Auditor of State
Betty Montgomery

PICKERINGTON LOCAL SCHOOL DISTRICT
PHASE 2
PERFORMANCE AUDIT

MAY 29, 2003

Auditor of State
Betty Montgomery

To the residents and Board of Education of Pickerington Local School District:

In January 2003, officials of Pickerington Local School District (PLSD) requested that the Auditor of State conduct a follow-up performance audit on the financial impact of selected recommendations from the first performance audit. PLSD requested additional analyses be conducted on recommendations made in the facilities and transportation sections of the first performance audit. In addition, PLSD asked the Auditor of State to examine its income tax collections and future revenues to determine if there were significant variances that the District might face in the future.

The follow-up performance audit contains additional information on the impact of costs savings and efficiency improvements in the District's facilities and transportation operations. In addition, the follow-up performance audit identifies the numerous factors which impact the revenues being received by PLSD. The information contained within the follow-up performance audit is intended to assist PLSD identifying cost savings and efficiency improvements. The District is also encouraged to continue to assess overall operations and develop other recommendations independent of the follow-up performance audit.

This report has been provided to Pickerington Local School District and its contents discussed with appropriate District officials and management. The District has been encouraged to use the results of the follow-up performance audit as a resource in improving its overall operations, service delivery, and financial stability.

Additional copies of this report can be requested by calling the Clerk of the Bureau's office at (614) 466-2310 or toll free at (800) 282-0370. In addition, this performance audit can be accessed online through the Auditor of State of Ohio website at http://www.auditor.state.oh.us/ by choosing the "On-Line Audit Search" option.

Sincerely,

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

May 29, 2003

88 E. Broad St. / P.O. Box 1140 / Columbus, OH 43216-1140
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us

Pickerington Local School District

Project History

In May 2002, Pickerington Local School District (PLSD) contracted with the Auditor of State's Office (AOS) for a performance audit on several areas of District operations for early identification of potential cost savings. Initial evaluations determined that the proposed revenues from the November 2002 7.5 mill ballot issue would extend District solvency only one year, until FY 2004-05. AOS released its performance audit of PLSD on October 17, 2002. The performance audit contained numerous recommendations in the areas of financial systems, human resources, facilities, and transportation.

Due, in part, to the failure of the 7.5 mill ballot issue in November 2002, PLSD contracted with AOS in January 2003 for a follow-up study on the financial impact of selected recommendations. PLSD wanted additional analysis conducted on recommendations made in the facilities and transportation sections of the first performance audit. In addition, PLSD asked AOS to examine its income tax collections and future revenues to determine if there were significant variances that the District might face in the future.

Objectives and Methodology

The PLSD Phase II performance audit provides an independent assessment of the implementation costs and cost savings of recommendations made in the facilities and transportation section of the PLSD performance audit. According to the original performance audit, PLSD predicts that it will enter a condition of fiscal oversight by FY 2003-04 without additional revenue. If the recommendations contained in the Phase I performance audit were implemented, it is anticipated that PLSD might avoid fiscal oversight until FY 2006-07. Without significant expenditure reductions, the District could be placed in fiscal emergency within the near future.

To complete Phase II of the PLSD performance audit, auditors gathered and assessed data from various sources, conducted interviews with PLSD personnel, and evaluated requested information from PLSD. Auditors were not able to obtain information required for some analyses from Laidlaw, the District's transportation contractor, and the Ohio Department of Taxation. The inability to obtain this information created a scope impairment and impacted the auditors' ability to project costs and savings in the transportation area and the impact of selected economic indicators on revenue collection.

During the follow-up study, auditors examined the following areas:

- The financial impact of facilities reconfiguration, including a variety of reconfiguration models, and the impact of reconfiguration on transportation, district resources, and educational materials. The auditors' inability to obtain Laidlaw information impacted the ability to identify the financial impact of reconfiguration on transportation.

- The financial and operational impact of transportation routing and policy changes including the potential savings generated by changing district policy to the two-mile minimum distance, as well as increasing ridership on existing routes and reducing the overall number of routes. The auditors' inability to obtain information from Laidlaw impacted the ability to identify the costs and savings associated with these potential changes.

- The financial impact of income tax collections and the collection rates achieved by the Ohio Department of Taxation. Because the Department of Taxation was unable to provide basic aggregate data on collection rates and processes, this objective was altered to include a study of the impact of current economic conditions on the districts short-term financial situation.

Results

The results of the follow-up study reinforced several of the recommendations focusing on facility reconfiguration and transportation policy changes. Also, the auditors' inability to obtain basic performance data from PLSD's transportation contractor reinforced recommendations to implement more rigorous contract management over the transportation contract. Finally, the auditors' inability to obtain basic tax collection rate information supported concerns raised by the district. PLSD officials have not been able to obtain this information, and despite repeated requests, the Ohio Department of Taxation has not provided the district with any indication of collection levels or potential outstanding tax liabilities.

The follow-up study concluded that a K-6 configuration represents the optimal building utilization plan for PLSD. AOS reassessed this recommendation and compared the proposed K-6 configuration to two other configuration models: a K-5 / 6-8 configuration and a K-3 / 4-6 / 7-8 configuration. Based upon the analysis contained within this study, the K-6 configuration is the best utilization of space and the most cost effective for PLSD, whether or not it continues use of modular units. This configuration provides the District with immediate space relief and will result in a long-term solution for rapid growth. It is important for the District to remember a K-6 configuration does not necessarily mean an increase in number of classrooms; rather it is a redistribution of grades and students within the existing number of classrooms in the current seven facilities. Through reconfiguration, PLSD can avoid immediate estimated construction costs of $12.0 million and operating costs of approximately $6.0 to $8.5 million over the next five years. Reconfiguration would cost the District approximately $840,000.

Additional recommendations and clarification of proposed policy changes were made in the transportation section of this study. Although Laidlaw was not able to provide information for several assessments, PLSD received information on how to complete the studies in-house once the data became available. Likewise, the District is encouraged to exercise a greater level of oversight of its transportation contract. The contract costs the District approximately $3.7 million annually. The additional recommendations included requiring its transportation vendor to use its bus routing software to optimize bus routes, modifying its transportation policy with standards and goals aimed and increasing bus capacity levels, requiring the transportation vendor to optimize stop locations, and regularly comparing actual practices in certain transportation functions by its vendor against the transportation policy and the vendor contract.

The final segment of the study includes an assessment of potential impacts on the future revenues of PLSD. Factors which impact revenues received by all Ohio school districts include, but are not limited to, unemployment; growth in the community; property taxes; incomes taxes; and federal and state revenues. PLSD is impacted by the recent rapid decline in economic growth experienced nationally. Additional factors which impact revenues at PLSD include ordinances limiting the growth within PLSD; a decline in aggregate income of the PLSD residents; and reductions in federal and state funding.

A. Facilities

Background

PLSD consists of nine schools: five elementary (grades K-4), two middle (grades 5-6), one junior high (grades 7-8), and one high school (grades 9-12). In addition, the District will be opening two additional school buildings, one junior high and one high school, in FY 2003-04.

PLSD has been experiencing significant increases in enrollment each year. With high growth and the potential for continued growth in the foreseeable future, the District is faced with the challenge of making decisions on the optimal manner in which to configure current facilities and maximize current space while minimizing expenditures and maintaining educational quality. **Table 1** depicts the enrollment projections as prepared by the District for the next five years.

