

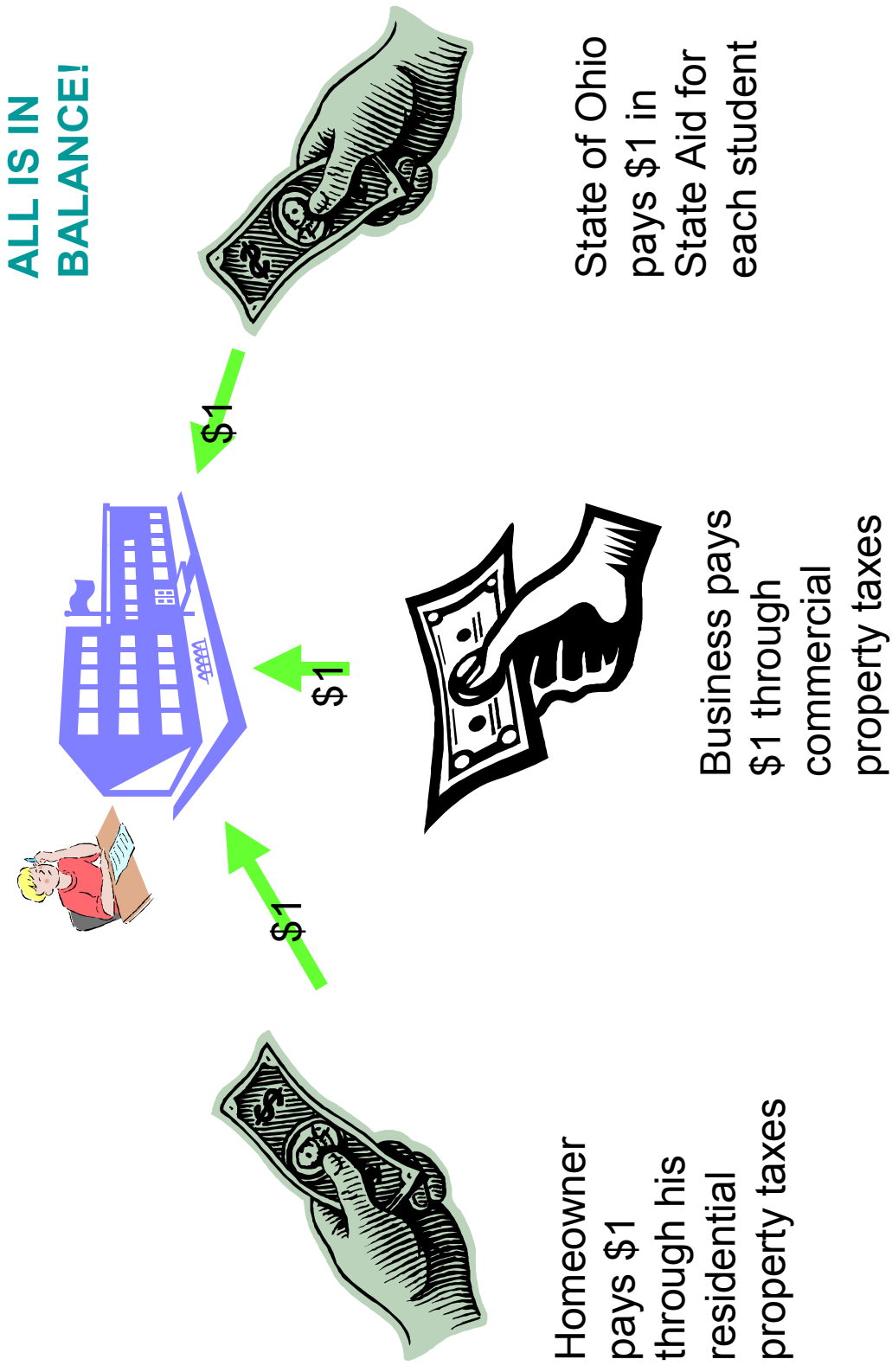
School Funding Illustrated

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Disclaimer

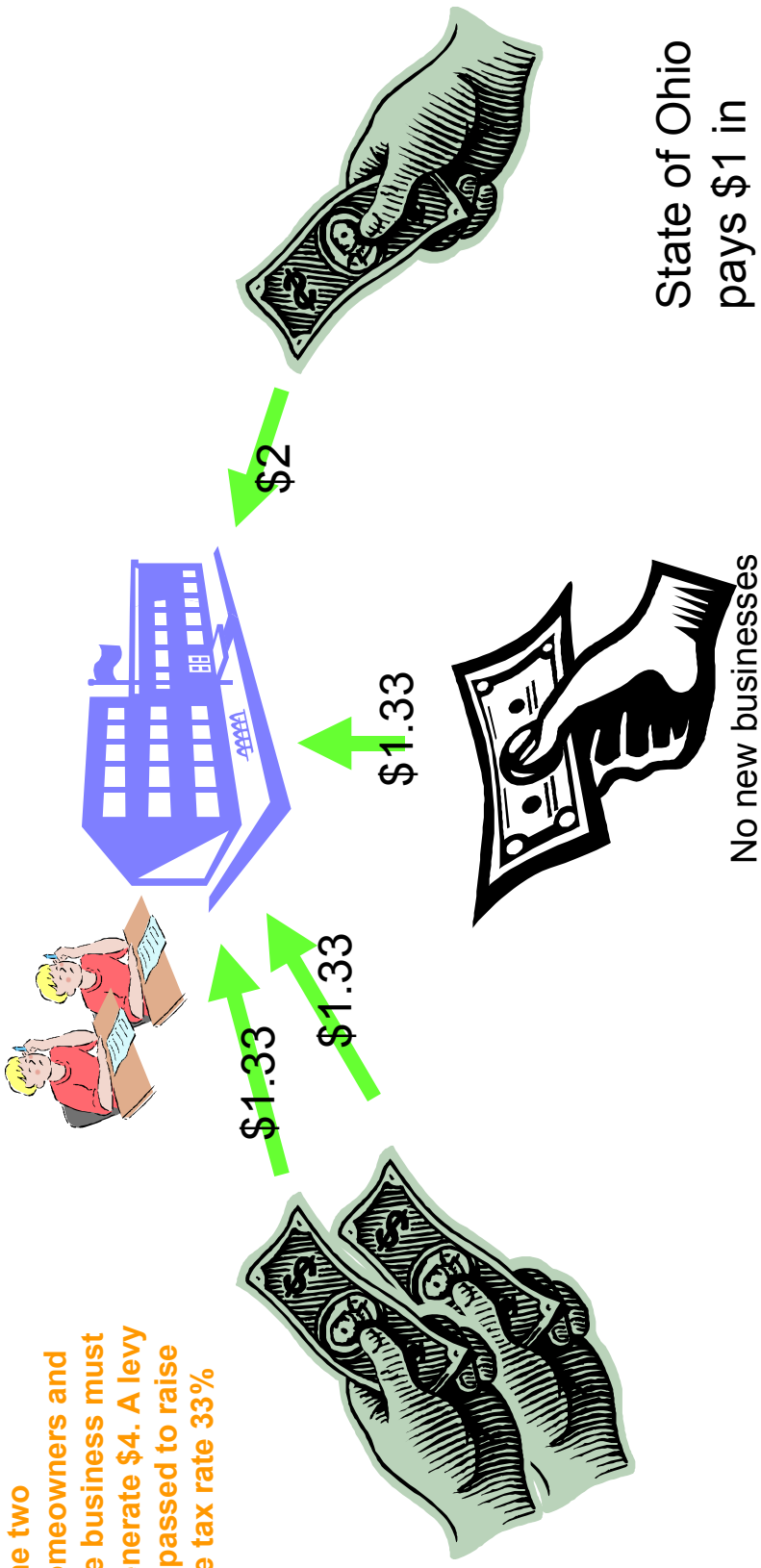
- The figures used in this presentation are for illustrative purposes only. They demonstrate the process in which the cost of operating our school system is being changed from a three-way partnership of residents, businesses and the State of Ohio to one in which the cost is being rapidly shifted to the residential homeowners. The actual taxation mechanism is substantially more complex than depicted here:
 - Capital Funding and Debt Retirement: Capital costs do not increase linearly with the number of students, but rather change as the construction of new facilities are financed through bond sales. As new homes are built, the cost of retiring bond debt remains constant, and the cost per residence actually decreases. However, when a sufficient number of new students enter the district, and new facility must be built, a new levy passed to authorize the sale of bonds, and all property owners are assessed a new tax to retire the debt. The effect over time is the same as if capital costs were actually linear.
 - The support from the state has a number of components, including the simple dollar-per-student aid amount derived from the funding formula. However, this amount can be augmented by the Cost-of-Doing-Business add-on (makes adjustments because of local economic conditions), adjustments for transportation costs (especially for rural schools), and the cost of the special education needs of disabled children.
- You are encouraged to read the book *Ohio School Finance Handbook*, by Robert G. Stabile (Powerhouse Press). In under 100 pages, this book effectively explains the complexities of school funding in Ohio.

