

Department of Education

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- The base cost formula amount increases by 2.2% in FY 2006 and 2.3% in FY 2007
- Base funding supplements amount to \$44.00 per pupil in FY 2006 and \$47.99 per pupil in FY 2007
- New poverty-based assistance targets approximately \$815.9 million over the biennium to high poverty districts

OVERVIEW

This overview briefly describes the duties and responsibilities of the Ohio Department of Education, the make up of the appropriations provided for the Department in the enacted budget, the provisions of the budget affecting primary and secondary education that were vetoed by the Governor, school funding formula changes, and the phase-out of the general business tangible personal property tax.

Duties and Responsibilities

The Ohio Department of Education oversees a public education system consisting of 613 public school districts, 49 joint vocational school districts, and 267 public community schools. In addition, the Department monitors 60 educational service centers, several preschool programs, and many other school-related entities, including approximately 915 state-chartered nonpublic schools.

The role of the Department is to assist education providers in ensuring that every student in Ohio has the knowledge and skills needed to graduate and be prepared for college and the workforce. The Department is governed by a 19 member State Board of Education. Eleven of those 19 members are elected by the citizens and the other 8 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.

Agency in Brief

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Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
646	\$10.19 billion	\$10.73 billion	\$7.48 billion	\$7.59 billion	Am. Sub. H.B. 66

* The employee count was obtained from the Department of Education and represents permanent employees as of August 22, 2005.

The enacted budget provides a total appropriation of \$10.19 billion in FY 2006 and \$10.73 billion in FY 2007 for the Department of Education. The following table details the Department's appropriations by fund group.

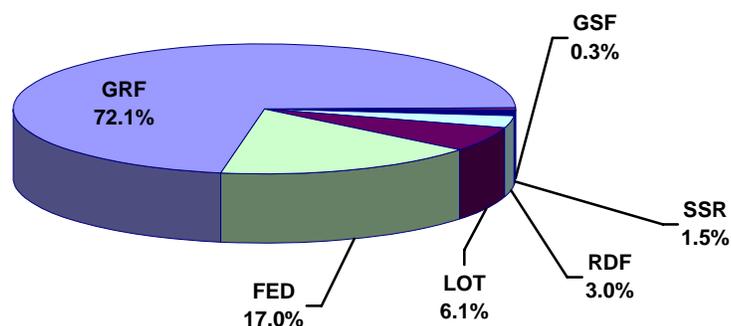
Fund	FY 2005	FY 2006	% Change, FYs 2005-2006	FY 2007	% Change, FYs 2006-2007
GRF	\$7,419,369,909	\$7,479,870,773	0.8%	\$7,590,732,819	1.5%
General Services	\$28,997,193	\$32,859,010	13.3%	\$32,990,184	0.4%
State Special Revenue	\$67,722,160	\$139,491,774	106.0%	\$171,134,658	22.7%
Revenue Distribution	\$116,520,891	\$165,997,522	42.5%	\$470,701,522	183.6%
Lottery	\$638,900,000	\$637,900,000	-0.2%	\$637,900,000	0.0%
Federal Special Revenue	\$1,516,138,306	\$1,729,323,816	14.1%	\$1,829,953,440	5.8%
Grand Totals	\$9,787,648,459	\$10,185,442,895	4.1%	\$10,733,412,623	5.4%
<i>GRF + Lottery</i>	<i>\$8,058,269,909</i>	<i>\$8,117,770,773</i>	<i>0.7%</i>	<i>\$8,228,632,819</i>	<i>1.4%</i>

It can be seen from the table that the enacted budget increases GRF appropriations by 0.8% in FY 2006 and 1.5% in FY 2007. The GRF includes funding for the reimbursement of property tax rollbacks and the \$10,000 tangible tax exemption. Due to changes made in the act, these items, combined, decrease by \$75.0 million in FY 2006 and by \$46.5 million in FY 2007. Subtracting these tax reimbursements, GRF appropriations increase by 2.1% in FY 2006 and by 2.4% in FY 2007. The Lottery Profits Education Fund (LPEF) appropriations experience a decrease of 0.2% in FY 2006 and stay flat in FY 2007. Total GRF and Lottery appropriations increase by 0.7% in FY 2006 and 1.4% in FY 2007. Again, subtracting the tax reimbursements, total GRF and Lottery appropriations increase by 1.9% in FY 2006 and 2.2% in FY 2007.

The significant increases in the Revenue Distribution Fund group appropriation of 42.5% in FY 2006 and 183.6% in FY 2007 are due to reimbursements to school districts of tax losses due to the phase-out of the tax on general business tangible personal property. The mechanism for providing the replacement revenue is described below. The enacted budget provides \$49.4 million in FY 2006 and \$369.1 million in FY 2007 to fund this replacement revenue for school districts and joint vocational school districts. The increase in the State Special Revenue Fund group appropriation is mainly due to increases in the Early Learning Initiative, a new program that replaces state Head Start and Head Start Plus, which had lower than expected expenditures in FY 2004 and FY 2005.

Chart 1 presents the enacted biennial budget for the Department of Education by fund group. It can be seen from the chart that the Department receives most of its funding from the GRF at 72.1%. Federal funds account for another 17.0% and the other fund groups account for a combined total of 10.9%. Federal funds actually account for a higher percentage when federal TANF dollars that are appropriated for the Early Learning Initiative through a State Special Revenue Fund are taken into account. If this appropriation is added to the federal fund group, federal funds actually account for approximately 18.1% of the Department's total budget.

Chart 1: Department of Education FY 2006 - FY 2007 Budget by Fund Group



Vetoed Provisions

- (1) The Governor vetoed a provision authorizing school districts to propose to voters a property tax that adjusts to provide local revenue to offset year-to-year decreases in state funding caused by increases in the district's local share of base cost funding, subject to a 4% limit on year-to-year increases in total taxes from current expense levies other than new levies. Under the provision, if a school district had proposed such a levy, the levy had to last a minimum of five years. This provision would have provided one way for districts to attempt to counteract the effect of H.B. 920 tax policy that limits revenue growth from existing real property.
- (2) The Governor vetoed a delayed effective date of July 1, 2006 for a provision permitting companies that score state tests to have access to personally identifiable student information. This veto will allow these companies to have access to this data immediately.
- (3) The Governor vetoed a specific method of calculating the amount of limited English proficient funding transferred to community schools. This veto will allow the Department to determine the best method of calculating these funds.
- (4) The Governor vetoed a purpose statement for the post-secondary enrollment options program.
- (5) The Governor vetoed specific reimbursement rates for the Early Learning Initiative. This veto will allow the Department of Job and Family Services to determine the reimbursement rates.
- (6) Through a veto the Governor reduced the earmark of federal funds for the Ohio Wyami Teacher Cohorts Program from \$1.5 million in each fiscal year to \$1.5 million over the biennium.

School Funding Formula Changes

The Governor's Blue Ribbon Task Force on Financing Student Success, which began work in August of 2003 and issued its final report in February of 2005, was charged with recommending a school funding system that promotes higher levels of student achievement and gives every child the opportunity to succeed. The Task Force had 35 members from the business and educational communities as well as from the executive and legislative branches of state government. The Task Force recommended a building-blocks, or inputs-based approach to school funding. This type of approach focuses on the inputs needed for the academic success of students, as well as giving stakeholders the ability to discuss what inputs can be bought with current funding levels. The previous school funding system was largely based on outputs. The School Funding section of the LSC Redbook for the Department of Education⁷ gives a detailed description of the school funding formula as it existed prior to the enactment of this budget. The enacted budget replaces this output-based system with an inputs-based model.

Base Cost Funding

Base Cost Formula Amount. Prior to the enacted budget, the base cost formula amount was based on the spending of certain model districts that had obtained an acceptable level of performance. The enacted budget changes the method used to calculate the base cost. Under the enacted budget, the base cost consists of three components:

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

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

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

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

⁷ The Redbook can be accessed on the LSC web site at www.lsc.state.oh.us under Budget Documents.

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

The model stipulates that the per pupil value of the other personnel component increases by the same percentage as the base classroom teacher average compensation and the nonpersonnel component increases by the projected gross domestic product deflator (all items). The determination of these components in future years is shown in Table 3.

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

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

Base Funding Supplements. The enacted budget also provides a number of supplements to the base cost for certain inputs that the Blue Ribbon Task Force recommended for funding. These supplements include academic intervention services, professional development, data-based decision making, and professional development regarding data-based decision making. The supplement for professional development is phased in at 25% in FY 2006 and 75% in FY 2007, while funding for the other supplements is fully implemented beginning in FY 2006. Table 4 shows the per pupil value of each supplement in FY 2006 and FY 2007.

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

The supplement for academic intervention services provides funding to all districts to provide large group intervention services beyond those funded through the current formula amount. Additional funding for intervention is provided to districts with high concentrations of poor students through

poverty-based assistance, which is described below. The supplement for large group academic intervention services provides 25 hours of intervention to each group of 20 students. It is calculated according to the following formula.

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

The supplement for professional development provides an additional 4.5% of the formula amount for every teacher, assuming an overall student to teacher ratio of 17:1. This supplement is calculated according to the following formula.

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

The supplement for data-based decision making provides an additional 0.1% of the formula amount for each student. This supplement is calculated according to the following formula.

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

The supplement for professional development regarding data-based decision making provides an additional 8.0% of the formula amount for 20% of teachers assuming a student to teacher ratio of 17:1, and for each principal assuming a student to principal ratio of 340:1. This supplement is calculated according to the following formula.

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

Phase-out of the Cost of Doing Business Factor. The enacted budget phases out the cost of doing business factor (CDBF) adjustment that is currently applied to the formula amount to determine each district's base cost per pupil. The CDBF is calculated for each county and is based on wages in the county and all contiguous counties. In FY 2005, the CDBF increased the formula amount for the highest cost county by 7.5%. The enacted budget reduces this differential to 5.0% in FY 2006 and 2.5% in FY 2007.

Two formula ADM counts. The enacted budget requires two ADM counts, one in the first full week in October and the other in the third full week in February. Funding for the first six months of the fiscal year (July – December) is determined by the October count. Funding for the last six months of the fiscal year (January – June) is determined by the average of the October and February counts. Prior to this budget, the October count was used throughout the year unless a district's ADM increased by more

than 3% from October to February, in which case the February count would be used for the second half of the fiscal year.