Table 1: PLSD Enrollment Projections

School Year	Projected Enrollment	Percentage Change from Previous Year
FY 2003-2004	8,825	N/A
FY 2004-2005	9,256	4.88%
FY 2005-2006	9,635	4.09%
FY 2006-2007	9,965	3.43%
FY 2007-2008	10,316	3.52%

Source: PLSD superintendent's office

Comparing enrollment projections prepared by the District to the Ohio Department of Education (ODE) projections revealed that the District's projections more closely approximated actual enrollment. This is attributed to the data used to complete the projections. ODE primarily uses birth and historical enrollment data. The District also considers new construction when compiling enrollment projections.

Table 2 presents the capacity and utilization rates (excluding modular classrooms) for each building as currently used by the District.

Table 2: FY 2003 Building Capacity and Utilization Rate

Building	Building Capacity [1]	2003 Head Count	Over/(Under) Capacity	Building Utilization Rate
Fairfield Elementary	625	667	42	106.72%
Heritage Elementary [2]	925	470	(455)	50.81%
Pickerington Elementary	525	671	146	127.81%
Tussing Elementary	750	803	53	107.07%
Violet Elementary	550	750	200	136.36%
Elementary Total	**3,375**	**3,361**	**(14)**	**99.59%**
Diley Middle School	700	705	5	100.71%
Harmon Middle School	650	645	(5)	99.23%
Middle School Total	**1,350**	**1,350**	**0**	**100.00%**
Junior High School Total	**1,041**	**1,320**	**279**	**126.80%**
Senior High School Total	**1,509**	**2,372**	**863**	**157.19%**
Total For All Buildings	**7,275**	**8,403**	**1,128**	**115.51%**

Source: PLSD superintendent's office and building walk-throughs

[1] Building capacity is calculated in the elementary and middle schools by multiplying the number of regular education classrooms (excluding special needs, art, music, tutoring, intervention and gifted rooms) by 25. The capacity for junior and senior high school buildings is similar to elementary and middle schools; however, the product is then multiplied by an 85 percent utilization rate.

[2] There are nine classrooms included in the capacity that are currently being used as office space and are included in the capacity calculations.

Four of the five elementary buildings exceed capacity, while one building is only using 50 percent of its available space. PLSD is using modular units at four of the five elementary buildings, the junior high, and the senior high school facilities to deal with overcrowding. **Table 3** shows the capacity and building utilization for each facility including the modular units.

Table 3: FY 2003 Building Capacity and Utilization Rate Including Modular Units

Building	Building Capacity	2003 Head Count	Over/(Under) Capacity	Building Utilization Rate
Fairfield Elementary	725	667	(58)	92.00%
Heritage Elementary[1]	925	470	(455)	50.81%
Pickerington Elementary	675	671	(4)	99.41%
Tussing Elementary	850	803	(47)	94.47%
Violet Elementary	775	750	(25)	96.77%
Elementary Total	**3,950**	**3,361**	**(589)**	**85.09%**
Diley Middle School	700	705	5	100.71%
Harmon Middle School	650	645	(5)	99.23%
Middle School Total	**1,350**	**1,350**	**0**	**100.00%**
Junior High School Total	**1,424**	**1,320**	**(104)**	**92.70%**
Senior High School Total	**1,913**	**2,372**	**460**	**123.99%**
Total For All Buildings	**8,637**	**8,403**	**(233)**	**97.29%**

Source: PLSD superintendent's office and building walk-throughs

[1] There are nine classrooms included in the capacity that are currently being used as office space. These rooms are included in the capacity calculation.

The modular classroom units help to ease the space constraints in the District. With the addition of a new junior high and senior high school, an additional 19 modular units, with two classrooms per unit, will become available. However, two to three modular units may be needed for office space, allowing 16 modular units, or 32 classrooms, to be used. However, at some of the locations, such as Harmon middle school, there is no room for modular units.

In an effort to maximize space utilization, a performance audit conducted by the Auditor of State (AOS) on PLSD and released on October 17, 2002 recommended the District reconfigure all existing elementary and middle schools to a kindergarten through six (K-6) configuration. As indicated, this configuration provides the District with immediate and short-term relief to the capacity issue. The District requested AOS to evaluate three different reconfigurations and the impact each will have on space, programs, educational resources, and transportation. In Phase I, PLSD indicated that it would like to have all students out of modular units. Phase II continued this vein, reintroducing modular units to extend the use of existing space for five or more years. In some cases, continued operations without reconfiguration will require redistricting or sending new students to school outside of their area. The middle schools are currently at capacity and are limited in space available for modular units.

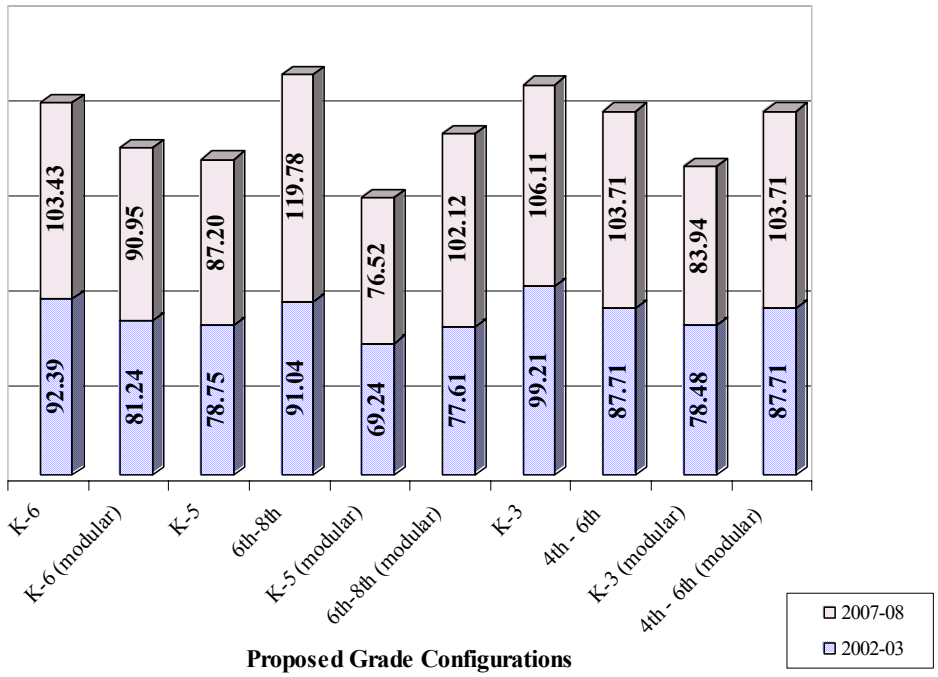
For each of the configurations, the number of special education rooms (multiple disability, cognitive disability, and emotionally disturbed) have been maintained at the current number (11 rooms) used by the District. PLSD also has a large number of specific learning disability (LD) units. In several of the facilities, two units have been assigned to one room. This is possible, in part, because PLSD uses the inclusion model for special needs students. The inclusion model places special need students in a regular education setting as much as possible. As a result, special education students do not need a seat for an entire day in a special education classroom which, in turn, provides additional space for regular instruction classrooms. In each of the configurations, two LD units are assigned to a room.

