

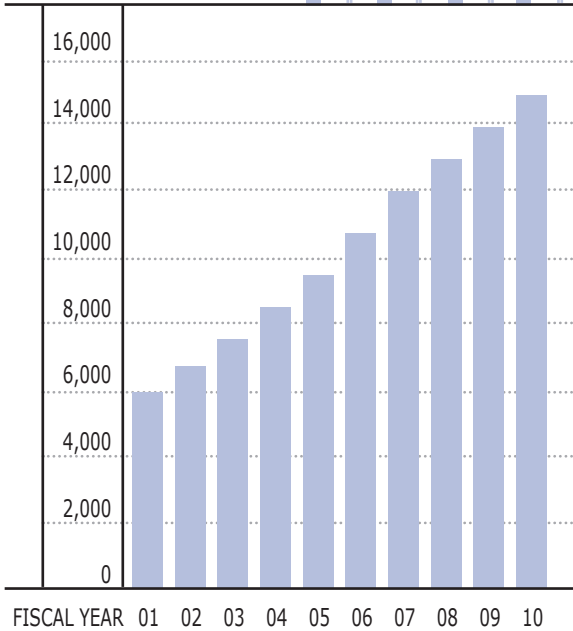
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Why is Olentangy on the ballot so frequently?

Under Ohio’s school funding system, Olentangy and similar suburban school districts typically ask voters to approve additional taxes every few years because:

- Property taxes, in general, can’t grow with inflation due to House Bill 920
- Growth may lead districts to incur additional expenses (buildings & personnel)
- Changes to state laws may reduce tax revenues and state funding for school districts
- Even fiscally responsible districts need to keep up with growth and inflation as well as offset reductions in state funding.

Olentangy’s Annual Student Enrollment*



*DOES NOT INCLUDE PRE-K

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What is House Bill 1?

House Bill 1 (HB 1) is the state’s budget bill that was passed in July 2009 and set the state’s budget for Fiscal Years 2010 and 2011. HB 1 includes the new school funding formula called the Evidence Based Model (EBM). Not only did EBM change state funding from a per pupil formula to a formula that funds programming, but it also contained several unfunded mandates that negatively impacted many school districts in Ohio. Unfunded mandates are rules school districts must follow but the state does not provide funding. A few of these unfunded mandates include: all day – every day kindergarten, decreased class sizes at the elementary level and the addition of staff members.

Due to Ohio’s fiscal crisis not only is there not enough money to fully fund the EBM, but also the state had to cut school funding to more than 90 percent of school districts by one percent in FY10 and two percent in FY11.

Thus, the change to the state’s funding formula resulted in a loss of \$12.7 million in anticipated state revenue and an additional \$237,000 due to the reductions in FY10 and 11. Olentangy’s state funding has remained virtually unchanged since 2005 all the while adding 6,471 students.

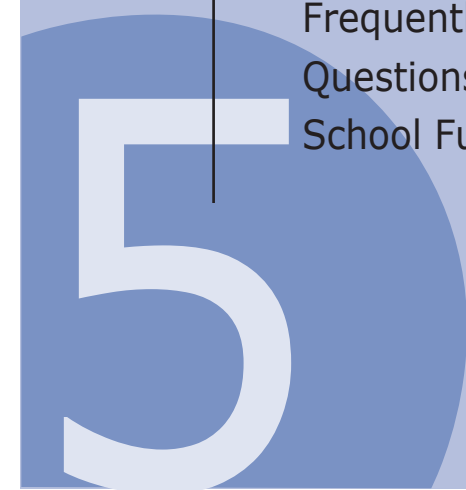
As of January 2011, it is not known what the future of school funding will look like in Ohio. There is pending legislation that would remove some of the unfunded mandates included in HB 1. However with the state facing an \$8 billion budget deficit, further reductions in the state funding for education is expected.

This publication was produced by the Olentangy School Board’s School Funding Action Committee (SFAC). SFAC was formed in May 2004 for the purpose of educating Olentangy taxpayers on school funding issues and advocating for Olentangy taxpayers. This document was designed as a quick primer for Olentangy residents on school funding so to promote a better understanding and more advanced dialogue with the state as the school funding issue in Ohio continues to unfold.

For more information on the SFAC, visit <http://www.olentangy.k12.oh.us/district/board/sfac/index.html>

Ohio School Funding and Olentangy:

Frequently Asked Questions About School Funding



- 1 How are schools funded in Ohio?
- 2 How does commercial development affect school tax revenue?
- 3 What is House Bill 920 and how does it affect schools?
- 4 Why is Olentangy on the ballot so frequently?
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How are schools funded in Ohio?