Base Cost Guarantee. The enacted budget guarantees that each district's state base cost funding (including funding for base funding supplements) is not lower than its state aggregate or per pupil base cost funding in FY 2005, whichever is lower.

Local Share of the Base Cost. The local share of the base cost is calculated by multiplying 23 mills times the district's recognized valuation, a measure of the district's capacity for raising local revenues. Beginning in FY 2007, the enacted budget calls for including certain property that is exempt from taxation in the valuation upon which the local share is calculated. All tax exempt property was previously excluded from the calculation. There is a possibility that this change may have some impact on certain districts in FY 2007.

Base Cost Funding Summary. In summary, the enacted budget provides a base cost formula amount of \$5,283 in FY 2006 and \$5,403 in FY 2007. This formula amount is multiplied by the October ADM count to determine the base cost for the first half of the fiscal year and by the average of the October and February ADM counts to determine the base cost for the second half of the fiscal year. The base funding supplements, totaling \$40.00 per pupil in FY 2006 and \$47.99 per pupil in FY 2007, are added to this base cost. From this final base cost amount the district's local share is subtracted to obtain the state's share of the base cost. An additional amount is added, if needed, so that the district's state share is not lower than its aggregate or per pupil state share in FY 2005, whichever is lower.

Poverty-Based Assistance

The enacted budget replaces disadvantaged pupil impact aid (DPIA) with poverty-based assistance. This assistance is designed to help districts with high concentrations of students living in poverty meet the additional needs of these students. Poverty-based assistance under the enacted budget consists of seven programs. Funding is based on a district's poverty index, which is calculated in the same way that the DPIA index was calculated. As with DPIA, the enacted budget continues to use the count of students whose families participate in Ohio Works First (OWF) as the poverty indicator.

All-Day and Every-Day Kindergarten. The enacted budget continues funding for this program in FY 2006 and FY 2007 as it existed previously. School districts with indices of one or above are eligible for funding for all-day and every-day kindergarten. The base cost provides funding for half-day kindergarten to all school districts.

Class Size Reduction. The enacted budget continues this program, but makes significant changes. The program provides funding to assist districts with high concentrations of poverty to reduce the student to teacher ratio in kindergarten through third grade down toward 15:1. The DPIA program assumed districts currently had a ratio of 23:1 in those grades. The enacted budget assumes a current ratio of 20:1. Under the DPIA program, a district was eligible for this funding if its DPIA index was greater than 0.6, the enacted budget requires an index greater than 1.0 for eligibility. Additionally, the DPIA program provided funding on a sliding scale for districts with indices from 0.6 to 2.5. Districts with indices above 2.5 received full funding to reduce student to teacher ratios from 23:1 all the way to 15:1. The enacted budget provides funding on a sliding scale for districts with indices from 1.0 to 1.5. Districts with indices above 1.5 receive funding to reduce student to teacher ratios from 20:1 all the way to 15:1. Finally, the enacted budget increases the salary allowance funded for each additional teacher from \$43,658 in FY 2003 to \$53,680 in FY 2006 and \$54,941 in FY 2007, the base teacher compensation. The following table summarizes the calculations for the enacted budget's class size reduction program.

K-3 Class Size Reduction Funding
Step 1: Total needed teachers for districts to have pupil/teacher ratios ranging from 15:1 to 20:1 If the district's poverty index is greater than or equal to 1.5: Total needed teachers = (K-3 regular ADM)/15 If the district's poverty index is at least 1.0 but less than 1.5: Total needed teachers = (K-3 regular ADM) x (1/20+(((Poverty index - 1.0)/0.5) x (1/15-1/20)))
Step 2: Total assumed current available teachers = (K-3 regular ADM)/20
Step 3: Total needed new teachers = Total needed teachers (Step 1) – Total assumed current available teachers (Step 2)
Step 4: Total K-3 class size reduction funding = Total needed new teachers (Step 3) x Teacher Salary Allowance
(Teacher Salary Allowance = \$53,680 in FY 2006 and \$54,941 in FY 2007)

Intervention. Funding for this program, previously named safety, security, and remediation (SSR), is completely revamped by the enacted budget. Districts with indices greater than 0.35 were eligible for SSR funding. The enacted budget decreases the eligibility threshold to 0.25. The SSR program provided \$230 per poverty student to districts with indices between 0.35 and 1.0, and \$230 times the district's index per poverty student to districts with indices greater than 1.0. The enacted budget replaces this calculation with a three-level calculation that is phased in at 60% in FY 2006 and 100% in FY 2007. The three tiers are as follows:

1. Tier 1: Large group intervention for all students:
 - a. 20:1 student to teacher ratio;
 - b. Districts with indices greater than 0.75 receive 25 hours in each fiscal year;
 - c. Districts with indices between 0.25 and 0.75 receive 0 to 25 hours on a sliding scale.
2. Tier 2: Medium group intervention for all students:
 - a. 15:1 student to teacher ratio;
 - b. Districts with indices greater than 1.5 receive 50 hours in each fiscal year;
 - c. Districts with indices between 0.75 and 1.5 receive 25 to 50 hours on a sliding scale.
3. Tier 3: Small group intervention for three times the number of poverty students:
 - a. 10:1 student to teacher ratio;
 - b. Districts with indices greater than 2.5 receive 160 hours in each fiscal year;
 - c. Districts with indices between 1.5 and 2.5 receive 25 to 160 hours on a sliding scale.

The total number of intervention hours funded for each district is equal to the sum of the hours calculated under each tier. Each hour of intervention is funded at \$20.00 in FY 2006 and \$20.40 in FY 2007. These calculations are summarized below.

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

The enacted budget requires that districts use this funding for academic intervention services. Districts receiving funds under tier 2 or tier 3 must submit a plan to the Department describing how these funds will be used. Districts with poverty indices above 0.25 receive up to \$15.00 per student in FY 2006 and up to \$25.50 per student in FY 2007 for the first tier. Districts with poverty indices above 0.75 receive from \$20.00 to \$40.00 per student in FY 2006 and from \$43.00 to \$68.00 per student in FY 2007 for the second tier. Finally, districts with poverty indices above 1.5 receive from \$90.00 to \$576.00 per poverty student in FY 2006 and from \$153.00 to \$979.20 per poverty student in FY 2007 for the third tier. Districts with indices above 2.5 receive the maximum amount of intervention funding, which equals \$55.00 per pupil plus \$576.00 per poverty pupil in FY 2006 and \$93.50 per pupil plus \$979.20 per poverty pupil in FY 2007. In addition to this funding provided to districts with poverty indices greater than 0.25, all districts receive 25 hours of large group intervention through the base funding supplement described above (\$25.00 per student in FY 2006 and \$25.50 per student in FY 2007). This funding is summarized in Tables 5 and 6.

Table 5: Intervention Funding in FY 2006, Based on Poverty Indices					
Poverty Index Ranges	Base Funding Supplement	Tier 1 Per Pupil	Tier 2 Per Pupil	Total Per Pupil	Tier 3 Per Poverty Pupil
0 to 0.25	\$25.00	---	---	\$25.00	---
0.25 to 0.75	\$25.00	\$0.00 to \$15.00	---	\$25.00 to \$40.00	---
0.75 to 1.5	\$25.00	\$15.00	\$20.00 to \$40.00	\$60.00 to \$80.00	---
1.5 to 2.5	\$25.00	\$15.00	\$40.00	\$80.00	\$90.00 to \$576.00
Above 2.5	\$25.00	\$15.00	\$40.00	\$80.00	\$576.00

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

Limited English Proficient Student Intervention. This is a new program enacted in the budget. It provides funding to districts with poverty indices greater than or equal to 1.0 and with at least 2% of students who are limited English proficient (LEP). This funding is phased in at 40% in FY 2006 and 70% in FY 2007. For districts with indices greater than or equal to 1.75, funding equal to 25.0% of the formula amount is provided for each limited English proficient student. Funding is provided on a sliding scale from 12.5% to 25.0% for districts with indices between 1.0 and 1.75. The enacted budget uses the percentage of LEP students that was reported on each district's local report card for the 2002-2003 school year as a basis for this funding in FY 2006 and FY 2007. It requires that the Department recommend a method of identifying LEP students for use in making the payments after FY 2007. The calculations for this funding are summarized in the following table.

Limited English Proficient Funding
<p>If the qualifying district's poverty index is greater than or equal to 1.75: Per LEP student funding = formula amount x 0.25</p> <p>If the qualifying district's poverty index is at least 1.0 but less than 1.75: Per LEP student funding = formula amount x (0.125 + (poverty index - 1.0)/0.75 x 0.125)</p> <p>Total Funding = Per LEP student funding x LEP student count x phase-in percentage</p> <p>(Qualifying districts have reported on their report cards for the 2002-2003 school year an LEP student % of at least 2% and have poverty indices at least equal to 1.0)</p> <p>(LEP student count is the number of LEP students used to determine the LEP student % on district report cards for the 2002-2003 school year)</p> <p>(Phase-in percentage = 40% in FY 2006 and 70% in FY 2007)</p>

Districts qualifying for this funding receive from \$264 to \$528 per LEP student in FY 2006 and from \$473 to \$946 per LEP student in FY 2007. Districts are required to use this funding for one or more of the following purposes: (1) to hire teachers for LEP students or to hire other personnel to provide intervention for LEP students, (2) to contract for intervention services for LEP students, or (3) to provide other services to LEP students to assist them in passing the third-grade reading achievement test.

Teacher Professional Development. This is a new program in the budget to provide funding for additional teacher professional development to districts with poverty indices greater than or equal to 1.0. The calculation assumes that each district's student to teacher ratio is 17:1. For districts with poverty indices greater than or equal to 1.75, funding of 4.5% of the formula amount is provided per assumed teacher. Funding per teacher is provided to districts with indices between 1.0 and 1.75 on a sliding scale. This funding is phased in at 40% in FY 2006 and 70% in FY 2007. The calculation is given below.