In addition to special needs requirements, the District uses several classrooms for small group (four to six students) tutoring and intervention. Again, in several of the facilities, two to three specialists are assigned per room, using partitions and bookcases to separate the small groups. For each of the configurations, it is assumed that these practices will continue to be used in an effort to maximize space utilization. Tussing Elementary School, Diley Middle School, and Harmon Middle School all have several smaller rooms that are ideal for small group settings and, therefore, the number of rooms set-aside for tutoring and intervention are fewer in these facilities.

As noted in the PLSD Phase I performance audit, there is additional classroom space available in some of the school buildings. The majority of the additional space is gained in Heritage Elementary by using the space currently used as offices for classrooms. For each of the configurations, the art room is slated to be used as a classroom when enrollment necessitates.

Based on the District's current configuration and enrollment projections, if the District does not reconfigure its facilities and redistrict, the K-4 schools will have a utilization rate of 91 percent; however, the middle school will have a 124 percent utilization rate. This will place a total of 550 students in modular facilities, 327 students in the middle school alone. All of the modular units, approximately seven units, for the middle school would need to be placed at Diley, since Harmon does not have space. In addition, since all of the elementary buildings are currently between 92 to 99 percent capacity with modular units, the only place for additional growth is Heritage Elementary. The current configuration requires the District to build a new middle school immediately and a new K-4 school within the next five years. The District estimated the cost of a new elementary school building at $12 million. The annual operating costs are estimated at $1.2 to $1.7 million for a total of $6 to $8.5 million over the next five years. Chart 1 illustrates a comparison of the utilization rates for the proposed grade configuration assessed in this performance audit.

Chart 1: Comparison of Utilization Rates for Various Grade Configurations



Note: All numbers illustrated in Chart 1 represent utilization rate percentages.

Based on the analysis, the K-6 configuration is the best utilization of space and the most cost effective for the District, even if it wishes to continue use of modular units. This configuration provides the District with immediate space relief. It is important for the District to remember that a K-6 configuration does not necessarily mean an increase in the number of classrooms; rather, it is a redistribution of grades and students within the existing number of classrooms in

the current seven facilities. Configuring to K-6 will require redistricting but will enable PLSD to forgo construction of an additional building for four to five years. The other reconfiguration scenarios do not provide such relief. The District should continue to work with the community and staff to educate them on the current and future needs for classroom and facility space, and to gain consensus on the facility solutions which best meet community expectations.

The District requested further analysis of the AOS recommended reconfigurations using the modular units that are at each of the facilities. The capacity for each of the facilities using the modular units as currently distributed in the elementary and middle school building is presented in **Tables 8** and **9**. As mentioned previously, additional modular units are available; however, the District estimated the cost of moving one modular unit from the junior and senior high school to another facility within the District at $32,000. A K-6 configuration allows the District to forgo building a new facility for at least five years, using the current modular units at each of the facilities. This configuration does not require the District to move modular units and will provide Pickerington with additional space at all facilities except Harmon Middle School, and will allow the District to sell a number of modular units as recommended in Phase I.

The following pages provide a discussion of the capacity and building utilization for each of the configurations the District requested AOS to develop as illustrated in **Chart 1**. Based on this analysis the District has several options to accommodate the current growth. It can maintain the current configuration and build one or two additional elementary buildings, continue the use of modular units, or reconfigure grade levels to maximize the use of existing facilities. It is essential that the District encourage and seek community involvement in these decisions. PLSD must work to build consensus around what best meets community expectations and the educational needs of the District.

This report provides the District with the information about the options for reconfiguration. In order to begin building consensus the District should consider implementing a facilities committee to examine its facility and educational needs and determine the appropriate means to best meet those needs. It is essential that the District communicate its needs and listen to the expectations of the community.

The following pages provide three configuration options. The K-6 configuration provides the District with optimal use of existing facilities and space, including modular units. With this configuration, using only the existing facilities and not modular units, the District will exceed capacity in 2005-06. However, if the District chooses to continue the use of its modular units, it will not need an additional facility until after 2007-08. Ultimately, PLSD and the community will need to jointly determine whether the District will continue the use of modular units, reconfigure grade structure, or continue to build one to two buildings every two to three years as it outgrows existing facilities.

In addition to decisions regarding how to manage the current growth rate, the District must also manage the funds needed for additional capital improvements and on-going operational costs. At the current rate of growth, the District needs to pursue avenues to ensure that it not only has operational funds, but also funding to support the infrastructure for rapid growth. While additional students and housing developments bring additional revenues from taxes and state foundation money, they also generate a need for facilities to house these students.

Configurations

K-6, 7-8, 9-12 Configuration

This configuration requires that all five of the current kindergarten through fourth grade elementary buildings and the fifth through sixth grade middle schools be converted to kindergarten through sixth grade (K-6) facilities. Based on all of the assumptions described in the background section, **Table 4** depicts the capacity, head count, and utilization rates with the current head count and projected enrollment for FY 2007-08 for the K-6 configuration.

Table 4: Elementary and Middle School Building Capacity and Utilization for K-6 Configuration [1]

Building	Capacity	FY 2002- 03		FY 2007 – 08	
		Number of Students	Utilization Rate	Number of Students	Utilization Rate
Diley	775	733	94.58%	841	108.52%
Fairfield	600	530	88.33%	600	100.00%
Harmon	775	724	93.42%	811	104.65%
Heritage	1,000	925	92.50%	998	99.80%
Pickerington	600	550	91.67%	625	104.17%
Tussing	725	684	94.34%	750	103.45%
Violet	625	566	90.56%	650	104.00%
Totals	**5,100**	**4,712**	**92.39%**	**5,275**	**103.43%**

Source: PLSD superintendent's office and AOS assessments
[1] The capacity calculation does not include modular units.

Table 5 outlines the capacity, head count, and utilization rates for the K-6 configuration including the modular classrooms. The distribution of students is assumed to be the same as presented in **Table 4**.

Table 5: Elementary and Middle School Building Capacity and Utilization for K-6 Configuration Including Modular Units

Building	Capacity	FY 2002- 03		FY 2007 – 08	
		Number of Students	Utilization Rate	Number of Students	Utilization Rate
Diley	775	733	94.58%	841	108.52%
Fairfield	700	530	75.71%	600	85.71%
Harmon	775	724	93.42%	811	104.65%
Heritage	1,000	925	92.50%	998	99.80%
Pickerington	850	550	64.71%	625	73.53%
Tussing	825	684	82.91%	750	90.91%
Violet	875	566	64.69%	650	74.29%
Totals	**5,800**	**4,712**	**81.24%**	**5,275**	**90.95%**

Source: PLSD superintendent's office and building walk-throughs

The District could alleviate the overcrowding in some of the facilities by redistricting. The modular units used in **Table 5** are those units located at each of the facilities. Continuing the use of modular units as currently distributed at the elementary buildings increases the total K-6 capacity by approximately 700 students.

In reconfiguring five elementary schools to contain additional grades of fifth and sixth graders and two middle schools to add kindergarten through fourth graders, the impacts on playgrounds, technology, library resources, and other shared educational resources must be considered. The main implementation costs for this reconfiguration are upgrading the playground, adding technology and obtaining/redistributing library resources.

