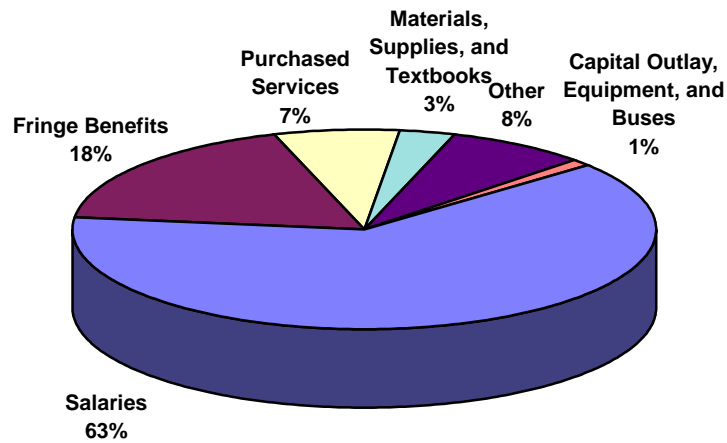
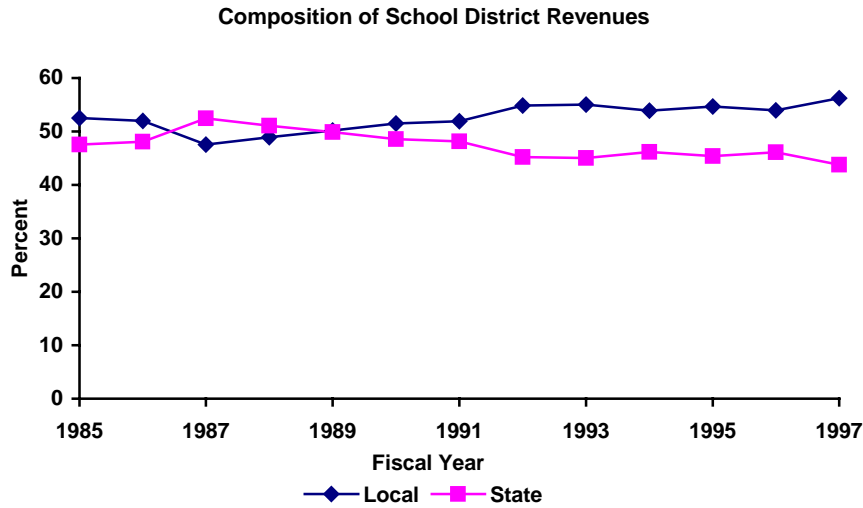


## 81% of a Typical School Budget is Spent on Salaries and Fringe Benefits



- Salaries and fringe benefits account for approximately 81 percent of school district budgets statewide.
- The percent of school budgets devoted to fringe benefits has increased dramatically in recent years, and amounts to 28.5 percent of the cost of salaries.
- On average, joint vocational school districts devote a smaller percent of their budgets (56.1 percent) for salaries than city, local and exempted village school districts (63 percent), and commit a higher percentage for capital outlay, equipment and buses, and materials, supplies and textbooks.
- The “other “ category includes expenditures for the redemption of notes, transfers out, auditor and treasurers’ fees, and liability insurance.
- Under Sub. H.B. 412 of the 122<sup>nd</sup> General Assembly, school districts are required to set aside four percent of their operating revenues for textbooks and instructional materials. The legislation also requires districts to set aside 4 percent of their general fund revenues for capital and maintenance needs.

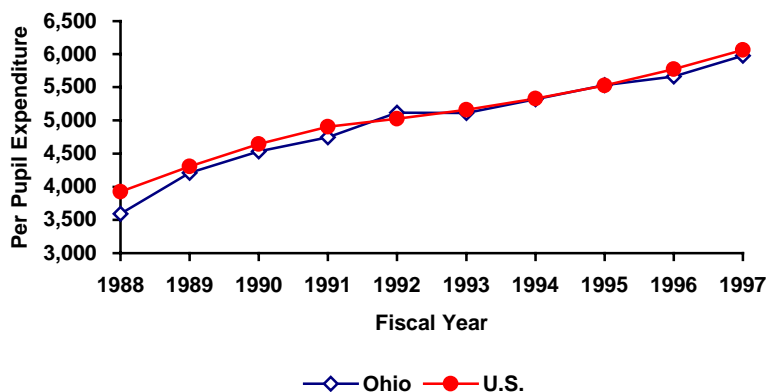
### School Districts' Revenues: More Local Than State



