income taxes for operating expenses beyond the adequate education funding level. It does not include federal funds as well as some other state and local funding for education enhancements (such as state grant programs and local permanent improvement levies).



The gray bars in Chart 5 show only local per pupil operating revenues beyond the adequacy level. It varies from $589 per pupil for Quartile 1 to $685 per pupil for Quartile 2, $1,155 per pupil for Quartile 3, and $1,961 for Quartile 4. Quartile 3 has almost twice and Quartile 4 has more than three times the amount of per pupil enhancement revenues available as Quartile 1. With phase-in parity aid, per pupil state and local operating revenues (the white bars) are $714, $764, $1,185, and $1,964 for quartiles 1 to 4, respectively. Obviously, the local enhancement revenue variance has been narrowed as a result of equalized state parity aid.

The black bars in Chart 5 show per pupil state and local operating revenues beyond the adequacy level assuming a full implementation (no phase-in) of parity aid in FY 2002. It is quite clear that parity aid will significantly reduce disparities in local enhancement revenues once it is fully implemented. Under full parity aid, per pupil local enhancement revenues for quartiles 1 to 4 would be $1,214, $1,079, $1,295, and $1,976, respectively. There would be very little differences in the amounts of available enhancement revenues for the lowest 3 quartiles of school districts.

PHANTOM REVENUE

Types of Phantom Revenue

DeRolph II cited the existence of three types of phantom revenues. "Type III" phantom revenue is referring to the previous application of the income factor to adjust valuation upward in the formula for districts with an income factor above one. This adjustment was completely eliminated by the 122nd General Assembly and this policy remains unchanged under the budget.

"Type I," or formula phantom revenue, is referring to the difference between the formula local share and the amount of revenues a district actually collects. The origin of Type I phantom revenue is the interaction of the current charge-off method and the H.B. 920 tax policy against the backdrop of the existence of unequal charge-off and H.B. 920 floor guarantee millage rates. School districts are required to levy at least 20 mills (qualifying millage rate) to qualify for receiving the foundation payments from the state.

Before FY 1994, the first year in which the charge-off was increased, the charge-off, qualifying, and H.B. 920 floor guarantee millage rates were the same at 20 mills. There existed no formula phantom revenue problem. This problem arises when the charge-off millage rate is not equal to the H.B. 920 floor guarantee rate. However, with the expansion of gap aid, Type I phantom revenue has been completely eliminated again under the budget because transportation is included in gap aid.

"Type II" phantom revenue is referring to reappraisal phantom revenue as a result of H.B. 920. The budget has not completely addressed reappraisal phantom revenue. However, there appears to be no fair and rational proposal to completely address reappraisal phantom revenue within the education formula. H.B. 920 is a complex tax policy designed to protect homeowners from rapid increases in property taxes following a reappraisal or an update. It affects not only school districts but also other local government entities and all individual taxpayers of the state. Meanwhile, reappraisal phantom revenue does not have an impact on funding for an adequate education. The recognized valuation provision and parity aid partially address the impact of H.B. 920 on school districts' local enhancement revenues. Due to the complexity of H.B. 920, the debate on the H.B. 920 impact should occur in the context of the state's overall tax policy.

H.B. 920 and Reappraisal Phantom Revenue

What is H.B. 920?

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

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

It should be noted that not all property tax levies are subject to the H.B. 920 reduction factor. Emergency and debt service levies produce a fixed dollar amount while levies on new construction and tangible personal property grow when valuation increases. Revenue from inside mills, which are on average about 5 mills for school districts, also grows when valuation increases. Meanwhile, H.B. 920 also prevents the Class I effective rate and Class II effective rate from dropping below 20 mills, i.e., the so-called H.B. 920 floor guarantee. School districts that are at the Class I floor and/or Class II floor benefit from the full tax growth along with the growth in real property value. In FY 1999, there were just over 250 districts at the "floor" for Class I, Class II, or both. (Many of these districts also have a school district income tax or emergency mills so their operating mills are actually well above 20 mills.) Contrary to the picture given

of no property tax growth, these measures allow typical annual growth of nearly three percent without new levies.

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

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

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

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

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

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

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

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

Recognized Valuation. The recognized valuation provision adopted by the 122nd General Assembly lowers the base cost funding charge-off by approximately $125 million per year. The provision phases in the valuation growth due to reappraisal/update over a three-year period in the base cost funding formula. Compared with the previous charge-off method that utilized total assessed valuation, the recognized valuation provision somewhat softens the impact of reappraisal phantom revenue on local enhancement revenues.

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

The state share of the base cost funding and parity aid is 49 percent in FY 2002 – the first update year. This is the target state share percentage for FY 2003 through FY 2007. By stabilizing the state share percentage of the base cost funding, the state share of special and career-technical education additional funding is also stabilized. Disadvantaged Pupil Impact Aid is 100 percent state funded. The state pays the greater of 60 percent or the district's state share percentage of the base cost funding for pupil transportation. It should be noted that the 49 percent state share in FY 2002 only includes the base cost funding and parity aid and excludes the state funding for various adjustments to the base cost. An adequate education cost model includes the base cost, various adjustments to the base cost, and pupil transportation. The average state share of the model cost of an adequate education is approximately 55.8 percent in FY 2002.

