



SCHOOL FUNDING

102

WELLINGTON
EXEMPTED VILLAGE SCHOOLS



UNDERSTANDING SCHOOL LEVIES

SCHOOL FUNDING 102

At Wellington Exempted Village Schools, we feel it is important for our community to understand the district's need to place a levy on the ballot occasionally. Funding provided by the State of Ohio does not cover the operating and capital costs of a school district. Therefore, districts will seek and use levy funds to bridge that gap. In this issue of School Funding 102 - Understanding School Levies, we will explain the kind of properties that can be taxed, define a mill, and explain the permissible uses of and common types of school tax levies.

For more information about the Wellington Exempted Village School District finances, please visit our website at wellingtonvillageschools.org.

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Monday-Friday, 6:30 a.m. to 4:00 p.m.
If you need an appointment after regular hours, please contact us.



UNDERSTANDING SCHOOL LEVIES

WHY DO SCHOOL DISTRICTS KEEP COMING TO VOTERS FOR ADDITIONAL FUNDING?

Many complicated factors will vary from district to district that determine the amount of income from each district's available revenue sources. Property taxes are a key source of revenue for most school districts. The unique part of this revenue is that it does not increase as property values increase. House Bill 920 (discussed later in this publication) holds property tax collections constant as property values increase while a levy is in effect. The state, local and federal governments receive revenue that comes from a percentage of income or retail sales. Therefore, these areas of government receive an increase in revenue as incomes or retail sales increase. School districts do not have the same revenue structure; therefore, they must go to the voters for a revenue increase.

In addition, schools are funded mostly for operating revenue (expenses that cover salaries, maintenance and operation of property, materials, supplies, insurance, etc.). When significant capital needs arise (i.e., building and maintaining district buildings, purchasing furniture, buses, technology, and other equipment, etc.), the district must request voter approval for a permanent improvement levy or a bond issue to cover these capital improvements.



WHAT TYPES OF PROPERTY CAN BE TAXED?

Real property subject to taxation includes the buildings and land held by individuals or businesses. Real property is divided into two classes:

Class I (residential and agricultural) and

Class II (commercial, industrial and all other real property).

WHAT IS A MILL?

The unit of value for expressing the rate of property taxes in Ohio is the “mill.” In cash terms, a mill is defined as one-tenth of a percent or one-tenth of a cent (0.1 cents). Millage is the factor applied to the assessed value of property to produce tax revenue.

- ✓ **Inside or un-voted mills** — Millage imposed by local governments without voter approval as defined in the Ohio Constitution. The constitutional limit for these taxes is 1% or 10 mills. Public schools, cities, counties and other local governments within a taxing district are allocated a portion of the inside mills collected within the district.
- ✓ **Outside or voted mills** — Millage approved by voters within a district or municipality. Outside mills are subject to the property tax reduction factor.
- ✓ **Effective mills** — In the case of real property, a difference can exist between a tax levy’s rate as authorized by the voters and the actual amount of mills charged against a district’s assessed valuation. The effective millage rate reflects the fact that the original number of voted mills has received an adjustment to compensate for the impact of inflation on real property values.

WHAT IS THE HOUSE BILL 920 FACTOR?

In 1976, the Ohio General Assembly passed House Bill (HB) 920, which reduces the taxes charged by a voted levy to offset increases in the value of real property. This is called the property tax reduction factor or HB 920 Factor. The reduction factor applies to both Class I and Class II real property. This means the amount of outside millage taxes collected on property will not exceed the amount collected at the property’s value in the first year the taxes were collected. Although property values may increase while the levy is in effect, the amount of taxes collected on those properties does not increase. The reduced rate at which taxes are collected is termed the “effective” millage.

UNDERSTANDING SCHOOL LEVIES

WHAT ARE THE PERMISSIBLE USES FOR TAX LEVIES?

Permissible uses depend on the type of levy. Among the permissible uses for all types of levies are: operating expenses; general ongoing improvements; recreational purposes; specific permanent improvements and classes of improvements; community or cultural centers; school safety and security; purchase of educational technology; and debt service for bonds issued for school construction.

WHAT ARE THE MOST COMMON TYPES OF SCHOOL TAX LEVIES?

- ✓ **General levy** — A property tax used for any school district purpose but primarily for either operating expenses or permanent improvement funding. General levies used to provide operating funds are commonly known as operating levies, while those used for permanent improvements can be known as permanent improvement or PI levies. Boards of education propose levies for a specific dollar amount of new revenue. That proposal is reviewed by the county auditor, who determines the actual millage necessary to produce the required dollar amount. The levy, once approved by voters, is subject to the tax reduction factor.
- ✓ **Emergency levy** — A property tax that serves as a limited operating levy (maximum term of 10 years) proposed for a specific dollar amount. Because the dollar amount of taxes charged by the levy must stay constant, the millage rate increases or decreases as property values change. (Note: The millage of a general levy proposed for a specific dollar amount cannot be raised beyond the voted amount, while the millage of an emergency levy can.) Emergency levies may be renewed for the dollar amount originally requested.
- ✓ **Bond levy or bond issue** — A property tax levy used to provide a school district with local revenue for construction purposes. The county auditor determines the rate of a bond levy needed each year to service the principal and interest owed on the amount of bonded debt approved by voters at the time of the bond levy approval. Bond levies remain in place until the debt (principal and interest) is fully paid, typically 20 or more years.

WHEN ARE THE TAX REVENUES COLLECTED?

Real property taxes are paid in January and July of the calendar year following the tax year (TY) for which the taxes are levied. Thus, the county treasurer will collect the first half of TY '17 real property taxes in January 2018. Collection of the second half of TY '17 collections will occur in July 2018. Because school districts use a July 1 to June 30 fiscal year, the timing of tax payments means that revenue from TY '17 levies will be received in the second half of fiscal year (FY) '18 and in the first half of FY '19.



UNDERSTANDING SCHOOL LEVIES

IN CONCLUSION

We hope that this helps you to better understand school levies and the district's need to place a school tax levy on the ballot. The Ohio School Boards Association (OSBA) has developed additional resources to help explain school levies and the legal requirements and safeguards built into the system by the Ohio General Assembly. Please visit <https://tinyurl.com/4ynu2ywz> to view OSBA's Understanding School Levies fact sheet. Please contact OSBA's Division of Legal Services for more information on this subject.



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Ayers Ratliff, Member

The Wellington Exempted Village School District is governed by a five-member Board of Education that provides governance to the district on policy and financial matters.

To contact the Board of Education, email or call individual members.
For general information regarding the district, please call (440) 647-7974.



Back Row: Ayers Ratliff, Philip Mohrman, Kevin Stump
Front Row: Jennifer Kazmierczak, Jessica Reynolds

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