

Since the advent of charter schools, Ohio school districts face the loss of both the state and local per pupil share of the foundation formula whenever a student leaves a local school district and enrolls in a charter school. In FY09, this means that every time a student leaves a public school district, the district loses \$5,720 in foundation funding. Opponents have argued, to no avail, that local tax share of foundation dollars should not follow a student to a charter school. In 2009, \$585,238,079 in state and local taxes went to support charter schools in Ohio (Ohio Department of Education, 2009a). Unless this trend is reversed or levels out, public schools in Ohio will lose over one billion dollars to charter schools within a few years.

Local property tax bases are also being eroded due to property tax exemptions offered to governmental agencies, charities, churches, private schools and colleges. In fact, the second biggest beneficiaries of tax exemptions after schools are businesses. This led Oplinger and Willard (2002) to conclude that, “In Ohio, businesses now get more property tax breaks than God” (p. A1). According to Stabile (2005), exempted real property in Ohio in Tax Year 2003 amounted to \$32.6 billion or 16.59% of the total tax base. Not surprisingly, a study by Levin and Driscoll (2002) showed that Ohio’s tax base has become increasingly reliant upon the residential and agricultural tax payer. In the period from 1990 to 2000, residential and agricultural real property valuation grew from 53% to 61% of total taxable valuation. This trend will be exacerbated by the complete phase out of local inventory valuation taxes by 2017 as mandated in Ohio HB 95 in 2002. Lastly, implementation of the No Child Left Behind (NCLB) Act no doubt has an impact on local property tax payers, if only indirectly. A report by Driscoll and Fleeter (2003) suggested that the cost to implement NCLB would likely reach \$105.4 million annually. In an analysis of the resource costs to states for creating, updating, and minimally complying with standards, assessments, and accountability under current state and federal law, one study found that the real resource costs are in the range of \$6.1-8.5 billion total per year throughout the nation, representing 1.7-1.9 percent of total public education expenditures—nearly six times more than previous estimates have suggested (Harris, Taylor, Levine, Ingle, & McDonald, 2008).

Expanding charter school payments, continuing tax exemptions and abatements by local political jurisdictions, shifting of property valuation from business to individual property tax payers, and the demand of NCLB will continue to put increasing pressure on residential property tax payers in Ohio.

### ***Property Taxes: A Fairer Future?***

Based on the fact that schools and property taxes have a long relationship and that the current school reform measure proposed by Governor Strickland (2009) does little to reduce the reliance on local property taxes to fund schools, it does not appear likely that local property taxes are going away anytime soon. In fact, some would argue that property taxes are a very appropriate way to fund schools. Local property taxes are very stable and taxpayers can see where their money goes and how effectively it is used. In addition, property taxes are not as vulnerable as state funding tend to be in recessionary times. But as critics often point out, there are some problems with relying on property taxes to fund schools. Rising local property taxes can literally tax those with low or fixed incomes out of their homes and a state school funding formula based on local property wealth can contribute to wide disparities in per pupil expenditures across a state.

## ***Practice, Practice, Practice: Property Tax Levy Strategies***

Just as it would appear that property taxes are going to remain a fundamental part of the school funding formula in Ohio, then so too are property tax levies. Interestingly, the policy recommendations in this brief could have a positive impact on local districts' efforts to pass property tax levies. There is some evidence to suggest that senior citizens tend to vote down property tax increases (Gradstein & Kaganovich, 2004). The introduction of property tax circuit breakers and property tax deferral policies could begin to reverse that tendency. Still, while such policies may play a part in helping to pass property tax levies, passing property tax levies will no doubt remain one of the most challenging prospects school districts face. In facing that challenge, there is no magic bullet that guarantees success at the ballot box. However, in a recent study, Johnson (2008) identified twenty-one political strategies employed in successful levy campaigns<sup>1</sup>.

Johnson and Ingle (in press) found the following to be statistically significant strategies for successful campaigns:

- The use of more of these strategies rather than fewer strategies has been found to increase likelihood of levy passage.
- Establish a clear need and a sense of urgency for additional revenue, defining the consequences (positive and negative) of levy passage and failure.
- Limit the public campaign to six weeks prior to the election in order to limit the amount of time the “no” voters can mobilize.
- Use Board of Election databases to identify “yes” voters and better understand the district’s demographics.
- If an initial levy campaign fails after implementing a high profile, high voter turn-out campaign, plan for a second low profile campaign designed to specifically target “yes” voters and rally them to the polls (Johnson, 2008).

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<sup>1</sup>These were: create a clear vision for the district’s future; justify the need; create a sense of urgency; establish an ongoing school-community relation program; use all positive data available; survey constituents; consider the amount requested; consider the timing and length of the campaign; ensure board unity; involve community leaders, staff, and media; educate district staff and students; analyze previous elections; establish a diverse campaign committee; focus on “Yes” voters; disseminate information; focus on the benefits; utilize experts; keep a low administration profile; use technology; avoid controversy; and debrief regardless of the results.

### ***Key Facts about Ohio’s School Funding***

- ↔ Ohio’s educational system ranks sixth in the nation according to the 2009 *Quality Counts Report* (*Education Week*, 2009).
- ↔ The 2009 *Quality County Report* gave Ohio’s school finance system a grade of B- (*Education Week*, 2009).
- ↔ Ohio spends 4.3% of its total taxable resources on education, well above the national average of 3.7%.
- ↔ Funds for schools provided through a combination of local property taxes and state aid (*Education Week*, 2009).
- ↔ Ohio’s tax base has become increasingly reliant upon the residential and agricultural components of taxable property (Levin & Driscoll, 2002).
- ↔ Ohio school districts per pupil expenditures ranged from \$7,197 to \$20,476 (Ohio Department of Education, 2009b).
- ↔ School funding in Ohio has a troubled and often litigated history (Alexander & Alexander, 2009; Hunter, 2000; Maxwell & Sweetland, 2008).
- ↔ From 1994 to 2006, there were 3,422 local school tax issues on ballots in Ohio (Fleeter, 2007, p.1).
- ↔ Ohio school districts can easily get caught in a levy renewal cycle such that renewing limited term levies can become repetitive time consuming events.
- ↔ In November 2007, 55% of renewal operating levies and 54% of the capital levies passed.



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