Assume: There is 1 student, one house, and one business. It costs \$3 per year to educate that student



Then: Another house is built and another student moves in. Now the total cost is \$6 per year

The two homeowners and the business must generate \$4. A levy is passed to raise the tax rate 33%

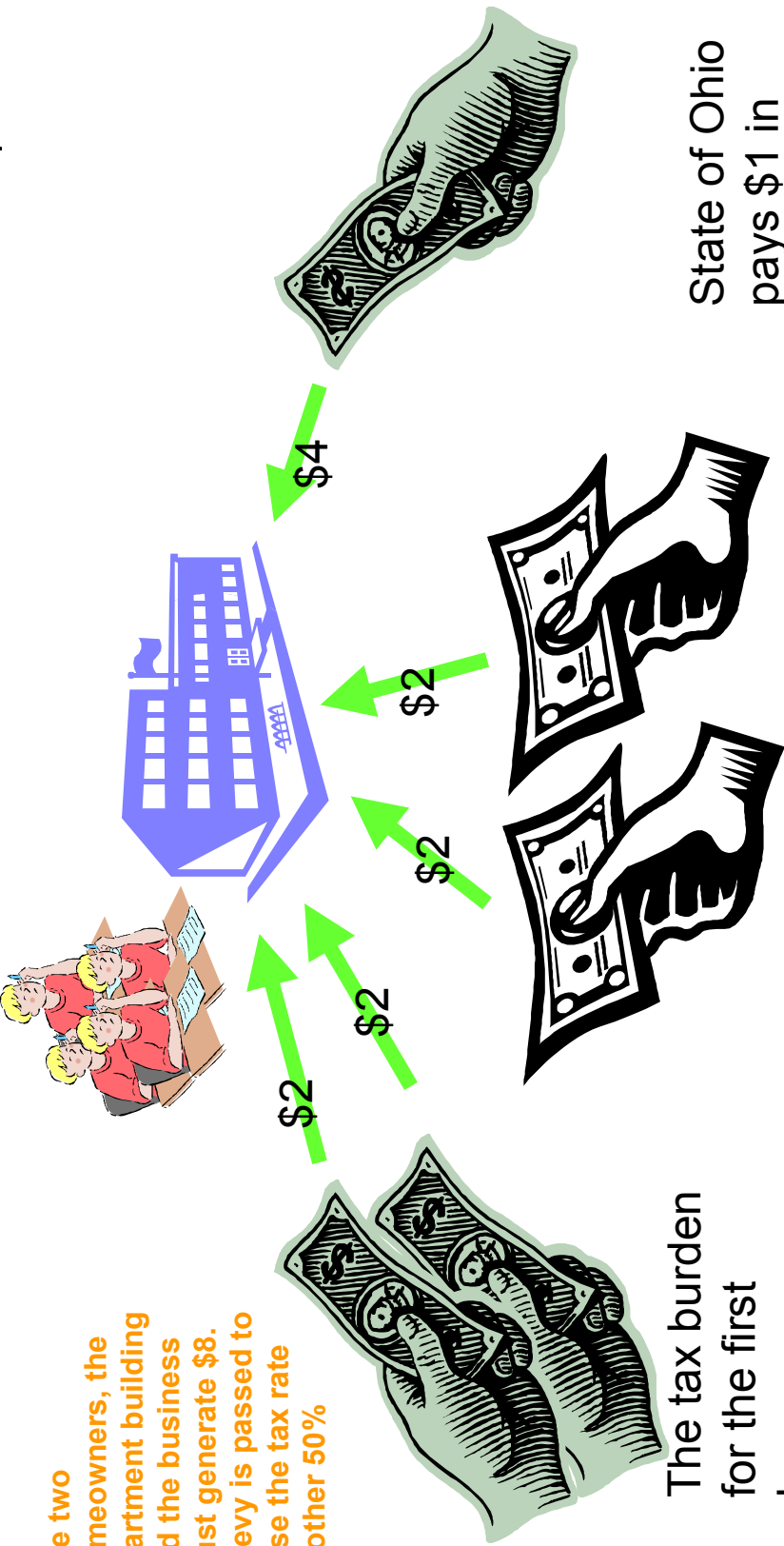


Problem #1: If business revenue does not grow at the same rate as students, more of the burden shifts to homeowners

State of Ohio pays \$1 in State Aid for each student

Then: An apartment building is built. Two more students live there. The total cost is now \$12

The two homeowners, the apartment building and the business must generate \$8. A levy is passed to raise the tax rate another 50%



The tax burden for the first homeowner has doubled!

