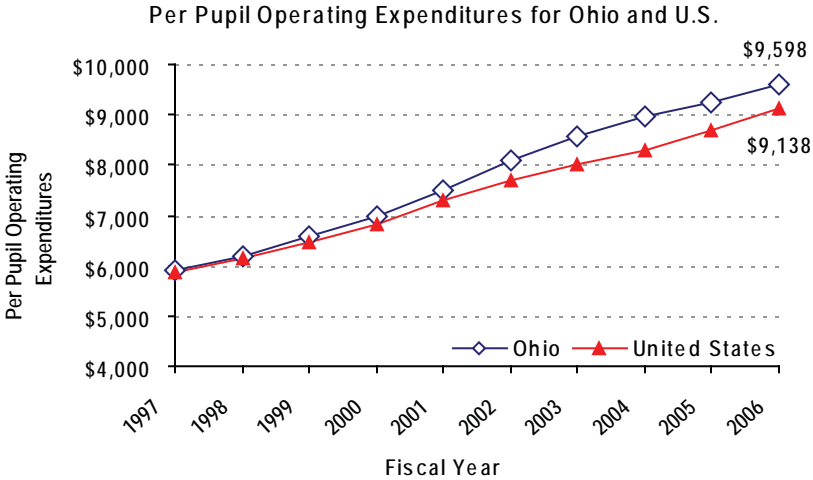




Ohio's Public School per Pupil Operating Expenditures Exceed National Average



Source: U.S. Census Bureau

- In FY 2006, Ohio's public school per pupil operating expenditures were \$9,598, \$460 (5.0%) above the national average of \$9,138.
- In FY 1997, Ohio's per pupil expenditures were only \$15 (0.3%) above the national average. Since then the difference widened, reaching \$676 (8.2%) in FY 2004 and narrowing somewhat in FY 2005 and FY 2006.
- During the ten-year period from FY 1997 to FY 2006, Ohio's per pupil operating expenditures increased by \$3,701 (62.8%). The national average increased \$3,256 (55.4%). During the same period, inflation, as measured by the consumer price index (CPI), was 25.2%.
- In FY 2006, Ohio's per pupil operating expenditures of \$9,598 ranked 17th among the 50 states. The following table shows the ranking and per pupil expenditures for Ohio's neighboring states. Ohio's per pupil expenditures were higher than all of these states except Pennsylvania.

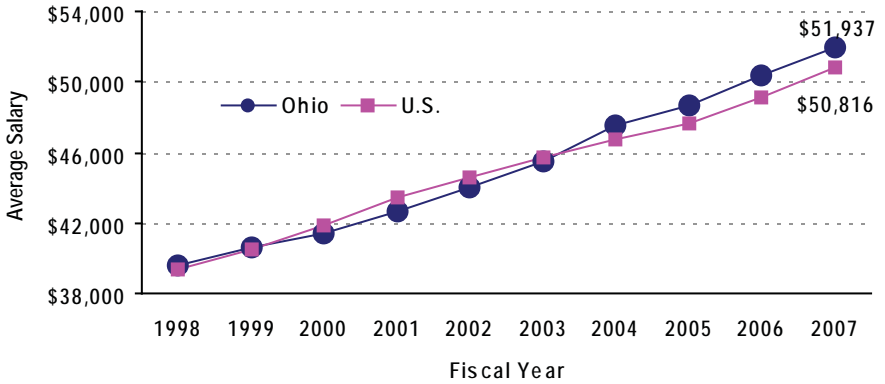
Public School Per Pupil Operating Expenditures for Neighboring States, FY 2006

Neighboring State	National Rank	Per Pupil Expenditures
Pennsylvania	11	\$11,028
Michigan	18	\$9,572
West Virginia	20	\$9,352
Indiana	23	\$8,793
Kentucky	40	\$7,662



Ohio's Average Teacher Salary Maintains Edge over U.S. Average

Average Teacher Salaries for Ohio and U.S.



