

# Public School Finance 101

## FREQUENTLY ASKED QUESTIONS

### When were new operating tax levies passed in the Eastwood district?

Continuing Operating Property Tax Levies were passed by district voters in 1976, 1979, and 1997 totaling 26.9 mills. An \$878,000 (3.15 mills) Emergency Levy was passed in 2010 and was allowed to expire in 2015. A 1% Earned Income Tax was passed in 2007 and most recently renewed in 2016 for calendar years 2017 – 2021.

Voters also approved a 2.0 mill Permanent Improvement Levy in 2012 for general maintenance and improvements and a \$4,340,000 (0.85 mill) Bond Levy in 1997 to renovate and add on the High School.

Currently, Eastwood Local School residents pay school taxes of:

School District Levies	Originally Voted Millage	Effective Millage Res/Ag		Effective Millage Other	
		General Fund	Permanent Improvement Fund	General Fund	Permanent Improvement Fund
1976 Operating Levy	14.40	7.415640	n/a	8.189812	n/a
1979 Operating Levy	6.50	3.583983	n/a	4.045866	n/a
1997 Operating Levy	6.00	4.000404	n/a	5.184108	n/a
\$4.34 MM Bond, 1998-2022	1.25	0.750000	n/a	0.750000	n/a
2013 PI Levy, 2017	2.000000	n/a	0.911188	n/a	1.624686
Total Voted Millage	30.150000	15.750027	0.911188	18.169786	1.624686
Inside Millage	<u>5</u>	<u>5.00</u>	<u>0.00</u>	<u>5.00</u>	<u>0.00</u>
Total Millage	<u>35.150000</u>	<u>20.750027</u>	<u>0.911188</u>	<u>23.169786</u>	<u>1.624686</u>

Through the years, Eastwood has reduced staffing and eliminated buildings in pace with declining enrollment and maintained high academic performance. This has allowed taxpayers enjoy very low level of total taxation.

District	Property Tax Millage	Tax on \$100,000 Home	Income Tax	Tax of \$40,000 Income	Tax Burden	Performance Index
Eastwood	21.66	\$758.14	1.00%	\$400.00	<b>\$1,158.14</b>	95.5
BG	28.58	\$1,000.14	0.50%	\$200.00	<b>\$1,200.14</b>	87.9
Elmwood	21.88	\$765.64	1.25%	\$500.00	<b>\$1,265.64</b>	85.7
Otsego	25.00	\$875.00	1.00%	\$400.00	<b>\$1,275.00</b>	84.3
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North Baltimore	34.67	\$1,213.43	1.25%	\$500.00	<b>\$1,713.43</b>	83.9
Perrysburg	44.36	\$1,552.73	0.50%	\$200.00	<b>\$1,752.73</b>	101.5
Rossford	50.46	\$1,766.18	-	-	<b>\$1,766.18</b>	82.1
Northwood	51.99	\$1,819.74	0.25%	\$100.00	<b>\$1,919.74</b>	76.6

## What is a mill?

Local tax rates against property are computed in mills. A mill is one-tenth of a penny (.001).

- A mill produces 10 cents in tax income for every \$100 worth of property it is levied against.
- A mill produces \$1.00 in tax income for every \$1,000 of property it is levied against.
- A mill produces \$1,000 in tax income for every \$1 million of property it is levied against.

The total property valuation for tax purposes in the Eastwood Local School district last year was approximately \$295 million dollars. Therefore, each mill generates approximately \$295,000 each year that a levy is in force for the school district.

The tax rate expressed as mills is applied each year to the "Assessed" valuation of real property. Assessed valuation is 35% of the appraised value of the property. Therefore, for every \$100,000 in "appraised value," a mill produces \$35.

## Voted millage (outside) vs. Inside millage?

In Ohio, millage is referred to as "inside" millage and "outside" millage. Inside millage is millage provided by the Constitution of the State of Ohio and is levied without a vote of the people. It is called inside millage because it is "inside" the law. Another name would be un-voted millage.

The Constitution allows for 10 mills of inside millage in each political subdivision. Public schools, counties, townships, and other local governments are allocated a portion of the 10 inside mills. The Eastwood Local School District is allocated 5.0 mills of the 10 inside mills. In part the assignment by the County goes back to our State founding constitution that set aside one section of land in each township to fund public schools. As township schools consolidated, differing "inside millage" resulted for the various districts throughout the state.

