Recent Trends in K-12 Education Funding In Ohio

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Table 1: State Education and Total Spending, FY94-FY08

Fiscal Year	K-12 State Spending (LSC)	Total State Spending (LSC)	K-12 as % of Total State (LSC)	K-12 State Revenue (ODE)
1994	$3,835.9	$12,415.4	30.9%	
1995	$4,021.9	$13,040.8	30.8%	$3,868.5
1996	$4,284.3	$13,722.3	31.2%	$4,181.1
1997	$4,534.7	$14,532.3	31.2%	$4,320.4
1998	$4,896.6	$15,576.3	31.4%	$4,669.6
1999	$5,310.8	$16,457.1	32.3%	$5,101.7
2000	$5,650.4	$17,422.3	32.4%	$5,372.0
2001	$6,071.5	$18,504.0	32.8%	$5,722.8
2002	$6,559.9	$19,155.2	34.2%	$6,261.8
2003	$6,784.8	$19,753.1	34.3%	$6,403.2
2004	$6,973.1	$20,294.4	34.4%	$6,628.1
2005	$7,144.1	$21,015.8	34.0%	$6,724.3
2006	$7,222.0	$21,102.4	34.2%	$6,748.2
2007	$7,342.5	$21,627.7	33.9%	$7,066.2
2008	$7,439.5	$21,938.1	33.9%	
Increase FY94-08	**93.9%**	**76.7%**	--	--
Increase FY95-07	**82.6%**	**65.8%**	--	**82.7%**

Table 2: Ohio Foundation Level and Percent Change, FY90–FY09

Year	Foundation Level	% Increase		Year	Foundation Level	% Increase
1990	$2,530	7.2%		2000	$4,052	5.2%*
1991	$2,636	4.2%		2001	$4,294	6.0%*
1992	$2,710	2.8%		2002	$4,814	12.1%**
1993	$2,817	3.9%		2003	$4,949	2.8%
1994	$2,871	1.9%		2004	$5,058	2.2%
1995	$3,035	5.7%		2005	$5,169	2.2%
1996	$3,315	9.2%		2006	$5,283	2.2%
1997	$3,500	5.6%		2007	$5,403	2.3%
1998	$3,663	4.7%		2008	$5,565	3.0%
1999	$3,851	5.1%*		2009	$5,732	3.0%

* Increases in FY99, FY00 and FY01 are larger than 2.8% because they reflect phase-ins to a higher foundation level.

** Increase of 12.1% in FY02 is much greater than 2.8% in large part because it was accompanied by a reduction in the CDB factor from 13.8% to 7.5%.

Table 3: OSFC Appropriations and Disbursements, FY98-FY11

Fiscal Year	OSFC Appropriations ($ in Millions)	OSFC Disbursements ($ in Millions)
1998	$550.0	$107.6
1999	$375.0	$208.9
2000	$684.6	$352.6
2001	$533.0	$644.8
2002	$533.0	$814.3
2003	$463.8	$645.9
2004	$463.8	$581.0
2005	$644.8	$516.6
2006	$665.6	$743.1
2007	$1,006.1	$899.0
2008	$1,245.2	
2009	$1,370.7	
2010	$1,370.7	
2011	$342.7	
Total	**$10,249.0**	**$5,513.8**

Table 4: Power Equalizing Assistance Funding, FY99-FY01

Fiscal Year	Total Funding (Millions)	Phase-in Percentage	# of Districts Receiving Aid
1999	$10.5	25%	329
2000	$21.6	50%	324
2001	$32.0	75%	301

Table 5: Parity Aid Funding Parameters and Amounts, FY02-FY09

Fiscal Year	Total Funding (Millions)	Increase in $	Phase-in Percentage	Base Millage Rate Used	Local Wealth Threshold	# of Districts Receiving Aid
2002	$99.9	--	20%	9.5 Mills	490th lowest district	490
2003	$209.3	$109.4	40%	9.5 Mills	490th lowest district	490
2004	$321.3	$112.0	58%	9.5 Mills	490th lowest district	490
2005	$425.3	$104.0	76%	9.5 Mills	490th lowest district	490
2006	$459.3	$34.0	100%*	7.5 Mills	490th lowest district	490
2007	$480.0	$20.7	100%*	7.5 Mills	490th lowest district	490
2008**	$483.1	$3.1	100%*	8.0 Mills	411th lowest district	411
2009**	$510.9	$27.8	100%*	8.5 Mills	368th lowest district	368

* HB 66 (2005) modified the Parity Aid formula so that 76% phase-in level from FY05 was redefined to be 100% in FY06 and subsequent years. This was accompanied by a reduction in the base millage rate used in the parity aid calculation from 9.5 mills to 7.5 mills.

** In HB 119 (2007) the local property wealth threshold in the Parity Aid formula was changed so that fewer districts would receive funding in FY08 and beyond. The millage multiplier was also increased in FY08 and FY09 so that the lower wealth districts still receiving Parity Aid received greater amounts.

Table 6: Ohio Foundation Level and Cost-of-Doing-Business Factor, FY90–FY09

Fiscal Year	Per-Pupil Amount	CDB Factor Range	Planned CDB Factor Range
FY 1990	$2,530	7.5%	
FY 1991	$2,636	7.5%	
FY 1992	$2,710	7.5%	
FY 1993	$2,817	7.5%	
FY 1994	$2,871	7.5%	
FY 1995	$3,035	7.5%	
FY 1996	$3,315	8.2%	
FY 1997	$3,500	8.9%	
FY 1998	$3,663	9.6%	
FY 1999	$3,851	11.0%	
FY 2000	$4,052	12.4%	
FY 2001	$4,294	13.8%	
FY 2002	$4,814	7.5%	15.2%
FY 2003	$4,949	7.5%	16.6%
FY 2004	$5,058	7.5%	18.0%
FY 2005	$5,169	7.5%	18.0%
FY 2006	$5,283	5.0%	18.0%
FY 2007	$5,403	2.5%	18.0%
FY 2008	$5,565	0.0%	18.0%
FY 2009	$5,732	0.0%	18.0%

Table 7: Special Education Weights, FY99-FY09

Fiscal Year	Category 1	Category 2	Category 3	Category 4	Category 5	Category 6	Phase-in %
FY99	0.22	3.01	3.01*	NA	NA	NA	
FY00	0.22	3.01	3.01*	NA	NA	NA	
FY01	0.22	3.01	3.01*	NA	NA	NA	
FY02	0.2892	0.3691	1.7695	2.3646	3.1129	4.7342	82.5%
FY03	0.2892	0.3691	1.7695	2.3646	3.1129	4.7342	87.5%
FY04	0.2892	0.3691	1.7695	2.3646	3.1129	4.7342	88.0%
FY05	0.2892	0.3691	1.7695	2.3646	3.1129	4.7342	90.0%
FY06	0.2892	0.3691	1.7695	2.3646	3.1129	4.7342	90.0%
FY07	0.2892	0.3691	1.7695	2.3646	3.1129	4.7342	90.0%
FY08	0.2892	0.3691	1.7695	2.3646	3.1129	4.7342	90.0%
FY09	0.2892	0.3691	1.7695	2.3646	3.1129	4.7342	90.0%

* In FY99-01 districts were also eligible for partial reimbursement of costs in excess of $25,000 for Category 3 students.

