

**Governor Strickland's Budget and  
Medina County Schools Sales Tax Issue  
A COMPARATIVE REVIEW**

Governor Strickland announced on March 14<sup>th</sup> that he wants to increase the state share of school funding in the next two years to 54 percent, as well as provide local property tax relief in keeping with the intent of the Ohio Supreme Court *DeRolph* decision. For the State of Ohio in general, that is welcome news of a potential win-win: a win for the lucky school districts that will see increased state funding and a win for the senior/disabled homeowners that could see an actual reduction in their annual property taxes.

For Medina County students and property owners, however, the win-win will be neither generally experienced nor long term if the county depends solely upon the State of Ohio. Analysis of the Governors Education Budget on the individual school districts in Medina County reveals a systematic decline in state support per student, a continued over-reliance on local property taxes, and disparate educational opportunities for the school districts that educate most of the students in Medina County.

It is certainly a laudable policy goal to reduce the property tax burden on those in our communities most vulnerable and living on fixed incomes; i.e., seniors and disabled. Governor Strickland's Education Budget proposed expansion of the homestead exemption is imaginative and promising. I have no doubts that the general public would agree that it should be pursued with all vigor. But unfortunately, unless there is a shift away from property taxation as the primary means to fund local education, the consequences to the remaining local property taxpayers are rather ominous.

The Governors' Executive Budget hints of political implications that could actually exacerbate a generational divide in our communities. As the Budget Analysis suggests, "...by providing senior citizens with additional tax relief when local voters approve additional millage, the enhanced homestead exemption should result in fewer levies appearing on local ballots, as the levy success rate improves." *Executive Budget for FYs 2008 and 2009*, page D-6. To many citizens, fewer levies on local ballots mean little if local property taxes continue to rise. Increasing levy success rates would generally mean higher property taxes for those not eligible for the enhanced homestead exemption; i.e., homeowners under 65 and local businesses.

If local taxes are going to be required to fund education, the answer is a shift away from property taxes. The Medina County Schools Sales Tax is part of the answer for Medina County students and property owners. The following *Discussion Paper* details portions of the Executive Budget that relate to these points and provides a context to understand how students being educated in Medina County School Districts will benefit from the proposed Medina County Sales Tax.

The following table entitled, "Summary Comparison Of Schools Sales Tax To Executive Budget," demonstrates the significant contrast between the two in meeting specific public policy goals. The intent of the comparison is not to challenge the statewide benefits from the Governor's proposed Budget. The Governor has provided a GOOD START to the changes needed at the state level. However, the comparison shows that for Medina County, the proposed Schools Sales Tax for Permanent Improvements is BETTER. The conclusion we believe is that the BEST solution for the State of Ohio and Medina County will be both. They are not mutually exclusive and are both exceedingly preferable to a status quo in education funding.

<b>COMPARISON OF SCHOOLS SALES TAX TO GOVERNOR'S EXECUTIVE BUDGET</b>				
<b>GOALS FOR MEDINA COUNTY SCHOOL DISTRICTS</b>	<b>Governor Ted Strickland Executive Budget for FYs 2008 and 2009</b>			<b>Medina County Commissioners</b>
	<b>Funding Our Future</b>	<b>Supporting Our Seniors</b>	<b>Rebuilding Ohio's Schools Plan*</b>	<b>Schools Sales Tax</b>
Reduce reliance on local property tax for seniors & disabled	NO	Yes	*Yes/No	Yes
Reduce reliance on local property tax for all property owners	NO	NO	*Yes/No	Yes
Per student increased funding for operating expenses	Yes for 4 districts/ No for 3 districts***	NO	NO	Yes* *
Per student increased funding for new textbooks, school busses, computers	Yes for 4 districts/ No for 3 districts***	NO	NO	Yes
Per student increased funding for building renovations	NO	NO	*Yes/No	Yes
Per student increased funding for new construction	NO	NO	*Yes/No	Yes
Per student increased funding for technology infrastructure upgrades	NO	NO	*Yes/No	Yes
Per student increased funding for other permanent improvements	NO	NO	*Yes/No	Yes

\* Yes/No = By 2012 county schools will qualify for some funding; no local school is currently ranked sufficiently to qualify for proposed funding; local match is still required.

\*\* For Districts currently using operating levies for permanent improvements

\*\*\* No increase in per student \$ for districts educating 61.4% of all Medina County Students

**Executive Budget for FYs 2008 and 2009**

Excerpt from “Special Analysis: Funding Our Future, Supporting Our Seniors”

**School Funding**

“The Executive Budget increases per pupil funding, or base cost, from \$5,403 in fiscal year 2007 to \$5,565 in fiscal year 2008 and to \$5,732 in fiscal year 2009. This is a three percent increase in each fiscal year (Table D-1), which is the largest increase in base cost since fiscal year 2003. This investment increases the state’s foundation formula share from 44.8 percent in the current fiscal year to 47.5 percent for fiscal year 2008 and 48.0 percent in fiscal year 2009, again, the largest state share investment since fiscal year 2003. Additionally, the proposal includes a 3.0 percent increase in the hourly rate for the building blocks program allowing schools to provide the needed academic interventions to increase student success.