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

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

ACADEMIC STANDARDS AND ACCOUNTABILITY REFORM

New Academic Standard and Accountability System – S.B. 1 of the 124th General Assembly

As part of responses to *DeRolph II*, Am. Sub. S.B. 1 of the 124th General Assembly establishes a new academic standard and accountability system for Ohio schools based upon the recommendations of the Governor's Commission for Student Success. It requires the State Board of Education to adopt statewide academic standards and model curricula in reading, writing, math, science, and social studies. It also requires the State Board to develop diagnostic assessments and achievement tests aligned with the academic standards and model curricula. S.B. 1 phases in the development of 15 achievement tests in grades 3, 4, 5, 7, 8, and 10 to replace 20 proficiency tests previously administered in 4th, 6th, 9th, and 12th grades. The five 10th grade achievement tests are named the Ohio Graduation Tests. S.B. 1 also requires school districts to provide intervention services to students who do not attain a "basic" score on any of the achievement tests in 3rd, 4th, 5th, 7th, and 8th grades. It replaces the 4th grade reading guarantee with a new 3rd grade reading guarantee beginning in the 2003-2004 school year.

To judge how well schools are performing under the new academic standards, S.B. 1 extends Ohio's accountability system of academic ratings to individual buildings and adds a new rating of "excellent" for the highest-performing districts and buildings, resulting in five rating categories instead of the former four. Specifically, S.B. 1 requires the State Board to create at least 17 new indicators on an annual basis through 2006 and update these indicators every six years. It specifies the number of indicators a district must meet to achieve each possible rating if the State Board establishes the required minimum of 17 such indicators (see Table 12). For any year in which the number of performance indicators exceeds 17, the State Board must establish the number of indicators a district must meet for each rating in a way that produces a ratio of indicators met to the total number of indicators similar to the ratio produced when the number of indicators is 17.

Table 12: Academic Performance Rating System

Rating	Number of Indicators Met
Excellent	16-17 (or at least 94%)
Effective	13-15 (or at least 76%)
Continuous Improvement	9-12 (or at least 53%)
Academic Watch	6-8 (or at least 35%)
Academic Emergency	0-5 (or less than 35%)

Funding for the New Academic Standard and Accountability System

The budget contains funding for implementing S.B. 1. Because of the volume of work and the number of steps involved, many recommendations will not be completed until the following biennium.

Academic Standards. A new line item, Academic Standards (200-427), is created in the budget to provide funding for strengthening academic content standards. The line item receives approximately $8.5 million in FY 2002 (1,265.1 percent above FY 2001) and $8.7 million in FY 2003 (4.6 percent above FY 2002) to develop new academic standards in all major subjects – English, math, science, and social studies and to communicate expectations to teachers, school districts, parents, and communities.

Student Assessment. Student Assessment (200-437) receives approximately $23.7 million in FY 2002 and $25.9 million in FY 2003, an increase of 65.8 and 9.5 percent, respectively. The increased funding will mainly be used to develop newly established achievement tests and diagnostic tests.

Student Intervention Services. Student Intervention Services (200-513) receives $31.9 million in FY 2002 and $38.3 million in FY 2003, an increase of 10.0 and 20.0 percent, respectively. These funds are used to provide extended learning opportunities for young children most at-risk of not passing the 4th grade reading proficiency test. Funding is targeted for the 340 districts with at least 10 percent of their students below the reading proficient level.

OhioReads. This is Governor Taft's major educational policy initiative that has already attracted 27,000 volunteers as tutors to help improve the reading skill of K-4 students. About 740 elementary schools and 358 community organizations have already received OhioReads grants at an average amount of $54,000, which may be used for teacher professional development in reading, supplies, materials such as books, volunteer training, or technology to support the school's strategic reading improvement plan, etc. The budget provides $32.6 million in each year to continue to provide grants to schools that currently participate in the program and to expand the program to include additional elementary schools.

Reading/Writing Improvement. The newly created Reading/Writing Improvement (200-433), funded at $19.0 million in FY 2002 and $19.2 million in FY 2003, provides funding for summer institutes for reading intervention and various other literacy improvement projects.

OTHER MAJOR INITIATIVES

In addition to funding an adequate education and a new academic standard and accountability system, the budget also provides funding for a variety of other education initiatives.

Funding for Professional Development

Entry-Year Teacher Program. The budget earmarks $5.8 million in FY 2002 and $19.4 million in FY 2003 to support the implementation of a new system of entry-year support and assessment required by Ohio teacher licensure standards for beginning teachers. About 6,000 beginning teachers will enter the work force in 2002.

Professional Recruitment. The newly created Professional Recruitment (200-444) receives $3.6 million over the biennium for recruiting minority teaching personnel, prospective math and science teachers, special education teachers, and principals, as well as for developing a web-based placement bureau and establishing a pre-collegiate program to target future teachers.

National Board Teacher Certification and Regional Professional Development Centers. The budget provides $11.8 million over the biennium for the National Board Teacher Certification Initiative. In addition to providing an annual stipend of $2,500 each to the current 935 certified teachers, funding will support an additional 1,450 teachers in their attempts to attain certification. The budget also provides approximately $12.0 million over the biennium for the 12 Regional Professional Development Centers.

Special Education Enhancements

County MR/DD Boards. The budget appropriates county MR/DD boards $45.3 million in FY 2002 and $47.8 million in FY 2003, representing an increase of 11.7 and 5.6 percent respectively. (The FY 2001 actual disbursements were $40.6 million, $5.3 million under the original appropriation of $45.9 million.)

