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Education Tax Policy Institute

Analysis of Ohio School
District Operating Levies
From 1994 through 2006

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Prepared by
Dr. Howard Fleeter
Driscoll & Fleeter

for the

Education Tax Policy Institute
8050 North High Street Suite 100
Columbus, OH 43235
614-540-4000

I. Introduction: Ohio's Many Types of School Operating Levies

Ohio utilizes voter approved tax levies to support public schools to a greater extent than any other state in the nation. These levies can be for operating purposes, capital improvements, or the construction and repair of buildings through bond issues. This paper analyzes Ohio's recent experience with operating levies. Future analyses will focus on capital improvement property and income tax levies and property tax bond levies.

The state of Ohio allows for a myriad of levy types that school districts can choose to place before voters. In fact, the Ohio Department of Education's levy summaries currently show 32 different types of school levies that can be utilized. While this is certainly a dizzying array of options, the main operating levy types used by Ohio school districts can be grouped as follows:

- Continuing Property Tax Levies
- Term Limited Property Tax Levies
- Emergency Property Tax Levies
- School District Income Tax Levies

Continuing property tax levies are what most citizens think of as "regular" school levies. They are measured in "mills" (one tenth of a percent), with the millage rate applied to the property wealth in the school district. Once approved, these levies last indefinitely into the future. Unlike virtually every other state, the millage rate for Ohio's continuing property tax levies does not typically remain at the voted level. This is because H.B. 920, legislation enacted by the General Assembly in 1976 and codified in the state constitution by amendment in 1980, "rolls back" millage rates in response to inflationary increases in district property wealth resulting from periodic property reappraisal. The erosion of voted millage rates over time in many districts (caused by H.B. 920) is the primary reason that Ohio relies more heavily on local school levies than other states. In order to help counteract the effects of H.B. 920, school districts are allowed to ask voters to approve replacement continuing property tax levies that restore the millage rate to the level originally approved when the levy was first enacted.

Term limited property tax levies work exactly like continuing property tax levies except that they can be approved only for a period of 1-5 years. As is the case with continuing property tax levies, term limited property tax levies are subject to the effects of H.B. 920. An expiring term limited levy can either be replaced or renewed. A replacement term limited property tax levy will restore the millage rate to that initially approved by voters, counteracting to some degree the effects of H.B. 920. A renewal term limited property tax levy will continue the levy at whatever rate is in effect at the time the levy expires.

Emergency property tax levies differ from continuing and term limited property tax levies because these levies ask voters to approve a fixed dollar amount rather than a specific millage amount. Once approved, the millage rate for an emergency levy will fluctuate from year to year based on the total property wealth in the school district. If property wealth increases from one year to the next (as is typically the case), then the millage rate will automatically decrease (the opposite is true if district property wealth happens to decrease). The provisions of H.B. 920 do not apply to emergency levies. Emergency levies can only be approved for a period from 1-5 years. Upon expiration, emergency levies can be renewed for a period of 1-5 years for the same dollar amount as originally approved.

School district income tax levies represent another area where Ohio is relatively unique among the 50 states. Iowa and Pennsylvania are the only 2 states besides Ohio to utilize local income taxes for K-12 education to any significant degree. School district income taxes originally applied to both the earned and unearned income of district residents. Individuals who work in the school district but live elsewhere are not subject to this tax. In 2005, the legislature created a second type of school district income tax that applies only to the earned income of district residents. The provisions of H.B. 920 do not apply to either type of school district income tax. School district

income taxes can be approved either for a continuing period of time or for specific number of years (typically 3-5 years). A term limited school district income tax can be renewed upon its expiration.

All of the levies described above can be placed on the ballot in any of the 4 elections (February, May, August, November) that Ohio holds each year (note, however, that in recent Presidential election years Ohio has not held a February election).

The appendix to this report provides a summary of the operating levy options discussed above.