Table 8: Funding for Districts with High Concentrations of Economically Disadvantaged Students, FY94-FY09

Year	DPPF	DPIA	PBA	TOTAL	% Increase
FY94	$39,435,468	$239,186,933		$278,622,401	
FY95	$39,548,623	$348,383,204		$387,931,827	**39.23%**
FY96		$297,163,702		$297,163,702	-23.40%
FY97		$280,129,959		$280,129,959	-5.73%
FY98		$276,764,077		$276,764,077	-1.20%
FY99		$369,053,623		$369,053,623	**33.35%**
FY00		$367,072,980		$367,072,980	-0.54%
FY01		$342,061,558		$342,061,558	-6.81%
FY02		$345,638,782		$345,638,782	1.05%
FY03		$320,722,965		$320,722,965	-7.21%
FY04		$347,031,125		$347,031,125	8.20%
FY05		$348,588,897		$348,588,897	0.45%
FY06			$361,350,111	$361,350,111	3.66%
FY07			$408,753,281	$408,753,281	**13.12%**
FY08			$451,538,161	$451,538,161	10.47%
FY09 Est.			$471,178,883	$471,178,883	4.35%
Growth in Funding from FY95 to FY06					**-6.85%**
Growth in Funding from FY06 to FY09					**30.4%**

Table 9: Comparison of Augenblick Model Funding Levels with Actual Funding Levels, FY99-FY09

Year	Original Augenblick Base Cost*	Planned CDB Factor	Actual Base Cost	Actual CDB Factor	Augenblick in Highest CDB County	Actual in Highest CDB County
FY99	$4,269	11.00%	$3,851	11.00%	$4,739	$4,275
FY00	$4,389	12.40%	$4,052	12.40%	$4,933	$4,554
FY01	$4,511	13.80%	$4,294	13.80%	$5,134	$4,887
FY02**	$4,650	15.20%	$4,814	7.50%	$5,357	$5,175
FY03	$4,780	16.60%	$4,949	7.50%	$5,573	$5,320
FY04	$4,914	18.00%	$5,058	7.50%	$5,799	$5,437
FY05	$5,051	18.00%	$5,169	7.50%	$5,960	$5,557
FY06	$5,193	18.00%	$5,283	5.00%	$6,128	$5,547
FY07	$5,338	18.00%	$5,403	2.50%	$6,299	$5,538
FY08	$5,488	18.00%	$5,565	None	$6,476	$5,565
FY09	$5,641	18.00%	$5,732	None	$6,656	$5,732

* Augenblick Base Cost figure inflated by 2.8% per year.

** $12 per pupil added in FY02 (and after) to reflect SB 2 graduation requirements

Table 10: Comparison of Unadjusted HB 94 (June 2001) Funding Levels with Actual Funding Levels, FY02-FY09

Year	"Unadjusted" HB 94* (2.2% Increase)	"Unadjusted" HB 94* (2.8% Increase)	HB 94 CDB Factor	Actual Base Cost	Actual CDB Factor
FY02	$5,035	$5,035	7.5%	$4,814	7.5%
FY03	$5,176	$5,176	7.5%	$4,949	7.5%
FY04	$5,290	$5,321	7.5%	$5,058	7.5%
FY05	$5,406	$5,470	7.5%	$5,169	7.5%
FY06	$5,525	$5,623	7.5%	$5,283	5.0%
FY07	$5,647	$5,780	7.5%	$5,403	2.5%
FY08	$5,771	$5,942	7.5%	$5,565	None
FY09	$5,898	$6,109	7.5%	$5,732	None

* Unadjusted HB 94 funding means no echo effect adjustment and exclusion of the 7 Almost successful districts

Table 11: Ohio School District Operating Levies, 1976-2008

Year	# Passed	# Failed	Total Levies	% Passed
1976	174	190	364	47.8%
1977	238	184	422	56.4%
1978	142	205	347	40.9%
1979	109	131	240	45.4%
1980	164	137	301	54.5%
1981	155	203	358	43.3%
1982	131	170	301	43.5%
1983	103	84	187	55.1%
1984	104	93	197	52.8%
1985	129	121	250	51.6%
1986	159	130	289	55.0%
1987	132	187	319	41.4%
1988	169	217	386	43.8%
1989	147	195	342	43.0%
1990	161	249	410	39.3%
1991	184	236	420	43.8%
1992	184	224	408	45.1%
1993	121	204	325	37.2%
1994	162	168	330	49.1%
1995	168	152	320	52.5%
1996	153	125	278	55.0%
1997	132	92	224	58.9%
1998	112	59	171	65.5%
1999	117	68	185	63.2%
2000	149	65	214	69.6%
2001	109	60	169	64.5%
2002	121	77	198	61.1%
2003	145	125	270	53.7%
2004	186	247	**433**	43.0%
2005	178	183	361	49.3%
2006	144	136	280	51.4%
2007	130	123	253	51.4%
2008	133	122	255	52.2%
Totals	**4,845**	**4,962**	**9,807**	**49.4%**
Averages	**147**	**150**	**297**	**49.4%**

Table 12: Number of Ohio School Districts at the 20 Mill Floor for Each Class of Real Property, Tax Years 2001 through 2007

Year	# of Districts at Class 1 Floor	# of Districts at Class 2 Floor	# of Districts at Floor for Both Class 1 & Class 2	Total Number of Districts at Floor for Either Class
1991	139	151	100	190
2001	310	148	144	314
2002	327	153	149	331
2003	346	148	145	349
2004	344	156	150	350
2005	376	184	176	384
2006	379	177	170	386
2007	386	163	157	392

Source: 2001-2007, Ohio Department of Taxation; 1991, Howard Fleeter

What the National Financial Crisis Means for Ohio's Revenues in Fiscal Years 2009, 2010, and 2011

Presentation of

Ohio Tax Commissioner

Richard A. Levin

OSBA/OASBO

School Finance Seminar

December 12, 2008

National Financial Crisis

It means that in the next 2 years, Ohio will confront the most serious erosion in revenues it has experienced in the last 40 or 50 years.