Teacher Professional Development Funding
If the qualifying district's poverty index is greater than or equal to 1.75: Per teacher funding = 0.045 x formula amount
If the qualifying district's poverty index is at least 1.0 but less than 1.75: Per teacher funding = (poverty index - 1.0)/.75 x (0.045 x formula amount)
Total Funding = Per teacher funding x Number of teachers x Phase-in percentage
(Number of teachers = formula ADM/17)
(Phase-in percentage = 40% in FY 2006 and 70% in FY 2007)

Districts qualifying for this funding receive up to \$5.59 per student in FY 2006 and up to \$10.01 per student in FY 2007. The budget restricts the use of these funds to the provision of professional development, and stipulates that the professional development be provided in one or more of the following areas: (1) data-based decision making, (2) standards-based curriculum models, or (3) job-embedded activities that are research-based as defined by federal law. Furthermore, unless the district receives a waiver, it must select a professional development program from a list approved by the Department. In addition to this funding provided to districts with poverty indices greater than 1.0, all districts receive an additional 4.5% of the formula amount per teacher through the professional development base funding supplement (\$3.50 per student in FY 2006 and \$10.73 per student in FY 2007), as well as 8.0% of the formula amount for 20% of teachers and for each principal assuming a student to principal ratio of 340:1 through the professional development for data-based decision making base funding supplement (\$6.22 per student in FY 2006 and \$6.36 per student in FY 2007). This funding is summarized in Tables 7 and 8.

Table 7: Professional Development Funding Per Pupil in FY 2006, Based on Poverty Indices				
Poverty Index Ranges	Base Funding Supplement – Professional Development	Base Funding Supplement – Professional Development for Data-Based Decision Making	Poverty-Based Assistance	Total
0 to 1.0	\$3.50	\$6.22	---	\$9.72
1.0 to 1.75	\$3.50	\$6.22	\$ 0.00 to \$5.59	\$9.72 to \$15.31
Above 1.75	\$3.50	\$6.22	\$5.59	\$15.31

Table 8: Professional Development Funding Per Pupil in FY 2007, Based on Poverty Indices				
Poverty Index Ranges	Base Funding Supplement – Professional Development	Base Funding Supplement – Professional Development for Data-Based Decision Making	Poverty-Based Assistance	Total
0 to 1.0	\$10.73	\$6.36	---	\$17.09
1.0 to 1.75	\$10.73	\$6.36	\$ 0.00 to \$10.01	\$17.09 to \$27.10
Above 1.75	\$10.73	\$6.36	\$10.01	\$27.10

Dropout Prevention. This is a new program in the budget for the Big 8 school districts, which are Akron, Canton, Cincinnati, Columbus, Cleveland, Dayton, Toledo, and Youngstown. This program provides these districts with 0.5% of the formula amount times the district's poverty index per student. The program is phased in at 40% in FY 2006 and 70% in FY 2007. The calculation is given below.

Dropout Prevention Funding =
0.005 x formula amount x poverty index x formula ADM x phase-in percentage
(Funding provided to the Big 8 districts: Akron, Canton, Cincinnati, Columbus, Cleveland, Dayton, Toledo, and Youngstown) (Phase-in percentage = 40% in FY 2006 and 70% in FY 2007)

The Big 8 districts will receive about \$10.57 times their poverty indices per student in FY 2006 and about \$18.91 times their poverty indices per student in FY 2007. Poverty indices for these districts range from about 2.8 to 4.3. Therefore, per pupil funding levels range from about \$29.60 to \$45.45 in FY 2006 and from about \$52.95 to \$81.31 in FY 2007. Districts are required to use this funding either for dropout prevention programs approved by the Department or for safety, security, and remediation measures, including academic intervention services. Unless the district receives a waiver, it must select a dropout prevention program from a list approved by the Department.

Community Outreach. This is a new program in the budget for 21 major urban districts (Urban 21). The Urban 21 districts are: Akron, Canton, Cincinnati, Cleveland Heights-University Heights, Cleveland, Columbus, Dayton, East Cleveland, Elyria, Euclid, Hamilton, Lima, Lorain, Mansfield, Middletown, Parma, South-Western, Springfield, Toledo, Warren, and Youngstown. This program provides these districts with 0.5% of the formula amount times the district's poverty index per student. The program is phased in at 40% in FY 2006 and 70% in FY 2007. The calculation is given below.

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

The Urban 21 districts will receive about \$10.57 times their poverty indices per student in FY 2006 and about \$18.91 times their poverty indices per student in FY 2007. Poverty indices for these districts range from about 0.4 to 4.3. Therefore, per pupil funding levels range from about \$4.23 to \$45.45 in FY 2006 and from about \$7.56 to \$81.31 in FY 2007. Districts with poverty indices greater than 1.0 and receiving funding under this program, must use these funds for community liaison officers, attendance or truant officers, safety and security personnel, programs designed to ensure schools are free of drugs and violence and have a disciplined environment, and academic intervention services.

Poverty-Based Assistance Guarantee. The budget replaces the current DPIA guarantee, which ensures every district receives at least as much DPIA as it received in FY 1998, with a new guarantee based on FY 2005. This new guarantee ensures that districts receive at least as much poverty-based assistance funding as the DPIA they received in FY 2005 less any DPIA transferred to e-schools. (The budget disqualifies students attending e-schools from receiving poverty-based assistance.)

Prior law allowed districts with indices less than 1.0 and receiving SSR funds to spend only 70% of their DPIA on safety, security, and remediation measures. The budget requires they spend 100% of their assistance on these measures. The budget also modifies the stipulation for districts with indices above 1.0, namely that the funds they receive are first used according to the guidelines applicable to each program, then to provide all-day kindergarten, and then for certain services listed in the act. The budget also requires that the Department review these spending requirements and recommend modifications by

March 31, 2007. These recommendations must include "decreasing degrees of flexibility of spending for districts not meeting adequate progress standards..."

Other Formula Changes

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

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

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

Speech Service Personnel Allowance. The budget maintains the speech service personnel allowance at the FY 2005 level of \$30,000 in FY 2006 and FY 2007.

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

Fundamental Aid Guarantee. The budget eliminates the fundamental aid guarantee. This provision guaranteed that school districts receive the same amount of fundamental aid as they received in FY 1998.

Transitional Aid for School Districts. Transitional aid was provided to districts in FY 2004 and FY 2005 to ensure that their SF-3 funding plus gap aid did not drop by more than 5% in either of those years. The budget extends and modifies this transitional aid for FY 2006 and FY 2007. In FY 2006 and FY 2007, transitional aid ensures that each district receives the same amount of SF-3 funding plus gap aid it received in the previous fiscal year.

Joint Vocational School District Guarantee. The budget eliminates the JVSD SF-3 guarantee. This provision guaranteed that JVSDs receive the same amount of SF-3 funding as they received in FY 1999.

Transitional Aid for Joint Vocational School Districts. JVSDs did not receive transitional aid in FY 2004 and FY 2005. The budget, however, provides transitional aid for JVSDs in FY 2006 and FY 2007. For these two fiscal years, transitional aid ensures that each JVSD's SF-3 funding does not fall below the funding it received in the previous fiscal year.

Parity Aid. In FY 2005, parity aid was calculated as the difference between what a district could raise per pupil with 9.5 mills and what the district at the 80th percent highest wealth level could raise per pupil with 9.5 mills. In FY 2005, this funding was phased in at 76%. The budget changes this calculation to be the difference between what these districts can raise per pupil with 7.5 mills. The act states that the

reason for this decrease is the phase-out of the cost of doing business factor, which reduces the funding differential between districts. The budget pays this new calculation at 100% beginning in FY 2006.

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

Charge-off Supplement. The budget establishes a new, three-year payment to phase out the charge-off supplement to school districts that become ineligible for the supplement after passing property tax or income tax levies in tax year (TY) 2005 or thereafter. Such a district would receive 75% of their prior year's payment in the first year, 50% in the second year, and 25% in the third year. The budget also adds to the revenue considered to be received by a school district for purposes of calculating the charge-off supplement revenue received as direct reimbursement for tax revenue lost due to the phase-out of the tangible personal property tax.

Phase-out of the Tangible Personal Property Tax

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

The enacted budget phases out the TPP tax evenly over four years so that the tax is completely eliminated by TY 2009. New machinery and equipment and furniture and fixtures is exempted from taxation immediately. The tax on inventories was already in the process of being phased out; the enacted budget accelerates this phase-out. While all school districts and joint vocational school districts will lose local tax revenue due to the TPP tax changes, the effect is uneven across school districts. This is due to the fact that the distribution of the TPP tax varies significantly across school districts. Per pupil TPP operating tax revenues range from \$7 to over \$5,000, with an average of \$627 and a median of \$374. The percentage of local operating revenue generated through the tax on TPP ranges from 0.1% to 54.8% with an average of 15.1% and a median of 12.1%. While the TPP tax may be relatively minor for many school districts, there are many other districts for which it is important. One hundred forty-two school districts receive more than 20% of their local operating revenues from this tax; 44 of these districts receive more than 30% of their local operating revenues from this tax.

The enacted budget establishes a new "commercial activity tax" (CAT) and deposits part of the revenue generated through this new tax in the School District Property Tax Replacement Fund to reimburse school districts and joint vocational school districts for their losses due to the elimination of the TPP tax. The Department of Taxation will determine the base reimbursement amounts for school districts and joint vocational school districts. The Department of Taxation is required to certify the tax value loss and the tax revenue loss for each school district and joint vocational school district. The tax value loss is basically the value of the property in TY 2004, except for inventories. Since the tax on inventories was already in the process of being phased out without direct reimbursement for the portion of the loss above the compensation received through increased state education aid, the enacted budget only reimburses the difference between the accelerated phase-out schedule and the previous phase-out schedule.

School levies are grouped into two categories for purposes of calculating their tax revenue losses: fixed-rate (inside mills and current expense) levies and fixed-sum (emergency and bond) levies. It should

be noted that since fixed-sum levies (emergency and bond levies) are designed to raise a fixed amount of revenue each year, school districts will not lose tax revenue when property value decreases; the rate on the remaining taxable property will be adjusted upward to raise the same amount of revenue if there were no reimbursement mechanism. In order for a school district or a joint vocational school district to be eligible for fixed-sum levy loss reimbursement, the rate increase on the remaining property of the district has to be greater than 0.5 mills. The reimbursement base is the amount above the 0.5 mill threshold.

Through TY 2010, school districts are held "harmless" through a combination of the state education aid offset and direct reimbursement on their fixed-rate levy losses. That is, the combination of the state education aid offset and direct reimbursement will be equal to the base amounts determined by the Department of Taxation for these levies. The state education aid offset is the amount of additional state aid a school district receives due to its decreasing property values. Beginning in TY 2011, direct reimbursement for these levies will be phased out at a rate of 3/17 in the first two years and then at a rate of 2/17 per year until completely eliminated after TY 2018. Emergency levies are fully reimbursed from TY 2006 to TY 2010 and will be reimbursed after TY 2010 only when the levy is renewed. Bond levies are reimbursed for the duration of their lives. The effect of state education aid increases as a result of the TPP tax changes is permanent.

