



## State Cuts Lead to More School Taxes

Thanks to historic cuts in state education funding, Ohio taxpayers have had to increase the amount of local taxes they've had to raise to operate local schools by more than a third since Gov. John Kasich took office, approving \$670 million in new operating levies<sup>1</sup> since May, 2011 – a 34% increase over the same period four years earlier.

### Introduction

Last year we reported that in the two years after Governor Kasich's first two-year budget was introduced – containing cuts to school districts of over \$1.8 billion – Ohio schools responded by going to the ballot to request over \$1.3 billion in new operating money from May, 2011 to May, 2013.<sup>2</sup> Around the same time, the General Assembly enacted Kasich's second two-year budget, this time restoring some of the lost funding for local schools – districts now receive \$515 million less than they did four years earlier<sup>3</sup> – but eliminating the 12.5% property tax rollback enjoyed by Ohio homeowners. As a result, new tax levies are now more expensive for property owners.

Our new analysis seeks to determine the impact of the elimination of the property tax rollback as well as to estimate the impact of new operating levies to taxpayers since our last report.

### New Taxes on the Ballot

According to historical levy data analyzed by Innovation Ohio,<sup>4</sup> there were 498 new money operating levies on the ballot during the three year period after the introduction of the first Kasich budget, compared to 438 during a similar period four years earlier (see table).

Time Period	Number of New Operating Levies	New Operating Money Requested
May 2007 – May 2010	438	\$1.6 billion <sup>5</sup>
May 2011 – May 2014	498	\$1.7 billion
Difference	+60 (up 14%)	\$100 million (up 6%)

1. Innovation Ohio only looked at new money to fund operations because those levies are most directly impacted by state cuts to the operating budgets of local districts. IO did not include new bond issues, nor did it include permanent improvement, replacement or renewal levies because those are not driven by state operating budget cuts. Money for capital projects, such as buildings, cannot be used to fill operating budget shortfalls, and vice versa.

2. Innovation Ohio. *Kasich Cuts Mean \$1.3 Billion in New School Levies Since May, 2011*. April 25, 2013. <http://innovationohio.org/2013/04/25/kasich-cuts-mean-1-3-billion-in-new-school-levies-since-may-2011/>

3. Innovation Ohio. *Final analysis of four-year change in school funding, by district*. July 1, 2013. <http://innovationohio.org/2013/07/01/final-analysis-of-four-year-change-in-school-funding-by-district/>

4. Ohio School Boards Association. *Levy Results Database*. Last viewed June 2, 2013. <http://www.ohioschoolboards.org/school-finance>

5. This amount is an estimate and is likely high because, while the amount raised by property tax levies from 2007-2010 can be calculated by multiplying a levy's millage by how much money a district raises on a mill, income tax levies cannot be so easily figured without being tracked, as IO has been doing since the organization formed in 2011. IO, therefore, assumed that each levy from 07-10 would raise what the average school income tax raises around the state, or a little more than \$1.9 million per district, according to the latest Ohio Department of Taxation [data](#).

In all, these 498 levy attempts asked taxpayers for \$1.7 billion in new money to fund operations – an increase of more than 6% compared with four years earlier.

### Impact to Ohio Taxpayers

Ohio property taxpayers approved \$670 million in new tax dollars to pay for school district operations from May, 2011 to May, 2014, up from \$500 million during the same time frame four years earlier – an increase of 34%.

Time Period	New Operating Taxes Approved
<b>May 2007 – May 2010</b>	\$500 million
<b>May 2011 – May 2014</b>	\$670 million
<b>Difference</b>	+\$170 million (up 34%)

### Effect of Rollback Elimination

The November 2013 general election represented the first time that the State would no longer pick up 12.5% of the cost of new operating levies.<sup>6</sup> As a result, we estimate that homeowners are now paying over \$10 million more than they would have had Kasich and his legislative allies not eliminated that form of property tax relief.<sup>7</sup>

Election	Additional Annual Taxes Ohio Homeowners Now Pay Due to Rollback Elimination
<b>November 2013 General</b>	\$8.4 million
<b>February 2013 Special &amp; May 2014 Primary</b>	\$1.9 million
<b>Total</b>	\$10.3 million

### Conclusion

What the school levy data indicate is that state cuts to school funding have had real, significant impacts on the amount of new taxes Ohio taxpayers have had to absorb. In addition, with the decision to eliminate the property tax rollback, residents of many Ohio communities are seeing their tax bills increase by even more than they would have otherwise. All this is the result of a failure to completely restore education funding cuts so that that Gov. Kasich and his allies can give more tax breaks to the wealthiest in our state. The state should look beyond these tax breaks for the rich and consider using future surplus funds to relieve the burden of paying for schools on homeowners. After all, that's what the Ohio Supreme Court has ordered the state's leaders to do four times.

6. Jim Provance. "[Ohio cancels property tax rollback.](http://www.toledoblade.com/Politics/2013/07/29/Ohio-cancels-property-tax-rollback.html)" *Toledo Blade*. July 29, 2013.  
<http://www.toledoblade.com/Politics/2013/07/29/Ohio-cancels-property-tax-rollback.html>

7. IO estimated this cost by calculating what a homeowner in a home of median value in the school district would have paid for the levy with the rollback, compared to what that homeowner will pay now that the rollback is gone. This amount was multiplied by the number of owner-occupied homes in that school district, according to U.S. Census data. The actual amount is likely to be greater as homeowners are not the only property owners responsible for the additional cost of new levies, and the state eliminated the rollback for all property taxpayers.