Sources: National Education Association; Ohio Department of Education

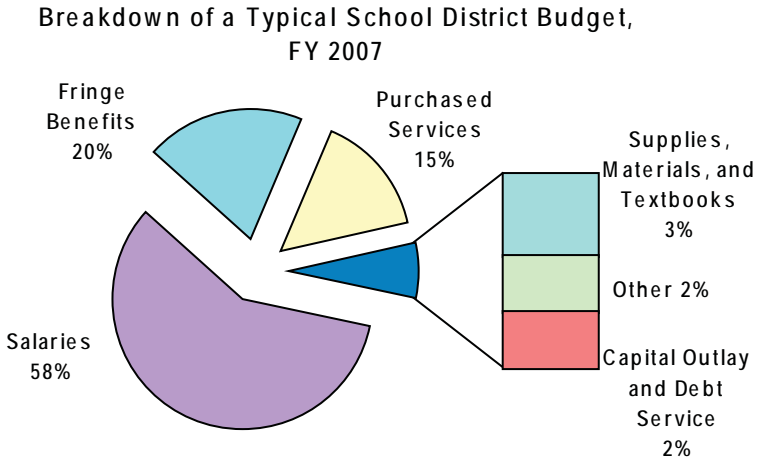
- After trending at or below the national average from FY 1998 to FY 2003, Ohio's average teacher salaries have been above the national average since FY 2004.
- Ohio's average teacher salary for FY 2007 was 2.2% (\$1,121) higher than the national average.
- Ohio's average teacher salary increased by 31.2% from \$39,596 in FY 1998 to \$51,937 in FY 2007. The national average increased by 29.1%, from \$39,350 in FY 1998 to \$50,816 in FY 2007. During the same period, inflation, as measured by the consumer price index (CPI), was 26.2%.
- In FY 2007, Ohio's average teacher salary of \$51,937 ranked 14th in the nation. The following table shows the ranking and average teacher salary for Ohio's neighboring states. Ohio's average teacher salary was higher than all of these states except Pennsylvania and Michigan.

Average Teacher Salaries for Neighboring States, FY 2007		
Neighboring State	National Rank	Average Salary
Pennsylvania	10	\$54,970
Michigan	11	\$54,895
Indiana	23	\$47,831
Kentucky	35	\$43,646
West Virginia	48	\$40,531

- In FY 2008, the average beginning salary in Ohio was \$30,962 for teachers with bachelor's degrees and \$37,357 for those with master's degrees. Overall, Ohio ranks 35th nationally in average beginning teacher salaries.



School Districts Spend an Average of 78% of Their General Funds on Salaries and Fringe Benefits



Source: Ohio Department of Education

- Salaries and fringe benefits account for approximately 78% of school district general fund budgets statewide in FY 2007. This percentage has decreased over the past five years from 81% in FY 2003.
- The portion of school district budgets spent on fringe benefits has increased from 19% in FY 2003 to 20% in FY 2007, while the portion spent on salaries has decreased from 62% in FY 2003 to 58% in FY 2007.
- In recent years, largely due to the rapid growth in health insurance premiums, the cost of fringe benefits has increased dramatically. This cost amounted to 34% of the cost of salaries in FY 2007, up from 31% in FY 2003.
- As the percentage of district budgets spent on salaries has declined, the percentage spent on purchased services such as pupil transportation, utilities, maintenance and repairs, and other services not provided by district personnel has increased, from 11% in FY 2003 to 15% in FY 2007.
- State law requires each school district to set aside a uniform per pupil amount (equal to 3% of the previous year's base cost formula amount) for textbooks and instructional materials and for capital and maintenance needs. In FY 2009, the required set-aside amount is about \$167 per pupil for each category.



Per Pupil Operating Spending Varies across Different Types of Ohio School Districts

Spending Per Pupil by District Comparison Group, FY 2007				
Comparison Group Description		Number of Districts	Enrollment %	Spending Per Pupil
Rural	Very low socioeconomic status (SES), very high poverty	97	9.0%	\$8,643
Small Rural	Low SES, low poverty	161	12.4%	\$8,206
Rural Town	Average SES, average poverty	81	7.8%	\$8,301
Urban	Low SES, high poverty	102	15.6%	\$9,381
Major Urban	Very high poverty	15	16.4%	\$12,008
Suburban	High SES, moderate poverty	107	24.1%	\$9,302
Suburban	Very high SES, low poverty	46	14.7%	\$10,236
State Total*		609	100%	\$9,622

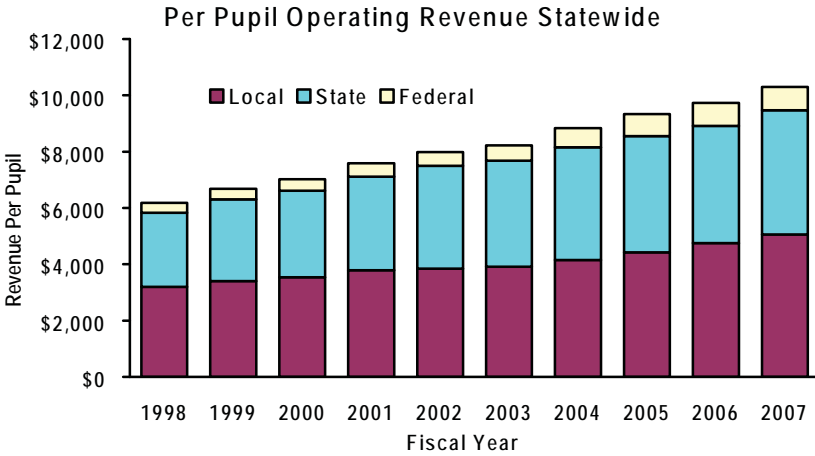
* Three small outlier districts are not included.