These funds are used to fund the same number of school-aged children served by county MR/DD boards in FY 1998. School-aged children served by county MR/DD boards are weighted on the same basis as other school-aged special education students served by school districts. Each student is funded with the base cost adjusted by CDBF of the student's resident district and the state share of the weight cost for the student's resident school district. Each county MR/DD board is guaranteed to receive at least the same per pupil amount it received in FY 1998 under the unit funding system. In FY 1998, county MR/DD boards served 4,001 school-aged students and received $32.9 million (including both classroom and related service unit funding) from the state with an average per pupil funding of $8,211. Payments to a county MR/DD board are not deducted from a student's resident school district's state aid, unless the district places with a board more school-aged students than it had placed in FY 1998. For every school-aged student exceeding the number placed in FY 1998, payments will be deducted from the student's resident district's state aid.

Preschool Special Education. Funding for preschool special education and related services provided by school districts, educational service centers, and county MR/DD boards continues to be distributed on a unit basis. The budget provides $78.6 million in each fiscal year to continue the preschool special education program. The program currently serves about 14,127 children aged three through five. In FY 2001, the estimated average reimbursement rate was $42,754 for a classroom unit and $33,783 for a related services unit. These unit reimbursement rates will largely remain the same for FY 2002 and FY 2003.

Career-Technical Education Enhancements

The budget provides approximately $44.1 million over the biennium to fund a variety of career-technical education enhancement programs, such as the Jobs for Ohio Graduates (JOG) program, the tech prep consortia grant program, the K-12 career development program, High Schools That Work, and the career-technical education equipment replacement program. The line item also earmarks $300,000 in each year to establish a new Voc-Ag 5th Quarter Pilot Project. The project will enable students in agricultural programs to enroll in a fifth quarter of instruction. The fifth quarter concept is based on the long-standing and successful agricultural education model of delivering work-based learning through supervised experience. The department is required to report students' performance results under the project by December 31, 2002.

Head Start

Head Start is a federal program that provides comprehensive developmental services (education, health, nutrition, and parental involvement) to low-income preschool children through local community action organizations, schools, and single purpose agencies. The population served under Head Start is comprised of three to five year old children from families with incomes below the federal poverty level. Ohio leads the nation in state funding for Head Start. When combined with federal Head Start funding, the program makes services available to the entire eligible population in Ohio.

The budget provides approximately $98.8 million to continue the state support for Head Start. The bulk of the state funding for Head Start comes from transferred federal TANF Block Grants. The department is required to comply with all TANF requirements, including reporting requirements and timelines, as specified in state and federal laws, federal regulations, state rules, and the Title IV-A state plan.

The budget requires the department to establish a guideline for the program to serve children from families earning up to 185 percent of the federal poverty level. This provision is intended to meet the

childcare needs of low-income families who are working, in training or educational programs, or participating in Ohio Works First approved activities.

The budget limits the distribution of Head Start funds in FY 2002 and FY 2003 to only those grantees that received funds in FY 2001. It allows the department to reallocate unobligated or unspent funds for things such as facilities planning grants and teacher professional development. The budget also requires the department to develop pre-kindergarten reading and mathematics content standards and model curricula and to make them available to Head Start grantees. The state Head Start currently serves 22,000 children at per child funding of $4,400.

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

Public Preschool

The budget allocates approximately $19.5 million in each fiscal year to continue the public preschool program. Up to two percent of total appropriation in each year may be used by the department for administrative costs. The program is required to meet the federal Head Start performance standards, thus components of the service also include education, health, nutrition, and parental involvement. At least 51 percent of children served by the program must come from families earning less than 185 percent of the federal poverty level. Families with incomes above 100 percent of the federal poverty level must pay fees based on a sliding scale to participate in the program. The program currently serves nearly 7,700 three to five year old children and their families at an average cost of $2,483 per child in state funds.

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. As authorized in Chapter 3314. of the Revised Code, any person or group may propose the establishment of a community school and school districts may convert any public school building into a community school. Funding to community schools is provided in the form of a per-pupil foundation amount, as well as special education funds, Disadvantaged Pupil Impact Aid, and other state and federal grants. The Office of School Options of the Department of Education and the Lucas County Educational Service Center provide technical services and oversee community schools.

This budget provides $3.0 million in start-up grants of up to $150,000 each to community schools. Community schools receiving start-up grants under this line item are not eligible for federally funded grants provided under appropriation item 200-613, Public Charter Schools. Currently, 70 community schools are in operation with a total enrollment of approximately 17,464 students, representing nearly one percent of total public school students in FY 2001. Among these community schools, 54 are sponsored by the State Board of Education, 11 are sponsored by the Lucas County Educational Service Center, two are sponsored by the Cincinnati City SD, and the remaining three are sponsored by the Dayton City SD, the Toledo City SD, and the University of Toledo, respectively.

Pilot School Choice Program

Of the Cleveland City School District's DPIA moneys, the budget earmarks up to $14.9 million in FY 2002 and $18.1 million in FY 2003 to fund the pilot school choice program in the Cleveland City

School District. The funding supports 3,885 K-7 students who are currently enrolled in the program and provides the opportunity for a new class of kindergarten students to enroll in the program in each year of the biennium.

Auxiliary Services

The auxiliary services program provides specific secular services and materials to state chartered nonpublic schools. The budget appropriates the program approximately $122.8 million in FY 2002 and $127.7 million in FY 2003, an increase of four percent per year. The funds can be used to purchase secular, neutral, and non-ideological textbooks, materials, and equipment for nonpublic school students. Other services provided by the program include diagnostic health services; therapeutic health; remedial and counseling services; special education, gifted education and standardized tests; and test scoring. Funds can also be used to purchase electronic textbooks, site-licensing, digital video on demand, wide area connectivity, and related technology as it pertains to Internet access, instructional materials, and school library materials that are in general use in public schools.

