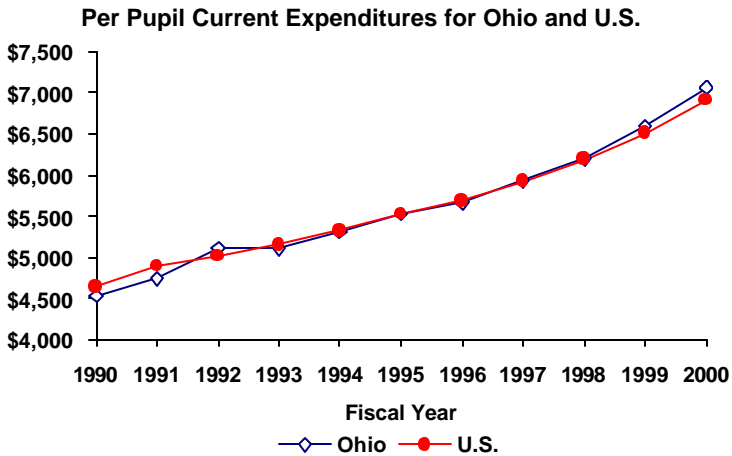


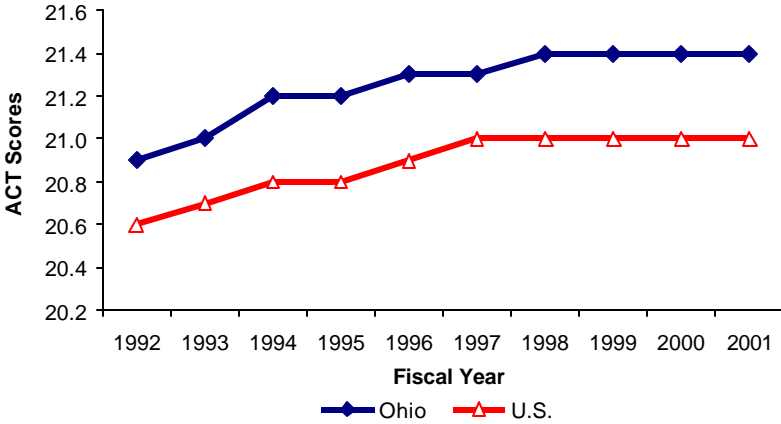
Ohio's per Pupil Current Expenditures Increase along with National Average



- Ohio's per pupil current expenditures increased from 2% below the national average in FY 1990 to 2% above the national average in FY 2000.
- In the period from FY 1990 to FY 2000, Ohio's per pupil current expenditures increased by 55.9% compared with 48.8% for the national average. Inflation, as measured by the consumer price index, was 33.3% during the same period.
- Ohio's per pupil current expenditures ranked 21st in the nation in FY 2000.
- In FY 2000, Ohio's per pupil current expenditures (\$7,065) were higher than in Kentucky (\$5,921) and Tennessee (\$5,383), but lower than in Illinois (\$7,133), Indiana (\$7,192), Michigan (\$8,110), Minnesota (\$7,190), Pennsylvania (\$7,772), West Virginia (\$7,152), and Wisconsin (\$7,806).

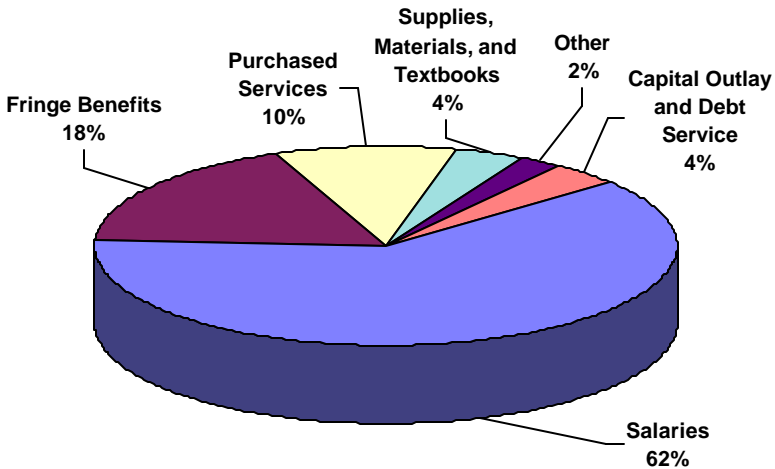
Ohio ACT and SAT Scores Higher Than U.S. Average

ACT Scores for Ohio and the U.S.