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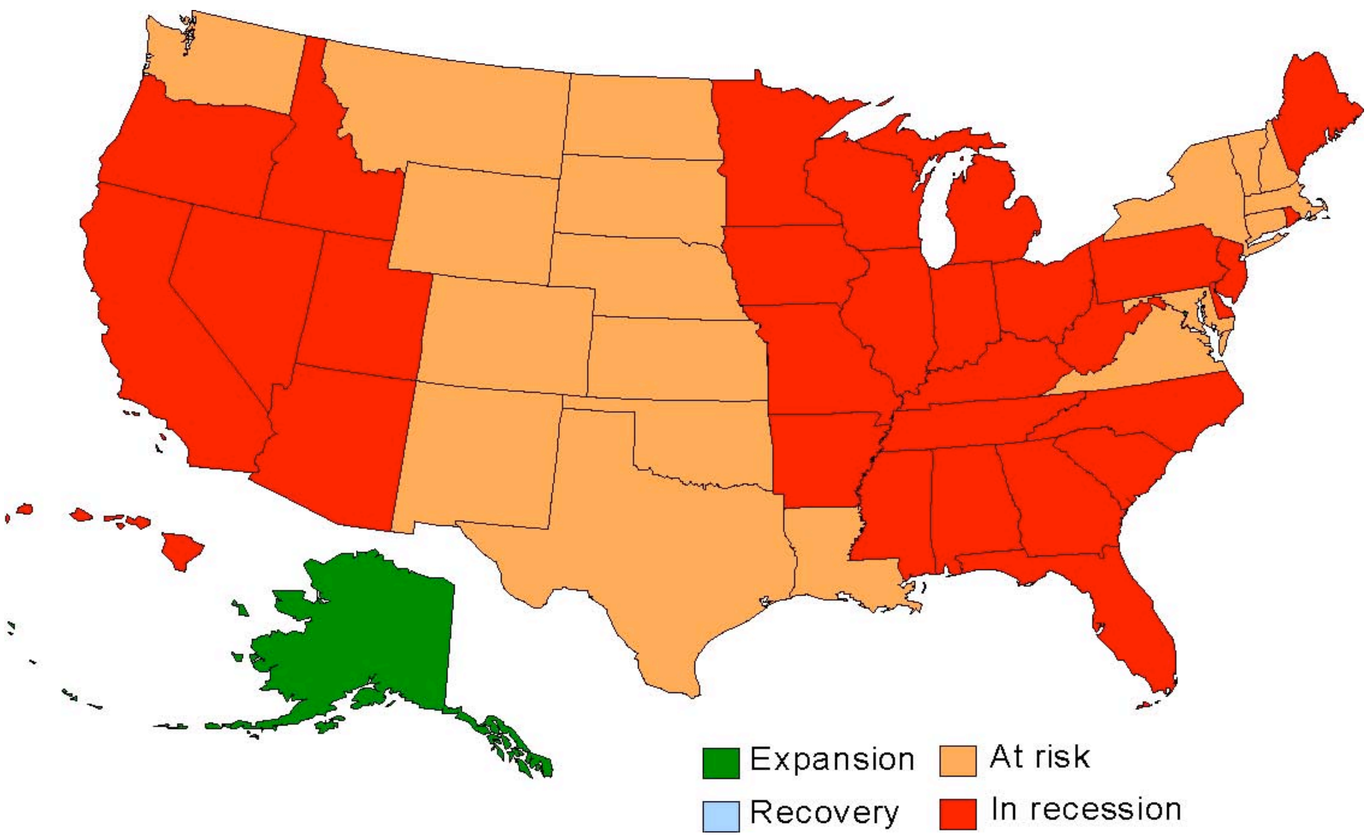
National Financial Crisis

- U.S. is confronting the most serious financial crisis in decades
- December 2008: National Bureau of Economic Research officially declares U.S. economy has been in recession for a year
- Recession is expected to be long and deep, by historical standards

National Recession: 49 of 50 states are either in recession or at risk



Source: Mark Zandi, Moody's Economy.com, November 19, 2008

National Economy in Crisis

- National economy has lost 1.9 million jobs since recession began in December 2007
- November 2008 job loss of 533,000 was highest one-month loss in 34 years
- In Oct. 2008, consumer confidence fell to lowest level in 40 years (since records kept)
- Consumer spending fell 3.7% in 3rd quarter 2008 -- largest decline in 28 years
- US GDP is expected to fall by 2.6% in 2009 without Federal stimulus action; steepest decrease since Great Depression

National Economy in Crisis

- Household net worth has fallen by $12 trillion since its peak last year

  - Housing crisis has removed $4 trillion in household wealth. Stock price drop has removed another $8 trillion.