The funds are distributed on a per-pupil basis. The FY 2001 per-pupil subsidy amount was approximately $490. A total of 238,931 nonpublic school students were funded through the program. The department generally makes payments twice per year. The first payment is generally based on the prior year's average daily membership count and the second payment reflects each chartered nonpublic school's actual October count for that fiscal year. Public school districts where chartered nonpublic schools are located are the fiscal agents for the program.

Nonpublic Schools Administrative Cost Reimbursement

The program appropriations amount to approximately $53.5 million in FY 2002 and $55.7 million in FY 2003, an increase of four percent per year. These funds are used to reimburse chartered nonpublic schools for mandated administrative and clerical costs incurred for such things as filing reports and maintaining records. The reimbursement amount for each chartered nonpublic school is based on its prior year's actual cost with a maximum reimbursement rate of $250 per pupil. Total statewide reimbursement amount is subject to the appropriation limitation. In FY 2001, the state reimbursed chartered nonpublic schools approximately 97.3 percent of the total amount determined by the formula.

FY 2002 - 2003 Final Appropriation Amounts

All Fund Groups

Line Item Detail by Agency

Report For: Main Operating Appropriations Bill **Version:** Enacted

EDU Education, Department of

			FY 1999:	FY 2000:	FY 2001:	FY 2002 Appropriations:	% Change 2001 to 2002:	FY 2003 Appropriations:	% Change 2002 to 2003:
GRF	200-100	Personal Services	$ 11,001,037	$ 11,781,860	$12,074,656	$ 11,819,828	-2.11%	$ 12,113,828	2.49%
GRF	200-200	Maintenance	$ 4,188,278	$ 384,050		$ 0	N/A	$ 0	N/A
GRF	200-300	Equipment	$ 553,616	$ 74,582		$ 0	N/A	$ 0	N/A
GRF	200-320	Maintenance and Equipment	$ 0	$ 4,422,558	$8,994,194	$ 5,052,866	-43.82%	$ 5,185,051	2.62%
GRF	200-406	Head Start	$ 92,845,074	$ 96,818,680	$100,707,798	$ 98,843,825	-1.85%	$ 98,843,825	0.00%
GRF	200-408	Public Preschool	$ 17,743,923	$ 19,145,553	$19,421,348	$ 19,506,206	0.44%	$ 19,506,206	0.00%
GRF	200-410	Professional Development	$ 27,259,072	$ 30,119,793	$28,399,477	$ 23,463,829	-17.38%	$ 34,810,579	48.36%
GRF	200-411	Family and Children First	$ 10,370,527	$ 10,600,591	$10,436,510	$ 3,550,000	-65.98%	$ 3,550,000	0.00%
GRF	200-412	Driver Education Administration	$ 176,845	$ 919		$ 0	N/A	$ 0	N/A
GRF	200-413	Lease Rental Payments	$ 0	----		----	N/A	----	N/A
GRF	200-414	Vocational Rehabilitation	$ 0	----		----	N/A	----	N/A
GRF	200-415	Consumer Education	$ 504,278	$ 79,663		$ 0	N/A	$ 0	N/A
GRF	200-416	Vocational Education Match	$ 2,570,425	$ 2,362,272	$2,222,334	$ 2,381,738	7.17%	$ 2,381,738	0.00%
GRF	200-417	Professional Development	$ 436	$ 0		$ 0	N/A	$ 0	N/A
GRF	200-420	Technical Systems Development	$ 0	$ 1,751,412	$6,318,470	$ 6,000,000	-5.04%	$ 6,500,000	8.33%
GRF	200-421	Alternative Education Programs	$ 0	$ 0	$19,820,361	$ 18,000,000	-9.18%	$ 18,000,000	0.00%
GRF	200-422	School Management Assistance	$ 1,009,209	$ 1,114,865	$979,884	$ 2,185,675	123.05%	$ 1,971,219	-9.81%
GRF	200-423	Teacher Recruitment	$ 0	$ 0		$ 0	N/A	$ 0	N/A
GRF	200-424	Policy Analysis	$ 417,312	$ 494,104	$578,388	$ 642,756	11.13%	$ 674,894	5.00%
GRF	200-425	Tech Prep Administration	$ 0	$ 0	$2,173,151	$ 2,431,012	11.87%	$ 2,431,012	0.00%
GRF	200-426	Ohio Educational Computer Network	$ 21,562,402	$ 24,584,939	$37,900,112	$ 39,871,927	5.20%	$ 39,871,927	0.00%
GRF	200-427	Academic Standards	----	----	$620,821	$ 8,474,999	1,265.13%	$ 8,862,500	4.57%
GRF	200-429	Local Professional Development Block	$ 0	$ 0		$ 0	N/A	$ 0	N/A
GRF	200-431	School Improvement Models	$ 11,066,804	$ 24,838,650	$28,409,374	$ 15,850,000	-44.21%	$ 14,625,000	-7.73%
GRF	200-432	School Conflict Management	$ 394,431	$ 500,172	$573,083	$ 626,496	9.32%	$ 657,821	5.00%
GRF	200-433	Reading/Writing Improvement	----	----		$ 18,962,948	N/A	$ 19,276,694	1.65%
GRF	200-437	Student Proficiency	$ 10,461,338	$ 12,387,999	$14,294,054	$ 23,692,045	65.75%	$ 25,942,045	9.50%
GRF	200-438	Safe Schools	----	----		$ 2,050,000	N/A	$ 2,050,000	0.00%
GRF	200-441	American Sign Language	$ 281,657	$ 221,299	$148,387	$ 232,073	56.40%	$ 236,715	2.00%