- ACT and SAT scores are indicators that help predict how well students will perform in college. ACT and SAT scores for Ohio high school seniors have been consistently higher than the national average since FY 1992.
- Ohio ACT scores increased from 20.9 in FY 1992 to 21.4 in FY 2001. ACT scores nationwide increased from 20.6 to 21.0 during the same period.
- Ohio SAT scores increased from 1,050 in FY 1992 to 1,073 in FY 2001. SAT scores nationwide increased from 1,001 to 1,020 during the same period.
- In FY 2001, the average Ohio ACT score (21.4) was higher than in Kentucky (20.1), Michigan (21.3), Tennessee (20.0), West Virginia (20.2), lower than Illinois (21.6), Minnesota (22.1), and Wisconsin (22.2), and tied with Indiana (21.4) and Pennsylvania (21.4). During the same year, 63% of Ohio high school seniors took the ACT test, in comparison with 20% in Indiana, 71% in Illinois, 72% in Kentucky, 69% in Michigan, 66% in Minnesota, 8% in Pennsylvania, 79% in Tennessee, 61% in West Virginia, and 68% in Wisconsin.
- In FY 2001, the average Ohio SAT score (1,073) was higher than in Indiana (1,000), Pennsylvania (999), and West Virginia (1,039), but lower than in Illinois (1,165), Kentucky (1,100), Michigan (1,133), Minnesota (1,169), Tennessee (1,115), and Wisconsin (1,180). During the same year, 26% of Ohio high school seniors took the SAT test, compared with 60% in Indiana, 12% in Illinois, 12% in Kentucky, 11% in Michigan, 9% in Minnesota, 71% in Pennsylvania, 13% in Tennessee, 18% in West Virginia, and 6% in Wisconsin.

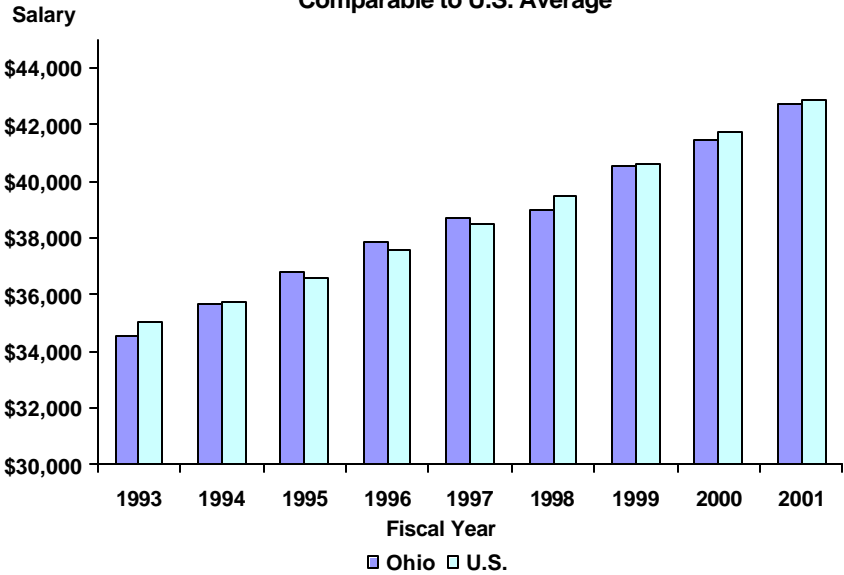
80% of a Typical School Budget Spent on Salaries and Fringe Benefits



- Salaries and fringe benefits account for approximately 80% of school budgets statewide.
- The percentage of school budgets devoted to fringe benefits has increased dramatically in recent years and amounted to 28% of the cost of salaries in FY 2001.
- Under Sub. H.B. 412 of the 122nd General Assembly (as modified by Am. Sub. S.B. 345 of the 123rd General Assembly), each school district is required to set aside an amount equal to 3% of the previous year's base cost funding formula amount multiplied by the number of students for textbooks and instructional materials and another 3% for capital and maintenance needs. In FY 2003, the required set-aside amount is \$144.4 per pupil for textbooks and instructional materials and another \$144.4 per pupil for capital and maintenance needs.