The apartment building generates tax revenue, but not as much per student as a single family home

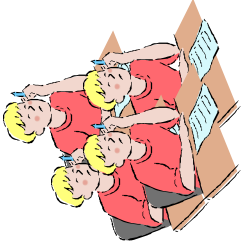
There is still only one business

State of Ohio pays \$1 in State Aid for each student

Problem #2: In Hilliard, apartments now house many children, but do not generate as much income per student as a single-family home.

Then: The State phases out Personal Property Tax on Businesses. The total cost is still \$12

The two homeowners, the apartment building, and the business must generate \$8. Taxes are increased another 6.5%



Taxes for the original homeowner have now increased 113%. For the second homeowner, it has gone up *only* 60%

\$2.13
\$2.13

\$2.13
\$1.60

\$4



The apartment building generates tax revenue, but not as much per student as a single family home

The business pays no Personal Property tax, but it must pay the new rate on real property. Even with the new tax break, the business is paying 60% more than it did originally

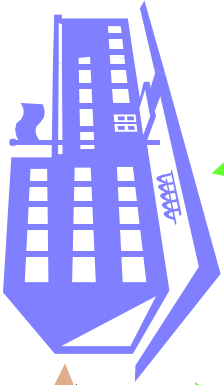


State of Ohio still pays only \$1 in State Aid for each student, even though it has phased-out the Personal Property tax on businesses

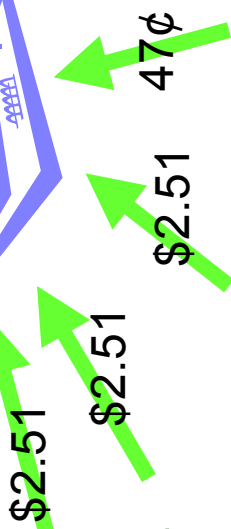
Problem #3: The Personal Property Tax Phase Out may not be neutralized by increases from other tax programs.

Then: The original business gets recruited away by Columbus which offers substantial tax abatements and other incentives. The city replaces it with a new business that is granted a 75% abatement. The total cost is still \$12

The two homeowners, the apartment building, and the business must generate \$8. Taxes are increased another 18%



Taxes for the original homeowner have now increased 151%. For the second homeowner, they have gone up 88%



The apartment building generates tax revenue, but not as much per student as a single family home