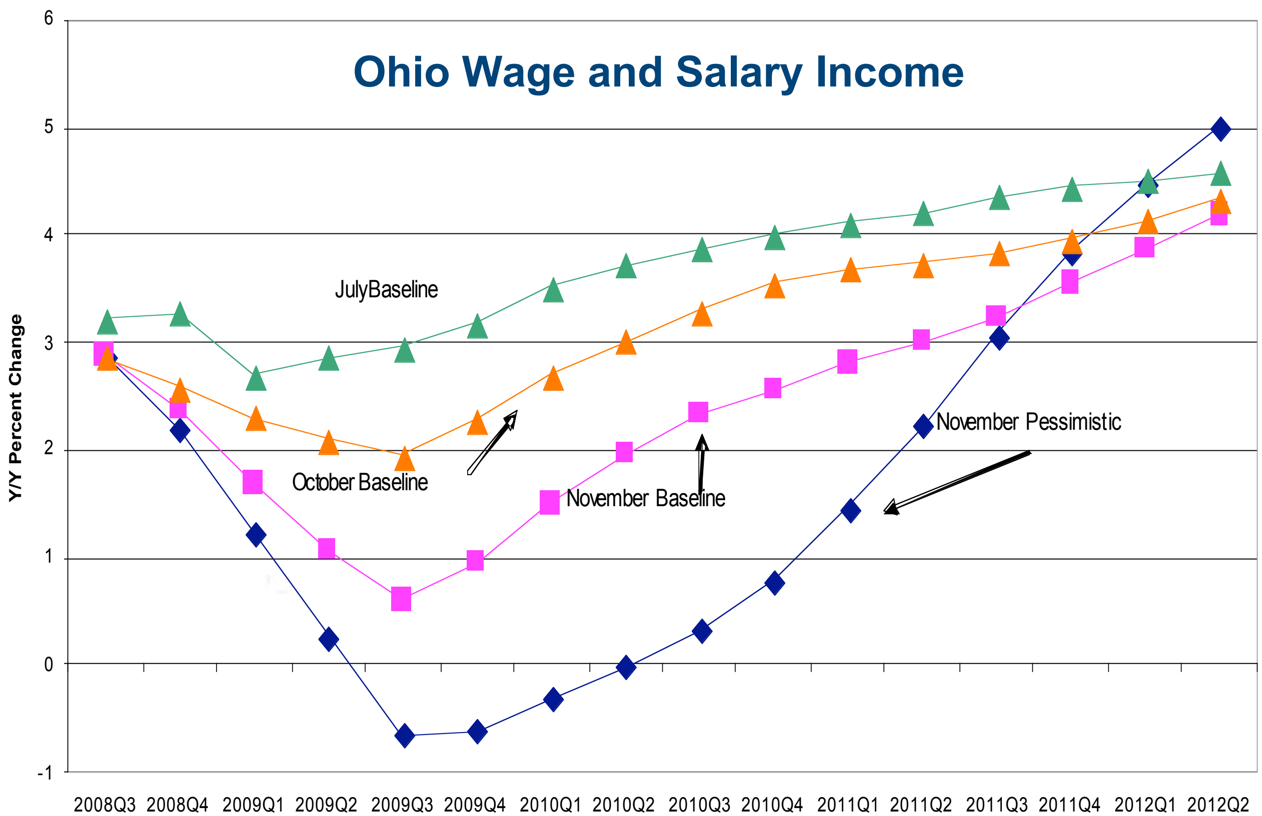
  - Every $1,000 loss in household wealth reduces consumer spending by $50 over the next two years.

  - This implies a $600 billion reduction in consumer spending in 2009-2010

The Economy and the State Budget: the Ground Has Shifted Rapidly, Particularly in the Last Ten Weeks