Outside millage is any millage "outside" the 10 mills that is provided by the Constitution of the State of Ohio. This millage is voted in by the public. Another name for outside millage is voted millage.

## Where did the Originally Voted mills come from?

The 35.15 mills is derived from operating levies passed by the community in 1976 (14.40 mills), 1979 (6.50 mills), and 1997 (6.00 mills). A 1.25 mill Bond levy was passed in 1997 for renovation and expansion of the High School. In 2012 a 2.0 mill PI levy was passed by voters. In addition, 5.0 mills are assigned to Eastwood Local Schools by the County Auditor's Office. These mills are known as "Inside" mills.

The 5.0 "inside mills" plus the 30.15 voted "outside" mills makes up the 35.15 mills.

It is important to note that as property values increase, voted millage rates decrease so that school districts do not collect any additional money on voted millage due to inflation. (See Tax Reduction Factors below)

## What are tax reduction factors?

Until 1976, continuing levies were just that. Millage was applied to real property at its assessed value. **The millage of a continuing levy remained constant**; therefore, if the value of the property went up, so did the tax. At that time, property values began to rise sharply. The state legislature believed that taxes should not increase due to increased property values. Thus, the passage of **House Bill 920**, which limited a continuing property levy to collect the same dollar amount as it collected in the year that it was voted.

Under this bill, which is still in effect today, **the tax dollar amount of a continuing levy remains constant**. When the value of the property increases, the millage is reduced by the County Auditor. This reduction to the millage is to ensure that the same dollar amount that was originally passed is all that is collected.

House Bill 920 is one of the major reasons that school districts in the State of Ohio place a new levy on the ballot every two to five years. Costs keep increasing, but the revenue remains the same.

Over the years, Eastwood Local School District voters have approved 26.90 mills in continuing levies for residential and agricultural property. Because of HB920 Tax Reduction legislation in 1976, the current “voted” mills have been reduced from 26.90 “voted” mills to 15.000027 “effective” mills.

Exceptions to HB 920:

Few exceptions exclude certain taxes from the operations of HB 920, but these exceptions have important consequences for school finance. The exceptions include:

- **Inside mills** – A school districts un-voted mills are never reduced by a tax reduction factor.
- **Bond levies** – A bond levy collects only as much revenue as required to pay debt service. Therefore, bond levies have an internal reduction mechanism and do not require the use of HB 920 reductions.
- **Emergency school levies** – School districts may ask voters for authority to levy an “emergency” amount of dollars for up to 10 years. As with a bond levy, this levies only a specified number of dollars and carries with it an internal rate limitation.
- **20-mill floor** – Tax reduction factors may not force a school district’s effective tax rate below 20% (20 mills).
- **New Construction** – Increases in valuation caused by new construction do not trigger any offsetting reduction in taxes.

#### **What are “tax rollbacks” and the “homestead exemption?”**

Taxpayers do not pay all of the taxes charged against residential and agricultural real property. All Class I property taxes receive a 10% discount. In addition, residential real property receives an additional 2.5% discount. Together, these reductions in real property taxes are called “rollbacks.”

The homestead exemption allows senior citizens whose Ohio adjusted gross income is less than \$30,000 to reduce their property taxes by exempting \$25,000 of the market value of their home from all local property taxes. The limiting income provision applies only to homeowners who turn 65 beginning in 2014. No homeowner who currently qualifies for the exemption will lose it. To qualify, an Ohio resident must be at least 65 years old or be totally and permanently disabled and own and occupy a home as their principal place of residence. For individuals who own more than one home, the principal place of residence is the home where the person is registered to vote and the person's place of residence for income tax purposes.

Applications for the exemptions are available at the county auditor's office.

Under the HB59 state budget law any new or replacement millage will result in the elimination of Rollback and all new Homestead Exemptions are now means tested, effective beginning with all November 2013 enacted millage. This further complicates the ability of public school districts to explain tax levy proposals put before their voters and strains the ability of public school districts to pass new or replacement local property tax levies.