Beginning in TY 2007, the budget requires that the tangible personal property of telephone, telegraph, and interexchange telecommunications companies be classified as general business TPP, instead of public utility TPP. The budget phases out the taxation of this property beginning in TY 2007, evenly over five years, eliminating the tax in TY 2011. School districts will be reimbursed for the tax revenue loss from this property using the same method as that used for the other TPP tax revenue losses.

The phase-out of the TPP tax will begin affecting school districts and joint vocational school districts in TY 2006. Since TY 2006 valuation data will be used for calculating state education aid for FY 2008, the state education aid offset will not have an effect until FY 2008. The enacted budget provides \$49,350,000 in FY 2006 and \$369,054,000 in FY 2007 for direct reimbursement to school districts for their TPP tax revenue losses.

ANALYSIS OF THE ENACTED BUDGET

Due to the size and complexity of the Department of Education's budget, this analysis only includes major appropriations for each program series. For a description of each line item, please see the Catalogue of Budget Line Items (COBLI), which is available on the LSC web site. A few of the line items included in this analysis are split between program series. The majority, however, are listed with their complete appropriation in only one program series.

Program Series 1

Academic Standards and Student Assessments

Purpose: To set the standards for what students should know and be able to do and assess students' progress toward meeting those standards.

The following table shows appropriations for the major line items that are used to fund the Academic Standards and Student Assessments program series.

Major Appropriations for Program Series 1: Academic Standards and Student Assessments				
Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	200-427	Academic Standards	\$11,607,753	\$11,679,181
GRF	200-437	Student Assessments	\$54,445,234	\$60,011,935
Federal Special Revenue Fund				
3Z2	200-690	State Assessments	\$12,681,031	\$12,883,799

Academic Standards. This appropriation item funds the development and dissemination of academic content standards and model curricula. Academic content standards describe what the state of Ohio expects all of its students to know and be able to do each year as they progress through preschool, elementary school, middle school, and high school. The Department has developed academic content standards in seven areas: English language arts, mathematics, science, social studies, arts, foreign language, and technology. Now that these standards have been developed, the Department is concentrating on disseminating the standards and on training educators in the use of the standards. The Department defines model curricula as model lesson plans created at the state level for use by school districts to develop local courses of study that are aligned to the academic content standards. Am. Sub. S.B. 1 of the 124th General Assembly mandated the completion of model curricula in the seven subject areas for which academic content standards have been developed. The Department is disseminating these curricula through a web-based application called the Instructional Management System (IMS). In FY 2006, the Department plans to complete the development of the initial model curricula for foreign language, arts, and technology. Throughout the biennium, the Department will work to increase the number of lesson plans in the four core subject areas for which the initial model curricula have already been developed.

Student Assessments. This appropriation item provides funding for the development, printing, distribution, collection, scoring, and reporting of proficiency, achievement, and diagnostic tests, as well as the Kindergarten Readiness Assessment and the Ohio Graduation Tests (OGT). Approximately 93% of the funding for this program is expended on contracts with test development and scoring companies. Once the tests are developed, scoring of the tests represents the largest on-going cost to the student

assessment program. Am. Sub. S.B. 1 of the 124th General Assembly started the phase-out of the proficiency tests in favor of the achievement tests and the OGT. Am. Sub. H.B. 3 of the 125th General Assembly further modified the assessment system to conform it to the requirements of the federal No Child Left Behind Act (NCLB), and mandated the development of the Kindergarten Readiness Assessment.

The enacted budget makes some changes to the state assessment program. The budget specifies that the elementary achievement tests generally cannot be administered earlier than Monday of the week of May 1 beginning in the 2006-2007 school year and requires the Department to return these test results to school districts by June 15. This provision shortens the amount of time the scoring companies have to score the tests and may result in increased costs depending on the new contracts negotiated by the Department. The budget also eliminates the requirement of S.B. 1 for the State Board of Education to adopt diagnostic assessments for third grade science and social studies and for any subject in grades four through eight. In addition, it makes only a portion of the assessment questions public record, so that the Department can use questions more than once. These two last changes significantly reduce the cost of the assessment program for this biennium. The enacted budget authorizes the Director of Budget and Management to transfer unspent and unencumbered funds within ODE, as necessary, to GRF appropriation item 200-437, Student Assessment, to fully fund the student assessment requirements of state law. The enacted budget also permits the Superintendent to request the Controlling Board to transfer up to \$5 million cash from the Lottery Profits Education Reserve Fund (Fund 018) in FY 2007 into this item, if the unspent and unencumbered funds are not sufficient.

State Assessments. Federal funds are used to support the state assessments that are required by the federal government in the NCLB. These include mathematics and reading achievement tests in grades three through eight and the mathematics and reading portion of the OGT.

Program Series 2

Educator Standards and Preparation

Purpose: To prepare educators to work in Ohio's schools.

The following table shows appropriations for the major line items that are used to fund the Educator Standards and Preparation program series.

Major Appropriations for Program Series 2: Educator Standards and Preparation				
Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	200-448	Educator Preparation	\$1,651,000	\$1,651,000

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

Program Series 3**Recruitment and Retention**

Purpose: To attract and retain highly qualified teachers in Ohio schools.

The following table shows appropriations for the major line items that are used to fund the Recruitment and Retention program series.

Major Appropriations for Program Series 3: Recruitment and Retention				
Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	200-410	Educator Training	\$9,123,240	\$9,623,240

Educator Training. This appropriation item is split over this program series and program series 4, Educator Training. The largest retention program funded through this item is the National Board Certification program. The enacted budget earmarks \$7,850,000 in FY 2006 and \$8,250,000 in FY 2007 for this program. The National Board is a nonprofit organization that has developed standards for what teachers should know and be able to do. The Board has a certification process by which a teacher with at least a baccalaureate degree participates in a series of assessments in which his or her teaching practice is measured against the standards. The enacted budget provides \$2,000 of the \$2,300 application fee for up to 400 applicants in FY 2006 and FY 2007, which is the same number that was funded in FY 2005. In addition, those Ohio teachers obtaining certification are entitled to an annual stipend for the life of the certification, which is ten years, as long as they continue to teach in Ohio. The enacted budget limits eligibility for this stipend to this first certification period, so that if a teacher were to be recertified for another ten years that teacher would not be eligible for the stipend. The amount of the stipend is \$2,500 per year for those obtaining certification before December 31, 2004 and \$1,000 per year for those obtaining certification after December 31, 2004. At the end of FY 2004, Ohio had a total of 2,371 National Board certified teachers and ranked fifth in the nation.

Program Series 4**Educator Training**

Purpose: To help educators increase student achievement through providing quality educator training.

The following table shows appropriations for the major line items that are used to fund the Educator Training program series.

Major Appropriations for Program Series 4: Educator Training				
Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	200-410	Educator Training	\$10,178,817	\$10,178,817
GRF	200-433	Reading/Writing Improvement – Prof. Dev.	\$16,165,000	\$16,165,000
Federal Special Revenue Fund				
3Y6	200-635	Improving Teacher Quality	\$107,000,000	\$107,000,000

In addition to the appropriations listed here, the funding formula provides \$9.72 per student in FY 2006 and \$17.09 per student in FY 2007 for professional development through the base funding supplements, which are described in the Overview section. Also, for districts with poverty indices above 1.0, the funding formula provides up to \$5.59 per student in FY 2006 and up to \$10.01 per student in FY 2007 for professional development through poverty-based assistance. These funds are paid from GRF appropriation item 200-550, Foundation Funding, which is listed under program series 8, Basic Aid Support.

Educator Training. The major educator training program funded through this appropriation is the entry year program for teachers and principals. The enacted budget earmarks \$9,515,817 in each fiscal year for this program. All school districts in Ohio are required to provide an entry-year program for all teachers in their districts who are in their first full-time position teaching under a specific provisional license. An entry-year program is a formal structured program of support, including mentoring, that is designed to prepare a teacher for the Praxis III assessment. All teachers with provisional licenses must successfully complete an entry-year program and the Praxis III assessment in order to obtain a professional license. Principals also must complete an entry-year assessment before obtaining full licensure. These funds provide stipends of approximately \$1,100 for each entry-year participant.

Reading/Writing Improvement – Professional Development. The major activity funded through this item is the State Institutes for Reading Instruction (SIRI). The enacted budget earmarks \$9,790,000 in each fiscal year for this program. This program provides intensive, year-round training opportunities for teachers statewide. Training focuses on research-based strategies in literacy instruction that are aligned with the academic content standards in English language arts. The enacted budget also earmarks \$5,000,000 in each fiscal year for professional development partnerships. This funding supports four activities: (1) 11 university and college faculty who train 90 literacy specialists in more than 150 schools, and support intervention specialists and language arts curriculum coaches, (2) regional literacy teams that discuss, critique, study, and strengthen literacy teaching and learning in their regions, (3) the Ohio Principals' Literacy Network, which provides elementary principals with tools to assist them in implementing effective literacy programs in their schools, and (4) development and distribution of materials designed to help teachers understand literacy development and learning in adolescents.

Improving Teacher Quality. These federal grants can be used for professional development and class size reduction. Ninety-five percent of the funding is allocated to school districts based on a federal formula that considers enrollment and poverty in each district. One percent is used by the Department for administration and the remaining 4% is used by the Department for creating partnerships between districts and institutes of higher education in order to develop training activities around the academic content standards. The enacted budget earmarks \$1,500,000 of these funds for the Ohio Wyami Appalachian Cohorts Program administered by the Columbiana County Educational Service Center.

Program Series 5**Professional Licensure and Conduct**

Purpose: To ensure that Ohio students are instructed by properly qualified and highly ethical educators.

The following table shows appropriations for the major line items that are used to fund the Professional Licensure and Conduct program series.

Major Appropriations for Program Series 5: Professional Licensure and Conduct				
Fund	ALI	Title	FY 2006	FY 2007
General Services Fund				
4L2	200-681	Teacher Certification and Licensure	\$5,497,158	\$5,628,332

Teacher Certification and Licensure. This item is funded through licensing fees. This program includes the processing of licensure applications and technical assistance to applicants regarding the licensure process. The Department is in the process of creating the Connected Ohio Records for Educators system, which will include an on-line application process. These funds also support the administration of the teacher disciplinary process.