In order for the District to reconfigure Diley and Harmon Middle Schools to K-6 facilities, the playgrounds will need to be upgraded to accommodate younger students. The approximate cost for this upgrade is $100,000 for each facility. This cost includes surfacing and structures appropriate for younger grade levels. In addition, smaller upgrades would be needed at the five elementary schools to ensure that the fifth through sixth grade levels also have age appropriate equipment. The upgrades to make the elementary playgrounds appropriate for fifth and sixth graders are approximately $40,000 per building. In order to address playground needs at all school buildings under a K-6 grade reconfiguration, PLSD would need to spend approximately $400,000 for playground upgrades. However, if cost constraints do not permit this level of expenditures, lower cost options are available.

Another consideration in the reconfiguration is that the five elementary schools would need to add a computer lab for the fifth and sixth grade curriculum. Based on an estimate of equipment needs provided by the District, the cost to add computer labs to five of the elementary buildings is $40,000 per building for computers, printers and switches. The cost to upgrade the elementary software for fifth and sixth grade is approximately $13,000 and approximately $14,000 to upgrade middle school buildings for kindergarten through fourth grade. The total technology upgrade cost for a K-6 reconfiguration is approximately $294,000. An added benefit of the additional technology resources is that younger grades would then be able to use computer labs not currently available to them. In determining the capacity for the elementary buildings, the space needed for a computer lab was considered.

Based on a sample of PLSD's print and non-print materials in all elementary and middle schools the District could redistribute current resources rather than just duplicating current titles. The District has a significant number of duplicate resources. In the middle schools, approximately 46 percent of all resources are duplicate items and 21 percent of all resources are duplicates in the elementary schools. The national standard, per the Ohio Department of Education, is ten books per student, or 20 items (video, software and books) per student. Currently, PLSD has 14.9 items per student in the middle school and 21.1 items per elementary student. When considering the reconfiguration of the District's buildings, emphasis should be placed on conducting a needs assessment of current library resources. The needs assessment should be centered on curriculum

standards to ensure PLSD has sufficient resources to achieve these standards. Based on the needs assessment, a collection analysis should be completed and then a purchasing plan created. If all resources were distributed equally among the seven schools under a K-6 configuration there would be approximately 13,000 items per building. Also, according to the Ohio Department of Education the average cost of a book is $16. For an additional $100,000 the District could supplement its current resources with 6,250 additional books, or 893 items per school. The District could also look at other ways of distributing resources, such as using interlibrary loan or rotating resources between buildings. As additional funds are available, the District could increase its inventory.

In a K-6 configuration, the District would have to consider the impact on shared educational resources, such as science units. Currently science teachers in each building share common resources for each of the science units. The approximate cost to upgrade each of the facilities for science units is $47,000. This would provide one unit per grade per building to be shared among teachers. The District could purchase those essential items and evaluate the feasibility of scheduling resources on a rotating basis between buildings.

The K-6 configuration provides needed capacity relief immediately to the District and enables all students to initially be housed in a school building and reduces the use of modular units to later in the forecast period. In addition, this scenario provides additional room for growth in the future. Rather than requiring additional space immediately, as is the case with the current configuration, the District could postpone construction for approximately four years, opening a new building in 2007 or 2008. Based on the enrollment projections and this configuration, in 2007-08 the District would be at 103 percent capacity, or approximately 175 students over full capacity. With the number of modular classroom units the District owns, it would have ample space for overruns while construction is underway. This should also afford the District the opportunity to improve its financial conditions and gain community support for one additional facility.

Table 6 summarizes the one-time implementation cost of a kindergarten through sixth grade configuration and the cost avoidance achieved by not building a new facility. The new facility cost includes the average maintenance and operation expenditures per square footage, as calculated in Phase I, and staffing costs. This calculation is based on current expenditures and does not take into account inflation.

Table 6: Financial Impact of K-6 Configuration

Description	One-Time Cost	Annual Cost Avoidance
Playground upgrades	$400,000	
Technology (hardware/software) upgrades	$294,000	
Library upgrades	$100,000	
Science unit upgrades	$47,000	
New facility costs (staffing and operational)		$1,775,850
Total (five years)	**$841,000**	**$8,879,250**
Net Five Year Cost Savings		**$8,038,250**

For a one-time cost of approximately $840,000 the District can avoid debt and construction payments on a new facility for four to five years and realize additional cost avoidances for staffing and operations of approximately $1.2 to $1.8 million annually.

K-5, 6-8, 9-12 Configuration

In this configuration all of the current elementary and middle school buildings are configured for grades kindergarten through five (K-5). The current and new junior high buildings are configured for grades six through eight (6-8). **Table 7** depicts the building capacity and utilization rates for each of the buildings under this configuration with the same assumptions as presented in the background.

Table 7: Elementary and Middle School Building Capacity and Utilization for K-5, 6-8 Configuration [1]

		FY 2002- 03		FY 2007 – 08	
Building	Capacity	Number of Students	Utilization Rate	Number of Students	Utilization Rate
Diley	775	600	77.42%	693	89.42%
Fairfield	600	462	77.00%	525	87.50%
Harmon	775	645	83.23%	725	93.55%
Heritage	1,000	700	70.00%	868	86.80%
Pickerington	600	500	83.33%	486	81.00%
Tussing	725	584	80.55%	616	84.97%
Violet	625	525	84.00%	525	84.00%
Total K-5	**5,100**	**4,016**	**78.75%**	**4,438**	**87.02%**
Junior High	1,094	1,000	91.43%	1,322	120.84%
New Junior High	1,115	1,011	90.67%	1,324	118.74%
Senior High	1,509	1,186	78.61%	1,500	99.40%
New Senior High	1,827	1,186	64.92%	1,756	96.11%
Total K-12	**10,645**	**8,399**	**78.90%**	**10,340**	**97.14%**

Source: PLSD superintendent's office and building walk throughs

[1] The capacity calculation does not include modular units.

This configuration provides relief for K-5 for at least the next five years and possibly more; however, it places additional strain on the two sixth through eighth grade facilities. A K-5

configuration would require an additional 6-8 facility almost immediately or a reintroduction of modular units to both buildings. The cost to reconfigure the elementary buildings to house fifth grade and the middle schools to house kindergarten through fourth grade would be similar to the cost of the kindergarten through sixth grade scenario. Playgrounds, software, hardware, and library resources would also need to be upgraded similar to the K-6 configuration.

K-3, 4-6, 7-8, 9-12 Configuration

Fairfield, Pickerington, Tussing, and Violet are configured for kindergarten through third grade (K-3); and Diley, Harmon, and Heritage are configured for fourth through sixth grade (4-6). **Table 8** presents the building capacity and utilization rates for each of the buildings in this configuration.

Table 8: Elementary and Middle School Building Capacity and Utilization for K-3, 4-6 Configuration [1]

Building	Capacity	FY 2002- 03		FY 2007 – 08	
		Number of Students	Utilization Rate	Number of Students	Utilization Rate
Fairfield	625	604	96.64%	643	102.88%
Pickerington	625	625	100.00%	644	103.04%
Tussing	750	750	100.00%	825	110.00%
Violet	650	650	100.00%	700	107.69%
Total K-3	**2,650**	**2,629**	**99.21%**	**2,812**	**106.11%**
Diley	725	650	89.66%	786	108.41%
Heritage	900	750	83.33%	902	100.22%
Harmon	750	683	91.07%	775	103.33%
Total 4-6	**2,375**	**2,083**	**87.71%**	**2,463**	**103.71%**

Source: PLSD superintendent's office and building walk-throughs
[1] The capacity calculation does not include modular units.

