

FUNDING OUR SCHOOLS

The Mad River School District strives to achieve the highest levels of academic performance, while costs are well-below the average of other school districts in the state, and significantly below those districts producing similar results. This section is intended to help answer questions about the need for, and the timing of, school levies.

INTRODUCTION

The cost to educate young people across the state is significant and those costs continue to rise. More Ohio tax dollars are spent for primary and secondary education than for any other single governmental function. The complexities of school finance practically require that taxpayers have the equivalent of a finance degree in order to understand how the money is spent. While it is increasingly difficult to understand the complexities of how schools within the state of Ohio are funded, it is also increasingly critical that taxpayers understand these issues in order to be informed voters.

HOW ARE SCHOOLS FUNDED IN OHIO?

- **LOCAL SUPPORT**

The property tax is the predominant method communities use to raise additional revenues in Ohio. The property tax comes in two forms:

- Real property tax- This is a tax levied on land and buildings located within the school district. Private individuals, businesses and public utilities that own land and buildings pay this tax.
- Tangible personal property - This is a tax levied on furniture, fixtures, machinery, equipment and inventory owned by business.

Key factors used in calculating property tax bills are the assessed valuation of property and the millage rate. The county auditor of each county in the state had the responsibility of appraising all taxable real property once every six years to determine the values. Every third year after each reappraisal another form of reappraisal, called an update, is conducted. Property tax bills are calculated on the assessed value of property, which equals 35 percent of the auditor's appraised value. For instance, a home with an appraised value of \$100,000 will be taxed on a value of \$35,000.

MILLS

Local Property tax rates are always computed in mills. One mill costs the property owner \$1.00 for every \$1,000 of assessed valuation each year. In our example, the \$100,000 will produce \$35 in tax revenue for each mill. In Ohio, millage is referred to as "inside" millage and "outside" millage. Inside millage is the millage provided by the Constitution of the State of Ohio and is levied without the vote of the people as established very early in the State's history. Some districts ask for less operating millage than Mad River. 1 Mill = \$1 for every \$1,000 of appraised valuation. One mill equals 1/10 of one cent. Valuation is based on the total worth that the county Auditor's Office assesses to all the taxable property located in a school district. Large industry and heavy

retail saturation create great wealth in some districts. The Mad River School District does not have that advantage. This community is made up mostly of moderately-priced homes and a very conservative industrial/retail base.

How do our school taxes compare to other districts?

Mad River ranks very low in total millage. **Among 16 school districts in Montgomery County, Mad River ranks 12th.** Mad River has 45.70 mills as opposed to Oakwood with 100.55. Dayton has 58.17 and Kettering has 55.90. There are only four school districts in this county with less voted millage than Mad River. Obviously, we are doing more with less.

There are two major forms of tax credits property owners receive.

- The first is a 12.5 percent millage rollback. With this credit, a homeowner receives a credit of 12.5% on the total gross property tax amount due. In our example, the property owner would receive a credit of \$4.38 ($\$35 \times .125$).
- The net tax bill would be \$30.62. The State of Ohio reimburses the amount of this credit back to all the taxing authorities, so they end up collecting the full amount of the levy.
- **HB 920- THE CONTROLLING FACTOR**
Another key tax credit is known as House Bill 920, which went into effect in 1976. This credit effectively freezes all voted real property millage at the dollar amount collected the first year the millage went into effect. As property values rise through reappraisals, the outside millage rate is commonly referred to as "effective" millage. The inside mills are not affected by the House Bill 920 credit, so a small amount of additional revenue is gained as property values increase.
- **STATE SUPPORT**
STate Foundation - The State of Ohio provides funding to school districts by way of a foundation formula. The foundation formula method of funding Basic Aid takes into account the ability of school districts to raise taxes locally as well as a state determined minimum amount necessary per student to provide an adequate education. The formula is designed to provide a higher level of assistance to school districts with low property wealth relative to districts with higher property wealth.

WHY DO SCHOOLS KEEP ASKING FOR MORE MONEY?

The short answer to this question is that while most of the revenues available to schools are fixed and inflexible, the cost of education continually rises. Many of the rising costs are out of the control of local school boards.

As a consumer of goods, school districts encounter inflation in most goods and services purchased. In addition to inflation, legal requirements, unfounded mandates and expanded services expected by communities add to increased operating costs of school districts. There are numerous legislated enactments, which have had significant cost implications to public schools in Ohio. For example, Ohio law requires bus transportation for all students in grades K-8 who reside more than two miles from school and public schools must provide the same level of

transportation service to nonpublic students as they provide to their own students. Special education services must be provided for all children in the district who qualify under state and federal guidelines, regardless of cost. School Districts must employ at least 1 classroom teacher for every 24 pupils grades K-4. In addition, Ohio law prohibits reduction in staff because of economic hardship. As service organizations, most dollars in school district budgets are used for personnel, typically about 80 %. Ohio collective bargaining laws require school boards to negotiate. Salary and benefit levels with employee groups. Balancing fairness to employees, keeping pace with the market in order to attract good people, and accomplishing this with limited resources is a challenge for all school boards.

HOW DO SCHOOLS RAISE ADDITIONAL FUNDS?