- During the past decade, Ohio's school districts have obtained an increasing proportion of their revenues from local sources than from state sources.
- In FY 1997, of the combined state and local revenues to the districts, the proportions were approximately 56.2% local (chiefly property taxes and local income taxes) and 43.8% state.
- In FY 1997 the total amount of local, state and federal funds expended on education was just above \$10 billion. It was the state's first \$10 billion year in education funding.
- In recent years, the proportion of school district revenues from federal sources has remained approximately level at about 6% of the overall total.

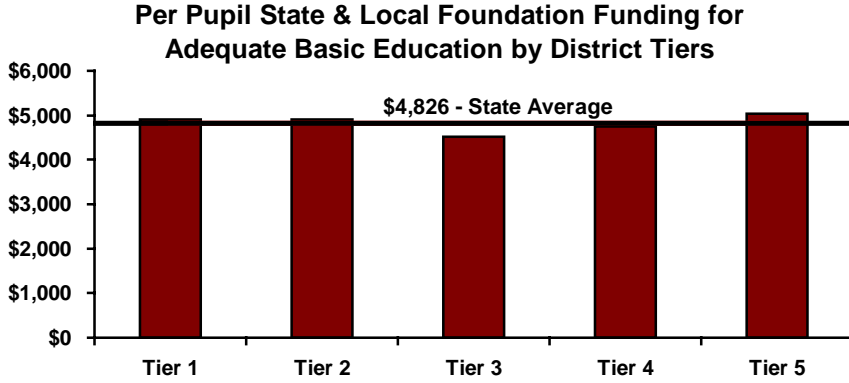
## Ohio's Per Pupil Expenditures Increasing Along With National Average

### Per Pupil Expenditure for Ohio and U.S.



- Ohio's per pupil expenditures increased from 8 percent below the national average in FY 1988 to 2 percent above the national average in FY 1992, then changed to the national average level in FY 1995, and fell to estimated 1 percent below the national average in FY 1997.
- Ohio's per pupil expenditure ranking in the nation accordingly changed from 30<sup>th</sup> in FY 1988 to 18<sup>th</sup> in FY 1992, to 23<sup>rd</sup> in FY 1995, and to 24<sup>th</sup> in FY 1997.
- In FY 1997, Ohio's per pupil expenditures were higher than Indiana, Kentucky, Minnesota, and Tennessee, but lower than Illinois, Michigan, Pennsylvania, West Virginia, and Wisconsin.

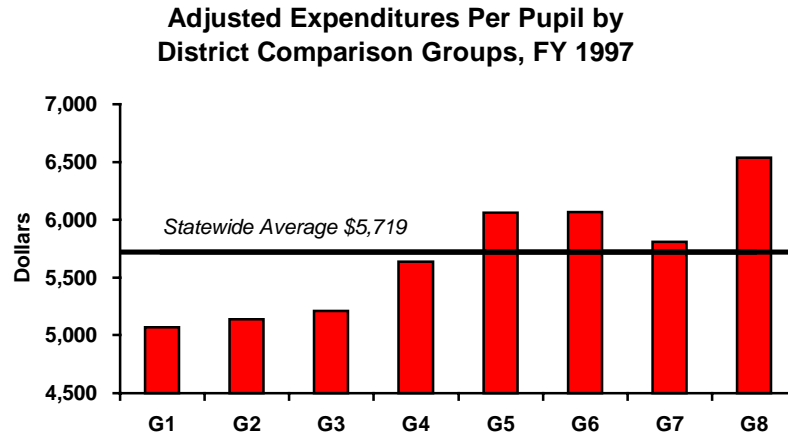
## Equalized State Aid Neutralizes the Effect of School Districts' Wealth in Providing Adequate Basic Education



FY 1999 (estimate)	Adjusted Recognized Valuation Per Pupil	Per Pupil State & Local Foundation Funding	ADC/TANF Students %
Tier 1	\$51,459	\$4,916	20.7
Tier 2	70,019	4,905	25.2
Tier 3	89,636	4,521	7.9
Tier 4	111,512	4,752	15.9
Tier 5	164,863	5,037	4.2
<b>State Average</b>	<b>\$97,086</b>	<b>\$4,826</b>	<b>14.9</b>