Teacher Salaries

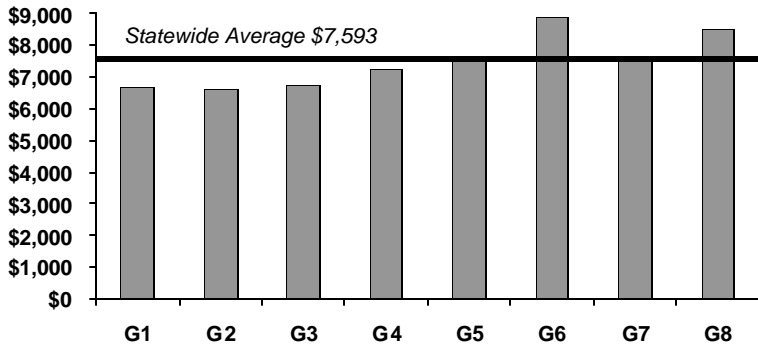
Ohio Average and Rate of Increase
Comparable to U.S. Average



- The average salary for an Ohio teacher changed from \$34,519 in FY 1993 to \$42,716 in FY 2001, an increase of 23.7%. The national average increased by 22.5%, from \$35,030 in FY 1993 to \$42,898 in FY 2001. Since FY 1993, Ohio's average has been within a band of between 1% above and 1% below the national average.
- In FY 2001, the average salary for beginning teachers in Ohio was \$24,894 for teachers with bachelor's degrees and \$27,639 for those with master's degrees. These salaries were 10.5% and 11.0% higher, respectively, than in FY 1998. This is compared to an inflation rate of 8.3% during that time.
- Typically, teachers' average salaries have increased at rates exceeding inflation rates. However, recent salary increases more closely approximate the inflation rate. (These statistics are also affected by retirement and the rate of new hires.)
- In FY 2001, Ohio's average teacher salary (\$42,716) was higher than in Kentucky (\$37,234), Minnesota (\$40,577), Tennessee (\$37,074), West Virginia (\$42,101), and Wisconsin (\$41,646), but lower than in Illinois (\$48,053), Indiana (\$43,055), Michigan (\$49,975), and Pennsylvania (\$49,500).

Per Pupil Operating Spending Varies across Ohio

Spending per Pupil by
District Comparison Group, FY 2001



Group Type	Description	ADM** % FY01	No. of Districts
G1 - Rural	Very low SES*, very high poverty	7.0	78
G2 - Small Rural	Low SES, low poverty	10.8	157
G3 - Rural Town	Average SES, average poverty	13.7	123
G4 - Urban	Low SES, high poverty	9.2	67
G5 - Large Urban	Average SES, high poverty	11.0	44
G6 - Major Urban	Very high poverty	19.2	14
G7 - Suburban	High SES, moderate poverty	20.6	89
G8 - Suburban	Very high SES, low poverty	8.5	35