The K-3, 4-6 configuration provides additional room in the 4-6 grade facilities, for a short time, while providing no immediate relief to the K-3 facilities. This configuration would require the District to add two additional facilities, a middle school and an elementary school, by 2007-08. This configuration requires fewer costs upfront for building conversions; however, it would cost the District more for building expansions and operational costs in the near future.

If the District wants to continue use of the modular units to ease overcrowding in this configuration, **Table 9** depicts the building capacity and utilization rate for the K-3, 4-6 configuration assuming the same distribution of students as shown in **Table 8**.

Table 9: Elementary and Middle School Building Capacity and Utilization for K-3, 4-6 Configuration Including Modular Units

Building	Capacity	FY 2002-03		FY 2007-08	
		Number of Students	Utilization Rate	Number of Students	Utilization Rate
Fairfield	725	604	83.31%	643	88.69%
Pickerington	875	625	71.43%	644	73.60%
Tussing	850	750	88.24%	825	97.06%
Violet	900	650	72.22%	700	77.78%
Total K-3	**3,350**	**2,629**	**78.48%**	**2,812**	**83.94%**
Diley	725	650	89.66%	786	108.41%
Heritage	900	750	83.33%	902	100.22%
Harmon	750	683	91.07%	775	103.33%
Total 4-6	**2,375**	**2,083**	**87.71%**	**2,463**	**103.71%**

Source: PLSD superintendent's office and building walk-throughs

The use of modular units provides additional space for the younger grades; however, there is still insufficient space for the fourth through sixth grade students. The middle school buildings do not currently have modular units and Harmon middle school does not have the space for such units. The K-3, 4-6 configuration will require the District to move modular units to Diley and Heritage middle schools and concentrate all additional growth at these two schools since Harmon will not be able to accommodate additional students.

B. Transportation

Background

The PLSD requested the Auditor of State to follow up on three issues related to transportation. This section required significant data processing through Edulog, a transportation routing software program employed by PLSD's transportation vendor (Vendor). The auditors were unsuccessful in obtaining this data, though PLSD is communicating with the vendor to obtain the information.

This is due partly to significant source information that had to be gathered and input into the software in order to complete the requests. Also, the vendor would not commence the data processing until the question of payment responsibility for these requests was resolved with PLSD. Auditors advised PLSD to have District attorneys immediately review the vendor contract. Although this information was not available during the audit period, auditors gathered other key data on each issue to assist PLSD in eventually fulfilling these objectives.

First, PLSD requested an analysis on the potential impact of reducing its transportation policy to state minimum standards. During the Phase I performance audit, PLSD provided transportation to all K-12 students residing more than one mile from their assigned school and for those students with disabilities. The District also transported students within the one-mile radius when walking hazards or dangerous conditions existed. To reduce expenditures, the Board of Education (Board) modified the policy in February 2003 to state minimum standards. This change requires transportation of K-8 students living more than two miles from their school, and the elimination of high school transportation. However, students with disabilities and those exposed to pedestrian hazards would continue to receive busing. The new policy takes affect for the 2003-04 school year. However, a PLSD Board member stated the original policy will probably be reinstated if the district passes its May 2003 levy.

Second, PLSD requested additional recommendations on increasing ridership levels on its buses, thereby reducing the number of buses required. Phase I recommended PLSD consolidate bus stops in close proximity to increase students per bus. Phase I estimated that increasing average students per bus from 82 to the peer district average of 103 could reduce 12 buses and save $490,000 per year. As part of this assessment, PLSD asked for an evaluation of the District's statutory obligation to reserve bus space for potential riders.

While Edulog has a module that allows for the optimal selection of stop locations, this software is not yet part of the total Edulog package the vendor currently uses for Pickerington. Consolidating routes without this module requires extensive manual intuitive analysis and was not feasible given this engagement's timeline and budget.

Third, PLSD requested auditors evaluate how redistricting of school buildings would impact transportation operations. The **facilities** sections of the Phase I performance audit made recommendations regarding the reconfiguration of school buildings by grade level to better use existing facilities and eliminate or reduce the use of modular units as classrooms.

Glossary

Run – A single bus path and group of bus stops to or from a principal school.

Route – A series of runs assigned to one bus that comprise its morning or afternoon assignment.

Coupling – Combining runs together to form a bus trip.

Traffic Count – A one-day count of the number of vehicles traveling through a specified road location. This is a crucial tool in assessing pedestrian safety.

Reduction to State Minimum Standards

Prior to making changes to its current policy, PLSD must consider the new volume of walking hazards and dangerous conditions within the expanded walk radius. PLSD's transportation vendor (vendor) maintains and operates bus routing software on behalf of the District. The software, Edulog, has several forecasting capabilities to design optimal runs and routes given largely user-defined hazard criteria. PLSD should use the routing software to identify hazards and determine optimal transportation policies.

Since PLSD encompasses a rapidly developing area, it is crucial to obtain the most up-to-date hazard information for Edulog to compute in defining hazard "pockets" for its routing software. Edulog has already been programmed with basic hazard information, such as average speed of a bus on any given street. Auditors obtained additional information through the city of Pickertington's engineering consultant, including data outside city limits but within PLSD boundaries. The engineer plotted out on extensive maps of the District the following key criteria defined as "hazard" areas for bus routing in the Ohio Administrative Code (OAC) 3301-83-20 (I):

- Overpasses and underpasses;
- Construction projects;
- On-street parking areas;
- Traffic counts (density) on key district roads from 1991-2002;
- Curb/sidewalk maps (city of Pickerington only), including planned sidewalks for 2003; and
- Railroad crossings.

PLSD should attempt to obtain more hazard data on district areas outside of Pickerington city limits, such as sidewalk maps, in accordance with OAC 3301-83-13 and OAC 3301-83-20. However, Board members stated most township roads within PLSD lack sidewalks. Auditors have forwarded this hazard data to PLSD's vendor for data entry into Edulog. If PLSD maintains the new transportation policy it should collaborate with the vendor to prepare an entire route hazard survey. Auditors provided PLSD a report from the National Association of State Directors of Pupil Transportation on bus hazard surveys to serve as a potential template. It should also work with the city of Pickerington's engineering consultant and agencies such as the Fairfield County Engineer to continue identifying and cataloging potential hazards.

PLDS must also consider students that would likely qualify for a disability exception under state law. Most of the 700 students classified to some extent as special education ride regular buses, and might qualify for transportation because they live more than one mile from their school. PLSD's director of special education informed auditors that state law is very broad in granting exceptions for mental or physical disabilities, and that the district would have to assume these students would be transported. Auditors recommended the vendor obtain a list of special education students from PLSD to input into Edulog as exceptions.

Once the vendor inputs the hazard and special education qualifiers into Edulog, it can then build run and route scenarios assuming the expanded walk zone and elimination of high school busing. It will base this forecast on the student population for FY 2003-04.

Without this hazard and student disability data, Edulog cannot forecast reliable routes. Once the vendor programs Edulog with hazard and disability data, the program will also estimate reduction in buses. The total reduction multiplied by average cost per bus equals gross savings. The vendor should then forecast any resulting loss in state transportation subsidy that would result from a fleet reduction. It can calculate this net savings through a transportation reimbursement program on the Ohio Department of Education's website.