II. Operating Levy Data Analysis Overview

The Ohio Department of Education, Division of School Finance, prepares a levy summary sheet along with the results of each levy by school district after each of Ohio's 4 annual election dates. These levy summaries and district-by-district results, along with additional corroborating information from the Ohio Department of Taxation and the Secretary of State's Local Issues Summary (available on their website), provide the basis for the data analysis in this paper. Inconsistency in the categorization of levies from year to year, particularly with regard to new vs. renewal limited property and income tax levies, limits the completeness of the analysis. Inconsistencies were also uncovered with regard to levies being continuing or term limited. In addition, in the years 2003, 2004, 2005 and 2006, 48 levies were found to be incorrectly coded by ODE as "Current Expense" levies. In all cases, the best efforts have been made to compile accurate data.

JVS levies are included in the overall totals reported here. These levies are discussed in more detail in Section VI of this report.

Table 1 on the following page summarizes the number of issues on the ballot and the passing rate of Ohio's school district operating levies from February 1994 through November, 2006. Table 1 contains data that summarizes operating levy activity by type of levy and also by which of the four yearly elections the levies were placed on the ballot. The levy types included in Table 1 are Emergency levies, Continuing Operating levies, Term-Limited Operating levies and School District Income Tax levies. Note that Income Tax levies placed on the ballot in conjunction with Bond or Permanent Improvement levies have been excluded from this analysis. The following background information about school operating levies in Ohio can be discerned from Table 1:

- From February 1994 through November 2006 there were a total of 3433 operating levies in Ohio, 1876 of which (54.6%) passed.
- The above total implies that Ohio has averaged 264 operating levies per year over the last 13 years.

In addition to the levies included in the above total, there were 24 Property Tax Phase-in levies placed on the ballot from 1994-2006 (8 of which passed), as well as 4 Combined Municipal/School District Income Tax issues (2 of which passed). Because of the comparatively low utilization of these levies, they have been omitted from the analysis in Table 1, though they will be discussed in subsequent tables of this paper. Including these two types of levies in the levy totals would raise slightly the average number of operating levies over the past 13 years to 266 and very slightly lower the passage rate to 54.5%.

In addition, 50 Millage Reduction levies were placed on the ballot from 1994-2006, with 19 of these issues placed on the ballot in the November 2005 election and 12 in the November 2006 election. Because of the unique and complicated nature of these issues, they are discussed separately in Section VII. of this paper.

Table 1: Summary of School Tax Operating Levy Results – 1994 to 2006

	Number of Levies 1994-2006	Number Passing 1994-2006	% Passing 1994-2006
Total School Operating Levies*	3433	1876	54.6%
February Levies	207	105	50.7%
May Primary Levies	1441	846	58.7%
August Levies	336	123	36.6%
November Levies	1449	802	55.3%
Emergency Property Tax Levies	1372	804	58.6%
Continuing Property Tax Levies	747	342	45.8%
Term Limited Property Tax Levies	780	528	67.7%
Income Tax Levies	534	202	37.8%
New Property & Income Tax Levies	2292	925	40.4%
New Emergency Levies	714	241	33.8%
New Continuing Levies	681	308	45.2%
New Term Limited Levies	430	224	52.1%
New Continuing Income Tax	173	41	23.7%
New Term Limited Income Tax	261	102	39.1%
New Continuing Earned Income Tax	13	4	30.8%
New Term Limited Earned Income Tax	20	5	25.0%
Renewal and Replacement Levies	1141	951	83.3%
Emergency Levy Renewals	658	563	85.6%
Continuing Levy Replacements	66	34	51.5%
Term Limited Levy Renewals	225	214	95.1%
Term Limited Levy Replacements	125	90	72.0%
Term Limited Income Tax Renewals	67	50	74.6%
Continuing Property & Income Tax	933	387	41.5%
Continuing Property Tax Levies	747	342	45.8%
Continuing Income Tax Levies	173	41	23.7%
Continuing Earned Income Tax Levies	13	4	30.8%
Term Limited (incl. Emergency) Levies	2500	1489	59.6%
Emergency Property Tax Levies	1372	804	58.6%
Limited Property Tax Levies	780	528	67.7%
Limited Income Tax Levies	328	152	46.3%
Limited Earned Income Tax Levies	20	5	25.0%

* Not included in these totals are 51 Millage Reduction levies, 24 Phase-in Property Tax levies, and 4 Combined Municipal/School Income Tax levies, all of which have been excluded because of the small number of initiatives or the unique nature of the type of levy.