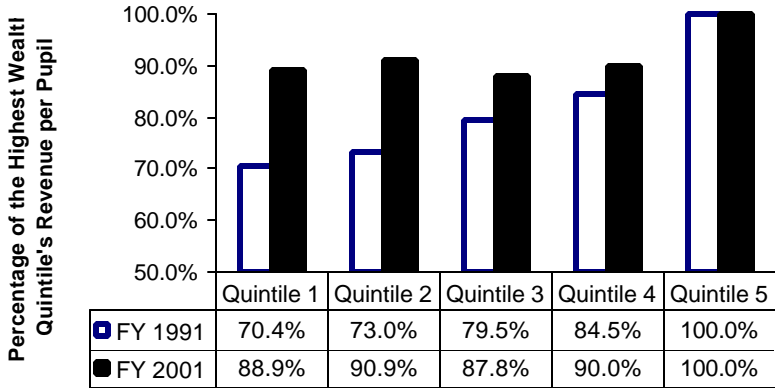
*Socio-economic status

**Average daily membership

- The Department of Education clusters school districts throughout the state as a means to compare districts with similar socio-economic characteristics. In FY 2001, the state average per pupil spending was \$7,593. About 83% of districts spent within a band of between 20% below the state average (\$6,074) and 20% above the state average (\$9,111).
- High poverty major urban (G6) and the wealthiest suburban (G8) districts had the highest spending per pupil among all district groups, spending 17% and 12%, respectively, above the state average in FY 2001.
- While per pupil spending varies across school districts, the pattern of allocation in all groups of districts is similar. On average, school districts spent 55.6% on instruction, 19.6% on building operations, 11.4% on administration, 11.1% on pupil support, and 2.3% on staff support.

Interdistrict Equity Improved Significantly in the 1990s

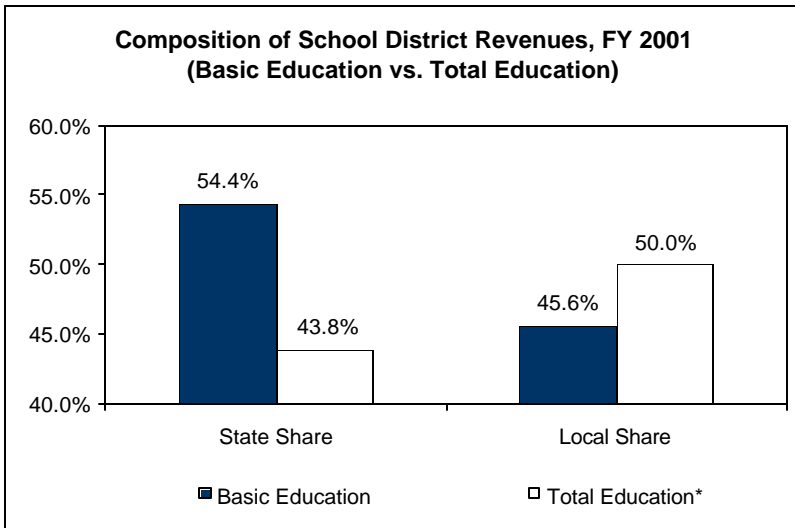
Revenue per Pupil Comparison



- The main goal of state aid for school districts is to neutralize the effect of a school district's wealth on its total revenue per pupil. The state's equalization effort, complemented by federal funds, significantly improved interdistrict revenue per pupil equity in the 1990s.
- School districts are first ranked from the lowest to the highest in valuation per pupil in each year. Districts are then grouped so that each quintile contains a roughly equal number of school districts. Quintile 1 has the lowest valuation per pupil and quintile 5 has the highest valuation per pupil.
- In the period from FY 1991 to FY 2001, districts in quintiles 1 and 2 registered the highest percentage and the biggest dollar increases in per pupil revenue. This occurred even though these districts experienced the smallest increase in per pupil valuation. As a result, per pupil revenue for quintile 1 increased from 70.4% of quintile 5's revenue per pupil in FY 1991 to 88.9% in FY 2001. Per pupil revenue for quintile 2 increased from 73.0% to 90.9% of quintile 5's revenue per pupil.
- In FY 2001, the average revenue per pupil for 80% of school districts (quintiles 1, 2, 3, and 4) was approximately 90% of the highest wealth quintile 5's revenue per pupil.
- In FY 1991, approximately 76% of the variation in per pupil revenue could be explained by the variation in per pupil valuation. In FY 2001, the per pupil valuation explained about 39% of the variation in per pupil revenue. This also indicated a significant improvement in interdistrict equity and fiscal neutrality in the 1990s.