- To create the tiers, school districts are first ranked from the lowest to the highest in adjusted recognized valuation per pupil. Districts are then grouped into five tiers and each tier includes approximately 20 percent of total statewide ADM. Funding amounts are then calculated under the state foundation program. Other funding is excluded.
- Valuation per pupil is the most important indicator of each district's ability to provide education. Due to the uneven distribution of taxable property, valuation per pupil varies from \$51,459 for tier 1 to \$164,863 for tier 5.
- The state shares of total foundation funding for district tiers 1 to 5 are 74 percent, 65 percent, 52 percent, 43 percent, and 21 percent respectively. Equalized state aid has ensured the same basic education funding for every student in every district regardless the district's property wealth. The funding is equalized at 23 mills of local share. While valuations per pupil vary significantly, there is little difference in the total amount of per pupil state and local foundation funding among the five district tiers.

## Per Pupil Operating Expenditure Varies Across Ohio

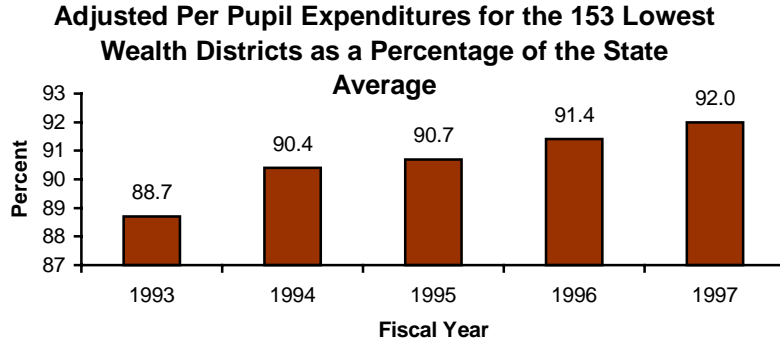


Group Type	Description	ADM % FY97	No. of Districts
G1 - Rural	Very low SES*, very high poverty	7.2	78
G2 - Small Rural	Low SES, low poverty	10.9	157
G3 - Rural Town	Average SES, average poverty	13.7	123
G4 - Urban	Low SES, high poverty	9.5	67
G5 - Large Urban	Average SES, high poverty	11.1	44
G6 - Major Urban	Very high poverty	19.7	14
G7 - Suburban	High SES, moderate poverty	20.0	89
G8 - Suburban	Very high SES, low poverty	7.8	35

\*Socio-economic status

- The Ohio Department of Education clusters school districts throughout the state as a means to compare districts with similar socio-economic characteristics. While per pupil expenditures vary significantly, the pattern of allocation in all types of districts is similar. Instruction costs represent approximately 57 percent of total adjusted operating expenditures in all districts in Ohio.
- In FY 1997, the statewide weighted average per pupil expenditures was \$5,719. Approximately 87 percent of districts spent within a band of between 20 percent below the average (\$4,575) and 20 percent above the average (\$6,863) per pupil.

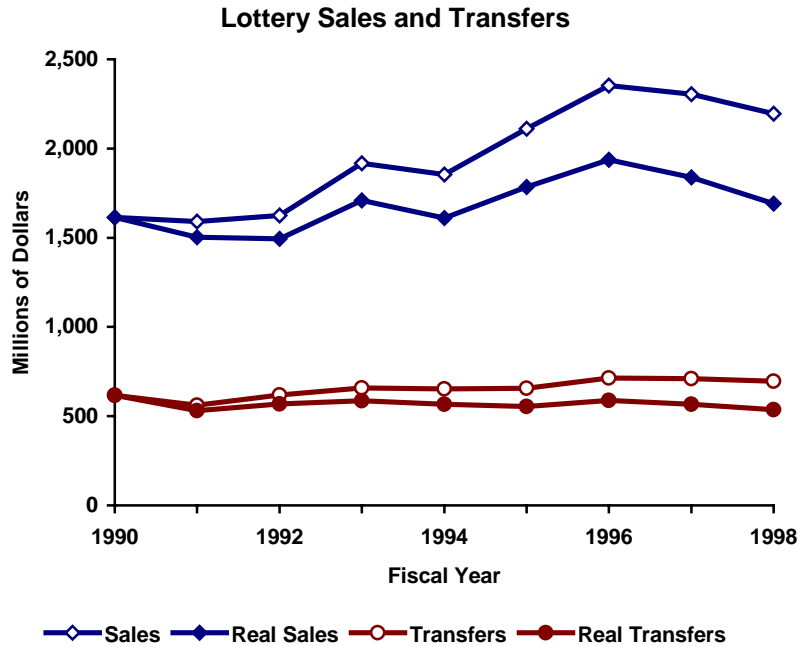
## Equity Aid Brings Up Low Wealth School Districts'