EDU Education, Department of

Line Item Detail by Agency			FY 1999:	FY 2000:	FY 2001:	FY 2002 Appropriations:	% Change 2001 to 2002:	FY 2003 Appropriations:	% Change 2002 to 2003:
GRF	200-442	Child Care Licensing	$ 1,511,264	$ 1,467,703	$1,459,886	$ 1,517,751	3.96%	$ 1,548,107	2.00%
GRF	200-443	DeRolph Litigation Expenses	$ 1,311,730	$ 300,000		$ 0	N/A	$ 0	N/A
GRF	200-444	Professional Recruitment	----	----		$ 1,917,000	N/A	$ 1,705,800	-11.02%
GRF	200-445	OhioReads Administration/Volunteer S	$ 0	$ 3,755,709	$4,146,708	$ 5,485,440	32.28%	$ 5,485,440	0.00%
GRF	200-446	Management Information System	$ 11,922,195	$ 13,460,017	$14,396,653	$ 16,479,636	14.47%	$ 17,573,430	6.64%
GRF	200-447	GED Testing/Adult High School	$ 1,427,707	$ 1,117,066	$1,289,211	$ 2,038,678	58.13%	$ 2,079,451	2.00%
GRF	200-450	Summer Institute for Reading Interventi	$ 0	$ 688,048	$627,702	$ 0	-100.00%	$ 0	N/A
GRF	200-455	Community Schools	$ 2,300,000	$ 1,654,046	$2,336,946	$ 4,728,935	102.36%	$ 4,824,517	2.02%
GRF	200-500	School Finance Equity	$ 67,854,112	$ 47,323,630	$33,407,695	$ 23,560,125	-29.48%	$ 19,975,864	-15.21%
GRF	200-501	Base Cost Funding	$ 3,035,363,396	$ 3,458,196,651	$3,804,827,428	$ 4,273,654,781	12.32%	$ 4,441,014,505	3.92%
GRF	200-502	Pupil Transportation	$ 225,814,316	$ 274,110,665	$310,276,105	$ 334,183,786	7.71%	$ 377,305,465	12.90%
GRF	200-503	Bus Purchase Allowance	$ 31,762,132	$ 33,761,278	$38,614,950	$ 36,735,279	-4.87%	$ 36,799,984	0.18%
GRF	200-504	Special Education	$ 8,816,421	$ 0		$ 0	N/A	$ 0	N/A
GRF	200-505	School Lunch Match	$ 8,642,209	$ 9,991,216	$9,623,241	$ 9,639,000	0.16%	$ 9,831,780	2.00%
GRF	200-507	Vocational Education	$ 2,047,762	$ 0		$ 0	N/A	$ 0	N/A
GRF	200-509	Adult Literacy Education	$ 8,970,230	$ 8,817,898	$10,019,630	$ 8,628,000	-13.89%	$ 8,628,000	0.00%
GRF	200-511	Auxiliary Services	$ 101,532,774	$ 110,135,741	$117,725,453	$ 122,782,475	4.30%	$ 127,650,709	3.96%
GRF	200-512	Driver Education	$ 6,464,450	$ 361,552		$ 0	N/A	$ 0	N/A
GRF	200-513	Summer Intervention	----	$ 15,445,934	$28,999,995	$ 31,900,000	10.00%	$ 38,280,000	20.00%
GRF	200-514	Post-Secondary/Adult Career-Technic	$ 20,937,141	$ 22,668,510	$22,349,060	$ 23,240,243	3.99%	$ 23,240,243	0.00%
GRF	200-519	Pilot Scholarship Program	$ 1,346,893	$ 0		$ 0	N/A	$ 0	N/A
GRF	200-520	Disadvantaged Pupil Impact Aid	$ 369,053,622	$ 367,072,979	$340,906,643	$ 360,149,743	5.64%	$ 360,149,743	0.00%
GRF	200-521	Gifted Pupil Program	$ 34,912,236	$ 39,529,962	$43,315,449	$ 45,930,131	6.04%	$ 47,983,321	4.47%
GRF	200-524	Educational Excellence and Competenc	$ 9,168,000	$ 12,987,333	$11,730,966	$ 0	-100.00%	$ 0	N/A
GRF	200-525	Parity Aid	$ 0	----		$ 99,813,832	N/A	$ 210,305,911	110.70%
GRF	200-526	Vocational Education Equipment Repla	$ 4,770,394	$ 148,009		$ 0	N/A	$ 0	N/A
GRF	200-528	Education Mobility Assistance	$ 0	----		----	N/A	----	N/A
GRF	200-532	Nonpublic Administration Cost Reimbur	$ 44,413,619	$ 48,059,452	$51,327,971	$ 53,533,703	4.30%	$ 55,675,051	4.00%
GRF	200-533	School-Age Child Care	$ 1,103,112	$ 961,769	$1,400,849	$ 0	-100.00%	$ 0	N/A
GRF	200-534	Desegregation Cost	$ 47,903,061	$ 9,162,951	$7,095,107	$ 500,000	-92.95%	$ 500,000	0.00%
GRF	200-538	Discovery Project Match	$ 0	$ 0		$ 0	N/A	$ 0	N/A