Program Series 6**School Improvement**

Purpose: To assist districts, buildings, and students most in need of academic improvement.

The following table shows appropriations for the major line items that are used to fund the School Improvement program series.

Major Appropriations for Program Series 6: School Improvement				
Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	200-431	School Improvement Initiatives	\$21,813,649	\$23,842,828
GRF	200-578	Safe and Supportive Schools	\$1,218,555	\$1,218,555
Federal Special Revenue Fund				
309	200-601	Educationally Disadvantaged	\$11,056,562	\$11,056,562
3D1	200-664	Drug Free Schools	\$13,347,966	\$13,347,966

School Improvement Initiatives. The enacted budget earmarks \$13,972,949 in FY 2006 and \$13,672,678 in FY 2007 of this line item for distribution to regional service providers to provide technical assistance and support to low-performing districts as required by state and federal law. The enacted budget expands this law by requiring the Department to establish an academic distress commission for an academic emergency school district that has failed to meet federal adequate yearly progress (AYP) in four consecutive years. The commission will have authority over certain personnel, management, and budgetary decisions. The enacted budget combines funding for regional professional development that is provided in the FY 2004-2005 biennium through appropriation item 200-410, Professional Development, into this earmark. This will allow the regional service providers to align and integrate technical assistance and professional development services and to target these services to low-performing districts. This item

also includes earmarks of \$2,935,000 in FY 2006 and \$4,935,000 in FY 2007 for transforming large urban high schools into small learning communities and of \$1,574,535 in FY 2006 and \$2,753,985 in FY 2007 to support early college high schools.

Safe and Supportive Schools. This appropriation is used by districts to fund school resource officers, safe and drug-free school coordinators, evaluation, needs assessment, staff in-service, character education, and school conflict management programs.

Educationally Disadvantaged. The appropriation for this item is split between this program series and program series 18, Students at Risk. The federal grant included here is for comprehensive school reform. These funds are used to provide three-year competitive grants of up to \$150,000 annually to approximately 100 Title I schools. With these grants, school districts adopt research-based comprehensive school reform programs.

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

Program Series 7

School Choice

Purpose: To meet the diverse educational needs of Ohio students by promoting and supporting educational options and choices.

The following table shows appropriations for the major line items that are used to fund the School Choice program series.

Major Appropriations for Program Series 7: School Choice				
Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	200-455	Community Schools	\$2,942,094	\$2,942,094
Federal Special Revenue Fund				
3T4	200-613	Public Charter Schools	\$22,000,000	\$22,000,000

Community Schools

Community schools, also referred to as charter schools, are public schools that operate independently of any school district and are governed through a contract between the school's governing authority and a sponsor. Community schools can be sponsored in any of the Big 8 school districts, schools districts under academic watch or academic emergency, and Lucas County. Community schools are primarily funded by the state through foundation payment transfers. Appropriations for this purpose come from GRF appropriation item 200-550, Foundation Funding, which is included in program series 8, Basic Aid Support. Community school students are included in their resident districts' ADM to qualify for state foundation payments, which are then deducted from students' resident districts and transferred to community schools where students are enrolled. In FY 2005, approximately \$424.3 million of state foundation payments were transferred to community schools.

The enacted budget makes several changes to the community school law, including caps on the number of community schools, restrictions and requirements for sponsors, and a new accountability system with new sanctions for community schools that do not perform as expected. In addition, the enacted budget includes some provisions specific to e-schools. For a detailed description of these changes, see the LSC Final Analysis. In general, to the extent that these changes result in fewer students attending community schools, school districts may retain more students and more state funding.

Two provisions in the enacted budget have direct fiscal impact. The enacted budget disqualifies e-schools from receiving state parity aid, career-technical education weighted funding, DPIA, or poverty-based assistance payments, including payments for all-day kindergarten. Students enrolled in e-schools are included in the formula ADM of school districts only for the calculation of base cost and special education weighted funding, so that the state retains these funds. The enacted budget also requires e-schools, beginning in FY 2007, to spend at least the per pupil amount designated for base classroom teachers (\$2,747 in FY 2007) on instruction, including: (1) teachers, (2) curriculum, (3) academic materials other than computers, and (4) other instructional purposes designated by the Superintendent of Public Instruction. The budget requires an e-school not in compliance with the spending requirement to pay a fine equal to the greater of 5% of the school's state funding or the amount the school underspent on instruction, but permits ODE to waive the fine for satisfactory implementation of a compliance plan.

As of March 2005, 267 community schools were in operation; 44 of these were e-schools. Approximately 63,000 students were enrolled in these schools, representing approximately 3.4% of total public K-12 student enrollment in the state. About 13,000 of these students were enrolled in the 44 e-schools.

Community Schools/Public Charter Schools. The appropriation items listed in this program series are used primarily to fund start-up grants to new community schools. Over the last few years, a new community school generally has been eligible for \$450,000 in start-up grants over a three-year period. GRF appropriation item 200-455, Community Schools, also includes funding for the Department's management of the community schools program, for technical assistance, and for training of new sponsors.

Cleveland Scholarship and Tutoring

The Cleveland Scholarship and Tutoring Program (CSTP) provides scholarships for students residing in the Cleveland Municipal School District to attend private schools or public schools in adjacent school districts. CSTP has served students in kindergarten through eighth grade with ninth and tenth grades added in the FY 2004-2005 biennium for students who previously participated in the program. Under the enacted budget the program is expanded to include eleventh and twelfth grades. In addition to scholarships, the program also allows students to remain in the Cleveland Municipal School District and receive tutoring services. Both the scholarship and tutoring components of the program give priority to students from low-income families. In FY 2005, 5,710 students received scholarships and 2,982 students received tutoring grants through the program. The enacted budget earmarks \$10,401,887 in FY 2006 and \$11,901,887 in FY 2007 from funds allocated to the Cleveland Municipal School District under poverty-based assistance for CSTP. In addition, \$8,800,000 in FY 2006 and \$8,600,000 in FY 2007 are set aside from GRF appropriation item 200-550, Foundation Funding, for this program, which is listed under program series 8, Basic Aid Support.

Scholarship awards are based on a school's tuition cost, but are limited by state law. Beginning in FY 2007, the enacted budget increases the base scholarship amount to \$3,450 for kindergarten through twelfth grade (from \$3,000 for kindergarten through eighth grade and \$2,700 for ninth through twelfth

grade). The state contributes 90% or 75% of the lesser of the actual tuition or the base scholarship amount, depending on the recipient's income. The amount available per student for tutoring services is limited by law to 20% of the average scholarship amount, which is slightly less than \$400 per student in FY 2006. The enacted budget establishes the maximum tutorial assistance grant at \$400 per student, beginning in FY 2007. In FY 2005, the average scholarship was \$2,325 and the average tutoring grant was \$298.

Educational Choice Scholarship Pilot Program

The enacted budget establishes the new Educational Choice Scholarship Pilot Program, slated to begin in FY 2007. The program will provide scholarships to students who attend a school that has been in academic emergency for three or more consecutive years, including community school students who otherwise would attend school in those buildings. Students in grades K-8 who were enrolled in an eligible school the previous year may apply for an initial scholarship to attend a chartered nonpublic school. The amount awarded under the program will be the lesser of the actual tuition charges of the school or the maximum scholarship award. The enacted budget sets the maximum scholarship award at \$4,250 for grades K-8 and at \$5,000 for grades 9-12 in FY 2007. In subsequent years, these amounts are to increase by the same percentage as the increase in the base cost formula amount for school districts. The program prohibits a chartered nonpublic school from charging more than the scholarship amount to a student whose family income is at or below 200% of the federal poverty guidelines.

A student who receives a scholarship is eligible to continue receiving scholarships for subsequent school years through grade 12, as long as the student takes each achievement test administered to the student's grade level, misses no more than 20 days of school per school year (not including absences for illness or injury documented by a physician), and remains a resident of the school district in which the student was entitled to attend school when the student's scholarship was first awarded.

Up to 14,000 scholarships may be awarded in FY 2007. Scholarship students are counted in the resident district's ADM in order to calculate base cost funding, so that the districts will be credited with \$5,403 per student in FY 2007. An amount equal to \$5,200 will be deducted from the resident districts' state aid for each scholarship student. These funds primarily will be used to fund the Educational Choice Scholarship Pilot Program. A portion of the funds will be used to fund the Cleveland Scholarship and Tutoring Program. The enacted budget also earmarks \$675,000 in FY 2006 and \$500,000 in FY 2007 of GRF appropriation item 200-421, Alternative Education Programs, for administration of the Educational Choice Scholarship Pilot Program.

Program Series 8**Basic Aid Support**

Purpose: To provide the majority of state aid for the general operations of school districts. Funding is also provided for nonpublic schools and property tax supplements.

The following table shows appropriations for the major line items that are used to fund the Basic Aid Support program series.

Major Appropriations for Program Series 8: Basic Aid Support				
Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	200-511	Auxiliary Services	\$127,903,356	\$127,903,356
GRF	200-532	Nonpublic Admin Cost Reimbursement	\$56,762,916	\$58,068,463
GRF	200-550	Foundation Funding	\$5,579,031,663	\$5,709,057,366
GRF	200-901	Property Tax Allocation – Education	\$764,626,987	\$728,793,318
GRF	200-906	Tangible Tax Exemption	\$42,830,487	\$32,122,865
State Special Revenue Fund				
5BJ	200-626	Half-Mill Maintenance Equalization	\$0	\$10,700,000
Lottery Profits Education Fund				
017	200-612	Foundation Funding	\$606,208,300	\$606,296,800
Revenue Distribution Fund				
047	200-909	School Dist Prop Tax Replace - Business	\$49,350,000	\$369,054,000
053	200-900	School Dist Prop Tax Replace - Utility	\$116,647,522	\$101,647,522

Formula Aid

Foundation Funding. The enacted budget combines four previous GRF appropriation items into one: GRF item, 200-550, Foundation Funding. The four previous items are: 200-501, Base Cost Funding; 200-520, Disadvantaged Pupil Impact Aid; 200-525, Parity Aid; and 200-546, Charge-Off Supplement. Item 200-550 together with appropriation item 200-612, Foundation Funding, from the Lottery Profits Education Fund 017, provide the main source of state foundation formula payments to school districts and joint vocational school districts. As described in detail in the Overview section, the enacted budget provides a base cost formula amount of \$5,283 in FY 2006 and \$5,403 in FY 2007 and a number of new base funding supplements. This appropriation item also includes funding for special education, career-technical education, and school choice programs as well as earmarked funds for various other programs.