School District Revenues

More State Than Local in Basic Education

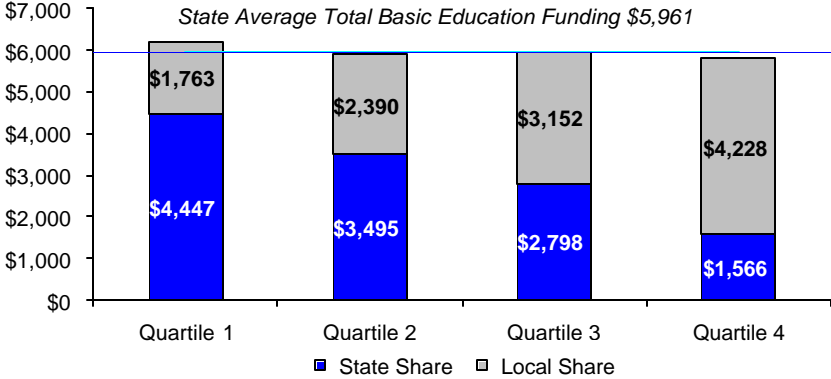


*Federal funds account for the remaining 6.2% of total education spending.

- The state of Ohio uses a performance-based model to determine the cost of a basic education. The model includes a uniform per pupil base cost and a series of adjustments to account for unique challenges each individual school district faces in providing a similar basic education. Total modeled basic education cost is shared between the state and local school districts through an equalized SF-3 foundation formula. The state pays approximately 54.4% of total basic education cost under the formula. Local school districts pay the remaining 45.6% of the basic education cost. The state share includes the portion of the local property tax charge-off paid by the state under the property tax relief program.
- The SF-3 foundation formula equalizes approximately two-thirds of local operating tax revenue; the other one-third (almost \$2 billion in FY 2001) of local revenue is available for school districts to provide education services beyond the basic education level. Local revenue above the basic education level is largely unequalized. The existence of local revenues beyond the basic education level is the main reason for a lower state share percentage (43.8%) in total education spending.

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

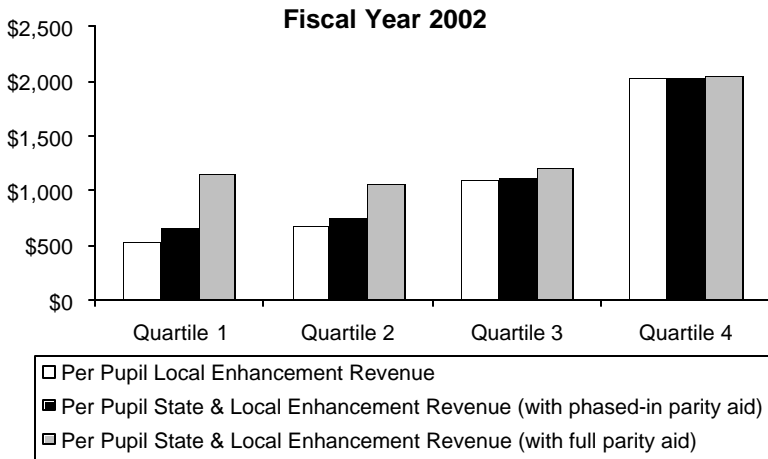
Per Pupil State and Local Funding for Basic Education by Wealth Quartile, FY 2002



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

- To create the quartiles, school districts are first ranked from the low to high in valuation per pupil. Districts are then divided into four groups, and each group includes approximately 25% of total statewide “average daily membership.” Funding amounts are then calculated under the state-defined basic education model. Other funding is excluded. Total basic education funding for an individual district takes into account unique challenges facing the district and does not depend on the district’s wealth.
- Valuation per pupil is the most important indicator of each district’s ability to provide education. Due to the uneven distribution of taxable property, valuation per pupil varies from \$66,803 for quartile 1 to \$178,462 for quartile 4. However, the state shares of total basic education funding for quartiles 1 to 4 are 71.6%, 59.4%, 47.0%, and 27.0%, respectively.
- Equalized state aid has ensured the same basic education funding for every student in every district regardless of the district’s wealth. The funding is equalized at 23 mills of local share. While valuation per pupil varies significantly, there is little difference in the total amount of per pupil state and local funding for basic education among the district quartiles.