EDU Education, Department of

Line Item Detail by Agency			FY 1999:	FY 2000:	FY 2001:	FY 2002 Appropriations:	% Change 2001 to 2002:	FY 2003 Appropriations:	% Change 2002 to 2003:
GRF	200-539	Educational Technology	$ 0	----		----	N/A	----	N/A
GRF	200-540	Special Education Enhancements	$ 131,826,304	$ 127,087,994	$132,556,391	$ 139,006,701	4.87%	$ 141,950,428	2.12%
GRF	200-541	Peer Review	$ 269,736	$ 0		$ 0	N/A	$ 0	N/A
GRF	200-542	National Board Certification	$ 690,000	$ 0		$ 0	N/A	$ 0	N/A
GRF	200-543	Entry Year Programs	$ 323,781	$ 0		$ 0	N/A	$ 0	N/A
GRF	200-544	Individual Career Plan and Passport	$ 856,347	$ 0		$ 0	N/A	$ 0	N/A
GRF	200-545	Career-Technical Education Enhancem	$ 187,724,836	$ 34,168,790	$29,326,745	$ 21,673,574	-26.10%	$ 22,406,349	3.38%
GRF	200-546	Charge-Off Supplement	$ 7,303,168	$ 7,416,349	$12,735,476	$ 39,191,433	207.73%	$ 28,684,104	-26.81%
GRF	200-547	Power Equalization	$ 10,738,996	$ 21,830,412	$32,039,506	$ 0	-100.00%	$ 0	N/A
GRF	200-548	Teacher Recruitment Pilots	$ 0	----		----	N/A	----	N/A
GRF	200-551	Reading Improvement	$ 1,766,265	$ 1,520,867	$1,699,175	$ 0	-100.00%	$ 0	N/A
GRF	200-552	County MR/DD Boards Vehicle Purcha	$ 194,492	$ 1,697,525	$1,522,916	$ 1,666,204	9.41%	$ 1,666,204	0.00%
GRF	200-553	County MR/DD Boards Transportation	$ 8,955,905	$ 7,746,790	$8,114,355	$ 9,575,910	18.01%	$ 9,575,910	0.00%
GRF	200-557	JOGS One Time Supplement	$ 0	----		----	N/A	----	N/A
GRF	200-558	Emergency Loan Interest Subsidy	$ 8,490,374	$ 7,123,596	$5,367,627	$ 4,500,000	-16.16%	$ 3,300,000	-26.67%
GRF	200-560	Interactive Communication Information	$ 0	$ 0		$ 0	N/A	$ 0	N/A
GRF	200-565	Amer-I-Can Onetime Supplement	$ 0	----		----	N/A	----	N/A
GRF	200-566	OhioReads Grants	$ 0	$ 24,970,547	$25,062,720	$ 27,148,000	8.32%	$ 27,148,000	0.00%
GRF	200-568	Adolescent Pregnancy Program	$ 0	$ 0		$ 0	N/A	$ 0	N/A
GRF	200-570	School Improvement Incentive Grants	$ 0	$ 9,729,800	$10,025,000	$ 837,500	-91.65%	$ 987,500	17.91%
GRF	200-572	Teacher Incentive Grants	$ 0	$ 111,000	$624,500	$ 0	-100.00%	$ 0	N/A
GRF	200-573	Character Education	$ 0	$ 1,000,000	$1,100,000	$ 0	-100.00%	$ 0	N/A
GRF	200-574	Substance Abuse Prevention	$ 0	$ 2,112,000	$2,570,000	$ 1,948,200	-24.19%	$ 1,948,200	0.00%
GRF	200-577	Preschool Special Education	$ 2,204,723	$ 0		$ 0	N/A	$ 0	N/A
GRF	200-580	Bethel School Clean-Up	$ 0	$ 350,000		$ 65,000	N/A	$ 65,000	0.00%
GRF	200-589	Special Education Aides	$ 1,635,155	$ 0		$ 0	N/A	$ 0	N/A
GRF	200-901	Property Tax Allocation	$ 591,033,893	$ 622,326,432	$661,412,414	$ 707,700,000	7.00%	$ 743,000,000	4.99%
GRF	200-906	Tangible Tax Exemption-Education	$ 65,047,249	$ 65,068,924	$66,208,453	$ 73,500,000	11.01%	$ 75,700,000	2.99%
General Revenue Fund Total			**$ 5,280,816,664**	**$ 5,657,123,106**	**$ 6,140,315,324**	**$ 6,786,869,283**	**10.53%**	**$ 7,164,480,070**	**5.56%**
4D1	200-602	Ohio Prevention/Education Resource C	$ 0	$ 592,440	$128,418	$ 345,000	168.65%	$ 345,000	0.00%
138	200-606	Information Technology	$ 3,690,021	$ 4,034,664	$3,580,430	$ 6,629,469	85.16%	$ 6,761,034	1.98%

