

Type of Levies

CURRENT EXPENSE LEVY

Levy used primarily for district operating purposes.

- Operating levy
- Expressed in mills
- Up to 5 years or for continuing period of time
- Subject to HB 920 reduction
- Can be renewed or replaced

Renewal of current expense levy

Voter approval to extend the term of a limited levy when it expires. The renewal levy must state the same purpose as the original levy. The effective rate of the renewal begins from the point where the original levy ends. A renewal levy proposal can combine with a proposal to raise additional millage.

Replacement of current expense levy

Like a renewal levy in that it seeks voter approval to extend the term of a limited levy when it expires. Replacement levies differ from renewal levies because the replacement begins with an effective rate equal to the original effective rate of the levy which it replaces. In this way, a replacement levy allows a district to obtain the benefit of growth in the real property tax since the approval of the replaced levy.

Replacement levies cannot be used for an emergency levy and cannot be combined with other changes in millage in a single proposed levy.

Continuing levy

Levy proposing millage rate or school district income tax that is assessed indefinitely, unless the tax is revoked by the voters or the school board instructs the county auditor not to assess it.

EMERGENCY LEVY

- Operating levy
- Expressed in dollars
- Up to 5 years – cannot be for a continuing period of time
- Not subject to HB 920 reduction
- Renew but not replace

PERMANENT IMPROVEMENT LEVY – cannot be used for daily operations

- For improvements with an expected life of 5 years or more
- Expressed in mills
- Up to 5 years or for a continuing period of time
- Subject to HB 920 reduction
- Renew or replace

BOND LEVY - cannot be used for daily operations

- For buildings, building improvements, or land acquisition
- Pay debt charges on outstanding debt
- Expressed in mills
- For period of related bond issue
- Not subject to HB 920 reduction

SCHOOL FUNDING DEFINITIONS

Assessed valuation

The percentage of valuation that is subject to taxation. For example, Class I and Class II property are assessed at 35%, most personal tangible at 25% and public utility property at either 25% or 88%, depending on the type of utility.

Example:	Property Value		Assessment Rate		Assessed Value/Tax Value
	\$100,000	X	35%	=	\$35,000

DeRolph I

March 24, 1997, Ohio Supreme Court decision where the court ruled, by a 4-3 vote, that Ohio's school-funding system was unconstitutional. The court allowed the state one year to craft a new funding system.

DeRolph II

May 11, 2000, Ohio Supreme Court decision where the court ruled, again by a 4-3 vote, that the new funding system created by the General Assembly in response to the DeRolph I ruling was still unconstitutional. The state was given until June 15, 2001, to again overhaul the funding system.

DeRolph III

Sept. 6, 2001, Ohio Supreme Court decision where the court ruled, again by a 4-3 margin, though with a different group of justices comprising the majority, that the funding system incorporated in HB 94 would be constitutional pending a series of changes specified by the court. The state requested reconsideration of the decision.

DeRolph IV

On Dec. 11, 2002, the Ohio Supreme Court, in a 4-3 ruling, found Ohio's school-funding system once again unconstitutional and restated its decisions in DeRolph I and II, which required the state legislature to fix the school-funding system. The court also relinquished jurisdiction over the case and essentially ended the suit.

Effective mills

The actual rate of taxation realized when the tax reduction factor reduces the taxes charged by a voted levy. It equals the taxes charged divided by the taxable value of the class of property against which they apply.

Floor

Rate below which voted mills will not be reduced under the property tax reduction factor. Established by the General Assembly. Currently set at 20 mills.

Foundation formula

Method of funding schools through a combination of state and local aid. Based on the ability of school districts to raise tax revenues as well as the state-determined minimum amount necessary per student to provide an adequate education.

Millage

Factor applied to the assessed, aka, taxable, valuation of real and personal tangible property to produce tax revenue. A mill is defined as one-tenth of a percent or one-tenth of a cent (0.1¢) in cash terms.

Property tax reduction factor

Sometimes referred to as the "HB 920" effect. An adjustment by which the taxes charged by voted mills on Class I and Class II real property are reduced to yield the same amount as those same mills yielded in the preceding year, exclusive of new construction. The reduction factor does not apply to inside mills or to voted mills charged against general and public utility personal property.

Property tax rollback

A percentage reduction in the taxes charged against all real property. The percentage equals 10% for all real property and an additional 2.5% for owner-occupied residential property. The state reimburses schools and other local governments for the full amount of the rollback. The rollback applies after the reduction in taxes charged against real property as determined by the tax reduction factor.