The Executive Budget will increase funding for 311 school districts in fiscal year 2008 and 371 districts in fiscal year 2009.” *Executive Budget for FYs 2008 and 2009*, page D-9

**How will Medina County Schools benefit?**

Unfortunately, for most Medina County students, they live in the wrong districts to see the majority of the increases proposed by the Executive Budget. The budget’s major increases to education are directed primarily to Ohio’s urban and rural school districts by increasing the state support for the Poverty Based Assistance (PBA) and Parity Aid programs while including both within the basic aid calculation. Over 97% of the students attending Medina County schools don’t live in a district that fall within either of those two classifications. Further complicating the matter, while the Statewide average per Pupil funding is increasing, the state is reducing the Cost of Doing Business Factor (CDBF) from 3.573% in FY 2006 to 1.7877% in FY 2007 and 0.0% in FY 2008 for Medina County. This means any increase in Basic Aid for a Medina County district is offset by a decline in the CDBF adjustment to Basic Aid. Table 1 shows the net effect for each Medina County school district when all of the adjustments are made.

**TABLE 1**

<b>FY2007-2008 Executive Budget Proposal: District Projections for the Foundation Program</b>					
<b>District Name</b>	<b>Total State Aid</b>			<b>Total State Aid % Change</b>	
	<b>FY07</b>	<b>FY08</b>	<b>FY09</b>	<b>FY07-08</b>	<b>FY08-09</b>
<b>Black River Local SD</b>	7,401,904	7,733,722	8,160,625	4.50%	5.50%
<b>Brunswick City SD</b>	21,892,422	22,162,079	22,162,079	1.20%	0.00%
<b>Buckeye Local SD</b>	4,432,007	4,432,007	4,432,007	0.00%	0.00%
<b>Cloverleaf Local SD</b>	9,980,499	9,980,499	9,980,499	0.00%	0.00%
<b>Highland Local SD</b>	4,467,008	4,467,008	4,702,735	0.00%	5.30%
<b>Medina City SD</b>	16,919,854	16,919,854	16,919,854	0.00%	0.00%
<b>Wadsworth City SD</b>	14,771,890	15,296,242	16,039,750	3.50%	4.90%

**Source: Ohio Office of Budget and Management**

For 2007-08 budget year, four of the seven major districts will not see an increase. Using this analysis in combination with current school enrollment numbers can better assess the proportional impact of the proposed budget. As presented in Table 2 below, the largest districts in the county see little or no gains in state aid to school funding.

**TABLE 2**

District	School Enrollment *		Total State Aid % Change FY 07-08	Total State Aid % Change FY 08-09
	Medina County Number	% of County Total		
Black River Local SD**	746	2.6%	4.50%	5.50%
Brunswick City SD	7,134	25.2%	1.20%	0.00%
Buckeye Local SD	2,266	8.0%	0.00%	0.00%
Cloverleaf Local SD	3,173	11.2%	0.00%	0.00%
Highland Local SD	2,967	10.5%	0.00%	5.30%
Medina City SD	7,264	25.7%	0.00%	0.00%
Wadsworth City SD	4,752	16.8%	3.50%	4.90%
<b>Total</b>	<b>28,302</b>	<b>100.0%</b>		

\* As measured by Average Daily Membership (SF-3 June 2006)

\*\* Medina County Students Only

**TABLE 3**

Proportion of Medina County Students	First year	Second Year
County Students in District Seeing NO Increase	55%	70%
County Students in District Seeing Increase	45%	30%

More specifically, as summarized in Table 3 over 55% of Medina County students are in districts that will see no increase in the first year of the Governors budget. That proportion of disallowed students rises to over 70% of the total county student population in the following fiscal year.

Why? This can simply be explained by the disparity created in the method used to calculate how the state ranks funding of schools. State funding for schools is calculated using a complex formula. The

**TABLE 4**

STATE REVENUE PER PUPIL					
DISTRICT	Ranking Out of 612 Districts				
	FY05 Rank	FY06 Rank	Rank FY07	Rank FY 08	Rank FY09
Black River Local SD	223	225	229	237	249
Brunswick City SD	394	403	426	436	449
Buckeye Local SD	523	527	526	530	533
Cloverleaf Local SD	419	414	411	411	417
Highland Local SD	570	571	563	570	573
Medina City SD	487	481	500	507	516
Wadsworth City SD	391	383	422	422	419

amount and type of funding a district receives from the state is determined by factoring a number of variables including: real property valuations in district, number of impoverished families, costs of doing business, and other various factors. Table 4 demonstrates how our districts rank among the 612 districts throughout the state. The trend from FY 2005 to projected FY 2009 for most of the districts is one of declining rank, thereby exacerbating the competition for money from the state.

The rankings really only hint at the full story. The true measure of state support is the number of dollars per student attributable to each district.