EDU Education, Department of

Line Item Detail by Agency			FY 1999:	FY 2000:	FY 2001:	FY 2002 Appropriations:	% Change 2001 to 2002:	FY 2003 Appropriations:	% Change 2002 to 2003:
4P1	200-629	Adult Literacy Education	$ 0	----		----	N/A	----	N/A
452	200-638	Miscellaneous Revenue	$ 1,066,221	$ 203,480	$362,265	$ 1,045,000	188.46%	$ 1,045,000	0.00%
5F8	200-645	Textbooks/Instructional Materials	$ 25,000,000	$ 0		$ 0	N/A	$ 0	N/A
5B1	200-651	Child Nutrition Services	----	$ 11,108	$51,067	$ 0	-100.00%	$ 0	N/A
596	200-656	Ohio Career Information System	$ 412,100	$ 520,759	$415,970	$ 743,217	78.67%	$ 769,230	3.50%
4Z5	200-663	School District Stored Natural Gas Rei	$ 0	----		----	N/A	----	N/A
4L2	200-681	Teacher Certification and Licensure	$ 3,101,769	$ 3,377,937	$4,399,677	$ 4,684,143	6.47%	$ 4,856,290	3.68%
5H3	200-687	School District Solvency Assistance	$ 12,063,000	$ 8,657,000	$3,846,000	$ 24,000,000	524.02%	$ 24,000,000	0.00%
General Services Fund Group Total			**$ 45,333,111**	**$ 17,397,388**	**$ 12,783,827**	**$ 37,446,829**	**192.92%**	**$ 37,776,554**	**0.88%**
309	200-601	Educationally Disadvantaged	$ 10,292,033	$ 13,262,734	$11,764,820	$ 20,759,222	76.45%	$ 21,425,345	3.21%
366	200-604	Adult Basic Education	$ 14,042,937	$ 14,039,231	$17,188,596	$ 17,527,286	1.97%	$ 18,140,740	3.50%
3H9	200-605	Head Start Collaboration Project	$ 204,732	$ 294,069	$243,635	$ 250,000	2.61%	$ 250,000	0.00%
367	200-607	School Food Services	$ 8,542,551	$ 8,947,635	$8,744,567	$ 10,089,884	15.38%	$ 10,408,199	3.15%
3T6	200-611	Class Size Reduction	----	----	$47,245,533	$ 63,000,000	33.35%	$ 65,000,000	3.17%
3T4	200-613	Public Charter Schools	$ 807,411	$ 2,295,355	$3,581,161	$ 4,887,260	36.47%	$ 5,055,185	3.44%
368	200-614	Veterans' Training	$ 581,395	$ 519,898	$506,460	$ 648,514	28.05%	$ 671,212	3.50%
369	200-616	Vocational Education	$ 4,903,904	$ 7,333,663	$7,352,141	$ 8,000,000	8.81%	$ 8,000,000	0.00%
3L6	200-617	Federal School Lunch	$ 142,992,604	$ 158,064,573	$158,544,020	$ 175,274,000	10.55%	$ 180,181,672	2.80%
3L7	200-618	Federal School Breakfast	$ 29,217,174	$ 32,191,459	$33,846,571	$ 45,746,000	35.16%	$ 47,026,888	2.80%
3L8	200-619	Child and Adult Care Programs	$ 45,126,533	$ 48,460,017	$48,803,838	$ 60,257,639	23.47%	$ 61,966,125	2.84%
3L9	200-621	Vocational Education Basic Grants	$ 41,727,897	$ 42,836,699	$43,123,892	$ 43,613,582	1.14%	$ 45,142,330	3.51%
3M0	200-623	ESEA Title I	$ 297,852,913	$ 281,047,582	$323,682,944	$ 320,505,063	-0.98%	$ 330,172,277	3.02%
370	200-624	Education of Exceptional Children	$ 11,272,070	$ 2,818,327	$1,202,380	$ 1,364,246	13.46%	$ 1,410,908	3.42%
3T5	200-625	Coordinated School Health	$ 160,383	$ 382,516	$11,249	$ 0	-100.00%	$ 0	N/A
3N7	200-627	School-To-Work	$ 17,825,677	$ 10,869,247	$5,596,364	$ 0	-100.00%	$ 0	N/A
371	200-631	EEO Title IV	$ 492,337	$ 765,252	$988,258	$ 1,155,361	16.91%	$ 1,213,894	5.07%
3S2	200-641	Tech Literacy Transfer	$ 16,694,500	$ 14,633,000	$13,320,001	$ 15,183,430	13.99%	$ 15,183,430	0.00%
374	200-647	ESEA Consolidated Grants	$ 95,444	$ 43,264	$71,196	$ 110,094	54.64%	$ 110,094	0.00%
375	200-652	Tech Assistance Education Mobility	$ 0	----		----	N/A	----	N/A
376	200-653	Job Training Partnership Act	$ 3,104,937	$ 3,498,129	$1,343,617	$ 0	-100.00%	$ 0	N/A
3R3	200-654	Goals 2000	$ 22,112,344	$ 22,473,365	$21,447,976	$ 0	-100.00%	$ 0	N/A