III. Summary of Levy Results 1994-2006

The top four rows of Table 1 show the passage rate of operating levies in each of the 4 yearly elections in Ohio. These findings are summarized as follows:

- Operating levies in Ohio are most likely to pass when placed on the ballot in either the May Primary (58.7%) or November General elections (55.3%).
- Operating levies are less likely to pass if placed on the ballot in February Special elections (50.7%).

- Operating levies are least likely to pass (by a considerable margin) when on the ballot in August Special elections (36.6%).

While the difference in operating levy passage rates may be a result of a higher percentage of anti-levy voters among the lower voter turnout typical of the special elections, it may also be due to the fact that the February and August ballots tend to be comprised more heavily of levy types with a lower success rate than the levies on the ballot in the May and November elections.

Since Ohio allows so many different types of tax levies, it is also instructive to examine the usage and passage rates of these different levies. Table 1 reveals the following:

- Emergency Property Tax levies pass at a rate of nearly 60%
- Term Limited Property Tax levies pass roughly two thirds of the time (67.7%)
- Continuing Property Tax levies are shown to pass at a rate of roughly 46%, and
- School District Income Tax levies pass at a rate of roughly 38%.

However, each of these 4 main levy types can be placed before the voters in more than one format. Continuing property tax levies can be “new” or “replacement”, emergency levies can be “new” or “renewal”, term limited property tax levies can be “new”, “renewal”, or “replacement”, and school district income tax levies can be continuing, new term limited or renewals of term limited levies.

Consequently, it makes sense to next group Ohio operating levies according to whether they are new levies or renewals/replacements and also according to whether they are to be continuing levies or to only remain in effect for a finite period of time. Each of these distinctions is expected to affect voters’ willingness to approve the levies placed before them by school boards. Table 1 clearly demonstrates the following trends:

- In aggregate, renewal and replacement levies are more than twice as likely to pass (83.3%) than are new income and property tax levies (40.4%).

This pattern also holds true when each of the 4 main levy types (Emergency, Continuing Property Tax, Term Limited Property Tax, and School District Income Tax) is examined individually:

- Emergency renewal levies pass at a rate of 85.6% while new emergency levies pass at a rate of 33.8%.
- Term limited property tax renewals pass at a 95.1% rate, term limited property tax replacements pass at a rate of 72.0%, and new term limited property levies pass at a rate of only 52.1%.
- Term limited income tax renewal levies are approved at a rate of 74.6% while new term limited income tax levies are approved at a rate of only 39.1%. (These figures only include “traditional” income tax levies not the new “earned” income tax levies.)
- Replacement continuing property tax levies are approved at a rate of 51.5% while new continuing property levies pass only 45.2% of the time.

Finally, Table 1 reveals the following 2 trends:

- Voters are roughly 50% more likely to approve term limited and emergency levies (59.6%), whether new or renewal/replacement, than they are to approve continuing income and property tax levies (41.5%).
- School district income tax levies, whether new or renewal, term limited or continuing, are less likely to pass than are comparable property tax levies.

IV. Analysis of Levy Results by Year

Table 2 of this paper summarizes the number and type of operating levies placed before Ohio voters each year from 1994 through 2006.