#### **How does the school district determine how much to levy and when?**

The average school district levy request occurs every two to five years. Over the period between levies, the school district is faced with increasing costs and flat revenues. The levy amount is set to accommodate this increase by collecting more than is spent in the early years to make up for a projected deficit in its later years. School Board members examine the costs of running the district as presented to them by the School Treasurer. The Treasurer is required to submit a new Five Year Forecast to the state twice per year. This document, which is posted on the district's website, guides the Board of Education in making financial decisions. Board members look closely at programs and services of the district to see where money is needed and where money could be saved. They determine how much money they will need to fund the operating expenses of the district.

**What is the “Tax Base” of the Eastwood Local School District?**

The real property tax base equals the value of the property. “Value” means the market value multiplied by an assessment percentage of 35%. In other words, if a home has a market value of \$100,000, its value for tax purposes equals \$35,000. The county auditor reappraises all real property once every six years. In the third year after the reappraisal, the auditor updates the value of each property in the county. School districts have no direct responsibility for establishing the taxable value of property. However, school districts may participate in the valuation process by filing complaints against the value of property in the school district if the county auditor’s value appears too low.

**When do our taxes increase?**

The county auditor completes a re-evaluation every 3 years and taxes are adjusted in January of the following year. In Wood County, the next full “sexennial” reappraisal will occur in 2017 with tax bills adjusted in January 2018 followed by a “desk” re-evaluation will occur in 2020 with tax bills adjusted in January 2021. Some residents will receive increases in school district taxes and some residents will receive a decrease. If your taxes increased, this means that another resident’s taxes decreased. Ohio law (HB920) **does not allow** schools to receive additional monies from voted levies when the county auditor re-evaluates property, except for new construction.

**What is the 20-mill Floor?**

Over time, tax reduction factors could reduce operating millage rates to near zero. To keep this from happening, Ohio law establishes a minimum millage level, or floor, that millage rates cannot fall below. The minimum level is 20 mills. Once a district’s total operating millage is reduced to 20 mills, it cannot be reduced any further, hence the 20 mill floor. The 20-mill floor is calculated by adding together the effective millage of all operating levies plus the unvoted inside millage:

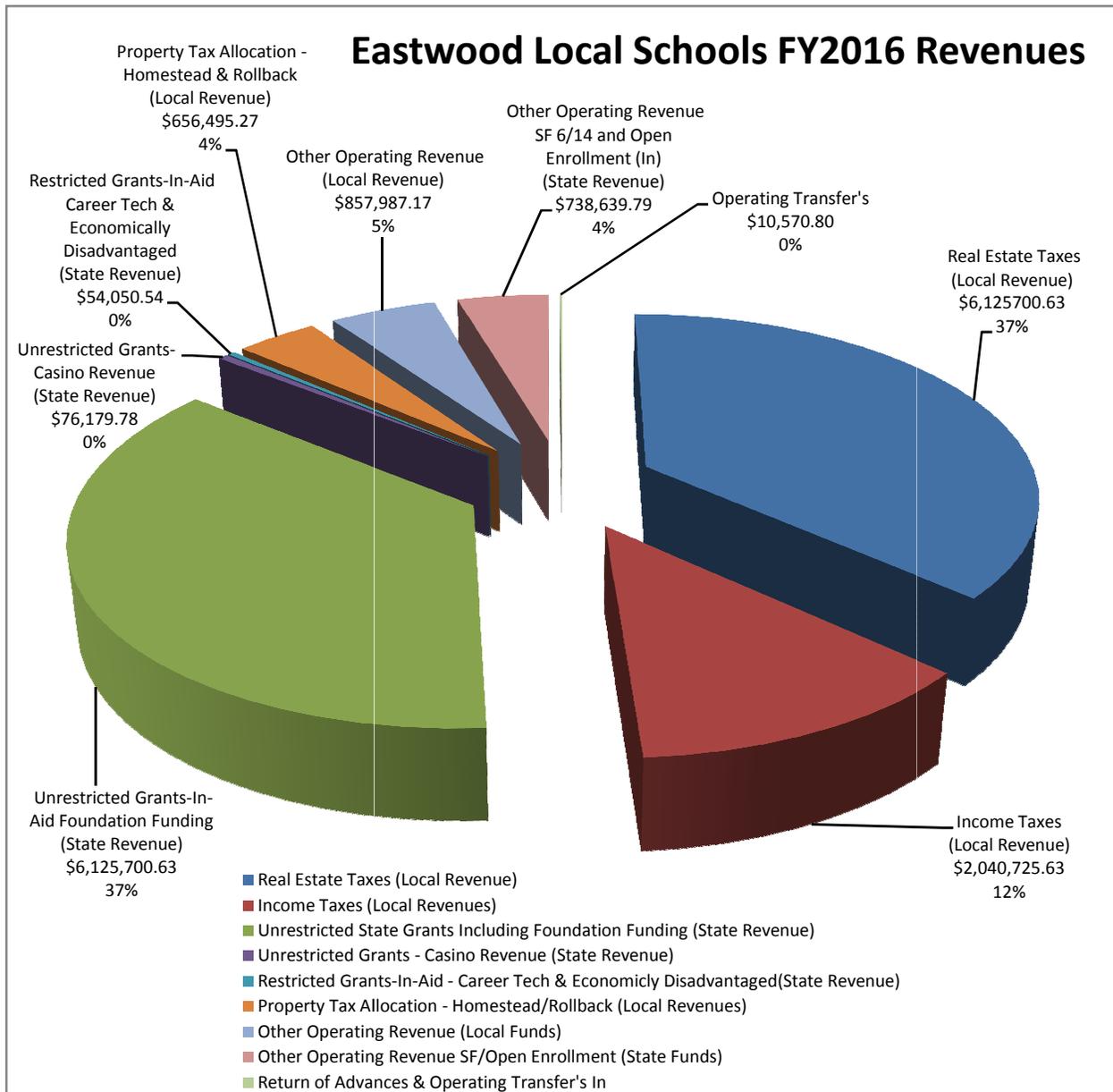
	Res/Ag	Other
Operating Levies	15.000027	17.419786
Inside Millage	<u>5.000000</u>	<u>5.000000</u>
	<u>20.000027</u> mills	<u>22.419786</u> mills

