

Understanding School Finance

How Are Schools Funded in Ohio?

Local Support The property tax is the predominant method communities use to raise additional revenue 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 who own land and buildings pay this tax.

Tangible Personal Property – This is a tax levied on furniture, fixtures, machinery, equipment and inventory owned by businesses. The assessed valuation of property and the millage rate are used in calculating property tax bills. Every third year a reappraisal is done. 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 auditor's appraised value of \$100,000 will be taxed on \$35,000.

Mills Local property tax rates are always computed in mills. One mill costs the property owner \$1.00 for every \$1000 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. The inside millage rate is limited to ten mills in each political subdivision. Public schools, cities, counties and other local governments are allocated a portion of the ten inside mills. The Champion School District's portion is 5.20 mills. Outside millage is the millage voted in by the public.

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 credit of \$4.38 ($\$35 \times .125$). The next tax 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 rolled back by a like amount. 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 Foundation The State of Ohio provides funding to school districts through a foundation formula. The foundation formula method of funding Basic Aid includes the ability of a school district to raise taxes locally to 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 and less 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 the local school boards. School districts encounter inflation in most goods and services purchased. In addition to inflation, legal requirements, unfunded mandates and expanded services expected by communities add to increased operating costs of school districts.

- Ohio Law requires bus transportation for all students in K-8 who reside more than two miles from school and public schools must provide the same level of transportation 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. 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 highly trained teachers, 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. Dollars from an operating levy can be used for any legal expenditure by a board of education. Most of the funds derived from an operating levy are used to fund the day to day operations of running a school district, such as:

- Salaries and benefits for personnel
- textbooks, classroom supplies
- utilities and repairs.

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. The lottery has 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 has fallen to less than 32%. While lottery dollars were intended to supplement educational funding, they actually replace 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 for ongoing local support.

DeRolph V. Ohio The Ohio Constitution requires that the General Assembly make such provisions, by taxation or otherwise, that will secure a thorough and efficient system of common schools, throughout the state. In the DeRolph V. Ohio lawsuit, it was ruled that Ohio's school financing system was unconstitutional. Based on this decision, the courts have called for a complete systematic overhaul of the Ohio school funding system. The state legislature has failed to provide an overhaul of the state funding system. Until that is done, the primary responsibility for funding local schools remains with the local taxpayers.

What Does All This Mean to Champion Taxpayers?

In our district, nearly 43% of the budget is obtained through local funds through levies. There is no quick fix or easy solution coming from the state or federal level. Despite this, children continue to come through the doors of our schools each day asking and deserving to be educated. Until the state creates a new system of funding schools, local tax payers in Ohio will continue to shoulder the responsibilities providing quality education for our children.