Source: Ohio Department of Education

- In FY 2007, the average per pupil spending for different district comparison groups varied from a low of \$8,206 for small rural, low poverty districts to a high of \$12,008 for major urban, very high poverty districts. The state average was \$9,622.
- Rural districts tend to have the lowest spending per pupil, averaging \$8,367 per pupil for the three rural comparison groups, which is 13.0% (\$255) below the state average. These districts include 29.2% of total state enrollment.
- Very high poverty major urban districts and the highest income suburban districts had the highest spending per pupil among all district comparison groups in FY 2007, spending 24.8% (\$2,387) and 6.4% (\$614), respectively, above the state average.
- About 81.8% of all districts spent between 20% below (\$7,697) and 20% above (\$11,546) the state average.
- On average, school districts spent 55.7% on instruction, 19.4% on building operations, 11.7% on administration, 10.2% on pupil support, and 3.0% on staff support.
- This spending allocation varies only slightly across district comparison groups. Rural districts tend to spend a higher than average percentage on building operations, which includes pupil transportation, and urban districts tend to spend a higher than average percentage on staff support.



Per Pupil Operating Revenue for Schools Increases 67% since FY 1998



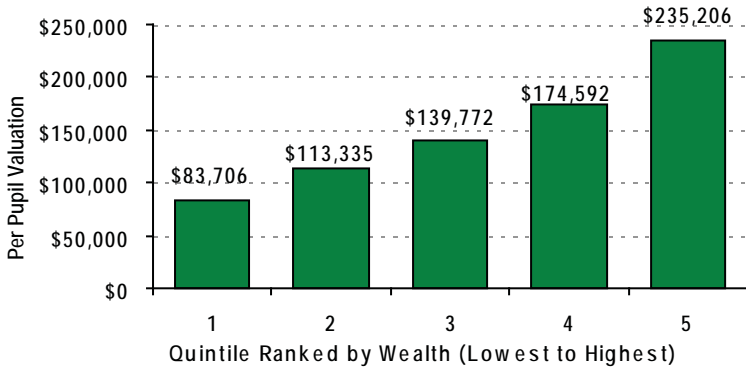
Source: Ohio Department of Education

- Schools' per pupil operating revenue in Ohio from all sources increased 66.5% from \$6,185 in FY 1998 to \$10,296 in FY 2007.
- During this ten-year period, local revenue per pupil increased 58.4% from \$3,193 to \$5,059; state revenue per pupil increased 67.2% from \$2,639 to \$4,412; and federal revenue per pupil increased 133.7% from \$353 to \$825.
- Local revenues comprised 49.1% of total school revenues in FY 2007. Locally voted property taxes and school district income taxes accounted for 97.2% and 2.8%, respectively, of local revenues.
- State revenues comprised 42.9% of total school revenues in FY 2007. State funding comes mainly from the General Revenue Fund, which receives revenues primarily from the state income and sales taxes. Most state funds are distributed through the school funding formula, while some are distributed through competitive and noncompetitive grants.
 - The school funding formula targets funds so that districts have a similar level of revenues per pupil to provide a common basic education, as defined by the state, regardless of each district's capacity to raise local revenue. The effects of this policy are described in the following pages.
- Federal revenues comprised 8.0% of total school revenues in FY 2007. Federal revenues mainly target special education and disadvantaged students.
 - With passage of the No Child Left Behind Act of 2001, the federal share of total school revenues has increased from an average of 5.9% from FY 1998 to FY 2002 to an average of 7.9% from FY 2003 to FY 2007.



School District Property Values Vary Widely across Ohio

Average Per Pupil Valuation by Wealth Quintile, FY 2008



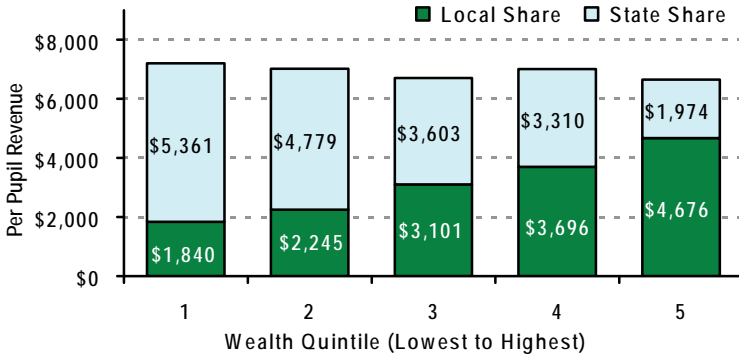
Sources: Ohio Department of Taxation; Ohio Department of Education