**What levy formats have the Eastwood Local Schools chosen to use over the past years?**

**Operating Levies** are for the day-to-day expenses of running the school district. The levies are continuing, which means once approved by voters, the levy will be collected until withdrawn by the district or repealed by the voter. The last Eastwood Local Schools Operating Levy passed was in 1997 for 6.0 mills.

**Emergency Operating Levies** are also for the day-to-day expenses of the district. This type of levy is submitted to the electorate as a dollar amount for a period of one (1) to ten (10) years. The mills are adjusted each year of the levy to account for changes in the tax duplicate in order to keep the school income constant for the term of the levy. After the voted period lapses, the levy expires unless reapproved by a vote of the electorate. The last Eastwood Local Schools Emergency Levy was voted in 2009 and was allowed to expire in 2015, returning \$878,000 (3.15 mills) per year to taxpayers.

**Where does the Eastwood Local School District revenue come from?**



**How does the State decide what amount of money they send to the schools?**

In Ohio, the funding of schools is shared by the State and local school districts. The Ohio General Assembly determines what an adequate education costs in the State's biennial education budget.

The constitutionality of Ohio's funding system was in litigation for more than 17 years (the DeRolph cases) and during that time, no acceptable resolution was passed by the state legislature. The Ohio Supreme Court ruled that the existing system of funding public schools did not provide sufficient monies to support an "adequate" education for all pupils. The court also found the division of responsibility between the state and its school districts relied too heavily on local revenue generated through property taxes. In the Court's final ruling they made clear the issues were not resolved but they also barred litigants from bringing the case back to the court any further.

**Why does the Eastwood Local School District receive less than the full amount the state claims that they give each student?**

The State of Ohio utilizes a formula that calculates how much money that a school district receives. The formula is complex with multiple variables for calculating funding for schools. The state determines a district's ability to pay based, in part, on the value of all of the property within a district and the income wealth of residents of the district. The more "total property value per student" vs. statewide average and the more median income wealth vs. state median a district has, the greater the state expects local taxpayers to fund its portion of the cost of an adequate education.

The State funds Eastwood \$5,900 per child in basic foundation plus additional items including money for special needs students but then reduces that amount by local property and income wealth factors.