Increasing bus ridership levels

PLSD should consider modifying its transportation policy with standards and goals aimed at increasing bus ridership levels. Certain clauses in the PLSD transportation policy lack specific guidelines. Clarification of these guidelines could improve ridership levels on district busses. Whenever possible, PLSD should expand the distance between bus stops to the state maximum of one-half mile.

The transportation policy recommends that bus stops in subdivisions be at street intersections unless the PLSD Transportation Supervisor (the role assumed by the vendor) considers the "stops too far apart or if too many students will be at one stop." While the policy does provide a standard that bus stops generally be 1,500 feet apart, it provides no standard on a maximum number of students at one stop.

Auditors requested the vendor generate an Edulog report on the number of students picked up at subdivision bus stops. They did not obtain this data for reasons cited in the Background portion of this section. The vendor and PLSD should use these reports to help determine an appropriate maximum number of students for its transportation policy.

Another exception clause PLSD and the vendor should consider for clarification involves avoiding dead-end streets or cul-de-sacs except when these roads are "relatively long, dangerously curved or otherwise create a hazard for youngsters to walk to the main road." The vendor and PLSD should consider a standard length for such streets in its policy to help in determining if such stops are required.

PLSD should also consider expanding the distance between bus stops from the current 1,500 feet in the transportation policy. Ohio law allows pupils to walk up to one-half mile (2,640 feet). Expanding the distance between stops would reduce overall route time and increase the number of students per bus. At the very least, PLSD should measure how many current stops are less than 1,500 feet apart and investigate why they do not meet the policy standard. Auditors have asked the vendor to generate an Edulog report on current stops less than 1,500 feet apart. This request also remains outstanding.

PLSD must take into account hazard and student disability exceptions when considering an increased distance between stops. The data gathered in the previous objective on reducing the transportation policy to state minimum standards could also serve for this assessment.

PLSD should also work with its vendor to ensure it obtains updated software allowing the optimal selection of stop locations that satisfy school district requirements. While Edulog has a module that allows for the optimal selection of stop locations, this software is being upgraded and is currently not part of the overall package the vendor employs. According to Edulog, the system is very flexible in letting users define a hazard, maximum walking distance for students, maximum students at a stop and undesirable stops. It creates optimal stops by identifying and selecting the minimum number of stops to satisfy these various requirements. Creating optimal stops without this software requires generation of other data reports from Edulog and extensive manual, intuitive analysis.

Finally, PLSD should compare actual practices in certain transportation functions by its vendor against the transportation policy and vendor contract. It should also consider assigning the responsibility of coordinating and monitoring the transportation function to an in-house administrative employee. Auditors asked the vendor to generate various Edulog reports to help measure whether its actual practices are reflective of PLSD's transportation policy. These included reports on stops less than 1,500 feet apart, non-intersection stops in subdivision and number of students picked up at each subdivision stop. The vendor has not generated these reports and will not provide the information until it resolves who is responsible for financing their generation.

The Phase I audit stated the PLSD business manager, the District's only liaison to the transportation vendor, spends approximately 10 percent of her time dealing with transportation issues. The business manager was unavailable to meet with auditors due to demands of an ongoing construction project. Due to concerns the business manager's schedule was hindering a timely turnaround of data requests, auditors asked to communicate requests directly with Edulog personnel and/or the vendor. Given these factors, and the difficulties auditors have experienced in obtaining data from the vendor for this audit, PLSD must consider increasing the monitoring of this vendor as the contract costs approximately $3.7 million annually.

PLSD should consider establishing at least a 0.5 FTE position to assume responsibility for monitoring the vendor. The vendor monitor should be trained in Edulog and should monitor vendor use of the program. Likewise, the monitor should randomly accompany drivers on routes to ensure enforcement of District policies.

Statutory Obligation to Transport Students

PLSD should attempt to maximize its bus utilization while staying within statutory obligations through continuously working with its vendor to monitor ridership and adjusting accordingly. As in any school district, many PLSD students who are eligible for transportation commute to school through other means. Ohio Revised Code §3327.01 requires that school districts "provide transportation to and from school for all resident pupils attending K-8 living more than two miles from school." PLSD is legally required to transport eligible students, even if they normally commute to school through other means.

However, neither state statute nor regulation appears to require that school districts reserve a certain bus capacity for such eligible, but infrequent, riders. The Ohio Administrative Code appears to give school districts wide discretion and simply requires that districts not exceed the school bus manufacturers rated capacity (OAC 3301-83-18, Section B).

The vendor stated it conducts head counts three times per year in three-day increments to monitor ridership. These censuses take into account athletes who may only ride during certain seasons. The vendor started the 2002-03 school year with 70 routes, but eliminated one in March by distributing students to other buses.

The vendor said it attempts to maximize ridership levels without making capacity uncomfortable for students. For example, it attempts not to place more than 48 high school students on buses though it sometimes increases that level up to 65.

PLSD should continue this effort by working closely with the vendor to complete periodic ridership censuses. They should continuously assess the feasibility for consolidating routes without materially impacting services. In future vendor contracts or the District's transportation policy, a capacity goal for buses should be included, so long as other service aspects are not

compromised. Studying ridership censuses could help PLSD and the vendor develop a goal for maximizing ridership while maintaining a reasonable space allotment for contingency riders.

PLSD should also survey the parents of eligible riders to determine their interest and intentions. According to the associate director of pupil transportation at the Ohio Department of Education, school districts around the state commonly conduct interest surveys to help plan efficient routes. He noted ridership surveys are especially helpful for redistricting (next objective) or assessing transportation needs of private school students. However, he cautioned survey results cannot be legally binding for eligibility purposes.

Impact of Facility Reconfiguration on Transportation

PLSD should streamline its study of the effects of reconfiguration on transportation by ruling out building reconfigurations or transportation policies it does not plan to pursue. PLSD is currently considering three building reconfiguration scenarios and two different transportation policies. Since there are multiple steps to forecasting the potential transportation impact of redistricting, considering ALL these options could result in at least 18 different potential scenarios. PLSD could ease this process by eliminating scenarios that it is not inclined to pursue.

Also, PLSD should ask its vendor to redraw attendance boundaries using Edulog's boundary optimization software. The information from Edulog should be used to calculate the cost effects of proposed reconfigurations. The Edulog package can instantly determine optimal boundary configurations based on district-defined parameters. This largely involves gradespan and building capacity forecasts, which auditors have already provided the vendor. This software can also factor ethnic balances and other demographic data into drawing boundaries should PLSD wish to pursue this option.

Lastly, PLSD should work with its vendor to determine appropriate bell schedules for the building reconfigurations under consideration. Auditors requested the vendor develop bell-schedule scenarios for each configuration. Determining appropriate bell schedules requires the consideration of numerous factors, and multiple scenarios should be developed for analysis.

Currently, there are three runs to a route and three bell schedules. The Junior High School and High School has one bell schedule, middle school has one bell schedule and elementary school has one bell schedule. Of the 69 buses, 23 make 7 runs per route per day, reflecting half-day kindergarten schedules

Generally, more tiers translate into more efficient busing. More run couplings are possible, resulting in fewer buses needing to be deployed to transport the same number of students. However, structuring tiers must be balanced with the service and even safety implications of staggering bell times too widely.