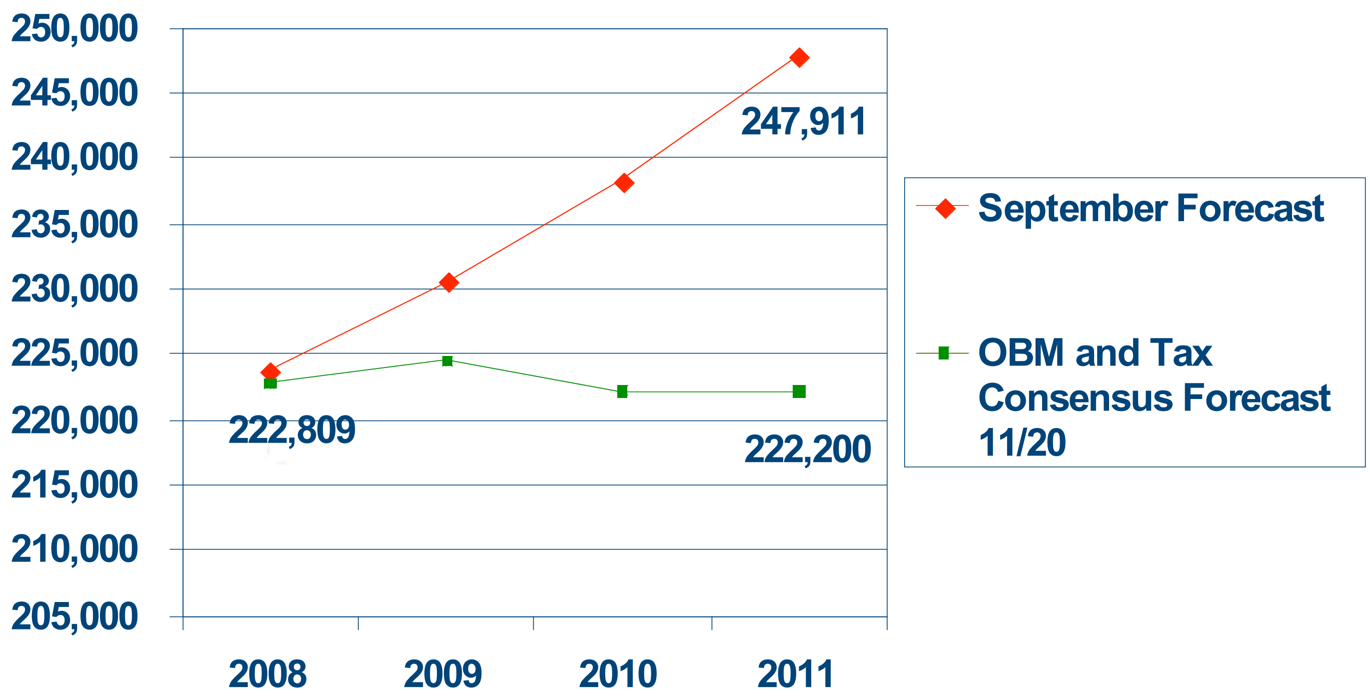
Ohio Department of Taxation

Continual Erosion of Workers' Wages beyond expectations

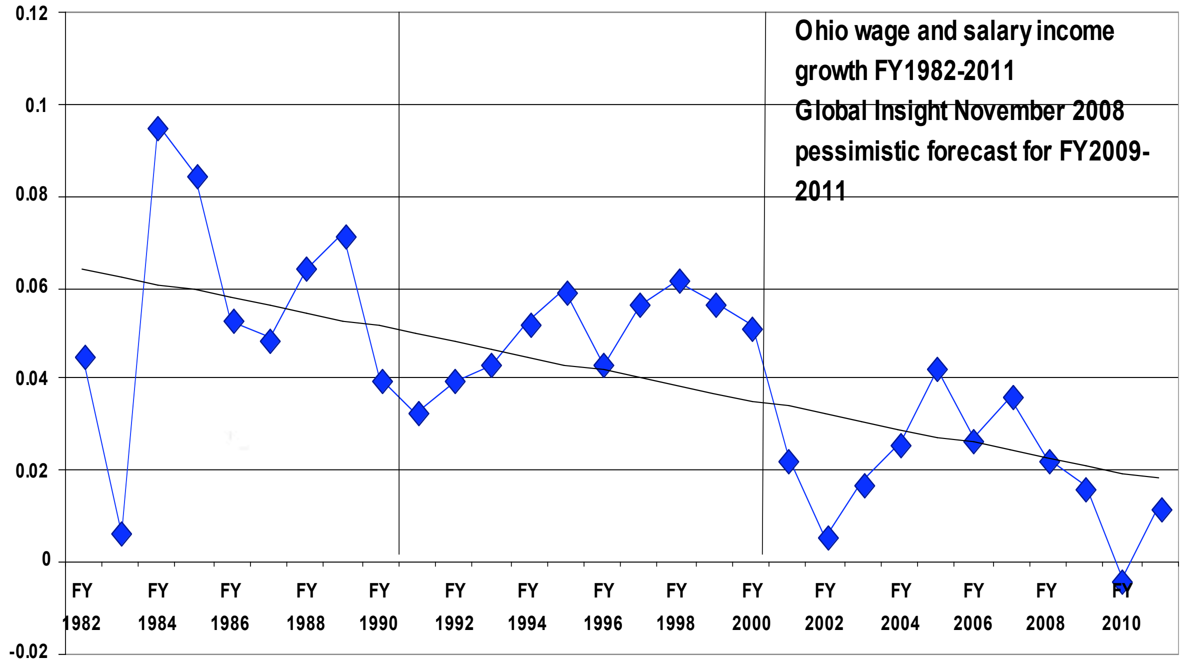


Source: OBM and Ohio Department of Taxation analysis

Ohio Wage & Salary Income (millions)



Ohio Could Actually See a Reduction in Wage and Salary Income



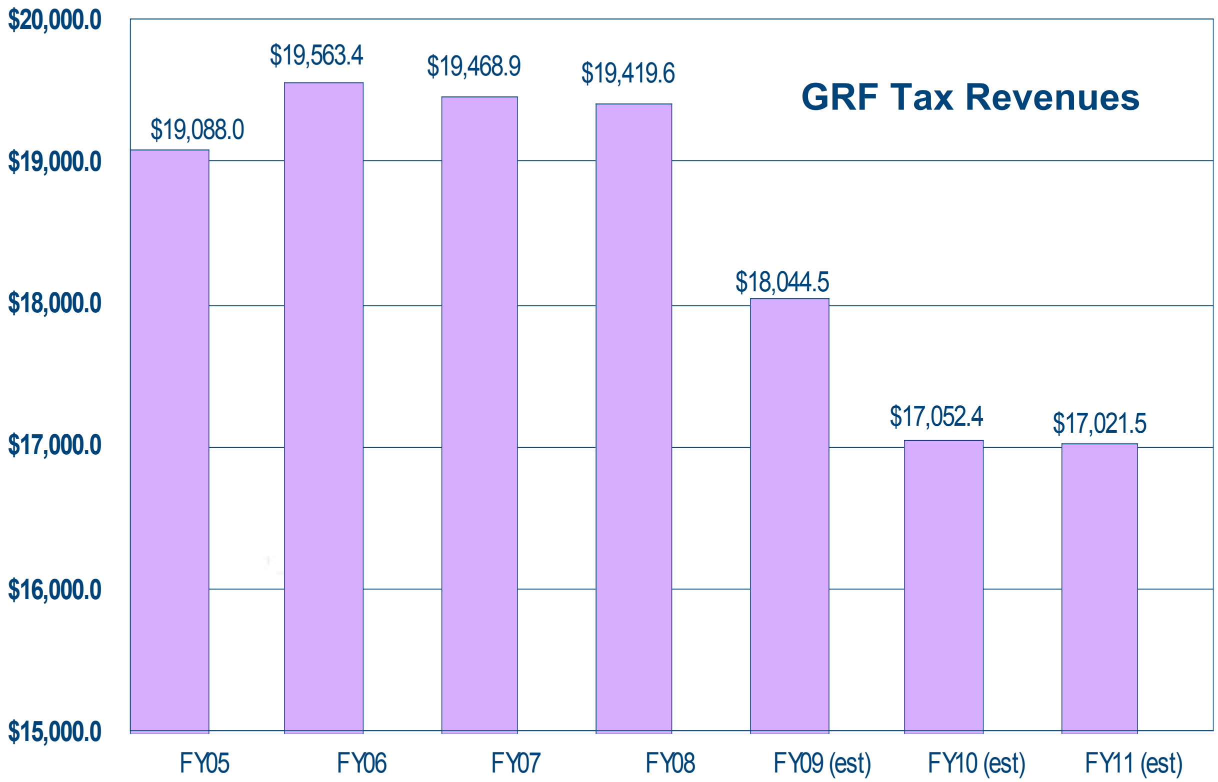
Source: OBM and Ohio Department of Taxation Analysis

Ohio Department of Taxation

3 Scenarios Developed by OBM/Tax:

September 2008 Forecast	A Conventional 18-24 Month Recession	B Extended Consumer-led Recession	C Severe Mfg and Fin Sector Contraction
• Mild Recession of two quarters •Wage and Salary declines somewhat, recovers by 3rd quarter of CY2010 • No further disruptions in credit markets; credit begins to ease significantly • Recovery in 3rd to 4th quarter of CY2009	• Deeper recession lasting into CY2010 • Deeper disruptions in labor markets, sustained unemployment rates at US rates • Modest decrease in consumer demand • Credit markets soft • GSP growth still below trend • No appreciable growth in Ohio economy over biennium	• Extended recession with negative real GSP throughout CY2008 and CY2009 • Labor market contracts consistently over 3 year period 2008-2011 • Consumer confidence and spending continues to slide through late FY2010 •Automotive sector in extended decline	• Prolonged and deep recession lasting well into 2011 •Continued freeze in credit markets making credit difficult to obtain for most commercial enterprises, state and local government • Severe contraction of manufacturing and financial service sector • Widespread and longterm reductions in Ohio's labor market

Scenario B:
Most Likely Scenario for FY09-10-11



Until FY08, there was no time in the past half century when GRF tax revenues declined two years in a row.