How much does Eastwood Local Schools really get per student?

In Fiscal Year 2017, Eastwood receives \$6,041,018.67 in total funding from the State of Ohio. Our Formula Average Daily Membership student count is 1,341.50. This equals \$4,503.18 per student, and this includes all foundation plus targeted funding, restricted usage funding, special needs funding, transportation funding, and \$738,909.00 in "guarantee" funding that the State feel they overfund to Eastwood. And this is before transfers for community schools. Net of the transfer money to community schools our funding is \$4,431.60 per student. In comparison, transfers to community schools are \$7,520.12 per student.

**What is the impact of "Unfunded" State and Federal Mandates?**

Many state and national mandates continue to be unfunded or underfunded placing a strain on the District's budget and on local taxpayers.

Despite the belief that state funding has been "held harmless" or "guaranteed", the District has seen the elimination of 99% of Taxable Personal Property & TPP Replacement Payments (a tax on business inventories). \$608,000 per year in state funding was eliminated starting in 2011/2012 that had to be offset with reduced spending and/or tax increases on local taxpayers. In addition changes in the state funding formulas result in net annual funding reductions due to increased payments to Community Schools.

State Funding Decline from 2010/2011:

Food Services	up 10%
State Connectivity	down 37%
TPP/TPP Replacement	down 99%

Overall revenues by source:

	<u>General Fund</u>	<u>All Funds</u>
Local Revenue	58%	59%
State Revenue	42 %	38%
Federal Revenue	-0-	3%

Federal Funding:

While mandates at both the Federal and State levels have not gone away, the burden of funding reductions falls upon the general fund and local taxpayer. Including food services subsidy and all federal grants, annual Federal funding peaked in 2010/2011, and has fallen by 40% to \$658,099.55 in FY16. This is a funding loss of \$440,000 per year.

Federal Grant Funding Decline from 2010/2011:

Title I Reading & Math Remediation	up 10%
Title I-C Migrant Education	eliminated 100%
Title II-A Class Size Reduction	down 19.6%
Title II-D Technology	eliminated 100%
Title IV-A Safe & Drug Free Schools	eliminated 100%
Title V Innovative Programs	eliminated 100%
IDEA-B Special Education	down 21.5%

With the elimination of the Federal "No Child Left Behind Act" (NCLB) and its replacement by the Federal "Every Student Succeeds Act" (ESSA), we hope that the enhanced local controls of ESSA will be complimented with mandate and associated funding decisions being returned to the states to the benefit of local districts.

Also, each year the State reduced the Federal grant to the district and diverts funds to Community Schools. The original Federal funding grant is awarded to the district about August of each year. The subsequent reduction drawback by the State occurs the FOLLOWING fall through spring forcing the District to replace the loss with General Fund dollars.

Combined, Eastwood (like most Ohio school districts) has had to weather a reduction in State and Federal funding amounting to over \$1.4 million dollars per year since 2010/2011.

With recent growth in the local commercial and industrial base, residential and agricultural valuation has decreased to approximately 71.3% of the District's total valuation.

Despite the revenue losses from State and Federal sources, the District was able to finance the construction of a new PK-5 building without requesting additional taxes on local taxpayers due to the growth in the local commercial and industrial valuation. This building will open for operation in the fall of 2017.

The District also allowed an \$878,000 Emergency Levy to lapse at the end of 2015 reducing the tax burden on local taxpayers by about \$200 per year on an average home.