Consequently, AOS requested the vendor create at least three bell schedule scenarios for each configuration to allow PLSD to select the optimal balanced schedule. Since PLSD is considering three building reconfiguration scenarios and two potential transportation policy scenarios, this requires the creation of 18 bell schedule scenarios.

PLSD should collaborate with the vendor to develop an analysis matrix. Each matrix chart should represent a different bell time configuration for the schools, and the average times students would spend on the bus.

The development of bell schedule models should go beyond determining whether there are one, two, three or even four tiers. One could develop several versions of a three-tier bell schedule by experimenting with combination routes, such as what PLSD does by transporting junior and senior high school students together. An ideal efficiency goal would be to get as close to 100 percent deployment as possible in each tier, but PLSD and the vendor must consider numerous service implications such as the following.

- Are scenarios consistent with school time guidelines?
- What is an acceptable time frame for students to be riding the bus?
- What student mix is acceptable on a bus? For example, is it acceptable to place 6-8 and 9-12 students together if it creates efficiencies?
- What is the impact of these scenarios on district academic objectives?
- What is the impact on students and families? How will changing start times impact working parents, especially those that may have children in a wide span of grade levels? Can students avoid walking, even if from the bus stop, during peak traffic hours?
- If PLSD decides to maintain a transportation policy reflecting minimum standards, could it be offset it with a compacted tier schedule so students don't have to walk the longer distances earlier in the morning and later in the day?
- What would be the impact on the transfer system PLSD employs with several of the private school students it transports, and the Eastland and Fairfield Career Center students? Currently, these students are either transported by bus or taken by their parents to a transfer stop school, where they board and ride another bus to their destination school.

Once PLSD and the vendor have determined routes that meet minimum service requirements, they should perform a cost analysis. Resource and cost implications can then be calculated.

Based on these results, PLSD and the vendor must then assess several cost implications. These may include but are not limited to the following.

- If a scenario desirable from a service standpoint requires more resources, what is the maximum number of buses/drivers PLSD is willing to add?

- If more drivers are required, is there enough time to recruit, train and license them given the current labor market?

- Can the recommendations to potentially consolidate more bus stops (Objective Two), be implemented in enough time to influence this analysis?

- What will be the impact of any bus deployment change on state subsidy? As discussed in Objective One, how could state budget problems impact the transportation subsidy?

Lastly, PLSD and the vendor should monitor the performance of the chosen model by establishing performance standards. The restructuring of bus routes and schedules as part of building reconfigurations is a large undertaking and should not stop once an optimal scenario is chosen. Given the size and complexity of this operation, periodic measurement will help ensure that cost and service factors remain carefully balanced, as well as help in monitoring the vendor contract.

These measures could include basic operating statistics auditors employed in the Phase I report, including cost per mile, cost per bus, cost per student and students per bus. It can measure service through indicators such as incidence of late arrivals and missed routes; average trip time; vehicle breakdown rate; and customer satisfaction service rate. Performance measures should be defined in the vendor contract; maintained and studied by the vendor monitor; and included in Board management reports. The vendor contract should clearly specify PLSD's right to obtain timely management reports, including details on cost responsibility for processing the data. Performance measures should also be incorporated into the District's website and community reports.

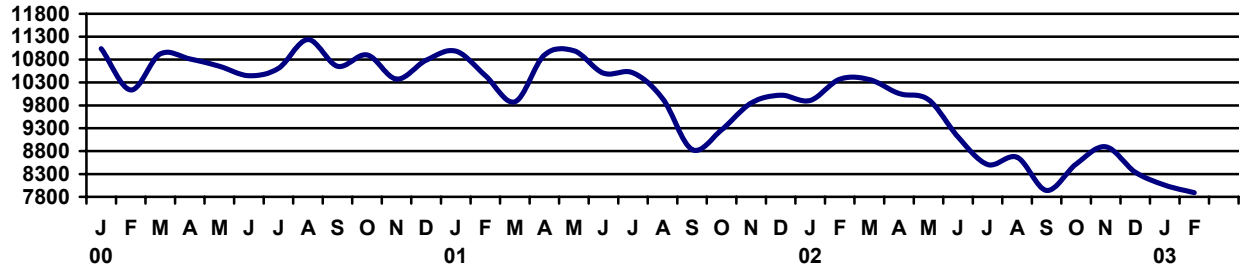
C. Revenue Impact

Background

PLSD has experienced rapid growth over the past decade. Although an increase in the population of the district provides additional revenues through state foundation payments, property and income taxes, accommodating the increased number of students has been a major cost-driver for the district. Recent economic events may begin to impact the district's ability to raise revenue through property and income taxes. Likewise, reductions in state funding levels may impact service levels and the district's ability to maintain financial stability throughout the forecast period.

According to the Dow Jones Index (DJI), the longest economic boom in history occurred in January of 2000. DJI also stated that on September, 11, 2001 the stock market dropped 7.12 percent. This was the largest dip after an onset of a major national security event in history. Six months after the events of September 11, 2001 the stock market had risen 10.47 percent. On October 7, 2002, the stock market again plunged 18.61 percent. **Chart 2** details the stock market trends over the past three years. These trends have been characterized as an economic recession and directly impact local government revenues through declines in income tax.

Chart 2: Stock Market Trends for 2000 through 2003



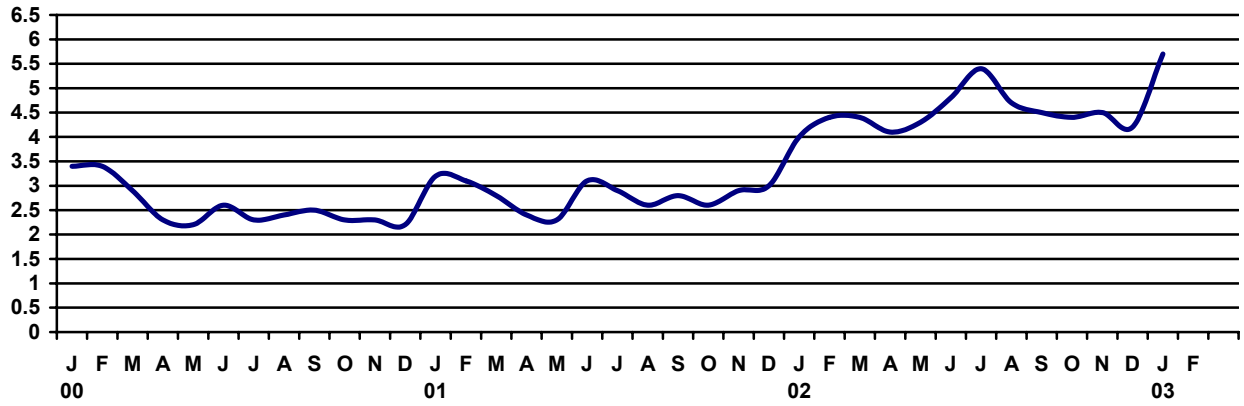
Source: Historical Index for Dow Jones Averages Report

According to the United States Department of Labor, 308,000 jobs were reportedly lost nationwide in February 2003 after an 185,000 job increase in January 2003. Economists indicated that "war, storm, cost-cutting and seasonal adjustments" were responsible for the February decline in employment. The United States Department of Labor also stated that many economists are concerned with the sharp increase in energy prices during the recent past. Fears of a war in the Middle East disrupting oil production and of the annual weather-related jump in demand for heating oil and natural gas have also contributed to these concerns. Unemployment

and increases in energy prices impact consumers' ability to increase their standard of living which, in turn, impacts property, income and capital gains taxes.