FY2008-2009 Budget

- HB119 lowest growth budget in 42 years
  - $1.3 billion has already been removed with cash management and spending reductions to date
  - Current agency spending level is 87.25% of HB119
- FY2008-2009 budget will require action to address additional $640 million gap depending upon…
  - Potential Federal recovery package
  - Ongoing economic performance; retail holiday season

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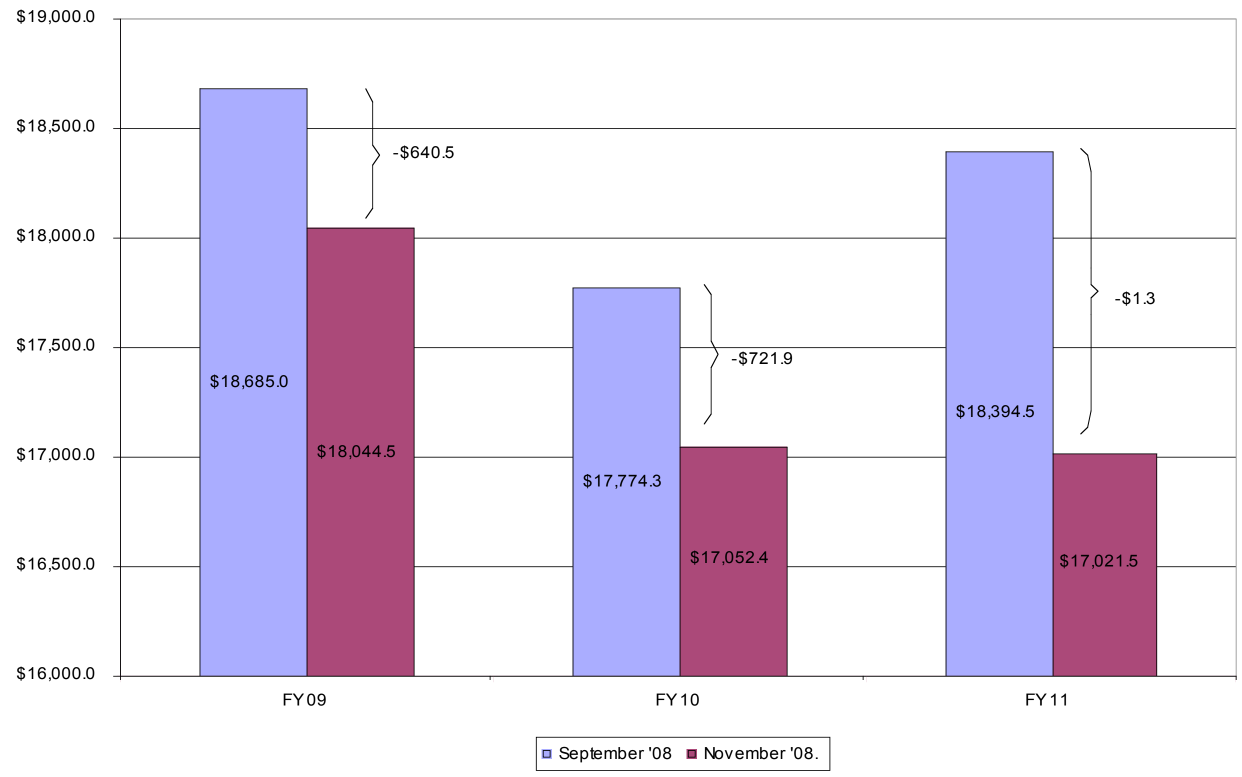
Over $2.6 billion in forecast 2009-2011 GRF Revenues lost in last 10 weeks due to deteriorating economic conditions



Source: OBM analysis

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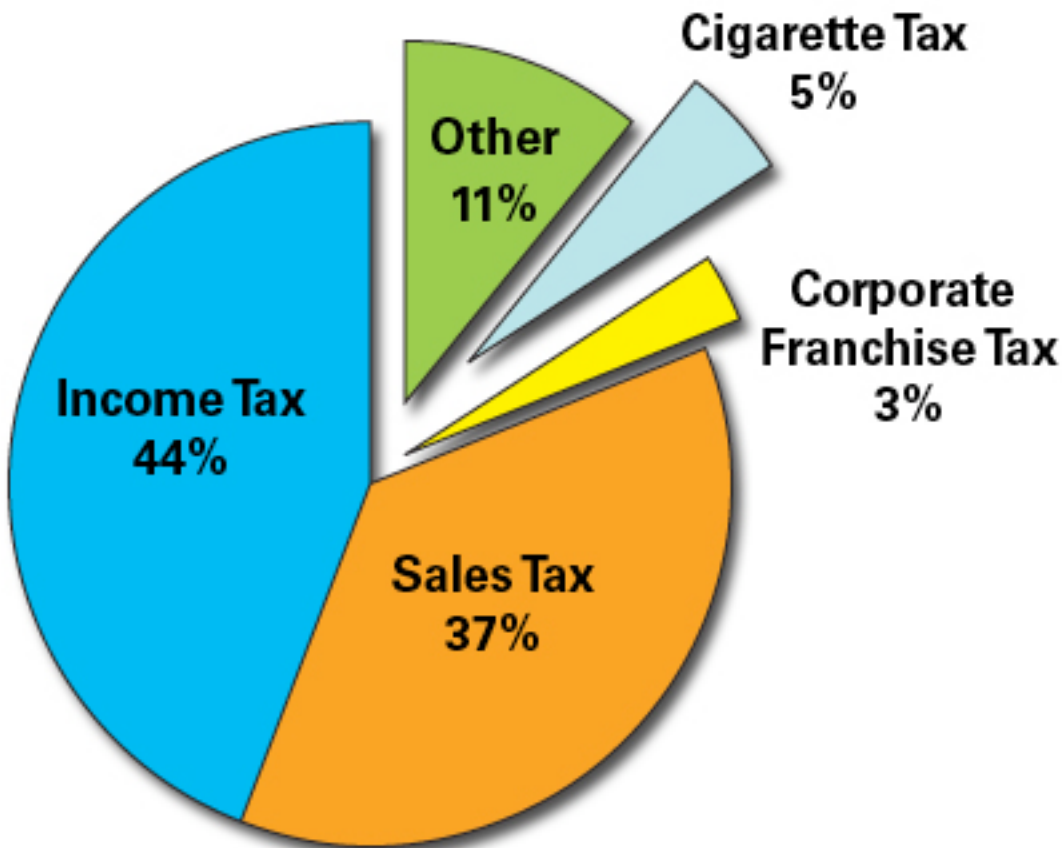
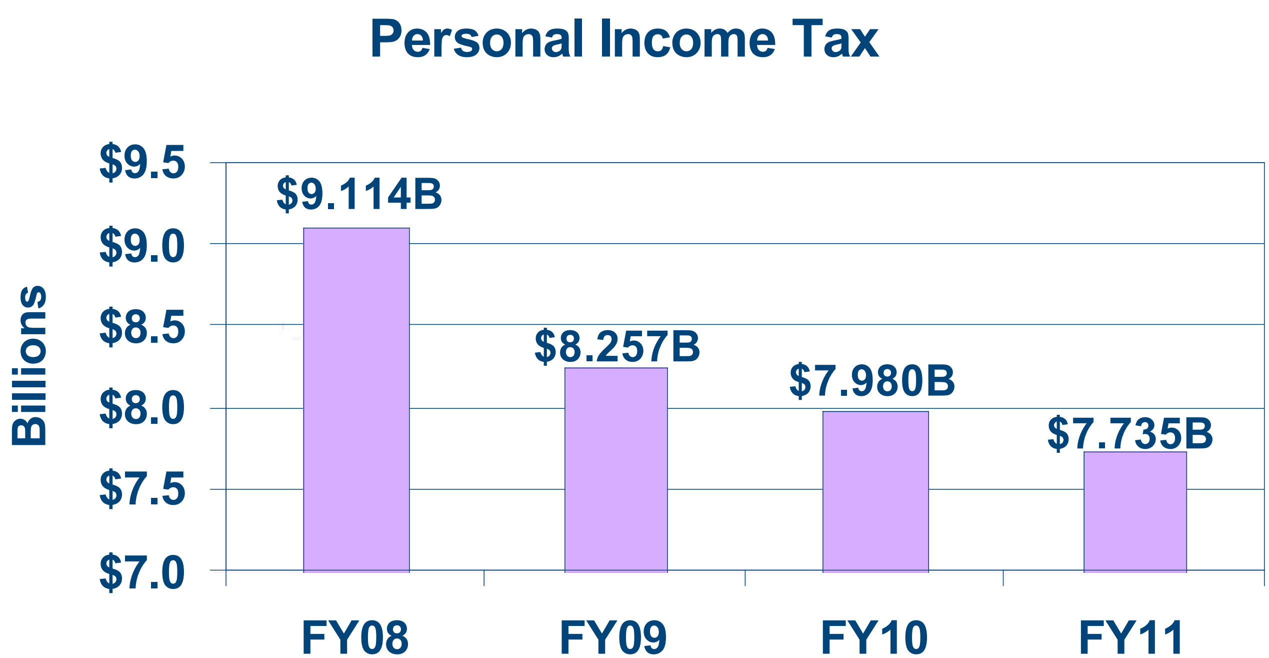
Ohio GRF Revenues
(FY 08-09)



