

Analysis of House Bill 920 and its impact on Ohio Schools

Have you ever wondered why it seems that most of the school districts in the state are asking their community for additional money, or why districts return to their community about every two or three years with a levy request?

The answer has to do with an Ohio law passed in 1976. It is called House Bill 920 (H.B. 920). This law has forced most school districts to ask their local residents for more funds about every three years.

The following information will help you understand the basics of school funding in Ohio, the negative impact that H.B. 920 has had on Ohio schools and why H.B. 920 forces school districts to be on the ballot so often.

The major source of income for most Ohio school districts is a tax on property located within the school district. The local property tax is levied in MILLS. A mill is one thousandth of a dollar. According to the Ohio constitution, all local governments combined can levy only 10 mills without a vote of the people. These are called INSIDE MILLS because they are inside the 10 mill limitation. A local school district typically receives 4.5 of these 10 inside mills. Westerville City Schools receives 3.8 inside mills and other local governments receive the rest.

All mills in excess of 10 have to be approved by the voters. These are called VOTED MILLS. Voted mills are the major source of income for most school districts, but H.B. 920 freezes a school district's income on voted mills. This freeze on school income started in 1976, so the income our school district receives from each levy voted since 1976 was frozen the moment the levy passed. Even when home values increase, a school district's revenue remains the same because of H.B. 920. No revenue increase is permitted for schools, except a one-time increase for new construction, and a small amount of revenue growth on inside mills. For school districts, simply keeping up with day-to-day cost increases is impossible under H.B. 920 and the main reason for their return to taxpayers for additional revenue every few years.

One major factor that makes the impact of H.B. 920 devastating for our schools is INFLATION. Every three years the value of taxable property in the school district is determined by the county auditor. If inflation has caused the value of the property to increase, the auditor cuts the school tax rate so schools do not receive more money. This is called the EFFECTIVE TAX RATE. As inflation drives up the value of property, H.B. 920 prevents schools from collecting more money. However, inflation drives up school costs and, because of H.B. 920, school districts have no way to meet those cost increases caused by inflation.

Allowances for inflation are recognized in other areas of government, but not in education. Government funded by the income tax receives more dollars to operate as incomes increase. Government funded by the sales tax receives more dollars to operate as the cost of items sold increases. The city charter property tax millage is not affected by H.B. 920. Schools are the only governmental entities who do not receive an inflationary increase. With their income on voted mills frozen, where can school districts go to get the funds needed to pay the cost of inflation? Local schools must come to the local taxpayers for additional operating funds.