- In FY 2008, approximately 20% of Ohio's students resided in school districts with per pupil property valuations that averaged about \$84,000 while another 20% resided in school districts with per pupil property valuations that averaged about \$235,000. The statewide average valuation was \$148,978 per pupil.
- A 20-mill (2%) property tax levy generates \$1,680 per pupil for a district with a valuation per pupil of \$84,000 and \$4,700 per pupil for a district with a valuation per pupil of \$235,000.
- Since locally voted property tax levies represent 97.2% of school district local revenues, per pupil valuation (also called district property wealth) indicates each district's capacity to raise local revenue.
- To create the quintiles used on this and the following three pages, school districts are first ranked from lowest to highest in property valuation per pupil. They are then divided into five groups, each of which includes approximately 20% of total students statewide. As can be seen in the chart above, districts in quintile 1 have the lowest wealth and districts in quintile 5 have the highest wealth.
- Since FY 1991, a major goal of the state's school funding formula is to neutralize the effect of local property wealth disparities on students' access to a common, basic level of education as defined by the state.
- The state's approach is to "equalize" a certain amount of local tax effort up to a state-defined level. To achieve this goal, the formula first assumes a local contribution based on a uniform tax rate (for example, 23 mills or 2.3%). The total amount of the local contribution will depend on the district's wealth – its capacity to raise local revenue. The formula then requires the state to make up the difference – up to the state-defined level – so that each district has an *equal* amount of revenue per pupil for the same tax effort.



State Aid Equalizes School District Revenues for State-Defined Basic Education

State and Local Contribution to Basic Education
by Wealth Quintile, FY 2008



Source: Ohio Department of Education

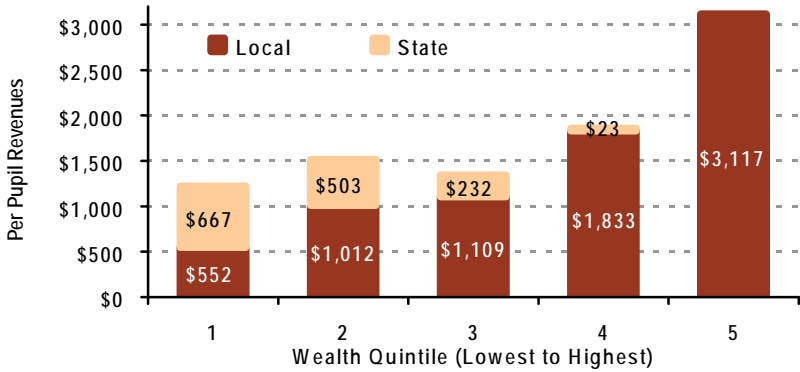
- Total district basic education revenue per pupil shows little difference across districts in spite of the wide variance in district wealth levels because the relatively low local contributions of lower wealth districts are offset by relatively high state contributions.¹
- Small variances in average basic education revenue over quintiles are due to differences in the needs of students and districts (for example, disadvantaged or special education students), not to disparities in district wealth.
- The local contribution to the basic education level is determined by assuming a uniform tax effort on the part of taxpayers in each district (a uniform tax rate). This same tax rate raises more revenue in higher wealth districts than in lower wealth districts.
- In FY 2008, the revenue raised for the local contribution varied from an average of \$1,840 per pupil in quintile 1 to an average of \$4,676 per pupil in quintile 5.
- The state contribution is determined by making up the difference between the local contribution and the state-defined basic education level. In this way the state "equalizes" the tax effort put forth in each district – the state ensures that each district receives the same per pupil revenue up to the basic education revenue level.
- In FY 2008, the revenue from the state contribution varied from an average of \$5,361 per pupil in quintile 1 to an average of \$1,974 per pupil in quintile 5.
- For the state as a whole, the state share of the basic education revenues in FY 2008 was 55%. This share averaged 74.5% for quintile 1, 68.0% for quintile 2, 53.7% for quintile 3, 47.2% for quintile 4, and 29.7% for quintile 5.

¹ See page 41 for an introduction to this analysis and a description of the quintiles.