**Table 2: Number and Type of School Operating Tax Levies by Year:
1994 to 2006**

Levy Type	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	1994-2006
Emergency New	66	66	32	29	19	36	27	27	31	63	131	117	70	714
Emergency Renewal	54	43	60	49	59	40	53	39	41	48	58	58	56	658
Continuing New	99	96	73	41	25	26	36	29	42	49	78	47	40	681
Continuing Replacement	1	1	2	3	1	11	6	6	2	6	13	6	8	66
Term Limited New	65	62	69	65	25	21	11	10	15	20	36	21	10	430
Term Limited Renewal	0	0	0	0	12	20	39	30	28	23	25	28	20	225
Term Limited Replacement	0	15	12	14	9	6	6	10	13	17	11	7	5	125
Income Tax Continuing New	17	10	19	5	5	11	10	7	8	14	26	27	14	173
Income Tax Term Limited New	28	27	11	18	15	10	12	7	8	24	41	36	24	261
Income Tax Term Limited Renewal	0	0	0	0	1	4	14	4	10	6	14	7	7	67
Earned Income Continuing New												4	9	13
Earned Income Term Limited New												3	17	20
Total # of Levies	330	320	278	224	171	185	214	169	198	270	433	361	280	3433
Number of Levies Passing	162	168	153	132	112	117	149	109	121	145	186	178	144	1876
Levy Success Rate	49.1%	52.5%	55.0%	58.9%	65.5%	63.2%	69.6%	64.5%	61.1%	53.7%	43.0%	49.3%	51.4%	54.6%

The bottom three rows of Table 2 summarize the total number of operating levies, the number passing, and the levy success rate for each of the 13 years from 1994 through 2006. There are three notable trends apparent from examining these figures:

- From 1994 through 1998, the number of operating levies on the ballot decreased each year, while the passage rate increased each year.
- From 2001 through 2004, the number of operating levies on the ballot increased each year, while the passage rate decreased each year.

- From 1998 through 2002, when the number of levies on the ballot was lowest (214 levies or less each year), the passage rate was highest (over 60% each year). In contrast, the passage rate was the lowest in the three years with the most levies on the ballot (1994, 2004, and 2005).

The data in Table 2 clearly demonstrate that there is an inverse relationship between the number of operating levies on the ballot and the likelihood of levies gaining voter approval. More analysis is necessary to determine whether there is a causal relationship between the number of levies and the passage rate, and if so, which direction is the causality running. For example, are there fewer levies in 2001 (169) than in 2004 (433) because the passing rate is higher (69.6% vs. 43.0%) and there is less need to go back to the voters again and again? Or is the passing rate higher in 2001 because school districts are more conservative about placing levies before voters and therefore are more successful when they do?

The data in the rightmost column of Table 2 show the total number of levies of each type from 1994 through 2006.

- Of the 3433 operating levies on the ballot, 714 were new Emergency levies and 658 were renewals of Emergency levies. Together these two categories comprise 40.0% of operating levies on the ballot.
- 681 of the levies (19.8%) were new continuing property tax levies and 430 of the levies (12.5%) were new term limited property tax levies.
- Together, these 4 levy types comprise 2483 (72.3%) of all of the operating levies on the ballot from 1994 through 2006.

V. Analysis of Levy Results by Type of Levy

Tables 3-6 provide more detailed information about each of the 4 main types of operating levies utilized by Ohio school districts.

Table 3 provides the number and passing rate of Emergency levies for each year from 1994 through 2006.

Table 3: Number and Success of Emergency Property Tax Levies, 1994-2006

Year	New Emergency Levies			Emergency Renewals			All Emergency Levies		
	#	Pass	%	#	Pass	%	#	Pass	%
1994	66	28	42.4%	54	42	77.8%	120	70	58.3%
1995	66	23	34.8%	43	37	86.0%	109	60	55.0%
1996	32	17	53.1%	60	51	85.0%	92	68	73.9%
1997	29	9	31.0%	49	45	91.8%	78	54	69.2%
1998	19	8	42.1%	59	49	83.1%	78	57	73.1%
1999	36	17	47.2%	40	34	85.0%	76	51	67.1%
2000	27	10	37.0%	53	48	90.6%	80	58	72.5%
2001	27	13	48.1%	39	36	92.3%	66	49	74.2%
2002	31	10	32.3%	41	39	95.1%	72	49	68.1%
2003	63	24	38.1%	48	39	81.3%	111	63	56.8%
2004	131	32	24.4%	58	47	81.0%	189	79	41.8%
2005	117	32	27.4%	58	51	87.9%	175	83	47.4%
2006	70	18	25.7%	56	45	80.4%	126	63	50.0%
1994-2006	714	241	33.8%	658	563	85.6%	1372	804	58.6%

The main results from Table 3 can be summarized as follows:

- The total number of emergency levies (both new and renewal) passed from 1994 through 2006 was 804. This represents 42.9% of the 1876 operating levies passed during this time period.
- In the entire 13 year time period analyzed here, 1996 (53.1%) was the only year in which new Emergency levies passed at more than a 50% rate.
- In the entire 13 year time period analyzed here, 1994 (77.8%) was the only year in which renewal Emergency levies passed at less than an 80% rate.