EDU Education, Department of

Line Item Detail by Agency			FY 1999:	FY 2000:	FY 2001:	FY 2002 Appropriations:	% Change 2001 to 2002:	FY 2003 Appropriations:	% Change 2002 to 2003:
377	200-657	Sex Equity	$ 0	----		----	N/A	----	N/A
378	200-660	Math/Science Technology Investments	$ 12,770,717	$ 12,219,294	$14,943,819	$ 12,696,055	-15.04%	$ 13,036,530	2.68%
3C5	200-661	Federal Dependent Care Programs	$ 4,812,611	$ 15,284,515	$18,588,983	$ 18,189,907	-2.15%	$ 18,233,488	0.24%
3U2	200-662	Teacher Quality Enhancement Grants	----	$ 638,186	$885,552	$ 1,300,501	46.86%	$ 1,352,000	3.96%
3D1	200-664	Drug Free Schools	$ 16,606,288	$ 14,167,939	$13,737,056	$ 20,621,375	50.11%	$ 20,660,570	0.19%
3U3	200-665	Reading Excellence Grant Program	----	$ 2,171,491	$11,587,216	$ 10,018,756	-13.54%	$ 0	-100.00%
3D2	200-667	Honors Scholarship Program	$ 1,606,090	$ 1,814,470	$1,296,610	$ 2,454,688	89.32%	$ 2,540,602	3.50%
3E2	200-668	AIDS Education Project	$ 512,294	$ 63,790		$ 0	N/A	$ 0	N/A
3S7	200-673	Child Care School Age	$ 5,652,619	$ 97,892		$ 0	N/A	$ 0	N/A
3U6	200-675	Provision 2 & 3 Grant	----	$ 12,187	$195,724	$ 191,050	-2.39%	$ 0	-100.00%
3M1	200-678	ESEA Innovative Education	$ 12,202,996	$ 45,021,139	$13,675,128	$ 13,595,978	-0.58%	$ 14,059,555	3.41%
3M2	200-680	Individuals with Disabilities Education A	$ 111,641,545	$ 125,688,156	$158,263,935	$ 186,000,000	17.53%	$ 206,000,000	10.75%
3P9	200-686	SRRC/FRC Evaluation Project	$ 24,783	$ 0		$ 0	N/A	$ 0	N/A
Federal Special Revenue Fund Group Total			**$ 833,879,719**	**$ 881,955,074**	**$ 981,783,239**	**$ 1,053,439,891**	**7.30%**	**$ 1,087,241,044**	**3.21%**
455	200-608	Commodity Foods	$ 5,746,921	$ 7,673,075	$8,408,290	$ 10,000,000	18.93%	$ 11,000,000	10.00%
454	200-610	Guidance & Testing	$ 460,194	$ 580,727	$434,712	$ 940,636	116.38%	$ 956,761	1.71%
620	200-615	Educational Grants	----	$ 1,110,019	$682,011	$ 1,525,000	123.60%	$ 1,525,000	0.00%
4V7	200-633	Interagency Vocational Support	$ 595,332	$ 642,612	$445,158	$ 695,197	56.17%	$ 731,674	5.25%
4M4	200-637	Emergency Services Telecommunicatio	$ 231,419	$ 161,195	$20,366	$ 0	-100.00%	$ 0	N/A
4N5	200-639	Impact II	$ 0	$ 0		$ 0	N/A	$ 0	N/A
598	200-659	Auxiliary Services Mobile Unit	$ 895,157	$ 1,396,664	$1,493,484	$ 1,328,910	-11.02%	$ 1,328,910	0.00%
4R7	200-695	Indirect Cost Recovery	$ 2,174,147	$ 2,560,515	$2,622,415	$ 3,942,779	50.35%	$ 4,168,947	5.74%
4Y5	200-697	Supplemental School Assistance	$ 0	$ 0		$ 0	N/A	$ 0	N/A
053	200-900	School District Property Tax Replacem	----	----		$ 102,000,000	N/A	$ 115,911,593	13.64%
State Special Revenue Fund Group Total			**$ 10,103,170**	**$ 14,124,807**	**$ 14,106,437**	**$ 120,432,522**	**753.74%**	**$ 135,622,885**	**12.61%**
017	200-612	Base Cost Funding	$ 666,093,028	$ 656,247,000	$628,967,000	$ 604,000,000	-3.97%	$ 596,000,000	-1.32%
020	200-620	Vocational School Building Assistance	$ 3,199,035	$ 0	$1,650,000	$ 0	-100.00%	$ 0	N/A
018	200-649	Disability Access Project	$ 0	$ 0		$ 0	N/A	$ 0	N/A
018	200-669	Judgment Loan	$ 0	$ 0		$ 0	N/A	$ 0	N/A
017	200-670	School Foundation-Basic Allowance	$ 0	$ 0		$ 0	N/A	$ 0	N/A

Line Item Detail by Agency			FY 1999:	FY 2000:	FY 2001:	FY 2002 Appropriations:	% Change 2001 to 2002:	FY 2003 Appropriations:	% Change 2002 to 2003:
EDU Education, Department of									
017	200-671	Special Education	$ 0	$ 0		$ 0	N/A	$ 0	N/A
017	200-672	Vocational Education	$ 0	$ 0		$ 0	N/A	$ 0	N/A
017	200-682	Lease Rental Payments Reimbursemen	$ 32,780,000	$ 0	$59,486,000	$ 29,722,100	-50.04%	$ 25,722,600	-13.46%
017	200-694	Bus Purchase One-Time Supplement	$ 7,438,958	$ 1,659,086	$110,536	$ 0	-100.00%	$ 0	N/A
Lottery Profits/Education Fund Group Total			**$ 709,511,021**	**$ 657,906,086**	**$ 690,213,536**	**$ 633,722,100**	**-8.18%**	**$ 621,722,600**	**-1.89%**
006	200-689	Hazardous Waste Removal	$ 1,443,401	$ 0		$ 0	N/A	$ 0	N/A
Education Improvement Fund Total			**$ 1,443,401**	**$ 0**	**----**	**$ 0**	**N/A**	**$ 0**	**N/A**
Education, Department of Total			***$ 6,881,087,086***	***$ 7,228,506,461***	***$ 7,839,202,363***	***$ 8,631,910,625***	***10.11%***	***$ 9,046,843,153***	***4.81%***