Tax Losses are of Historic Proportions

- Since 1972, there has never been a 2-year decline in collections from the personal income tax.
- Today, we are managing a 3-year decline of $1.379 billion.



Source: Ohio Department of Taxation

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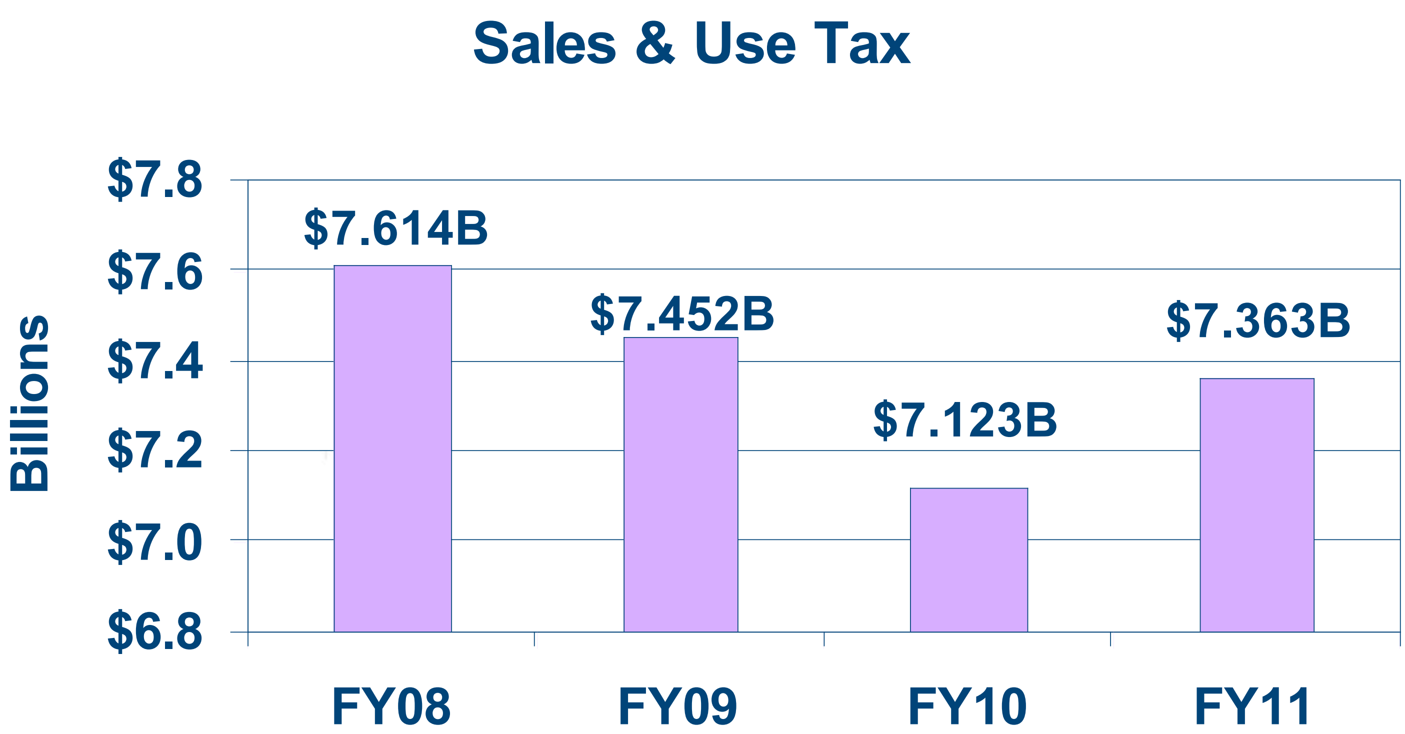
Tax Losses are of Historic Proportions

- **Sales tax revenues will be $491 million lower in FY10 than in FY08.**
- **This is the first 2-year sales tax decline since 1950.**