Table 4 provides the number and passing rate of Continuing Property Tax levies for each year from 1994 through 2006.

Table 4: Number and Success of Continuing Property Tax Levies, 1994-2006

Year	New Continuing Levies			Continuing Replacement			All Continuing Levies		
	#	Pass	%	#	Pass	%	#	Pass	%
1994	99	37	37.4%	1	0	0.0%	100	37	37.0%
1995	96	46	47.9%	1	1	100.0%	97	47	48.5%
1996	73	25	34.2%	2	2	100.0%	75	27	36.0%
1997	41	15	36.6%	3	2	66.7%	44	17	38.6%
1998	25	16	64.0%	1	0	0.0%	26	16	61.5%
1999	26	12	46.2%	11	7	63.6%	37	19	51.4%
2000	36	19	52.8%	6	6	100.0%	42	25	59.5%
2001	29	12	41.4%	6	5	83.3%	35	17	48.6%
2002	42	22	52.4%	2	2	100.0%	44	24	54.5%
2003	49	26	53.1%	6	2	33.3%	55	28	50.9%
2004	78	31	39.7%	13	2	15.4%	91	33	36.3%
2005	47	23	48.9%	6	3	50.0%	53	26	49.1%
2006	40	24	60.0%	8	2	25.0%	48	26	54.2%
1994-2006	681	308	45.2%	66	34	51.5%	747	342	45.8%

The main results from Table 4 can be summarized as follows:

- The total number of continuing property tax levies (both new and replacement) passed from 1994 through 2006 was 342. This represents 18.2% of the 1876 operating levies passed during this time period.
- The passage rates for continuing property tax levies (both new and replacement) fluctuated widely from year to year. For example, new continuing property levies passed at a rate of 36.6% in 1997 and at 64.0% just one year later in 1998. Similarly, the passage rate for new continuing levies was 39.7% in 2004 and 60.0% just two years later in 2006.
- The passage rate for replacement property levies varied even more widely, in large part because of the relatively small number of issues on the ballot in any given year.

Table 5 on the following page provides the number and passing rate of Term Limited Property Tax levies for each year from 1994 through 2006.

Table 5: Number and Success of Term Limited Property Tax Operating Levies, 1994-2006

Year	Term Limited New			Term Limited Renewal			Term Limited Replace			All Term Limited Levies		
	#	Pass	%	#	Pass	%	#	Pass	%	#	Pass	%
1994	65	44	67.7%							65	44	67.7%
1995	62	30	48.4%				15	14	93.3%	77	44	57.1%
1996	69	42	60.9%				12	9	75.0%	81	51	63.0%
1997	65	39	60.0%				14	11	78.6%	79	50	63.3%
1998	25	13	52.0%	12	10	83.3%	9	7	77.8%	46	30	65.2%
1999	21	9	42.9%	20	19	95.0%	6	6	100.0%	47	34	72.3%
2000	11	9	81.8%	39	38	97.4%	6	6	100.0%	56	53	94.6%
2001	10	4	40.0%	30	28	93.3%	10	3	30.0%	50	35	70.0%
2002	15	5	33.3%	28	26	92.9%	13	6	46.2%	56	37	66.1%
2003	20	7	35.0%	23	20	87.0%	17	11	64.7%	60	38	63.3%
2004	36	11	30.6%	25	25	100.0%	11	7	63.6%	72	43	59.7%
2005	21	9	42.9%	28	28	100.0%	7	6	85.7%	56	43	76.8%
2006	10	2	20.0%	20	20	100.0%	5	4	80.0%	35	26	74.3%
1994-2006	430	224	52.1%	225	214	95.1%	125	90	72.0%	780	528	67.7%