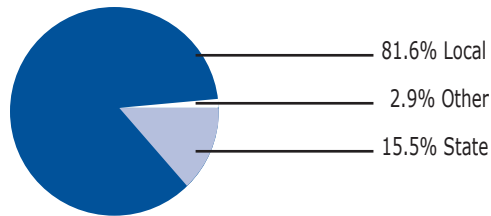
Funding for Ohio's public schools comes primarily from three sources: federal funds, state funds and local property taxes. Federal funding is for specific programs like federally reduced lunches and specific mandated programs. State funds are derived from Ohio's General Revenue Fund, which is made up primarily of income and sales taxes. In the past, the amount each district received was based on a per pupil amount that also took into consideration each district's property valuation. Thus, low-wealth districts received more state funding than high-wealth districts with Olentangy considered a high-wealth district.

Currently, Olentangy receives just 15 percent of its funding from the state compared to 44 percent for an average school district.

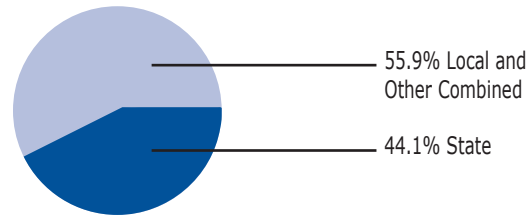
Local property taxes account for 82 percent of the district's revenue. Of that 82 percent, 86 percent comes from homeowners and 14 percent from commercial properties.

Olentangy has never received any state money to build new schools because the district doesn't qualify for state bond money from the Ohio School Facilities Commission due to the district being considered a high-wealth district.

OLSD School Funding Sources for 2009-2010



State Average School Funding Sources for 2009-2010



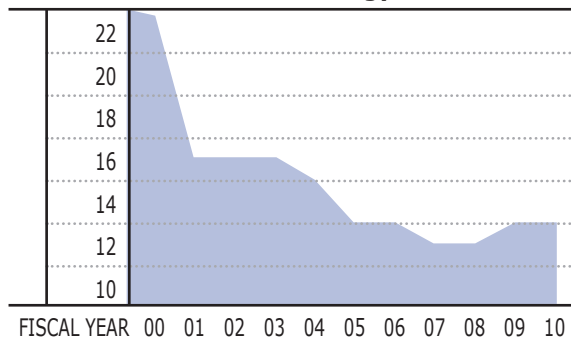
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How does commercial development affect school tax revenue?

Commercial development benefits the district by bringing in tax revenue without the direct expense of educating additional students. Indirectly, some commercial development brings employees that move into the Olentangy district. If those families have schoolchildren, the district incurs expenses to educate them.

The graph below shows that as Olentangy has grown, commercial property taxes provide a decreasing share of Olentangy's school funding. Commercial growth has not kept pace with our explosive residential growth. Also in 2005, the Ohio General Assembly changed the commercial tax structure, which negatively impacted commercial property taxes received by all school districts in the state.

Annual Downward Trend of Commercial Real Estate Taxes to Olentangy



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What is House Bill 920 and how does it affect schools?

House Bill 920 (HB 920) prevents school districts from recouping inflation when property values rise as a result of reappraisals or updates. A levy is passed for a fixed amount of dollars. As the district's property value increases, the tax rate is reduced so that the district can't collect more than the original fixed amount of dollars.

Example: A school district's property valuation is \$1,000,000,000. They need to raise \$8,000,000 for operating expenses. Thus voters pass an 8-mill levy.

$$\begin{array}{l} \text{Property Valuation} \\ \$1,000,000,000 \end{array} \times .008 \text{ mills} = \begin{array}{l} \$ \\ \$8,000,000 \\ \text{generated by} \\ \text{an 8 mill levy} \end{array}$$

The next year, the district's property valuation increases 10 percent to \$1,100,000,000. The county auditor must figure out the new "effective tax rate" keeping the amount of money collected at \$8,000,000 because by law, the money collected can't be more than what was originally approved by the voters. The new effective millage is actually reduced to .0073 or 7.3 mills, a reduction of .7 mills which is then reflected in property owner's tax bills.

$$\begin{array}{l} \$ \\ \$8,000,000 \\ \text{generated by} \\ \text{an 8 mill levy} \end{array} \div \begin{array}{l} \text{Reassessed} \\ \text{Property} \\ \text{Valuation} \\ \$1,100,000,000 \end{array} = \begin{array}{l} .0073 \\ \text{NEW LOWER} \\ \text{MILLS} \end{array}$$

This example simplifies many of HB 920's complexities, but conveys the basic principle of how it works. Over the years, Olentangy's cumulative combined bond and operating levy rates have been reduced from 62 voted mills to 35.58 mills effective because of HB 920.