According to the Ohio Department of Job and Family Services, the unemployment rates in Ohio have remained over 5.0 percent since January 2002. According to the United States Department of Labor, the national average of unemployment has remained between 5.6 and 6.0 percent since November 2001. With unemployment and energy costs on the rise, it is likely that PLSD constituents may be reticent to voluntarily increase their tax burden. Similarly, tax payers in the district may begin to have difficulty meeting tax obligations. **Chart 3** details the unemployment rates in Fairfield County for 2000 - 2003.

Chart 3: Unemployment Rates for Fairfield County 2000 through 2003



Source: Ohio Department of Job and Family Services and the U.S. Department of Bureau of Labor Statistics

Revenues Received from Real Property

Pending Ordinances

At the local level, ordinances are being developed to limit the use of City of Pickerington's emergency ordinance abilities and restrict housing development. Dense housing units typically mean higher populations of school-age children. The proposed ordinance will limit the density of housing developments within the City of Pickerington to two units per acre.

The City of Pickerington's Council is also using its emergency ordinance abilities to annex property into the city limits without waiting the 30 days required by a regular resolution. This enables the City of Pickerington to add acreage into the city limits without providing the community the opportunity for due process. The City of Pickerington has recently allotted a number of plats (approximately 3,000 as of January 9, 2003) for future development of subdivisions prior to the approval of the proposed moratorium. This allotment will postpone any

potential effects of the moratorium on PLSD for a short time. Potential effects of a growth cap implemented by the City of Pickerington include, but are not limited to the following:

- A reduction in PLSD's likelihood of sustaining the historical level of growth in property and income taxes;
- A stabilization of enrollment growth within the District;
- A decline in state foundation revenue received by PLSD since payments are based upon the number of children attending PLSD.

Violet Township also has area in PLSD but does not have the option of a moratorium. This area is becoming as populated as the City of Pickerington; therefore, the growth situation will be the same for this part of the District as well.

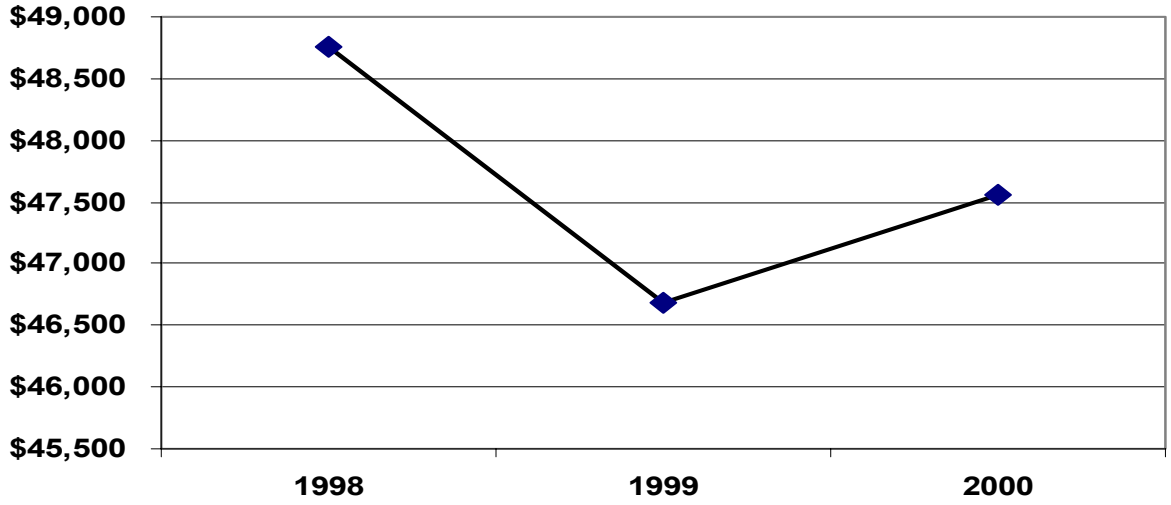
Real Property Taxes

The Fairfield County Auditor's Finance Department remitted $22.43 million to Pickerington LSD for its tax levy for TY (Tax Year) 2001. An outstanding cumulative balance of $692,000 in delinquent property taxes was reported for PLSD. This amount accounts for 3.1 percent of the District's property tax funding. In TY 2000, the cumulative balance of outstanding delinquent property taxes reached $1.16 million or 5.8 percent of the total levied amount. The trend during the past two years indicates that there may be a marginal increase in the rate of delinquent property taxes. Increased delinquencies have the potential to impact PLSD's local revenues during a critical funding period.

Revenues Received from Personal Income

According to the Ohio Department of Taxation, the median adjusted gross income (MAGI) for PLSD was $47,560 in 2000 which was 17th out of the 612 Ohio school districts. The MAGI for PLSD in 1998 and 1999 was $48,760 (13th among Ohio school districts) and $46,683 (18th among all Ohio school districts), respectively. Chart 4 illustrates the change in MAGI at PLSD from 1998 to 2000.

Chart 4: Change in MAGI from 1998 to 2000



The Ohio Department of Taxation also had information on the distribution of income taxes to the school districts. In FY 2002, PLSD's total income tax receipts were approximately $8.8 million, up from $8.4 million in 2001 and $7.8 million in 2000. Information about default income taxes could not be verified by the Ohio Department of Taxation. The Ohio Department of Taxation was unable to provide the percentage of delinquent accounts or the dollar value of uncollected delinquencies.

During the course of the audit, an AOS representative contacted the Ohio Department of Taxation and was refused the requested information. AOS also received testimonial evidence indicating that the Ohio Department of Taxation would not provide collection rate information and basic performance data to the District or to its constituents. Although PLSD is compensating the Ohio Department of Taxation for its efforts to collect and remit tax payments to the District, PLSD has been unable to obtain information of any kind on collection rates or outstanding dollar amounts. Finally, evidence of efforts to collect school district income taxes was not provided to AOS or PLSD, although evidence and descriptions of these processes were requested.

Without collection rates or indications of outstanding amounts, PLSD's ability to forecast revenues is diminished. The absence of evidence of aggressive collections of delinquencies and limited information on basic collection processes makes it difficult to determine if PLSD is collecting income taxes at an appropriate rate. Lastly, the Ohio Department of Taxation's reluctance to provide the District with information on its collection efforts diminishes the District's confidence in the Ohio Department of Taxation. As a sole source vendor for these kinds of collection services, districts should reasonably expect the Ohio Department of Taxation to provide basic performance information to ensure that districts are maximizing the collection of potential revenues.

Revenues Received from Intergovernmental Sources

PLSD was expected to receive $28.72 million in net state funding from the Ohio Department of Education for FY 2002-03. Once the proposed two percent reduction in educational funding is implemented, Pickerington LSD will receive $415,000 less than previously stated. Also, according to the Ohio Legislative Service Commission, school districts may experience greater reductions than anticipated as a result of lower than estimated lottery profits. In 2001 and 2002, Lottery Profits Education Fund (LPEF) transfers exceeded $6.65 million and $6.33 million respectively, but the 2003 transfer is expected to be $6.22 million. LPEF transfers are not expected to rebound in the near future. The combined impact of state budget restrictions and reduced lottery profits are likely to impact projected revenues for PLSD throughout the forecast period.