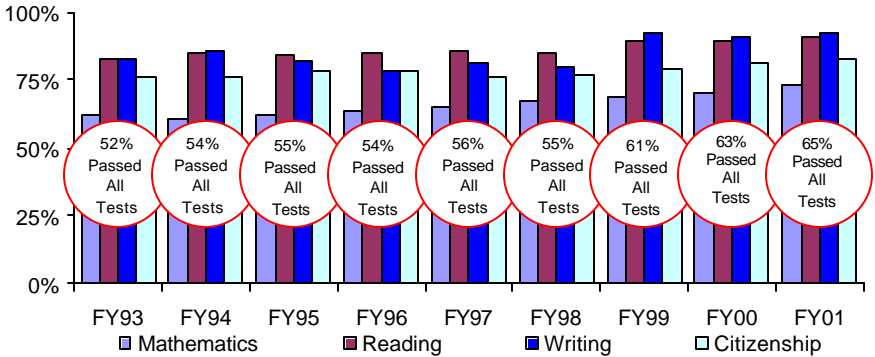
Parity Aid Reduces Disparities in Local Enhancement Revenue That Is above the Basic Education Level



- To create the quartiles, school districts are first ranked from the low to high in valuation per pupil. Districts are then divided into four groups, each of which includes approximately 25% of total statewide ADM. Quartile 1 has the lowest valuation per pupil and quartile 4 has the highest valuation per pupil.
- Equalized state aid eliminates disparities in total state and local funding for basic education. Disparities occur in unequalized local enhancement revenue that is above the basic education level. In FY 2002, per pupil local enhancement revenue ranged from \$531 for quartile 1 to \$684 for quartile 2, \$1,097 for quartile 3, and up to \$2,039 for quartile 4.
- Parity aid is designed to systematically reduce disparities in local enhancement revenue that is above the basic education level. It equalizes an additional 9.5 mills (above the basic education level) to the 80th percentile district's wealth level. Parity aid is evenly phased in over a five-year period.
- In FY 2002, parity aid was funded at the 20% level. With phased-in parity aid, per pupil state and local enhancement revenues for quartiles 1 to 4 were \$654, \$761, \$1,122, and \$2,042, respectively, in FY 2002. Fully implemented parity aid would have substantially reduced disparities in local enhancement revenue. If parity aid had been fully implemented in FY 2002, a total of \$480.6 million in state aid would have been provided and per pupil state and local enhancement revenue would have been \$1,145 for quartile 1, \$1,065 for quartile 2, \$1,208 for quartile 3, and \$2,050 for quartile 4. There would then have been little difference among the first three quartiles.

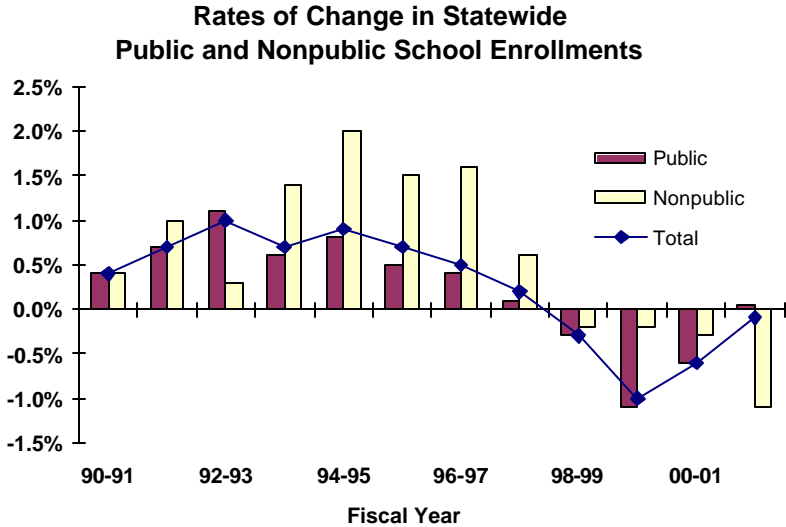
Ninth-Grade Proficiency Test Results Show Improvement