The main results from Table 5 can be summarized as follows:

- The total number of term limited property tax levies (new, renewal, and replacement) passed from 1994 through 2006 was 528. This represents 28.1% of the 1876 operating levies passed during this time period.
- Term limited property tax renewal levies never passed at a rate lower than 83% from 1998 through 2006 (the only years for which data on these levies was available).
- The passage rates for new term limited property levies and replacement term limited property levies varied widely over the 13 year time frame. New term limited levies passed at a rate of nearly 82% in 2000 and at a rate of just 20% in 2006. The variation in passage rates for replacement term limited levies was even wider.

Table 6 on the following page provides the number and passing rate of “Traditional” School District Income Tax levies for each year from 1994 through 2006. The new Earned Income Tax Levy option authorized by the General Assembly in 2005 is discussed in section VIII later in this report. The main results from Table 6 can be summarized as follows:

- The total number of school income tax levies (new continuing and term limited, and term limited renewals) passed from 1994 through 2006 was 193. This represents only 10.3% of the 1876 operating levies passed during this time period. When the 9 Earned income tax levies passed in 2005 and 2006 are included, this percentage increases to 10.8%.
- Overall, renewals of term limited income tax levies passed at the highest rate (74.6%) and new continuing income tax levies passed at the lowest rate (23.7%). New term limited income taxes were in the middle with a 39.1% passage rate. The same pattern tended to

hold true for individual years, but not in every case.

Table 6: Number and Success of “Traditional” School District Income Tax Levies, 1994-2006

Year	Income Tax Continuing New			Income Tax Limited New			Income Tax Limited Renew			All Income Tax Levies*		
	#	Pass	%	#	Pass	%	#	Pass	%	#	Pass	%
1994	17	2	11.8%	28	9	32.1%				45	11	24.4%
1995	10	5	50.0%	27	12	44.4%				37	17	45.9%
1996	19	5	26.3%	11	2	18.2%				30	7	23.3%
1997	5	0	0.0%	18	11	61.1%				23	11	47.8%
1998	5	1	20.0%	15	7	46.7%	1	1	100.0%	21	9	42.9%
1999	11	5	45.5%	10	7	70.0%	4	1	25.0%	25	13	52.0%
2000	10	1	10.0%	12	4	33.3%	14	8	57.1%	36	13	36.1%
2001	7	1	14.3%	7	3	42.9%	4	4	100.0%	18	8	44.4%
2002	8	2	25.0%	8	2	25.0%	10	7	70.0%	26	11	42.3%
2003	14	3	21.4%	24	8	33.3%	6	5	83.3%	44	16	36.4%
2004	26	7	26.9%	41	13	31.7%	14	11	78.6%	81	31	38.3%
2005	27	5	18.5%	36	14	38.9%	7	6	85.7%	70	25	35.7%
2006	14	4	28.6%	24	10	41.7%	7	7	100.0%	45	21	46.7%
1994-2006	173	41	23.7%	261	102	39.1%	67	50	74.6%	501	193	38.5%

* Totals do not include 33 Earned income tax levies on the ballot in 2005 and 2006 (see Section VIII below)

VI. Analysis of Joint Vocational School District Levies

This section of the report examines the utilization and passage rates of different types of operating levies by Ohio’s 49 Joint Vocational School (JVS) districts from 1994 to 2006. Table 7 on the following page is organized similarly to Table 1 earlier in this report. It shows the number of JVS levies on the ballot in each of the 4 yearly elections from 1994 to 2006, along with a breakdown of the different types of operating levies utilized. The table also shows the passage rates of JVS levies by levy type and by election. In addition, the bottom row of the table provides the number and passage rate of JVS capital levies (bond issues, permanent and capital improvement levies, and joint operating and permanent improvement issues) on the ballot from 1994 to 2006. The main findings from Table 7 are as follows:

- From February 1994 through November 2006 there were a total of 91 JVS operating levies in Ohio, 57 of which (62.6%) passed. The above total implies that Ohio has averaged 7 JVS operating levies per year over the last 13 years.
- All but 5 of the 91 JVS operating levies were placed on the ballot in either May or November elections. Nearly two thirds of the levies (59 of 91) appeared on the November ballot.
- Less than one quarter of the JVS levies on the ballot were continuing levies (22 of 91).