Revenue Disparities Based on District Wealth Persist at the Enhancement Education Level

Per Pupil Enhancement Revenue by Wealth Quintile,
FY 2008



Source: Ohio Department of Education

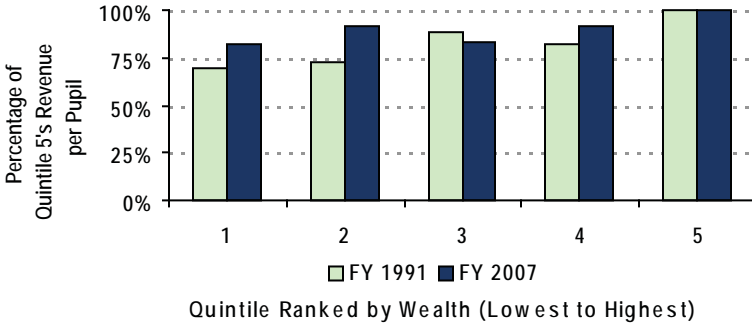
- Although revenue disparities based on wealth do not exist at the state-defined basic education level, as seen on the prior page, these disparities persist in the revenues at the level above the basic education level. These revenues are called enhancement revenues.¹
- Local enhancement revenues are determined by a combination of the wealth of the district as well as the ability and willingness of the district's taxpayers to approve taxes above the amount needed for the local share of basic education.
- The biggest disparity occurs between the highest wealth quintile and the other four quintiles. The average per pupil enhancement revenue in quintile 5 (\$3,117) is 67.9% more than that in quintile 4 (\$1,856). Quintile 5 districts raise all their enhancement revenues locally.
- Although state revenue is concentrated on the state-defined basic education, the state provides lower wealth districts a subsidy called parity aid that supplements locally raised enhancement revenues. In FY 2008, parity aid totaled \$478.5 million. It is distributed based on district wealth.
- For the state as a whole, the state share of total enhancement revenues in FY 2008 was 15.6%. This share averaged 54.7% for quintile 1, 33.2% for quintile 2, 17.3% for quintile 3, and 1.2% for quintile 4. Districts in quintile 5 did not qualify for parity aid.
- Parity aid has had a significant equalizing effect on enhancement revenue for districts in the bottom two quintiles as compared to the districts in quintile 4. Without parity aid, average per pupil enhancement revenues for quintiles 1 and 2 would be 30.1% and 55.2%, respectively, of those for quintile 4. With parity aid these percentages increase to 65.7% and 81.6%.

¹ See page 41 for an introduction to this analysis and a description of the quintiles.



Interdistrict Equity Improves since FY 1991

Average Quintile Revenue Per Pupil
as a Percentage of Quintile 5, FY 1991 vs. FY 2007



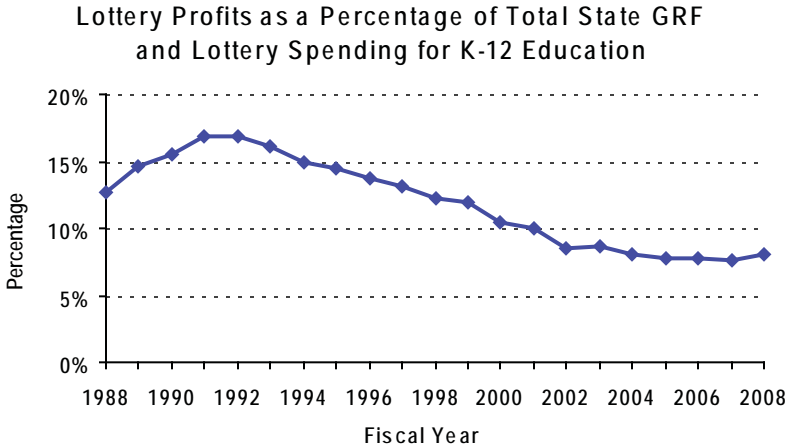
Source: School Foundation Payment Data, Ohio Department of Education

- From FY 1991 to FY 2007, except for quintile 3, the average revenue per pupil of the districts in the lower quintiles got closer to that of the highest wealth districts (those in quintile 5).¹
- The biggest changes came in the two lowest wealth quintiles. In FY 1991, the districts in quintile 1 received on average 70.0% of the revenue received by the districts in quintile 5. By FY 2007 the districts in quintile 1 received 82.5% of the revenue received by the districts in quintile 5. Likewise the percentage for quintile 2 rose from 72.9% in FY 1991 to 91.4% in FY 2007.
- In FY 2007, the average revenue per pupil for the bottom four quintiles (representing 80% of students) was 86.9% of the average revenue per pupil for the highest wealth quintile, up from 78.5% in FY 1991.
- From FY 1991 to FY 2007, per pupil revenues grew on average by 148.5% (\$5,518) in quintile 1, 163.8% (\$6,344) in quintile 2, 96.2% (\$4,538) in quintile 3, 133.2% (\$5,824) in quintile 4, and 110.6% (\$5,873) in quintile 5.
- A few very wealthy districts continued to raise revenues well above the state average of about \$10,000 per pupil in FY 2007. In fact, two districts raised over \$20,000 per pupil.
- In FY 1991, approximately 76% of the variation in per pupil revenue across districts could be explained by the variation in per pupil valuation. In FY 2007, this percentage has dropped to about 30%. This means that the amount of financial resources available for the education of a student now depends less on the wealth of the district where the student lives than it did in FY 1991.