Public utility property

Tangible personal property used in the operations of a public utility company.

Real property

Land and improvements to land such as structures or buildings. In Ohio, real property is divided into two classes: Class I (residential and agricultural property) and Class II (commercial, industrial and all other real property).

Reappraisal

Appraisal by the county auditor of the value of real property for tax purposes. It occurs every sixth year. Three years after each reappraisal, the county auditor adjusts appraised values based on recent sales of property in that county. This adjustment is referred to as the triennial "update."

Reappraisal phantom revenue

Term used to describe the interaction between the state foundation formula and the tax reduction factor. The state formula works as though each increase in a school district's real property value results in more local revenue and reduces the district's state aid accordingly. The property tax reduction factor prevents most growth in valuation from yielding additional revenue. Thus, the "phantom" revenue refers to the money that the state formula credits as local revenue, but that the tax reduction factor ensures the district will never collect in taxes.

Tangible personal property

Machinery, equipment and inventory used by business in the manufacture and/or sale of their products that is subject to taxation under a property tax. This class of property is also referred to as business tangible property. The inventory portion of this tax was to be eliminated by a 25-year phase-out scheduled to start in 2002. HB 95 accelerated the phase-out of the inventory tax to be realized between 2016 and 2018. Furthermore, the state will no longer replace to school districts the money lost as a result of the exemption of the first \$10,000 in tangible personal property. This reimbursement for the exemption will be phased out over 10 years.

WHY ARE DISTRICTS ON THE BALLOT ALL THE TIME?

1) **Lack of Local Tax Growth**

All districts receive some additional local revenue from new construction. It is the increase in property values due to inflation that doesn't result in school districts receiving substantial additional revenue.

When property values rise due to inflation, the voted millage is reduced to freeze revenue from those same property values.

This lack of substantial growth in revenue due to inflation of property values results in districts needing operational levies to meet inflationary expenditure pressures.

2) **Erosion of the Tax Base**

The property tax base used by districts as a source of local revenue is eroding as a stable source of revenue

- **Public Utility – Property Values**
Deregulation resulted in a lower assessment rate. Tax cases brought before the appeal procedure has resulted in lower appraisals. The result is less revenue from a source that was once increasing dramatically.
- **Personal Property Values**
The assessment of inventory personal property values has declined from 88% to the current 23% and is scheduled by law to decrease to 0%.
- **Tax Abatements**
The forgiveness of taxes in return for economic growth is a widely accepted tool in economic development. The promise of additional jobs is a clear goal. However the taxes forgiven are 70% from local school districts who don't always share in additional revenue from new jobs.

3) **Some Previous Operating Levies Approved for a Limited Time**

Some operating levies, permanent improvement levies, or emergency levies are approved by the voters for a limited time. When they expire they need to be renewed by voting in order for the school district to receive the same revenue as before.

4) **State Funding That Doesn't Work**

The current formula established a formula amount for each student that is a combination of state and local revenue.

The local share is determined by property values at a prescribed millage rate. As property values rise, the local share increases. This assumes the district received more revenue locally and therefore has less need from the state.

Remember, property value increases due to inflation do not automatically result in more actual revenue, thus a disconnect results in what the state assumes the local district has, plus the share the state provides.

5) **State Aid Increases That Aren't What They Seem**

The state formula amount per pupil has increased 2.2% each year the past two years. The local share of that amount has increased 5 – 6% each year in the average district.

The local "assumed" share grew faster than the actual formula, and as a result, many districts did NOT receive an increased amount of state aide anywhere near the 2.2% factor.

6) **Need for New Programs**

Every district is faced with decisions about whether to serve additional needs of students with new initiatives:

Advanced Placement Classes (AP Classes) are classes that can be made available to high school students to help prepare them for the rigors of college classes, in some cases they even receive college credit for these classes

Intervention assistance to help students meet state required testing

Limited English proficient students are increasing in enrollment in many districts

Meeting special needs of students with disabilities. If special needs students are entitled to services under the law, the district MUST provide it, no matter what the cost.

All day, every day kindergarten, pre-school programs and reduced class sizes in the primary grades have all proven to be successful in helping children learn.

7) Inflation Pressures on Expenditures

Schools experience inflationary pressures too. Over 25% of a school district's budget experiences major increase each year from inflation. These include insurance costs, energy costs, health care costs, instructional materials costs, and equipment costs. It is estimated that 25% of the budget increases have been averaging 15 – 20% a year. If 2% of the budget increases 16% per year, the total budget increases 4% a year BEFORE any new programs are initiated and BEFORE any salary increases are given.