Two thirds of the JVS operating levies (60 of 91) were term limited, most of which were 3 or 5 years in duration. When the 9 emergency levies are included (all of which were for 5 years), nearly 76% of the JVS levies were for a fixed period of time.

- As was the case with “regular” school districts, term limited and emergency JVS levies passed at a higher rate (close to 2/3) than continuing JVS levies (54.5%).
- Once again following the pattern shown for regular school districts, renewal and replacement JVS levies were almost twice as likely to pass (80.0%) as were new JVS levies (45.6%). In fact, emergency renewal levies and term limited renewal levies both had 100% passage rates from 1994 to 2006.
- There were no JVS school district income tax levies on the ballot from 1994 to 2006.
- Finally, Table 7 shows that JVS operating levies were more likely to be approved than JVS capital levies by a margin of nearly 16 percentage points (62.6% to 46.7%).

Table 7: Summary of JVS District Operating Levy Results – 1994 to 2006

	Number of Levies 1994-2006	Number Passing 1994-2006	% Passing 1994-2006
Total JVS District Operating Levies	91	57	62.6%
February Levies	3	2	66.7%
May Primary Levies	27	15	55.6%
August Levies	2	1	50.0%
November Levies	59	39	66.1%
Emergency Property Tax Levies	9	6	66.7%
Continuing Property Tax Levies	22	12	54.5%
Term Limited Property Tax Levies	60	39	65.0%
Income Tax Levies	0	0	--
New Property & Income Tax Levies	46	21	45.6%
New Emergency Levies	5	2	40.0%
New Continuing Levies	13	7	53.8%
New Term Limited Levies	28	12	42.9%
New Continuing Income Tax	0	0	--
New Term Limited Income Tax	0	0	--
Renewal and Replacement Levies	45	36	80.0%
Emergency Levy Renewals	4	4	100.0%
Continuing Levy Replacements	9	5	55.6%
Term Limited Levy Renewals	22	22	100.0%
Term Limited Levy Replacements	10	5	50.0%
Term Limited Income Tax Renewals	0	0	--
Continuing Property & Income Tax	22	12	54.5%
Continuing Property Tax Levies	22	12	54.5%
Continuing Income Tax Levies	0	0	--
Term Limited (incl. Emergency) Levies	69	45	65.2%
Emergency Property Tax Levies	9	6	66.7%
Limited Property Tax Levies	60	39	65.0%
Limited Income Tax Levies	0	0	--
Total JVS District Capital Levies	60	28	46.7%

Table 8 provides a comparison between the JVS operating levy passage rate data presented in Table 7 with that presented in Table 1 for all operating levies. The rightmost column of the table shows the passage rate of levies placed on the ballot by the 612 “regular” school districts in Ohio (these percentages were computed by removing the JVS levies from the total number of levies shown in Table 1).

Table 8 shows that the pattern of passage rates for JVS operating levies closely resembles that for the regular K-12 school districts in the state.

Table 8: Comparison of JVS and Overall Operating Levy Results – 1994 to 2006

	All Levies % Passing 1994-2006	JVS Levies % Passing 1994-2006	“Regular” Districts % Passing
Total Operating Levies	54.6%	62.6%	54.4%
February Levies	50.7%	66.7%	50.5%
May Primary Levies	58.7%	55.6%	58.8%
August Levies	36.6%	50.0%	36.5%
November Levies	55.3%	66.1%	54.9%
Emergency Property Tax Levies	58.6%	66.7%	58.5%
Continuing Property Tax Levies	45.8%	54.5%	45.5%
Term Limited Property Tax Levies	67.7%	65.0%	67.9%
New Property Tax Levies	42.4%	45.6%	40.2%
New Emergency Levies	33.8%	40.0%	33.7%
New Continuing Levies	45.2%	53.8%	45.1%
New Term Limited Levies	52.1%	42.9%	52.7%
Renewal and Replacement Levies	83.9%	80.0%	83.5%
Emergency Levy Renewals	85.6%	100.0%	85.5%
Continuing Levy Replacements	51.5%	55.6%	50.9%
Term Limited Levy Renewals	95.1%	100.0%	94.6%
Term Limited Levy Replacements	72.0%	50.0%	73.9%
Term Limited (incl. Emergency) Levies	61.9%	65.2%	59.4%
Emergency Property Tax Levies	58.6%	66.7%	58.5%
Limited Property Tax Levies	67.7%	65.0%	67.9%