¹ See page 41 for an introduction to this analysis and a description of the quintiles.



Lottery Profits Comprise a Small Percentage of State Spending on Primary and Secondary Education

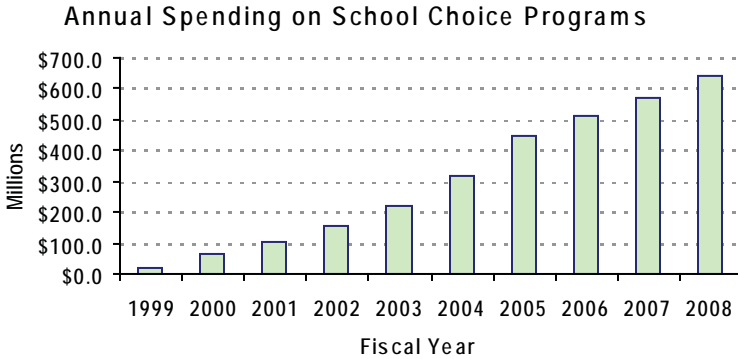


Sources: Ohio Lottery Commission; Ohio Legislative Service Commission

- Lottery profits in Ohio have always been a relatively small percentage of total state GRF and lottery spending on primary and secondary education. After reaching a peak of 16.9% in FY 1991, this percentage has decreased to 8.0% in FY 2008.
- In 1973, voters amended the Ohio Constitution to allow the creation of the Ohio lottery. In 1987, voters approved an additional constitutional amendment that permanently earmarked lottery profits for education.
- Generally, lottery profits are combined with the GRF to support education in Ohio.
- The dollar amount of lottery profits increased by \$51.0 million in FY 2008. This is the first increase in profits since FY 2003. Overall, the dollar amount of lottery profits has fallen since the 1990s, from a high of \$718.7 million in FY 1999 to \$688.9 million in FY 2008, a decrease of 4.2%.
- From FY 1988 to FY 2008, total state GRF and lottery spending on primary and secondary education increased by \$5,203.1 million (151.1%). Of this growth, \$253.3 million (4.9%) was provided by the lottery.
- Lottery sales reached a peak of \$2.3 billion in FY 1996 before falling to \$1.9 billion in FY 2001. Sales have since increased each year to attain the level of \$2.3 billion once again in FY 2008.
- In FY 2007, Ohio's lottery ranked 9th in the nation in total gross sales.



School Choice Program Spending Continues to Increase



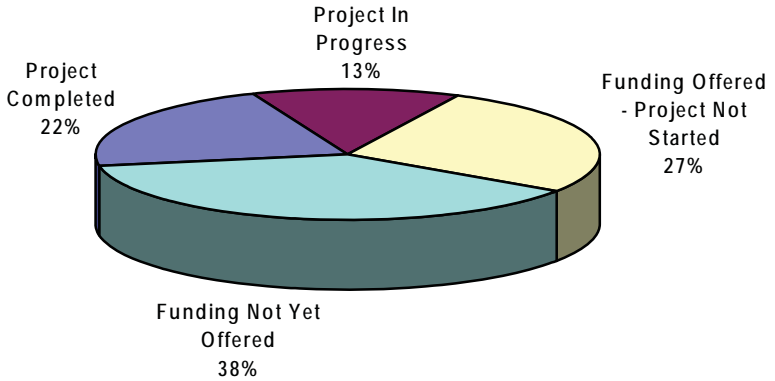
Source: Ohio Department of Education

- Ohio school choice programs include community schools, the Cleveland Scholarship and Tutoring Program (CSTP), the Educational Choice Scholarship Program, and the Autism Scholarship Program. Spending on these programs has increased from \$19.7 million in FY 1999 to \$641.3 million in FY 2008.
- Unlike traditional public schools, community schools do not have taxing authority and are funded primarily through state education aid transfers. Since the establishment of community schools in FY 1999, the amount of state education aid transfers has increased from \$11.0 million to \$586.2 million in FY 2008. Community school enrollment has increased from 2,245 to 82,682.
- The CSTP provides state-funded scholarships for students in the Cleveland City School District to attend public schools outside Cleveland and private schools. Since its establishment in FY 1997, the number of CSTP scholarship students has increased from 1,994 to 6,272 in FY 2008. State expenditures for CSTP have increased from \$5.0 million to \$17.6 million in FY 2008.
- Starting in FY 2007, the Educational Choice Scholarship Program has provided scholarships to students (excluding students in the Cleveland City School District) who attend or would otherwise be entitled to attend a school that has been in academic emergency or academic watch for at least three consecutive years. The number of students receiving scholarships increased from 3,169 in FY 2007 to 7,144 in FY 2008 while state expenditures for the program increased from \$10.4 million to \$25.5 million during the same period.
- The Autism Scholarship Program, established in FY 2004, permits the parent of a qualified autistic child to send the child to a special education program, instead of the one operated by or for the school district in which the child is entitled to attend school. Since its inception in FY 2004, funding for the program has increased from \$3.3 million to \$12.1 million in FY 2008. Scholarships are financed by state aid deductions from scholarship recipients' districts of residence.