#### **What are other factors that affect school district revenues?**

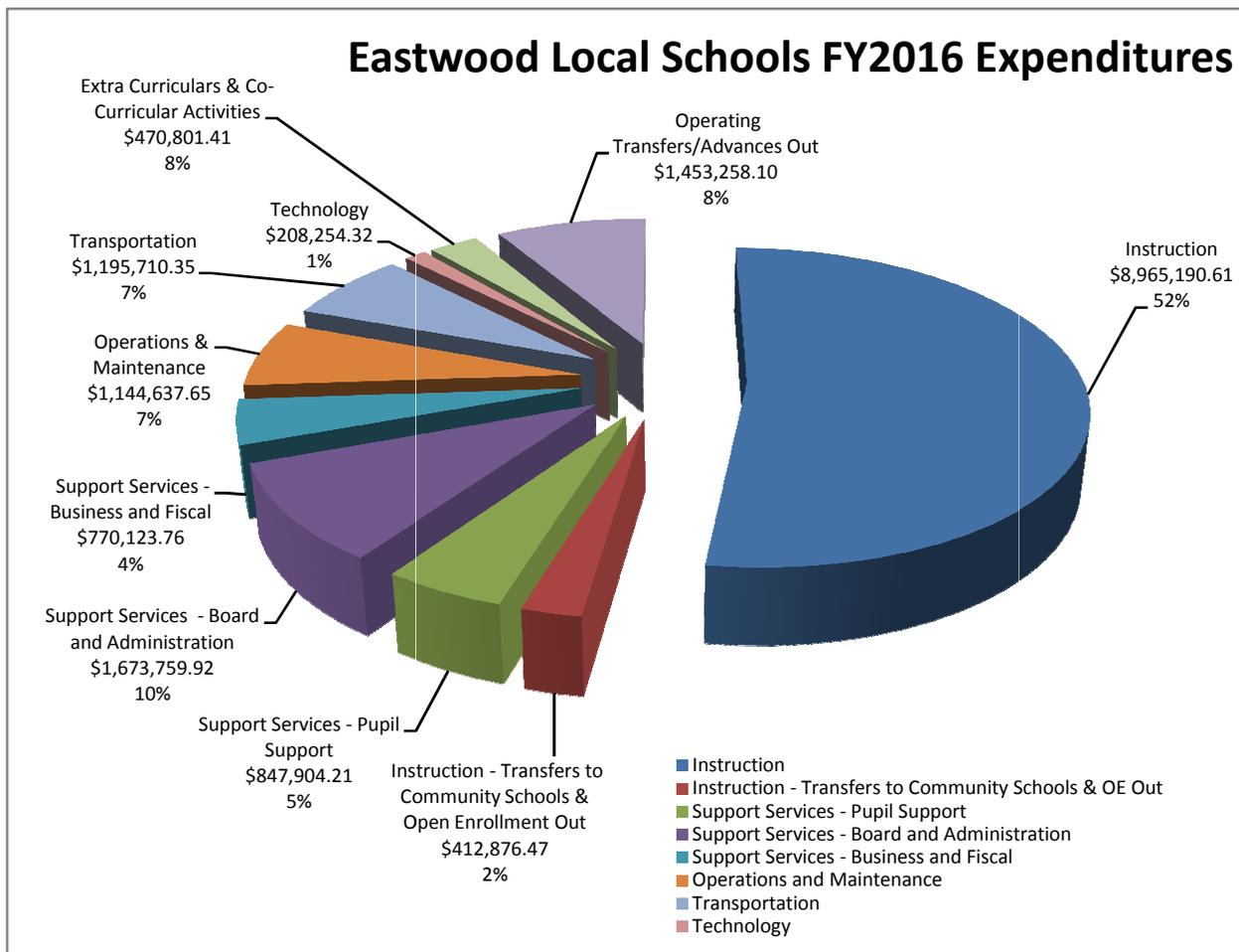
In an attempt to generate growth in commerce and industry, both the state and local government have enacted laws that reduce revenue for the schools.

**HB 66** – This bill accelerated elimination of the Tangible Personal Property Tax for businesses. Starting in calendar year 2006 through 2011, the State of Ohio replaced most of the taxes lost due to this bill. In calendar year 2012, the state began phasing out this reimbursement. In 2013, the state stopped the reimbursements. At this time, we no longer receive Tangible Personal Property Tax. This law eliminated approximately \$600,000 per year of existing Eastwood Local School District resources.

**Tax Abatements** – For many years, state tax policy has connected the prospects for economic development with the implementation of special tax concessions for business expansions. A variety of tax incentive programs enable county, municipal or township governments the ability to grant exemption from the property taxes applicable to new business investment. At least in some cases, school districts may play a role in the process by which local governments grant such concessions. In addition, in some instances, the beneficiary of a tax abatement may make payments in lieu of taxes to a school district under a contractual arrangement.