The enacted budget modifies the postsecondary enrollment options (PSEO) program, which is supported through this appropriation item. A portion of state base cost funding is deducted from the student's resident district's state aid and transferred to the institution of higher education when the student is enrolled in the PSEO program. The enacted budget requires that a parent of a participating student reimburse the state for the cost of the program if the student does not attain a passing final grade in the course. The enacted budget also increases the maximum scholarship amount for the Pilot Project Special Education Scholarship Program for autistic children, also funded through this item, from \$15,000 per year to \$20,000 per year.

Half-Mill Maintenance Equalization. School districts participating in the Ohio School Facilities Commission's school building assistance program are required to levy one-half mill to help pay for the maintenance costs of their new or renovated buildings. The enacted budget provides payments, beginning in FY 2007, to districts whose per pupil valuations are less than the state average. These funds will pay the difference between what a district could raise with 0.5 mills per pupil and what the district with the state average valuation could raise with 0.5 mills per pupil at the time the district enters into the project agreement. Districts already having project agreements will also receive the payments retroactively. The enacted budget transfers excess funds from the School District Property Tax Replacement Fund (Fund 053), that are not needed to make reimbursement payments to school districts as described below, into Fund 5BJ to support this equalization program. If the funds are not needed for the half-mill equalization they are to be used for the school building assistance program. Prior law would have distributed these excess funds to all school districts on a per pupil basis.

Nonpublic School Payments

Auxiliary Services. This funding, which is distributed on a per pupil basis, supports secular services provided to chartered nonpublic schools. Services include health, counseling, special education, standardized testing, and test scoring. Funds may also be used to purchase secular textbooks, materials, and equipment. The enacted budget earmarks \$2,000,000 in each fiscal year of this appropriation item to fund the postsecondary enrollment options program for nonpublic school students who are residents of Ohio.

Nonpublic Administrative Cost Reimbursement. Chartered nonpublic schools are required by the state to perform some administrative and clerical activities. These funds reimburse the schools for the costs of these mandated activities. The reimbursement is based on the actual costs from the prior year with a maximum reimbursement rate that is increased in the enacted budget from \$250 to \$275 per pupil.

Local Tax Supplement

Property Tax Allocation – Education. For several years, the state has paid 10% of locally levied property taxes for all real property owners and an additional 2.5% for homeowners, thus decreasing property taxes paid by individual property tax payers in Ohio. This provision is often referred to as property tax "rollbacks." This item funds the rollback reimbursements for school districts and joint vocational school districts. In addition, this item funds the portion of the Homestead Exemption Program for the elderly and disabled payable to school districts. The enacted budget eliminates the 10% rollback on commercial and industrial real property. This provision does not affect the amount of tax revenues received by school districts, as businesses are now required to pay 100% of their tax liabilities.

Tangible Tax Exemption – Education. The state exempts the first \$10,000 of tangible personal property from taxation. This item reimburses school districts for this exemption. The reimbursement is being phased out; the enacted budget accelerates this phase-out so that the reimbursement will be completely phased out by FY 2009 instead of by FY 2012.

School District Property Tax Replacement – Business. These funds reimburse school districts for losses they incur due to the phase out of the tangible personal property tax, enacted in this budget. This reimbursement mechanism is described in the Overview section.

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

compensated for the resulting property tax loss through an increase in state aid (the state education offset). The value of the loss above the increase in state aid is paid to districts through this program. The enacted budget changes the use of the excess funds in Fund 053. Under prior law, the excess funds were to be distributed to school districts on a per pupil basis for capital maintenance and improvements. Under the enacted budget, the excess funds are first to be used to fund the newly established half-mill maintenance equalization program and then for the school building assistance program of the School Facilities Commission.

Program Series 9

Pupil Transportation

Purpose: To partially reimburse districts for the operating and capital costs of transporting public and nonpublic school students to and from school.

The following table shows appropriations for the major line items that are used to fund the Pupil Transportation program series.

Major Appropriations for Program Series 9: Pupil Transportation				
Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	200-502	Pupil Transportation	\$412,330,728	\$420,577,343
GRF	200-503	Bus Purchase Allowance	\$8,600,000	\$14,000,000

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

The enacted budget also earmarks \$58,115,428 in FY 2006 and \$59,277,737 in FY 2007 for special education transportation. School districts are required to transport students with disabilities when the disability would prevent their participation in public education without transportation support. The state also supports the transportation of students with disabilities by providing funding assistance to county boards of mental retardation and developmental disabilities (MR/DD).

Bus Purchase Allowance. These funds are used to assist school districts, educational service centers, and county MR/DD boards with bus purchase or bus service contracts. The enacted budget earmarks 28% of the appropriation (\$2,408,000 in FY 2006 and \$3,920,000 in FY 2007) to be used to reimburse school districts and educational service centers for the purchase of buses used to transport handicapped and nonpublic school students and to reimburse MR/DD boards, the Ohio School for the Deaf, and the Ohio School for the Blind for purchases of buses to transport handicapped students. The

enacted budget removes the requirement that 100% of the cost of these buses must be reimbursed, and instead requires that the reimbursement be limited to a per pupil allocation. This will likely result in the appropriation being more widely distributed. The remaining 72% of the appropriation (\$6,192,000 in FY 2006 and \$10,080,000 in FY 2007) is distributed to school districts for "regular" bus purchases or bus service contracts based on a complex formula that includes a per pupil or per mile base reimbursement, a rough road factor, and an equalization component.

Program Series 10

Finance and Management Services

Purpose: To assist school districts with the restoration and maintenance of fiscal solvency and the implementation of sound management practices.

The following table shows appropriations for the major line items that are used to fund the Finance and Management Services program series.

Major Appropriations for Program Series 10: Finance and Management Services				
Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	200-422	School Management Assistance	\$2,683,208	\$2,710,572
General Services Fund				
5H3	200-687	School District Solvency Assistance	\$18,000,000	\$18,000,000
Lottery Profits Education Fund				
017	200-682	Lease Rental Payments Reimbursement	\$31,691,700	\$31,603,200

School Management Assistance. This appropriation is used for fiscal technical assistance and inservice education for school district personnel, especially in districts in fiscal watch and fiscal emergency. The enacted budget earmarks \$1,315,000 in each fiscal year to be used by the Auditor of State for audits of these districts.

School District Solvency Assistance. This General Services Fund group item (Fund 5H3) is used to fund two accounts: the shared resource account, which is used to make advances to districts to enable them to remain solvent and to pay unforeseen expenses of a temporary or emergency nature; and the catastrophic expenditures account, which is used to make grants to districts for unforeseen catastrophic events. Advances made to districts from the shared resource account must be repaid no later than the end of the second year following the fiscal year in which the advance was made. Grants from the catastrophic expenditures account do not need to be repaid. The program was first appropriated \$30 million in FY 1998 by Am. Sub. H.B. 650 of the 122nd General Assembly. It is now funded through repayments of advances from the shared resource account.

Lease Rental Payments Reimbursement. These funds are transferred to GRF appropriation item 230-428, Lease Rental Payments, in the Ohio School Facilities Commission to help pay debt service from bonds issued for the classroom facilities assistance program.

Program Series 11**Ohio Education Computer Network**

Purpose: To facilitate the use of computers and information in both administrative and instructional settings for member school districts.

The following table shows appropriations for the major line items that are used to fund the Ohio Education Computer Network program series.

Major Appropriations for Program Series 11: Ohio Education Computer Network				
Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	200-426	Ohio Education Computer Network	\$30,446,197	\$30,446,197

Ohio Education Computer Network. The enacted budget earmarks \$18,136,691 in each fiscal year to connect school buildings to the state education network, to each other, and to the Internet. These funds are provided to support ONenet Ohio that connects the 23 data acquisition sites (commonly known as "DA sites"), school districts, community schools, and some nonpublic charter schools. Funds are allocated through a formula developed by ODE. The estimated per building funding for FY 2006 and FY 2007 is \$3,000. In addition, an earmark of \$8,338,468 in each fiscal year will be used to support the DA sites. These sites provide computer support, software products, and information services to their member districts. In addition, they collect, process, store, and transfer data to and from member districts for EMIS data reporting. Funds are distributed to DA sites using a per pupil formula, based on the enrollments of member districts and software usage.

Program Series 12**School Food Services**

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

The following table shows appropriations for the major line items that are used to fund the School Food Services program series.

Major Appropriations for Program Series 12: School Food Services				
Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	200-505	School Lunch Match	\$8,998,025	\$8,998,025
State Special Revenue Fund				
455	200-608	Commodity Foods	\$24,000,000	\$24,000,000
Federal Special Revenue Fund				
367	200-607	School Food Services	\$11,383,637	\$11,666,732
3L6	200-617	Federal School Lunch	\$220,256,132	\$227,583,653
3L7	200-618	Federal School Breakfast	\$56,382,851	\$58,405,608
3L8	200-619	Child/Adult Food Programs	\$66,590,622	\$67,915,843

School Lunch

The school lunch program provides subsidized meals to over 600,000 low-income students at 4,166 public and nonprofit private schools, camps, and institutions. Federal reimbursements for the program are deposited in federal line item 200-617, Federal School Lunch (Fund 3L6). In addition to federal funding, state matching is required and funded through GRF line item 200-505, School Lunch Match.

School Breakfast

The school breakfast program provides federally assisted meals to more than 220,000 low-income students at 2,340 public and nonprofit private schools, camps, and institutions. Federal reimbursements for the program are deposited in federal line item 200-618, Federal School Breakfast (Fund 3L7). In addition, the enacted budget earmarks \$3,700,000 of GRF appropriation item 200-550, Foundation Funding, for school breakfast programs. This appropriation item is listed under program series 8, Basic Aid Support.

Other Food Programs

Commodity Foods. This appropriation item is used to support the U.S. Department of Agriculture's Schools/Child Nutrition Commodity Programs. Under this program food is donated to schools. The Ohio Department of Education charges schools for the processing and handling of the donated food. These funds are deposited into this State Special Revenue Fund (Fund 5H3).