Full-Facility Fixes Completed or in Progress in 35% of Ohio School Districts

Breakdown of School District Participation in
State-Sponsored Full-Facility Fixes, July 2008



Source: Ohio School Facilities Commission

- According to data from the Ohio School Facilities Commission (SFC), at the end of FY 2008, 133 (22%) of the 612 school districts in Ohio had completed projects that fully addressed the districts' facility needs as assessed by SFC. Another 81 (13%) had projects in progress, meaning buildings were in the design or construction phase.
- An additional 166 school districts (27%) have been offered funding, but have not yet started their projects. Most of these have been offered funding recently. Approximately 21 declined the state funding offer or allowed the offer to lapse because they were unable to secure the local share. These districts will be eligible for funding in the future.
- SFC funding is targeted to full-facility fixes (i.e., fixing all buildings in a district) through the Classroom Facilities Assistance Program and the Accelerated Urban Initiative. Funding is provided for partial fixes (i.e., fixing selected buildings in a district) through the Exceptional Needs Program. State-funded partial fixes were also provided to some districts before SFC was established in FY 1997. Of the 398 districts that have not started projects to provide full-facility fixes, 34 have partial fix projects that have been completed or that are in progress.
- The total estimated cost of all projects completed or in progress at the end of FY 2008 was \$13.7 billion. Of that total, the state share was \$9.0 billion (66%) and the local share was \$4.7 billion (34%).
- Through the end of FY 2008, SFC disbursed a total of \$6.5 billion for school facilities projects. The General Assembly has appropriated nearly \$10.3 billion, including \$4.1 billion received from the securitization of revenues derived from the 1998 Tobacco Master Settlement Agreement.



Ohio Schools Show Improvement on Report Card Ratings

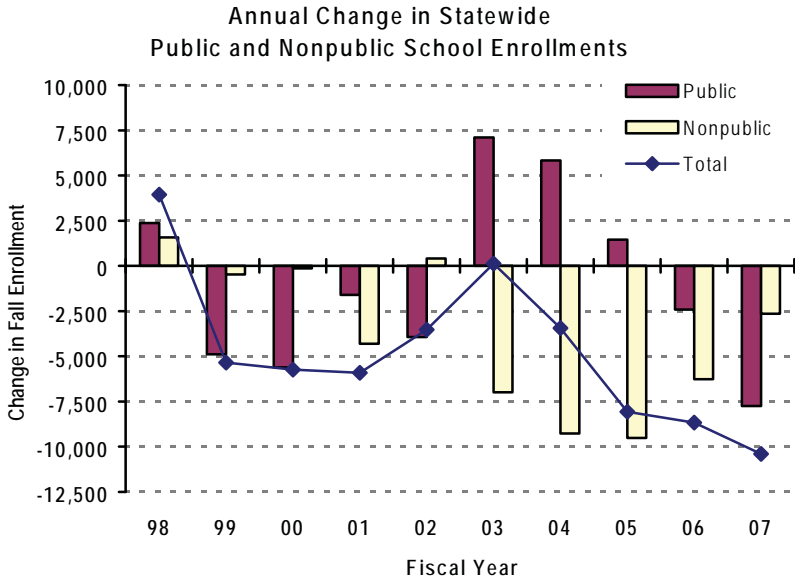
Number of Districts by Report Card Rating, FY 2004-FY 2008					
Rating	2004	2005	2006	2007	2008
Excellent with Distinction	-	-	-	-	74
Excellent	117	111	192	139	152
Effective	229	297	299	347	292
Continuous Improvement	224	175	112	113	83
Academic Watch	34	21	7	11	9
Academic Emergency	4	5	0	0	0