**Tax Increment Financing (TIFs)** – As further encouragement for economic development, the state has adopted tax policies by which a commercial development receives an abatement of taxes on the taxable property value of a new investment. As part of the abatement agreement, the taxpayer agrees to pay payments in lieu of taxes for use in financing site improvements by the city or township or county intended to facilitate the development. This policy has the effect of diverting taxes chargeable by a school district for education purposes into a cash flow used to fund economic development.

**Where does the Eastwood Local School District money go?**



**Instruction \$8,965,190.61**

Instruction is the largest expenditure category and the one most directly affecting students. The costs (teacher salaries and benefits, classroom materials, and textbooks) relate to the direct instruction of our students.

**Instruction – Transfers to Community Schools and Open Enrollment Out \$412,876.47**

State and local tax dollars sent to Community Schools and other Public Schools through open enrollment.

**Support Services Pupil Support \$847,904.21**

Costs associated with services such as guidance, educational aides, special education, media centers, gifted services, health services, psychological services, and district curriculum.

**Support Services Board and Administration \$1,673,759.92**

Costs related to the overall operation of the District and provision of administrative support to the staff and community.

**Support Services Business and Fiscal \$770,123.76**

Costs associated with all fiscal services, including budgeting and accounting services, payroll and fringe benefit processing, annual auditing, and purchase process of the District.

**Operations and Maintenance \$1,144,637.65**

Costs associated with ensuring that the students and staff have a safe and efficient environment through custodial and grounds services and, building repairs.

**Transportation \$1,195,710.35**

Costs associated with transportation services, bus maintenance, and repairs to the vehicles owned by the district.

**Technology \$208,254.32**

Costs associated with the technology department staff and equipment. Approximately an additional \$40,000 per year is funded from the PI fund for technology purchases of student computers.

**Extracurricular & Co-Curricular Activities \$470,801.41**

Costs associated with salaries and benefits of club advisors, fine arts advisors, extracurricular activities, and athletic coaches.

**Operating Transfer's Out \$1,453,258.10**

Initial transfers for the new construction project ES COPS debt payments and HB264 debt payments.

Annual ongoing debt payments:

- General Fund - HB264 Energy Conservation Project, complete 2024; ~\$58,000/yr
- General Fund - ES COPS Funded Bond Debt, complete 2025; ~ \$1,280,000/yr
- Bond Fund - HS Construction Voted Bond , complete 2023; ~ \$305,000/yr

**How does Eastwood Local keep our costs low?**

Although the Board of Education attempts to "operate like a business," unlike a business, there are activities that school districts **cannot do or control**:

- Control the materials (number or type of students enrolled)
- Control the production line (lower the credits to graduate or the hours in the school calendar)
- Advertise with tax funds for a levy campaign
- Operate at a deficit
- Go out of business

Many costs are mandated by the State and/or Federal government and are either unfunded or under-funded. Some recent mandates are:

- Collective Bargaining mandated 1983
- Community Schools Authorized 1992 (payments charged to public schools).
- School Employees fingerprinting and background checks 1993
- Educational Management Information System implemented 1998
- Special Education Mandates
- NCLB – No Child Left Behind 2002
- Third Grade Reading Guarantee 2014

- Resident Educator Program 2014
- Ohio Teacher and Principal Evaluation System (OTPES) 2014
- College Credit Plus Program 2015
- Ohio's new learning standards and end of course exams 2015
- Affordable Care Act 2015
- Every Student Succeeds Act 2016

Education is heavily reliant on people. In 2016, 77.43% of our resources were spent on wages and benefits. Costs, such as utilities, county auditor and county treasurers' fees, account for less than 3% and are charges over which the district has little control. This means less than 20% of the budget is discretionary and the majority of the discretionary spending is spent on the mandates listed above.

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<u>District</u>	<u>Property Tax Millage</u>	<u>Tax on \$100,000 Home</u>	<u>Income Tax</u>	<u>Tax of \$40,000 Income</u>	<u>Tax Burden</u>	<u>Performance Index</u>
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The state Performance Index (PI) Score measures the achievement of every student regardless of their level of proficiency. Schools receive points for every level of achievement, with more points being awarded for higher passing scores. Untested students also are included in the calculation and schools and districts receive zero points for them.