New business has 75% tax abatement

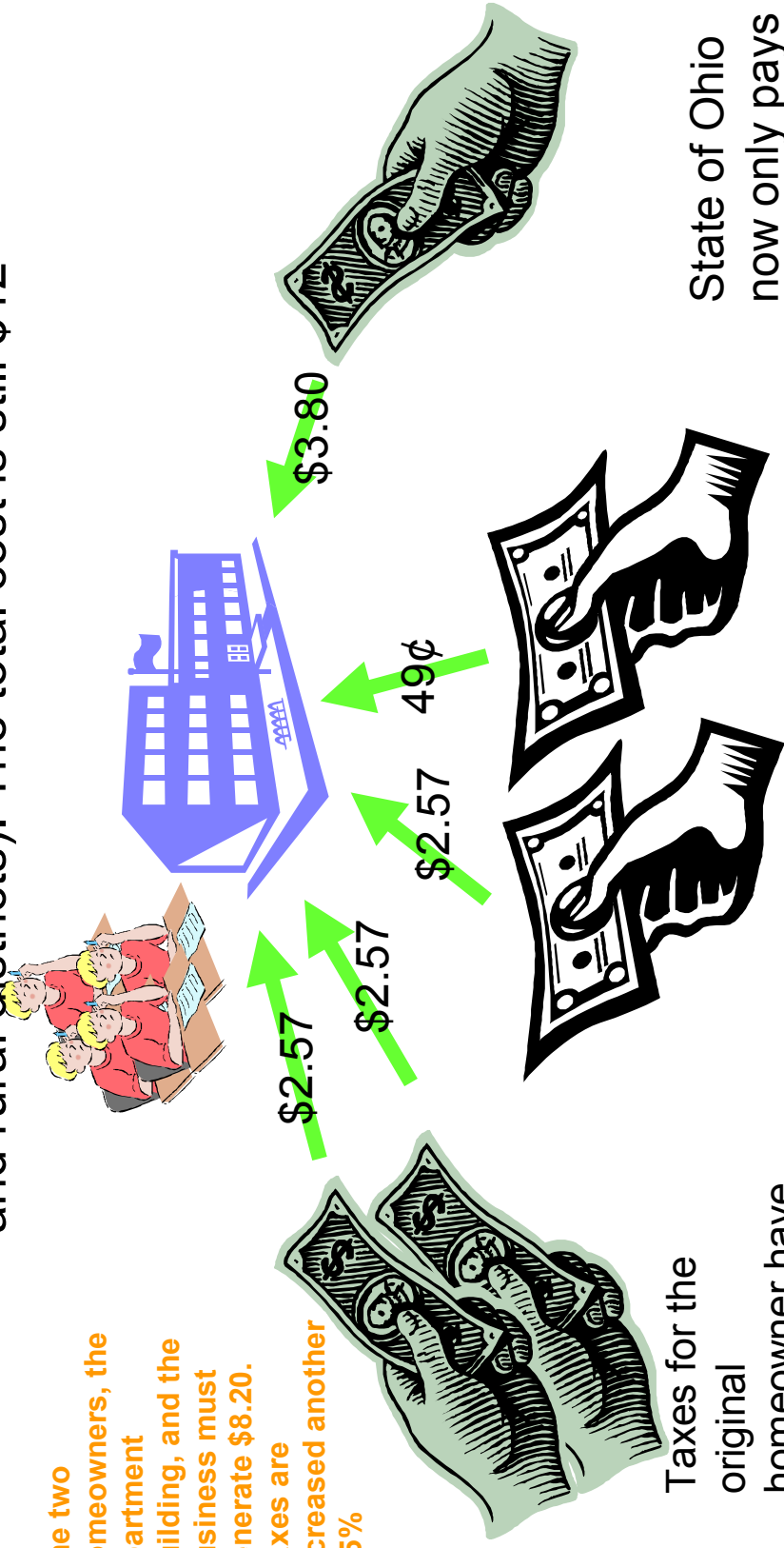


State of Ohio still pays \$1 in State Aid for each student

Problem #4: We have a bizarre system where a municipality can abate taxes which fund another entity – the school district. Only the citizens can put a stop to this!!

Then: State Aid to Hilliard is reduced 5% per student by the State Legislature (so that more State Aid can be given to struggling urban and rural districts). The total cost is still \$12

The two homeowners, the apartment building, and the business must generate \$8.20. Taxes are increased another 2.5%



Taxes for the original homeowner have now increased 157%. For the second homeowner, they have gone up 93%

The apartment building generates tax revenue, but not as much **per student** as a single family home

New business has 75% tax abatement

State of Ohio now only pays 95¢ in State Aid for each student

And so it continues...

- If new homes continue to be built without balanced commercial development which generates tax revenue for schools, the current homeowners and businesses have to take up the funding slack. However the official policy of the City of Hilliard as stated on page 18 of City's *Economic Development Strategy* does not seem encouraging: *"It is clear that the (city) Administration, City Council and School Board must come to agreement on the use of incentives. The simple fact is that the municipality cannot pay for the large capital expenditures and make the (school) District whole at the same time."*
- Multi-tenant housing does not generate revenue at the same \$/student rate as do single family homes. The more kids that come from apartments, the more that homeowners and businesses have to take up the slack.
- As more ESL kids enter the district, the cost per student goes up.
- By phasing out the Personal Property tax on businesses, the State in transferring funding responsibility to the homeowners of the district
- As State Aid is reduced, the funding burden transfers to homeowners.

We need to fight to:

- Increase pressure on the municipalities to allow residential development only when it is balanced by commercial development which generates income for the schools (e.g. “keep whole deals”)
- Keep our state funding at no less than current levels per student
- Get Federal funding to underwrite the costs of national immigration policies