Source: Ohio Department of Education

- In FY 2008, 518 districts (84.9%) were rated effective or higher, compared to 346 districts (56.9%) in FY 2004. The total in FY 2008 includes 74 districts that received the Excellent with Distinction designation that was awarded for the first time in FY 2008.
- A district's report card rating depends on four basic measurements: (1) the number of state academic standards met, (2) the performance index score, (3) whether adequate yearly progress (AYP) has been met, and (4) the value-added designation. The value-added designation is included as part of the report card for the first time in FY 2008.
- Ohio's 30 academic standards include minimum proficient rates on all 28 achievement tests, as well as minimum graduation and student attendance rates. In FY 2004, the state as a whole met 8 out of a possible 18 standards at that time. In FY 2008, the state met 18 of the current 30 standards.
- The performance index, ranging from 0 to 120, is a composite measure of achievement of all students on all achievement tests. The index for the state as a whole improved from 86.6 in FY 2004 to 92.3 in FY 2008.
- AYP, a rating established by the federal No Child Left Behind Act, requires districts to meet annual performance goals for student subgroups. In FY 2004, 689 districts (64.0%) met AYP, compared to 314 districts (51.5%) in FY 2008.
- The new value-added measure tracks an individual student's test scores from one year to another. Districts are rated on how their students' academic growth, as measured by the achievement tests, compares to the expected growth standard set by the state. In FY 2008, 274 districts (44.9%) were above, 142 districts (23.3%) had met, and 194 districts (31.8%) were below the expected growth standard.



Total School Enrollment Continues to Decline

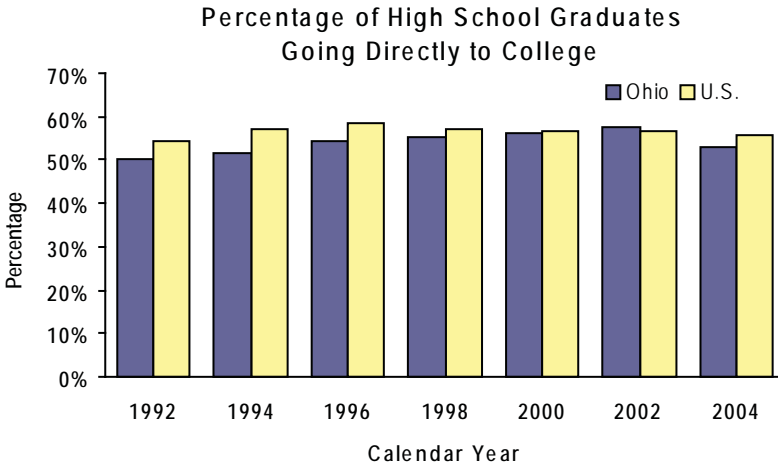


Source: Ohio Department of Education

- Since FY 1998 total school enrollment has decreased by an average of about 5,700 students (0.3%) per year.
- Total school enrollment decreased from its peak of 2.09 million students in FY 1998 to 2.04 million students in FY 2007, a decrease of 51,000 students (2.4%).
- Of the total enrollment decrease since FY 1998, 76.9% (39,000) occurred in nonpublic schools. This represents a 16.1% decline in nonpublic school enrollment over those ten years, compared to a 0.6% decline in public school enrollment.
- Public school enrollment increased in fiscal years 2003, 2004, and 2005. These increases were offset by decreases in nonpublic school enrollment.
- In FY 2007, nonpublic school enrollment represented approximately 10.0% of total public and nonpublic students in Ohio, compared to 11.7% in FY 1998.
- Although public school enrollment has declined by about 12,000 students from FY 1998 to FY 2007, the number of public school students categorized as needing special education services has increased significantly. Total special education students increased by 59,500 from about 201,500 (10.9% of total) in FY 1998 to 261,000 (14.2% of total) in FY 2007, an increase of 29.5%.



Percentage of Ohio High School Graduates Going Directly to College Falls in 2004



Sources: ACT; College Board; NCHEMS; Ohio Board of Regents

- After 12 years of growth, the percentage of Ohio high school graduates going directly to college fell 4.7 percentage points from 57.5% to 52.8% between FY 2002 and FY 2004. The national average also fell slightly by 0.9 percentage point from 56.6% to 55.7% in the same period.
- From 1992 to 2004, the percentage of Ohio high school graduates going directly to college has been below the national average every year except 2002. In 2004, Ohio's percentage was 2.9 percentage points below the national average.
- These data look only at graduates going directly to college. Some high school graduates delay entry into college. Of Ohio's first-time college freshmen in the fall of 2006, 73.2% had come directly from high school while 26.8% had delayed entry to college for at least one year after high school graduation.
- Graduates who delay entry to college are more likely to attend a two-year institution. In 2006, 69.3% of Ohio's first-time college freshmen who delayed college entry attended two-year institutions compared to 19.9% of those who entered college directly.
- ACT and SAT scores are indicators that help predict how well students will perform in college. Since FY 1992 ACT and SAT scores for Ohio high school seniors have been consistently higher than the national average.
- The average Ohio ACT score was 21.6 in 2007, in comparison with the national average of 21.2. The average Ohio SAT score was 1600 in FY 2007, in comparison with the national average of 1511.