	FY93	FY94	FY95	FY96	FY97
<b>Per Pupil Equity Aid</b>					
The 153 Lowest Wealth SDs	\$159	\$211	\$245	\$269	\$286
<b>Per Pupil Expenditures</b>					
The 153 Lowest Wealth SDs	4,417	4,681	4,837	5,032	5,295
State	4,978	5,177	5,333	5,506	5,755
<b>Annual % Change</b>					
The 153 Lowest Wealth SDs	-	6.0	3.3	4.0	5.2
State	-	4.0	3.0	3.2	4.5

- School districts were first ranked from the lowest to the highest in valuations per pupil every year. The weighted average per pupil expenditures for the 153 lowest wealth school districts and the state average were then calculated. The analysis includes 600 school districts.
- Equity aid was established in FY 1993 as an interim mechanism to target more state moneys for the low wealth districts. Equity aid has clearly increased low wealth school districts' expenditures per pupil. The average per pupil expenditures for the 153 lowest wealth districts as a percentage of the state average increased from 88.7 percent in FY 1993 to 92.0 percent in FY 1997.
- The 122<sup>nd</sup> General Assembly has established an adequate education base cost per pupil by using a rational outcome base methodology. The General Assembly intends to bring every district up to the adequate education level with the 23 mill equalized local share. With this change the necessity of equity aid no longer exists. Therefore, equity aid will be fully phased out in FY 2002 when the adequate education base cost per pupil is fully phased in.

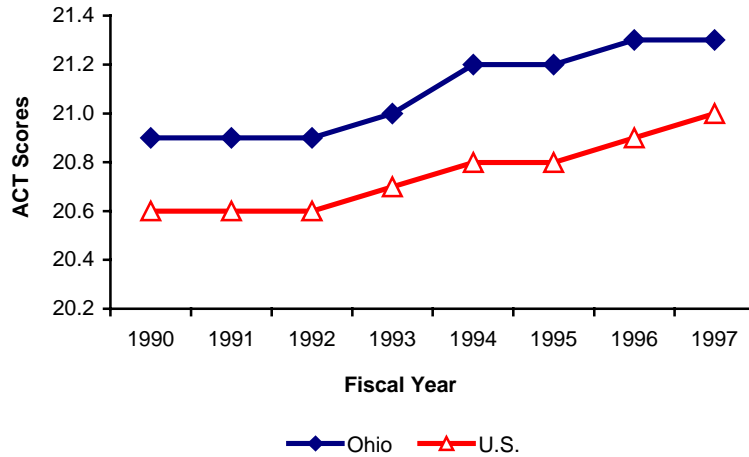
## Lottery Sales Decline From 1996 Peak



- During the 1990's, lottery sales grew from \$1.6 billion in FY 1990 to a peak of \$2.4 billion in FY 1996 before falling to \$2.2 billion in FY 1998.
- Although sales grew by 36 percent between FY 1990 and FY 1998, in real terms (adjusted for inflation) sales have grown by just 6 percent, from \$1.6 billion to \$1.7 billion in 1990 dollars.
- Transfers to education grew from \$616 million in FY 1990 to a peak of \$714 million in FY 1996 before falling to \$695 million in FY 1998.
- Although transfers grew by 13 percent between FY 1990 and FY 1998, in real terms transfers have fallen by 13 percent, from \$616 million to \$536 million in 1990 dollars.
- Sales have decreased 8 percent from their peak in FY 1996. This decline is attributed to increased competition in the gaming industry. This competition comes from riverboats in Indiana and Kentucky, casinos in Michigan and Canada, and enhanced racetracks in West Virginia.