**Does the district have a long-range financial plan?**

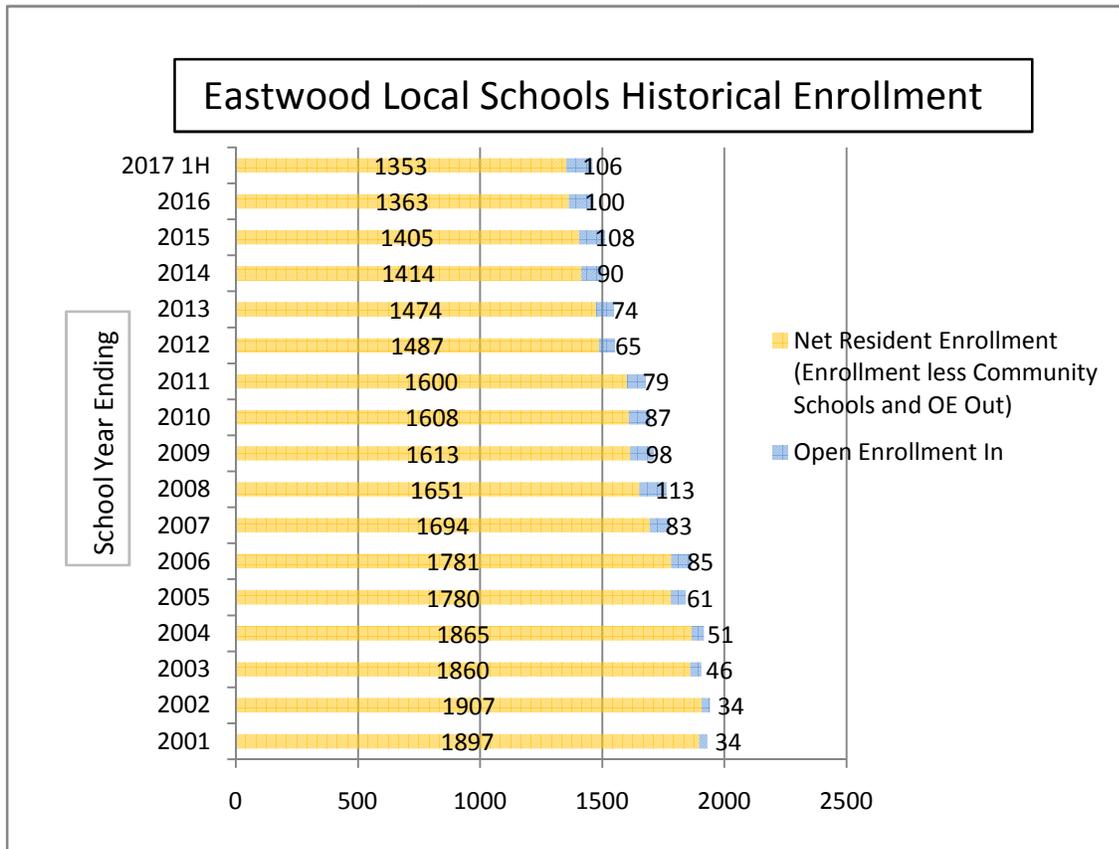
The District has a five-year plan as required by law. The plan is located on the Treasurer's web page along with detailed notes. The district is required to file a 5-year forecast with the State of Ohio by October 31 and to update it no later than May 31 of each year. The five-year forecast allows the State to anticipate the current and future financial status of all public school districts in Ohio for state budgeting purposes pertaining to public education.

**I do not have students in the schools, why are the schools important to me?**

Every resident of the Eastwood Local School District has a stake in the schools remaining strong. Excellent schools are a vital part of a strong community. Quality schools mean higher property values and keep Eastwood a desirable community in which to live and to raise a family.

**What is the current enrollment of the Eastwood Local School District?**

Midway through the 2016-2017 school year there were 1,414 funded students enrolled in the District.



**How does open enrollment affect the Eastwood Local School District?**

Enrollment in the Eastwood Local School District peaked at approximately 1,941 students during the 2002-2003 school year. Since that time, resident District enrollment has decreased each year. In our efforts to maintain District enrollment for funding purposes, the Eastwood Board has adopted full open enrollment.