The property tax is the main funding mechanism available to school districts to increase revenue. State law makes a distinction between operating funds and capital improvement funds. Proceeds from an operating levy can be used for any legal expenditure by a board of education. Most of the funds derived from an operating of running a school district, such as salaries and benefits for personnel, textbooks, classroom supplies, utilities and repairs. Following are the types of operating levies:

- **Regular operating levy for current expenses** - A millage rate is submitted to the voters for approval, not a dollar amount. The millage rate will be adjusted as property values change pursuant to HB 920. This levy can be voted in for one to five years or for a continuing period of time.
- **Emergency Levy** - This type of levy is submitted to the voters as a dollar amount. For example, "The emergency levy will raise \$1,000,000 per year." An emergency levy can only be voted in for a period of time from one to five years, and expires after the time has elapsed unless renewed by a vote of the public.
- **Incremental Levy** - This can be either in terms of millage incremental or dollar incremental. In these instances, millage rates or dollar levies are phased in over a numbers of years up to five. Millage incremental levies can be for a continuing period of time or one to ten years in duration. Dollar incremental levies can have a duration of one to ten years.
- **Capital involvements can be funded in two forms** - Permanent improvement levies and bond issues. All funds received by school districts from permanent improvement levies and bond issues must, by law, be used for the purposes intended and cannot be used for operating expenses of the districts.
- **Replacement Levy** - A replacement levy can replace all or a portion of an expiring levy. It is used when the effective rate had been lowered and can restore the rate of the tax to its original rate, thus generating increased dollars. A replacement levy can raise more revenue than the levy it replaces because the original levy may have been through one or more reassessment. With each reassessment, if the value of real property in the school district had increased due to inflation, the H.B. 920 tax credit factor will have been applied to the voted levy, reducing the effective mills.
- **Permanent Improvement Levy** - Permanent improvement levies for specific projects can last from one to five years. Permanent improvement levies for general on-going permanent improvements can be levied for a continuing period of time.

- **Bond Issue** - A bond issue is a tax, the proceeds of which can only be used to pay bonds and notes issued by school districts for the purposes of permanent improvements. Bond issues are normally used for building new or additions to buildings. However, proceeds of a bond issue cannot be used for operational costs of the new facility (ies). This is often a source of misunderstanding. People remembering a bond issue was passed for a new building can't understand why "the district built a new building without having the money to operate it." Many times an operating levy must also be passed to help pay for the operational costs when the new building was necessitated by increased enrollment.

OHIO LOTTERY

Many people believe that proceeds from the Ohio Lottery provide schools in the state with substantial revenue each year. In fact, lottery proceeds make up only a small portion of the state's total education dollars. For a typical district in Ohio, the legislature asserts that the lottery pays between 6% and 8% of their expenses. However, the lottery had actually had a negative impact on school funding in the state. In 1975, Ohio put almost 44.5% of every state budget dollar into education. In 1995, that amount had fallen to less than 32%. While lottery dollars were intended to supplement educational funding, they actually supplanted state funds, which were then diverted to other uses. Although lottery proceeds are an additional source of revenue for public schools, they constitute, only a small portion of the local school budget and in no way replace the need to ongoing local support.

WHAT DOES ALL THIS MEAN TO COUNTY TAXPAYERS?

While state legislators continue to wrestle with issues of equity and fairness in funding public education in Ohio, public schools continue to depend on the support of local taxpayers. There is no quick fix or easy solution coming from the state or federal level. Despite this, children continue to come through doors of our schools each day asking and deserving to be educated. We must press our elected representatives to find a more efficient way to fund education. Until the state creates a new system on funding schools, local taxpayers in Ohio will continue to shoulder the responsibility of providing quality education for our children.

School Funding

Public education in the United States has been valued at least since 1787, when Section 14, Article 3 of the Northwest Ordinance declared that, “Religion, morality, and knowledge, being necessary to good government and the happiness of mankind, schools and the means of education shall forever be encouraged.”

Following comes from The Governor’s Blue Ribbon Task Force; State of Ohio

Complaint - Costs Increase

Although this is common sense, many parts of the current funding system don’t recognize that costs grow. For a given number of students, a district needs more money each year to provide the same level of educational services. Education continues to be a labor intensive enterprise; payroll costs make up about 85% of the typical school district budget.

Complaint - School Districts’ Financial Pain Is Real

Levies are difficult for districts and voters. If any district could avoid going to the ballot it would. No one – repeat – NO ONE loves levies. Unfortunately, when the numbers don’t add up, districts have three choices – make cuts, ask for money, or do both. Across the state, record levels of budget cutting by school districts is occurring. Not all cutting is bad; however, there is a point where cuts result in reduced academic achievement. There is a point where budget cuts send a school district into an academic death spiral. The evidence of the growing number of levy requests is a direct indication that districts have no choice if they want to make ends meet.

Complaint - Levies Are Not Always About “More”

Many assume that when a district goes to the ballot, it is seeking funds for something “new.” More and more districts are going to the ballot just to stay even due to inflation, the loss of business tax revenue in the district, and state assumptions about the district’s total revenues that are not real.

Complaint - Most Districts Do Not Have Local Revenue Growth The State Funding Formula Assumes

There is a fundamental flaw in Ohio’s system (referred to as “phantom revenue”) that reduces state aid to the local district because the system assumes the local district generates more revenue than it actually does.

Complaint - Educating Some Students Costs More Than Others

All students can learn and achieve at high standards yet the resources required are different for different students (limited English proficiency, learning disabilities, students with physical or emotional handicaps, etc). As these individual needs are recognized and dealt with through instruction, the funding system must also accommodate those differences.

Complaint - Reform Takes Time

Getting better results requires a process of planning, analysis, implementation and evaluation. No school system can tackle every problem at once. No one person or group has the “magic bullet” solution.