Source: Ohio Department of Taxation

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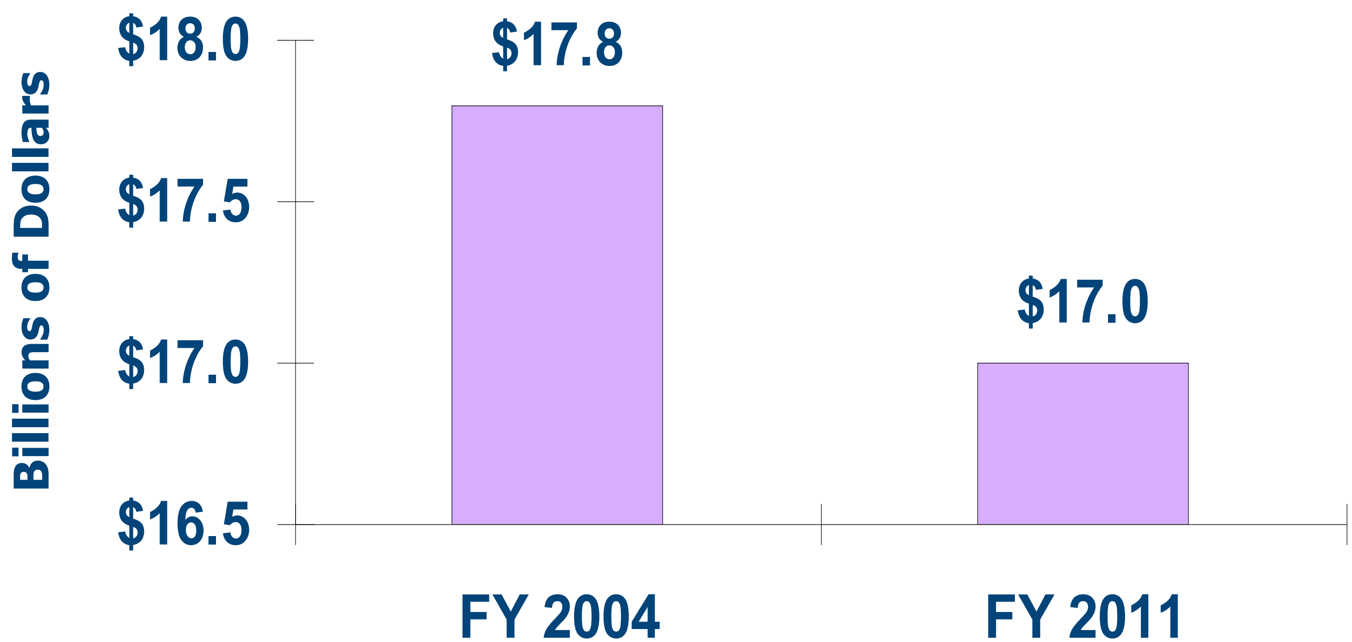
Ohio's Total GRF Tax Revenues for FY 2011 Will Be Less than in FY 2004 (Seven Years Earlier)



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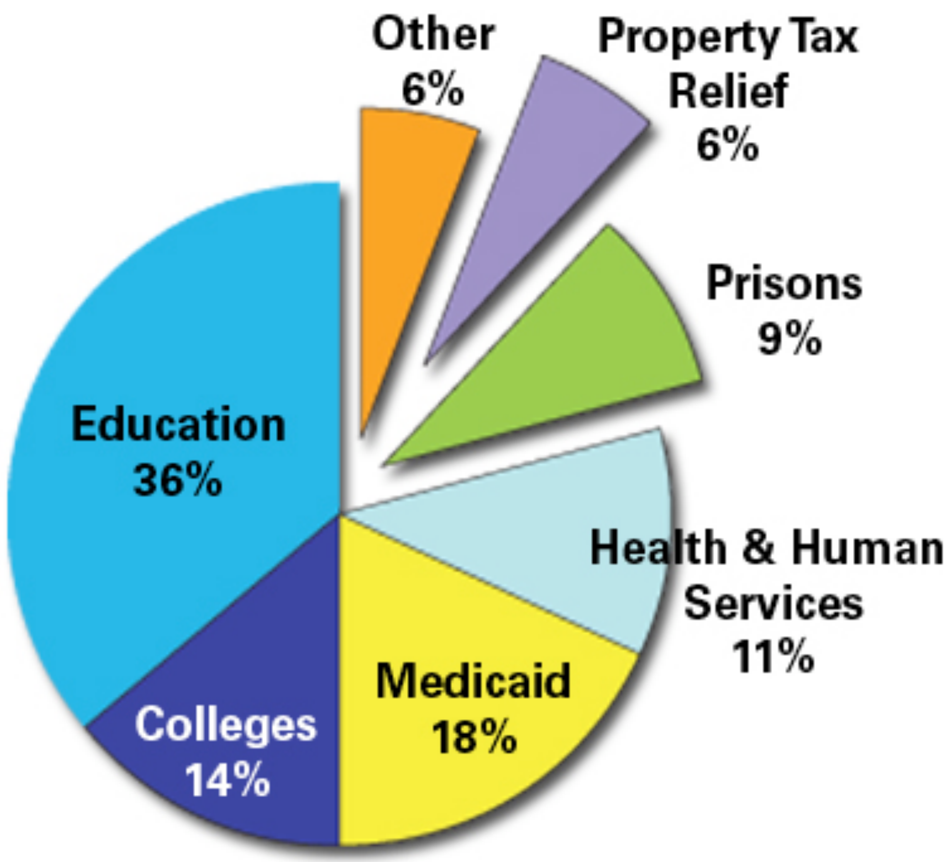
Ohio GRF Spending
(FY 08-09)



FY 2010-11 Potential Shortfalls

- In view of reduced revenues …
- Earlier this year, state agencies were instructed to prepare budgets for FY's 2010 and 2011 at 90% of 2009's reduced levels*.
- **Even at that level, the shortfall would be** $2.0 billion in FY 2010 and $2.7 billion in FY 2011, for a biennium total of **$4.7 billion**.
- **With no additional cuts** from the reduced FY 2009 spending level, the two-year **shortfall would be $7.3 billion**.

*** All line items at 90% except debt service, tax relief and Medicaid**

Some Key Dates

- New Ohio General Assembly will be sworn in January 5, 2009
- Governor Strickland proposes FY 2010-FY 2011 budget to General Assembly about February 2, 2009
- FY 2010-FY 2011 state budget must be enacted before July 1, 2009