School Food Services. This appropriation item provides meals to children during extended school vacations and summer school, as well as providing administrative support for federal school food programs.

Child/Adult Food Programs. This program provides reimbursement for nutritious snacks as well as breakfast, lunch, and dinner meals to children or adults enrolled at participating day care centers, after-school programs, or adult day care centers.

Program Series 13

Special Education

Purpose: To provide a free and appropriate education for all students with disabilities as required by the federal Individuals with Disabilities Education Act (IDEA).

The following table shows appropriations for the major line items that are used to fund the Special Education program series.

Major Appropriations for Program Series 13: Special Education				
Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	200-540	Special Education Enhancements	\$54,975,546	\$55,444,124
Federal Special Revenue Fund				
3M2	200-680	Individuals with Disabilities Education Act	\$513,058,569	\$605,581,547

The bulk of state funding for special education is paid through GRF appropriation item 200-550, Foundation Funding, which is listed under program series 8, Basic Aid Support. Special education students receive additional formula funding to cover the additional costs of providing them with the state-defined basic education. This funding is calculated by applying a weight to the formula amount for each special education student. The state pays the district's state share percentage multiplied times the weighted formula amount. There are six weights based on different categories of disability. These weights are given in the table below. The enacted budget continues phasing in these weights at 90% in FY 2006 and FY 2007, the same phase-in percentage used in FY 2005.

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

In addition to these weights, the enacted budget earmarks \$18,000,000 in FY 2006 and \$19,000,000 in FY 2007 of GRF appropriation item 200-550, Foundation Funding, for the catastrophic cost supplement. These funds provide additional funding for high-cost special education students. The state reimburses 50% to almost 100% of the cost of providing services to students above certain thresholds. The enacted budget raises these thresholds from \$25,700 to \$26,500 for students in categories two through five and from \$30,840 to \$31,800 for students in category six. Category one students are not eligible for this reimbursement.

Special Education Enhancements. This appropriation item is split between this program series and program series 15, Early Childhood Education. The majority of the appropriation in this program series is used for special education weighted funding at institutions operated by the county boards of mental retardation and developmental disabilities (MR/DD), the Department of Health, the Department of Rehabilitation and Correction, and the Department of Youth Services. MR/DD boards have been receiving special education weighted funding since FY 1999. Previously, the other institutions were funded through unit funding. The enacted budget starts to fund them with weighted funding in FY 2006. These weights are the same that apply to special education students in school districts and are listed above. The enacted budget guarantees that each institution receives at least the amount it received for unit funding in FY 2005.

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

funds for FY 2009 will be distributed. As a result, for the FY 2006-2007 biennium districts and other educational entities will receive an extra 25% per year in federal funds for special education.

The enacted budget eliminates the Community Alternative Funding System (CAFS) through which many school districts were able to receive reimbursements through Medicaid for some federally mandated services provided to Medicaid-eligible students with mental retardation or developmental disabilities. In FY 2003, school districts received approximately \$52 million in Medicaid reimbursement through CAFS. Several school districts sued the state over the elimination of the program and reached a settlement that will provide the districts with Medicaid reimbursement for the services, but at lower reimbursement rates.

Program Series 14

Student Intervention

Purpose: To provide intervention services to students with special academic needs.

The following table shows appropriations for the major line items that are used to fund the Student Intervention program series.

Major Appropriations for Program Series 14: Student Intervention				
Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	200-421	Alternative Education Programs	\$13,907,665	\$13,732,665
GRF	200-566	Reading/Writing Improve. – Class. Grants	\$12,062,336	12,062,336
Federal Special Revenue Fund				
3Y4	200-632	Reading First	\$50,775,637	\$31,215,798
3Y2	200-688	21st Century Community Learning Centers	\$30,681,554	\$30,681,554
3Y7	200-689	English Language Acquisition	\$8,500,000	\$9,000,000

General Intervention

The funding formula provides \$25.00 per student in FY 2006 and \$25.50 per student in FY 2007 for student intervention to all school districts through the base funding supplements. In addition, through poverty-based assistance the funding formula provides three tiers of intervention funding as described in the Overview section. Districts with poverty indices above 0.25 receive up to \$15.00 per student in FY 2006 and up to \$25.50 per student in FY 2007 for the first tier. In addition, districts with poverty indices above 0.75 receive up to \$40.00 per student in FY 2006 and up to \$68.00 per student in FY 2007 for the second tier. Finally, districts with poverty indices above 1.5 receive up to an additional \$576.00 per poverty student in FY 2006 and up to \$979.20 per poverty student in FY 2007. These funds are paid through GRF appropriation item 200-550, Foundation Funding, which is listed under program series 8, Basic Aid Support.

Literacy Intervention

Reading/Writing Improvement – Grants. The enacted budget changes the name of the OhioReads Program to the Classroom Reading Improvement Grants Program and specifies that it is administered by the Department of Education. The two grant programs are similar except that whereas OhioReads served students in kindergarten through fourth grade, the Classroom Reading Improvement grants will be provided to serve students in kindergarten through twelfth grade. The grants will be provided to school districts, community schools, and educational service centers to help students improve their reading skills, improve reading outcomes in low-performing schools, and help close achievement gaps.

Reading First. This federal program targets the lowest performing and highest poverty schools. It funds research-based reading instruction plans, staff development, student assessments, technology, and materials. The funds are awarded through a competitive grant process to eligible districts. Participants in this program are required to administer federal diagnostic tests. The enacted budget permits the administration of these federal diagnostic tests to meet the requirement in state law that districts administer state diagnostic assessments.

English Language Readiness

State funding for intervention for limited English proficient (LEP) students is provided through poverty-based assistance. The funding formula provides up to \$528.30 per LEP student in FY 2006 and up to \$945.53 per LEP student in FY 2007 to districts with poverty indices above 1.0. These funds are paid through GRF appropriation item 200-550, Foundation Funding, which is listed under program series 8, Basic Aid Support.

English Language Acquisition. This federal grant provides assistance to school districts in meeting the language needs of LEP students.

Intervention Grant Programs

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

21st Century Community Learning Centers. These federal funds are distributed to competitively selected grantees for a five-year period. The grants are used to establish or expand community learning centers that provide academic enrichment opportunities for students in low-performing schools.

Program Series 15

Early Childhood Education

Purpose: To provide developmental and educational services for low-income preschool children.

The following table shows appropriations for the major line items that are used to fund the Early Childhood Education program series.

Major Appropriations for Program Series 15: Early Childhood Education				
Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	200-408	Early Childhood Education	\$19,002,195	\$19,002,195
GRF	200-540	Special Education Enhancements	\$79,194,060	\$79,986,001
State Special Revenue Fund				
5W2	200-663	Early Learning Initiative	\$106,580,000	\$127,456,000
Federal Special Revenue Fund				
3C5	200-661	Early Childhood Education	\$23,874,338	\$23,874,338

Early Childhood Education (GRF). The enacted budget replaces the public preschool program with the Early Childhood Education Program to serve three and four-year-old children from families with incomes at or below 200% of the federal poverty level. Early childhood education programs are administered by school districts or educational service centers. Each program must align its curriculum to early learning program guidelines for school readiness developed by the Department, administer diagnostic assessments adopted by the State Board of Education, require all teachers annually to attend at least 20 hours of professional development, and document and report child progress in meeting guidelines for school readiness.

Special Education Enhancements. This appropriation item is split between this program series and program series 13, Special Education. The enacted budget earmarks \$79,194,060 in FY 2006 and \$79,986,001 in FY 2007 for special education programs that serve children with disabilities, ages three through five. Districts are mandated under federal law to provide a free and appropriate public education to these students. Funding for preschool special education and related services provided by school districts, educational service centers, and county MR/DD boards is distributed on a unit basis. Funding under the enacted budget funds approximately 2,042 units. Generally, a unit represents a class with one teacher or a group of students with one related services personnel, and is funded on average over the biennium at about \$39,000 per year.

Early Learning Initiative. The enacted budget eliminates state-operated Head Start and Head Start Plus (funded in FY 2004 and FY 2005 with federal Temporary Assistance to Needy Families (TANF) moneys allocated to the state) and replaces these programs with the TANF-funded Early Learning Initiative. Head Start programs funded by direct federal aid, serving approximately 38,500 children, are not affected by this provision. The Early Learning Initiative will provide early learning services for up to 10,000 TANF-eligible children in FY 2006 and 12,000 TANF-eligible children in FY 2007.

The Department of Education (ODE) and the Department of Job and Family Services (ODJFS) will jointly administer the Initiative in accordance with an interagency agreement and rules adopted jointly by the two agencies. An earmark of \$2,200,000 in each fiscal year is provided to ODE for the administrative costs of the Early Learning Initiative. Actual subsidies for early learning providers will be disbursed by ODJFS. Temporary law associated with the program allows the Director of Budget and Management to transfer the appropriations for ODE to ODJFS as needed, for reimbursing early learning providers.

Early Childhood Education (Federal). These federal grants help to support federally mandated preschool special education services. Approximately 75% of these funds are distributed to school districts through a formula that depends on the number of preschool students with disabilities, the total preschool population in the district, and the level of poverty in the district. Twenty percent of the funds are used by the Department to provide local assessments, professional development, and parent education. The remaining 5% is used for the Department's administration of the program.

Program Series 16

Career-Technical Education

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

The following table shows appropriations for the major line items that are used to fund the Career-Technical Education program series.

Major Appropriations for Program Series 16: Career-Technical Education				
Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	200-545	Career-Technical Education Enhancements	\$10,169,442	\$9,225,569
Federal Special Revenue Fund				
369	200-616	Career-Tech. Educ. Federal Enhancement	\$6,500,000	\$6,500,000
3L9	200-621	Career-Technical Education Basic Grants	\$48,029,701	\$48,029,701

The bulk of state funding for career-technical education is paid through GRF appropriation item 200-550, Foundation Funding, which is listed under program series 8, Basic Aid Support. Career-technical education students receive additional weighted funding, in addition to base cost funding, to account for the higher costs of providing career-technical education services. The additional weight is 0.57 for a full-time equivalent (FTE) student enrolled in a workforce development program, and 0.28 for an FTE student enrolled in any other career-technical program. The state share of career-technical education weighted funding is equalized based on each district's state share percentage of base cost funding. The funding formula also provides funding for the Graduation, Reality, and Dual-Role Skills (GRADS) program. GRADS is an in-school instructional and intervention program for pregnant and parenting students. The funding formula provides equalized state grants for up to 225 FTE GRADS teachers approved by the Department. The grant funds the state share of the personnel allowance of \$47,555 per GRADS teacher in FY 2006 and FY 2007, which is the same level as in FY 2005.