## ACT and SAT Scores for Ohio are Higher than the U.S. Average

ACT Scores for Ohio and the U.S.

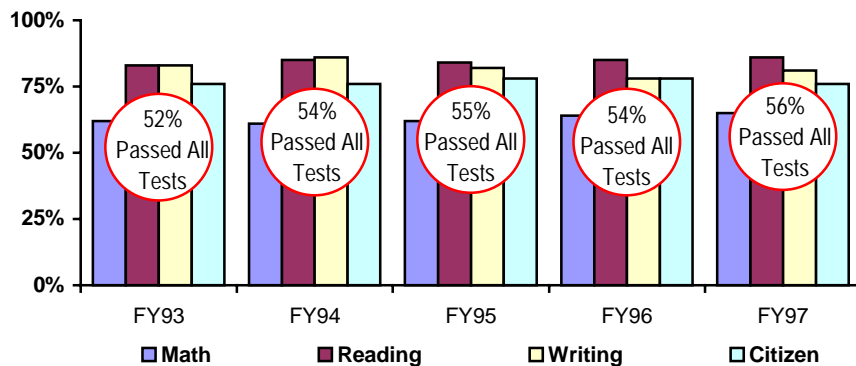


- ACT and SAT scores are indicators to help predict how well students will perform in college. ACT and SAT scores for Ohio high school graduates have been consistently higher than the national average since FY 1990.
- From FY 1990 to FY 1997, approximately 60 percent of Ohio high school graduates took the ACT test each year and 24 percent of high school graduates took the SAT test each year.
- Ohio SAT scores increased from 1,048 in FY 1990 to 1,071 in FY 1997.
- SAT scores nationwide increased from 1,001 in FY 1990 to 1,016 in FY 1997.
- School districts in Ohio were required to offer the post-secondary enrollment options program beginning in FY 1992. The program provides an opportunity for 11<sup>th</sup> and 12<sup>th</sup> graders to enroll in post-secondary courses for high school and/or college credits. The post-secondary enrollment participation rates increased from 0.8 percent of 11<sup>th</sup> and 12<sup>th</sup> graders in FY 1993 to 1.8 percent in FY 1997. Beginning in FY 1999, the post-secondary enrollment options program will also be available to 9<sup>th</sup> and 10<sup>th</sup> graders.



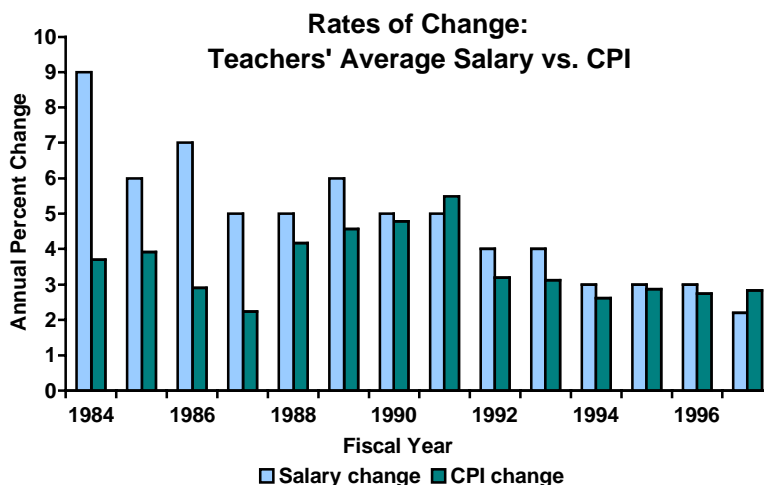
## Ninth Grade Proficiency Test Results Show Improvements