Public School Ninth Graders' Cumulative Passage Rates for the Ohio Ninth-Grade Proficiency Tests



- The percentage of Ohio public school ninth graders passing all four ninth-grade proficiency tests by the end of the ninth grade increased from 52% in FY 1993 to 65% in FY 2001. Public school students have to attain the ninth-grade level on each test in order to receive a high school diploma. In FY 1999, this graduation requirement was applied to chartered nonpublic school students as well. From the start of FY 2001, students in both public and chartered nonpublic schools are also required to attain a ninth-grade level on the science test in order to receive a high school diploma.
- Public school ninth graders have made improvements in all areas of the proficiency tests. Passing rates among public school ninth graders on the mathematics test increased from 62% in FY 1993 to 73% in FY 2001. Reading test passing rates increased from 83% to 91%, citizenship passing rates increased from 76% to 83%, and writing passing rates increased from 83% to 92% during the same period.
- Approximately 98% of twelfth graders have met the proficiency test requirement for graduation each year. Am. Sub. S.B. 55 of the 122nd General Assembly (as modified by Am. Sub. S.B. 1 of the 124th General Assembly) phased out ninth-grade proficiency tests and replaced them with tenth-grade achievement tests, called the Ohio graduation tests. However, passing all five ninth-grade proficiency tests will continue to be a requirement for high school graduation until FY 2007.

K-12 Enrollment Declines from 1998 Peak



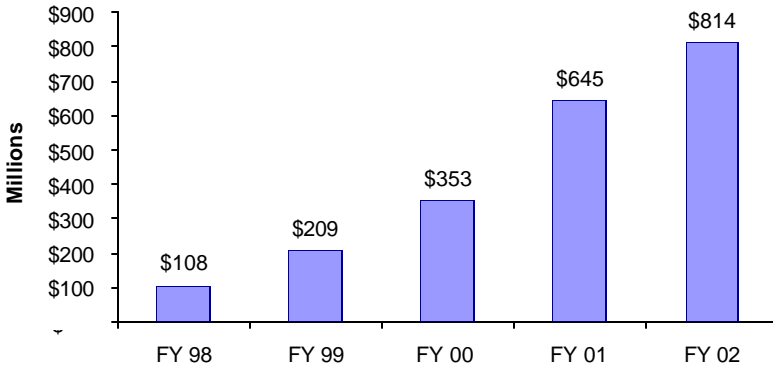
- The moderate growth in public and nonpublic school enrollments in the 1990s reached its peak in FY 1998, and both public and nonpublic enrollments have decreased consistently since then. The average declining rates for public and nonpublic enrollments are the same at approximately 0.5% per year.
- From FY 1990 to FY 2002, total public school enrollment grew by 2.6%, from 1,764,493 students to 1,811,216 students. In the same span of time, total nonpublic school enrollment grew by 7.2%, from 223,082 students to 239,186 students.
- Public school enrollment numbers include students attending public community schools. Since the establishment of community schools in FY 1999, community school enrollment has increased by 937%, from 2,245 students in FY 1999 to 23,280 students in FY 2002. In the same span of time, public school enrollment has decreased by 1.7%. Community school enrollment represented approximately 1.3% of total public school enrollment in FY 2002.
- Nonpublic school enrollment numbers include the Cleveland voucher program students. In FY 2002, nonpublic school enrollment represented approximately 11.7% of total public and nonpublic students in Ohio.

Ohio Ranks Third Nationwide in Student Access to Technology

Rank	State	Number of Students per Computer
1	South Dakota	4.9: 1
2	Kansas	5.6: 1
3	Ohio	5.8: 1
3	Delaware	5.8: 1
3	Wyoming	5.8: 1
4	New Jersey	6.0: 1
5	Montana	6.7: 1
5	Wisconsin	6.7: 1
5	Iowa	6.7: 1
5	Missouri	6.7: 1
	U.S.	7.9: 1