School Districts in Medina County will continue to receive state funding on a per pupil basis that is substantially less than the state average. In fact, as the average grows for the state over the next two fiscal years, Medina County schools will fall further and further behind in per pupil state aid. In some cases, such as Medina, Brunswick, and Highland Schools the actual number of dollars per student in total state aid is projected to go down. This means no increase in state aid per student for districts educating 61.4% of all Medina County Students.

**TABLE 5**

FY2007-2008 Executive Budget Proposal: District Projections	Per Pupil State Aid			Variance from Per Pupil State Average		
	District Name	FY07	FY08	FY09	FY07	FY08
Black River Local SD	4,507	4,612	4,771	-896	-953	-961
Brunswick City SD	3,129	3,117	3,069	-2,274	-2,448	-2,663
Buckeye Local SD	2,053	2,069	2,086	-3,350	-3,496	-3,646
Cloverleaf Local SD	3,249	3,311	3,376	-2,154	-2,254	-2,356
Highland Local SD	1,478	1,413	1,425	-3,925	-4,152	-4,307
Medina City SD	2,343	2,312	2,283	-3,060	-3,253	-3,449
Wadsworth City SD	3,171	3,239	3,352	-2,232	-2,326	-2,380
<b>State Average</b>	<b>5,403</b>	<b>5,565</b>	<b>5,732</b>	<b>0</b>	<b>0</b>	<b>0</b>

Source: Ohio Office of Budget and Management

---

**Executive Budget for FYs 2008 and 2009**

Excerpt from “Special Analysis: Funding Our Future, Supporting Our Seniors”

**Increasing Funding for K-12 School Facilities**

“The Executive Budget proposes using approximately 44 percent (\$2.20 billion) of the net proceeds (from Tobacco Settlement securitization) to fully fund, on a present value basis, all of the funding currently allocated by ORC Section 183.02 to the Education Facilities Trust Fund and the Education Facilities Endowment Fund for fiscal years 2008-2025. Those dollars would be allocated for use by the School Facilities Commission to provide financial assistance to local school districts across the State for the acquisition and construction of K-12 school facilities.” *Executive Budget for FYs 2008 and 2009*, page D-17

---

**Ohio School Facilities Commission**

“In accordance with the Ohio Revised Code, the Ohio Department of Education annually ranks all public school districts within the state based upon their (adjusted) valuation per pupil. The Ohio School Facilities Commission is required by law to offer funding to these districts with the priority based on their listing. Districts with the lower numbers are considered the least property wealthy and have the highest priority for funding.” *School Facilities Eligibility Ranking List, Fiscal Year 2007*

The state-funding share is dependent on the district’s assessed property valuation per pupil, meaning that the district taxpayers will pay a local share or percentage of the total project cost. The Medina County Schools Sales Tax annual revenue grants could help provide the local share for any school

district that eventually participates in an Ohio School Facilities Commission program. However, given the relatively low rank that most of the Medina County districts fall in the eligibility list (See Table 6) it will probably be some time before funds from the Tobacco Settlement securitization net proceeds find their way to Medina County. Under the Executive Budget proposal, Medina County schools will eventually obtain state funding to help acquire and construct K-12 facilities, but that will still require a significant amount of local taxpayer dollars to complete the future building projects.

**TABLE 6**  
**Ohio School Facilities Commission**

DISTRICT	FY07 RANK out of 612 Districts
<b>Black River Local SD</b>	250
<b>Brunswick City SD</b>	397
<b>Buckeye Local SD</b>	524
<b>Cloverleaf Local SD</b>	421
<b>Highland Local SD</b>	540
<b>Medina City SD</b>	487
<b>Wadsworth City SD</b>	387

Districts that have not yet reached eligibility for funding through these programs, such as Buckeye Local School District, can proceed with needed facilities work through the Expedited Local Partnership Program (ELPP). In this program, districts proceed with a discrete portion of their Master Facility Plan, such as a new elementary school, and receive credit toward their local share of some future project, once they eventually become eligible for a funded program. Buckeye Local is the only district in Medina County currently participating in this program.

**The Schools Sales Tax will help address some of the inequities identified by the Ohio Supreme Court – every school district will get the same amount per student for permanent improvements regardless of their local property valuations or household wealth.**

- The Ohio Supreme Court noted in the *DeRolph* Case the effects of unequal distribution of property wealth throughout the state. Districts that have more property wealth generate more local revenue than do poorer districts. Therefore, over reliance on property taxes has led to disparate educational opportunities in these property poor districts.

**THE SALES TAX WILL BE DISTRIBUTED EQUALLY AMONG THE SCHOOLS DISTRICTS ON A PER STUDENT BASIS**

- **CONCLUSION:** The state funding formula for public school districts makes a considerable distinction between high property wealth districts and low property districts even in the same county. The Strickland Education Budget continues the historical bias of the foundation formula. State aid to the districts is still not based upon the actual cost to educate a student, but rather upon the property and personal wealth of the district.
- **HOW COUNTY SALES TAX WILL HELP:** The schools sales tax revenues distribution proposed won't discriminate between districts in Medina County. Rich or poor districts in Medina County will receive the same money per student, regardless of their property tax valuations, household incomes, or real estate assessments. Ultimately, it will reduce reliance on local property tax for all property owners.