Base cost funding is the main source of state funding for the 49 joint vocational school districts (JVSDs) in the state. The base cost formula amount for JVSD students is the same as that for students in the 613 school districts – \$5,283 in FY 2006 and \$5,403 in FY 2007. Base cost funding for JVSDs is also a partnership between the state and JVSDs. The base cost local share for JVSDs is 0.5 mills. The enacted budget starts to phase out the cost of doing business factor (CDBF) adjustment in the base cost funding formula for both school districts and JVSDs. This change alone decreases state base cost funding for school districts and JVSDs. To partially offset this effect, the enacted budget guarantees that each JVSD's state base cost funding is not lower than its state aggregate or per pupil base cost funding in FY 2005, whichever is lower. The local share is subtracted from the total base cost to derive a JVSD's state base cost funding. Special and career-technical education students attending JVSDs receive the same weighted funding as those students attending the 613 school districts. The enacted budget also eliminates the JVSD FY 1999 SF-3 funding guarantee and replaces it with a new JVSD transitional aid, which will prevent a JVSD's SF-3 funding from decreasing in FY 2006 and FY 2007. This funding is provided through GRF appropriation item 200-550, Foundation Funding, which is listed under program series 8, Basic Aid Support.

Career-Technical Education Enhancements. This appropriation item funds a variety of career-technical programs. The enacted budget earmarks \$3,401,000 in each fiscal year for the High Schools That Work (HSTW) school improvement initiative of the Southern Regional Education Board (SREB). HSTW is designed to accelerate learning and raise standards through rigorous course work, counseling, parental and community involvement, and teacher collaboration. The enacted budget also earmarks \$2,436,070 in each fiscal year to provide instructional programming at institutions. Incarcerated students are provided instructional programming in work and family literacy, career-based intervention, and workforce development. Funding is distributed in the form of units.

Career-Technical Education Federal Enhancement. These federal funds are used primarily to support Tech Prep programs that link secondary and postsecondary career-technical programs and assist students to transition from high school to college and careers.

Career-Technical Education Basic Grants. These federal grants support a number of different programs including career-based intervention, work and family studies , and workforce development.

Program Series 17

Gifted Education

Purpose: To identify and serve students who perform, or show potential for performing, at remarkably high levels of accomplishment.

The following table shows appropriations for the major line items that are used to fund the Gifted Education program series.

Major Appropriations for Program Series 17: Gifted Education				
Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	200-521	Gifted Pupil Program	\$46,910,068	\$47,157,293

Gifted Pupil Program. The majority of this appropriation funds 1,110 gifted units through the funding formula. In FY 2005, the average funding per unit was \$37,400. Units are awarded to districts and educational service centers that provide gifted services. One gifted coordinator unit is provided per

5,000 students and one teacher unit is provided per 2,000 students. The enacted budget also earmarks \$4,700,000 in each fiscal year to assist districts in the purchase of test materials and equipment, in-service and staff training, and employment of additional personnel that are needed to perform state-mandated gifted identification. The enacted budget requires the Department and school districts to adopt grade acceleration policies by the 2006-2007 school year.

Program Series 18

Students at Risk

Purpose: To help schools improve the teaching and learning of students who are failing or who are most at risk of failing to meet the state academic standards.

The following table shows appropriations for the major line items that are used to fund the Students at Risk program series.

Major Appropriations for Program Series 18: Students at Risk				
Fund	ALI	Title	FY 2006	FY 2007
Federal Special Revenue Fund				
309	200-601	Educationally Disadvantaged	\$19,658,846	\$19,658,846
3M0	200-623	ESEA Title 1A	\$440,260,178	\$461,026,070
3S2	200-641	Education Technology	\$20,800,000	\$20,800,000
3M1	200-678	Innovative Education	\$11,800,000	\$11,800,000
3Z3	200-645	Consolidated USDE Administration	\$9,200,000	\$9,200,000

As explained in the Overview section, the enacted budget replaces disadvantaged pupil impact aid (DPIA) with the poverty-based assistance program. This program provides funds to school districts that incur higher educational costs because of a high concentration of economically disadvantaged students. Funding is provided for seven programs: all-day kindergarten, kindergarten through grade three class-size reduction, intervention, limited English proficient student intervention, teacher professional development, dropout prevention, and community outreach. Eligibility and funding for each program is determined by a district's poverty index, which measures the concentration of disadvantaged students in a district relative to the concentration of disadvantaged students in the state as a whole. Funding for dropout prevention is only provided to eight major urban districts (Big Eight) and funding for community outreach is only provided to 21 urban districts (Urban 21). The Overview section describes this new funding in detail.

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

Elementary and Secondary Education Act Title I A. This federal funding is distributed based on a federal formula to school districts in Ohio. Nearly all Ohio districts receive basic grants, which are based on the state's per pupil education expenditure and the number of school-age children from low income families. Four other types of grants are targeted to districts with high concentrations of poor students. One percent of the grant award is used by the Department to administer the program. Schools use the money they receive to provide educational services to disadvantaged students. Districts who have

not made the federal designation of "adequate yearly progress" (AYP) for two years in a row are required to use up to 20% of their allocation to provide transportation to students from failing schools that choose to attend a school in the district that is not failing. After three years of failing to make AYP, districts are required to use up to 20% of their allocation to provide transportation as before and to provide supplemental services to children in failing schools.

Educational Technology. This federal program funds entitlement and competitive grants that are used for hardware, software, professional development, curriculum management tools, and other resources that assist districts in integrating technology into their language arts and mathematics curricula in kindergarten through eighth grade. Competitive grants are administered jointly by the Department and eTech Ohio.

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

Consolidated U.S. Department of Education Administration. The federal No Child Left Behind Act (NCLB) allowed for the consolidation of administrative funds from various NCLB grants. These administrative funds support the technical assistance, coordination, and administrative activities of the state related to these federal grants. These funds are also used for state-level program activities and the dissemination of information about model programs and practices. The majority of these funds are used for programs for at-risk students.

Program Series 19

Adult Education

Purpose: To provide education and training for adults through full-time and part-time adult career-technical training programs.

The following table shows appropriations for the major line items that are used to fund the Adult Education program series.

Major Appropriations for Program Series 19: Adult Education				
Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	200-509	Adult Literacy Education	\$8,669,738	\$8,669,738
GRF	200-514	Postsecondary Adult Career-Tech. Educ.	\$19,481,875	\$19,481,875
Federal Special Revenue Fund				
366	200-604	Adult Basic Education	\$18,500,000	\$18,500,000

Adult Literacy Education/Adult Basic Education. This program provides free instruction to eligible people who have less than a 12th grade education, but are not subject to the state compulsory school attendance law. Instruction includes basic literacy, workplace literacy, family literacy, English for speakers of other languages, and preparation for the General Education Development (GED) test. The GRF funds provide a required match for the federal funds that support the program.

Postsecondary Adult Career-Technical Education. This appropriation supports local career-technical education programs. Forty adult centers provide approximately 75% of the education and training programs within the state, serving more than 130,000 adults.

Program Series 20

School Accountability

Purpose: To support an effective accountability system that assigns responsibility, reports results, and rewards successes.

The following table shows appropriations for the major line items that are used to fund the School Accountability program series.

Major Appropriations for Program Series 20: School Accountability				
Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	200-439	Accountability/Report Cards	\$3,878,850	\$7,457,290
GRF	200-446	Education Management Information System	\$15,674,805	\$15,674,805

Accountability/Report Cards. These funds are used to produce local report cards for every school district and public school building in the state. These report cards present data on the state's performance indicators as well as descriptive and financial data. They indicate the extent to which the performance indicators established by the State Board of Education are met and the resulting designation of the district or building as "excellent," "effective," "in need of continuous improvement," "in academic watch," or "in academic emergency." The state report card contains the state's results and specific education improvement priorities. The Department also publishes a report called "The Condition of Education in Ohio" that synthesizes information about Ohio's educational system. The enacted budget earmarks \$200,100 in FY 2006 and \$3,778,540 in FY 2007 to incorporate a statewide pilot value-added progress dimension into performance ratings for school districts and to train regional specialists.

Education Management Information System. This appropriation supports the Education Management Information System (EMIS), which is the Department's primary system for collecting student, staff, course, program, and financial data from Ohio's public schools. The data collected via EMIS are used to determine both state and federal performance accountability designations, produce the local report cards, calculate and administer state funding to school districts, determine federal funding allocations, and meet federal reporting requirements.

Program Series 21

Program Management

Purpose: To support agency operations and administration.

The following table shows appropriations for the major line items that are used to fund the Program Management program series.

Major Appropriations for Program Series 21: Program Management				
Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	200-100	Personal Services	\$9,880,406	\$10,880,655
GRF	200-320	Maintenance and Equipment	\$4,344,235	\$4,344,235
GRF	200-420	Computer/Application/Network Devel.	\$5,361,525	5,361,525
State Special Revenue Fund				
4R7	200-695	Indirect Operational Support	\$5,382,864	\$5,449,748
General Services Fund				
138	200-606	Computer Services Operational Support	\$7,600,091	\$7,600,091

Personal Services/Maintenance and Equipment. These appropriation items support the administrative functions of the Department that are not directly related to a single program, such as human resources, accounting, board relations, and communications. Support is provided for ODE's five administrative centers: Curriculum and Assessment; School Reform; Teaching Profession; Students, Families and Communities; and School Finance.

Computer/Application/Network Development. This appropriation item supports the development and implementation of new information technologies to meet the strategic needs of the Department's business centers, making the Department's information accessible and enhancing its Internet and intranet services.

Indirect Operational Support. This State Special Revenue Fund group item (Fund 4R7) consolidates indirect costs associated with certain departmental functions that incur administrative costs in managing federal grants and contracts, such as human resources and accounts.

Computer Services Operational Support. This appropriation item provides information technology services and support to the Department's programs. This includes development and maintenance of the network infrastructure and software, purchase of all computer hardware and software, project management, and programming services. Programs are charged fees for these services, which are deposited into General Services Fund 138.