- The SchoolNet Commission was created in 1997 as an independent agency to expand student access to technology. Ohio has made a significant improvement in its student access to technology in recent years. Ohio is tied for third nationwide for student access to technology according to a 2000 Market Data Retrieval Survey. In 1996, Ohio ranked 46th in the nation.
- SchoolNet, funded at \$95 million, was created in 1994 to provide telecommunications wiring for every public school classroom in the state and to purchase computer workstations for the 153 low-wealth school districts. Under the program, over 93,000 public school classrooms were wired and more than 16,000 computers were purchased for low-wealth school districts.
- SchoolNet Plus was originally established in 1995 to expand the impact of SchoolNet in grades K-4 by providing state subsidies to help achieve the goal of one computer workstation for every five K-4 students. Since 1995, approximately \$570 million has been invested in SchoolNet Plus for grades K-4 and beyond.
- More than 180,000 computer workstations have been purchased under SchoolNet Plus, resulting in a student to computer ratio of 5:1 for grades K-5. SchoolNet Plus is currently being expanded into the sixth grade.

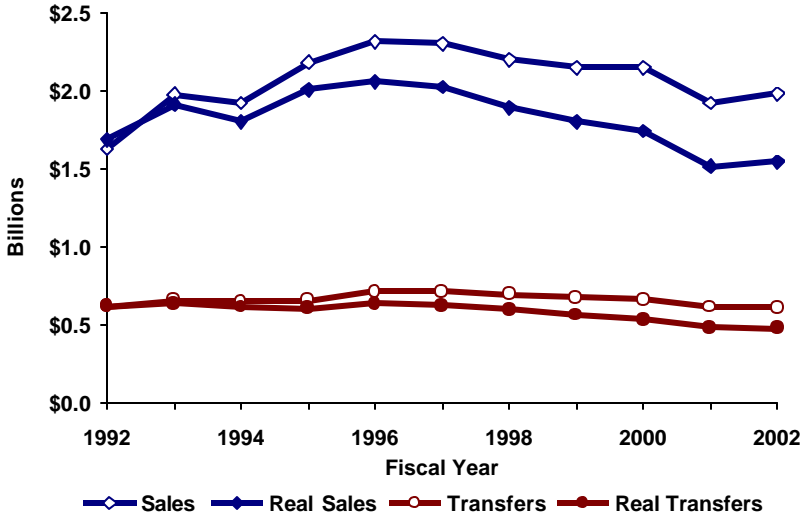
State Disbursements for School Facilities Projects Totalled over \$2 Billion in Five Years



- Almost \$2.13 billion was spent in support of school construction projects during the period from FY 1998 to FY 2002. Approximately 83% of the total disbursed funds went to the Classroom Facilities Assistance Program (CFAP), the main program that provides equalized state funding for the entire facility needs of every school district. So far, 114 districts have been served by CFAP.
- Total annual spending on school facilities projects increased from \$108 million in FY 1998 to \$814 million in FY 2002. Annual spending for CFAP increased by \$670 million over the 1998 level to \$720 million in FY 2002. Disbursements for CFAP will continue to rise rapidly as more school districts secure their local funding and finalize their master plans.
- All eight major urban districts (Akron, Canton, Cincinnati, Cleveland, Columbus, Dayton, Toledo, and Youngstown) either currently participate in CFAP or will become eligible for CFAP funding beginning in FY 2003 under the Accelerated Urban Initiative. The total state share over the lifetime of these multiple-phased projects is estimated at \$3.21 billion.
- Since its establishment in FY 2000, the Exceptional Needs Program has spent \$142 million and served 22 districts. Of this amount, \$81 million (or 57%) was disbursed in FY 2002. The program, which is designed to address health and safety needs in specific buildings within a district, disburses money on a grant application basis.
- The Expedited Local Partnership Program (ELPP) is designed to give school districts not yet participating in CFAP the opportunity to move ahead with portions of their projects by spending local funds first. When a district later becomes eligible for CFAP, the money spent by the district is credited against its local share. Currently, 25 school districts participate in ELPP with a combined state share commitment of \$616 million.

Lottery Sales Increased in 2002, but Still below 1996 Peak

Lottery Sales and Transfers



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