### Public School 9th Graders' Cumulative Passage Rates for the Ohio 9th Grade Proficiency Tests



- The percentage of Ohio public school 9<sup>th</sup> graders passing all four 9<sup>th</sup> grade proficiency tests by the end of the 9<sup>th</sup> grade increased from 52 percent in FY 1993 to 56 percent in FY 1997. Public school students have to attain the 9<sup>th</sup> grade level on the tests in order to receive a high school diploma. Beginning in FY 1999, this graduation requirement will apply to chartered nonpublic school students. Beginning in FY 2001, students in public and chartered nonpublic school will also be required to attain a 9<sup>th</sup> grade level on the science test in order to receive a high school diploma.
- Public school 9<sup>th</sup> graders have made improvements in the mathematics and reading test areas. The percentages of 9<sup>th</sup> graders passing the mathematics and reading tests increased from 62 percent in FY 1993 to 65 percent in FY 1997 and from 83 percent in FY 1993 to 86 percent in FY 1997 respectively. However, the percentage of 9<sup>th</sup> graders passing the citizenship test remained steady and the writing test passage rate declined from 83 percent in FY 1993 to 81 percent in FY 1997.
- Am. Sub. S.B. 55 of the 122<sup>nd</sup> General Assembly phases out the 9<sup>th</sup> grade proficiency tests and replaces with the 10<sup>th</sup> grade proficiency tests. The 10<sup>th</sup> grade proficiency tests will be given beginning in FY 2001. Until FY 2004, passing all five 9<sup>th</sup> grade proficiency tests will continue to be a high school graduation requirement. Beginning in FY 2005, passage of all five 10<sup>th</sup> grade proficiency tests will be a requirement for a high school diploma.

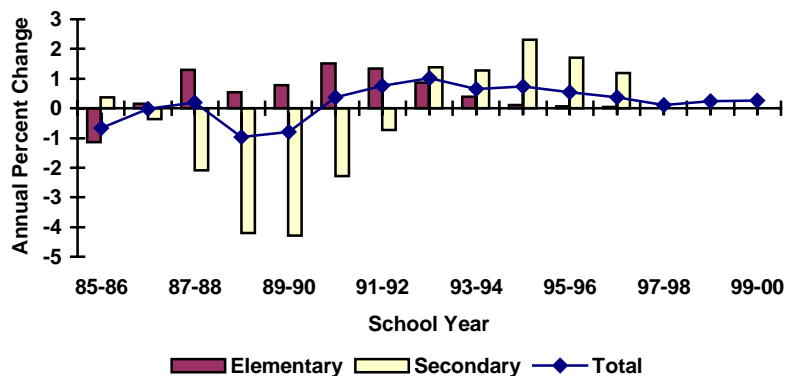
## Teachers' Salary Increases: Moderating To Match Inflation



- The increases in Ohio teachers' average salary have moderated during the past fourteen fiscal years. For most of that time, teachers' average salary had increased at rates exceeding inflation. However, in the past few years the salary rates have more closely approximated the rates of inflation.
- In fiscal year 1997, for the first time since 1991, the rate of increase in the average salary for Ohio teachers fell below the rate of inflation.
- The average salary was approximately \$21,900 in fiscal year 1984 and \$38,900 in 1997; it is estimated to be \$39,800 for fiscal year 1998.
- In 1995 the Ohio teachers' average salary surpassed the average for all U.S. teachers. The Ohio average rose further in the next two years to exceed the U.S. average by 0.8 percent in 1997. Historically the Ohio average has been at least 95 percent of the U.S. average; since 1992 it has been at least 98.5 percent of the U.S. average.
- The average salary for beginning teachers in 1998 was \$22,500 for teachers with bachelor's degrees and \$24,910 for those with master's degrees. These salaries were, respectively, 1.8 percent and 1.5 percent higher than in 1997, as compared to the inflation rate of 1.8 percent.

## K-12 Enrollment: The Increases Have Moderated

Rates of Change in Statewide School District Enrollments



- Total enrollment in Ohio schools will increase only moderately through the 1999-2000 school year. The annual rate of increase will be less than 0.5 percent.
- From 1985-86 to 1996-97, total public school enrollment grew by only 1.3 percent, from 1,793,900 students (1,206,200 elementary and 587,800 secondary) to 1,817,200 students (1,273,600 and 543,500).
- In recent years enrollment in secondary schools (grades 9-12) has grown faster than that in elementary schools (K-8), although this trend is moderating.
- The ethnic composition of K-12 enrollment has remained essentially the same for the past decade. In 1996-97 the enrollment was 81.4 percent white, 15.4 percent black, 1.4 percent Hispanic and 1.7 percent other (Asian, Indian, multiracial, et al.).
- A one percent increase in enrollment would require an increase of approximately \$100 million in total school district expenditures in order to maintain the 1996-97 average rate of expenditure (approximately \$5,700 per pupil).