The main findings from Table 8 are summarized as follows:

- Overall, JVS operating levies were about 8 percentage points more likely to pass than regular district’s operating levies (62.6% to 54.4%).
- JVS emergency levies (both new and renewal) were approved by voters at a higher rate than regular district emergency levies.
- JVS continuing levies were more likely to pass than regular district’s continuing levies by 9 percentage points (54.5% to 45.5%).
- JVS term limited levies (both new and replacement) were slightly less likely to be approved by voters than similar levies in regular school districts, though JVS term limited levy renewals were slightly more likely to be approved.

VII. “Defensive” Millage Reduction Levies – a Recent Phenomenon

The November 2005 election was notable for the presence of 19 millage reduction levies on the ballot. This number is equal to the total number of millage reduction initiatives placed before voters in the 11 years prior to 2005 (1994-2004). Typically, millage reduction levies are placed on the ballot by anti-tax proponents in an attempt to repeal or reduce the millage of a previously enacted levy. However, the dramatic increase in the number of millage reduction initiatives in November 2005 can be largely explained by the placement of 16 levies requesting a reduction of only 0.01 mills. Furthermore, the proponents of these 16 levies would have been perfectly happy if voters turned them all down.

The explanation for the explosion of millage reduction levies in the November 2005 election is that the sixteen 0.01 millage reduction initiatives were placed on the ballot by school supporters in 4 districts in an attempt to prevent anti-tax activists from placing much larger millage reduction initiatives on the ballot at a future election. School levy law dictates that referendums to repeal or reduce the millage of a levy can only be placed before voters once every 5 years. Consequently, placing a small millage reduction of a levy on the ballot will prevent the placement of a larger reduction or outright repeal for 5 years. Because a potentially larger millage reduction is forestalled simply by placing the 0.01 millage reduction on the ballot (regardless of whether the 0.01 millage reduction passes or fails), the school district can campaign for defeat of the smaller initiative while facing little financial risk even if it happens to pass.

Table 9 provides a summary of the 19 millage reduction initiatives on the November 2005 ballot.

Table 9: Summary of Millage Reduction Levies on the November 2005 Ballot

School District	County	Millage Amount	Result
Edgewood City	Butler	0.01	Passed
Edgewood City	Butler	0.01	Passed
Fairfield City	Butler	0.01	Passed
Fairfield City	Butler	0.01	Passed
Fairfield City	Butler	0.01	Passed
Fairfield City	Butler	0.01	Passed
Fairfield City	Butler	0.01	Passed
Fairfield City	Butler	0.01	Passed
Mason City	Warren	7.94	Failed
Mason City	Warren	0.01	Failed
Mason City	Warren	0.01	Failed
Mason City	Warren	0.01	Failed
Mason City	Warren	0.01	Failed
Mason City	Warren	0.01	Failed
Mason City	Warren	0.01	Failed
Mason City	Warren	0.01	Failed
Three Rivers Local	Hamilton	7.89	Failed
Three Rivers Local	Hamilton	0.01	Failed
Kenston Local	Geauga	9.39	Passed

Table 9 shows that Mason City schools had seven 0.01 mill reduction levies fail along with one “conventional” 7.94 mill reduction. Three Rivers Local had one 0.01 mill reduction levy fail along with one conventional 7.89 mill reduction. In contrast, Fairfield City had six 0.01 mill reductions approved by voters, while Edgewood city had two 0.01 reductions approved. All 18 of these levies cannot again face repeal or millage reduction until November 2010. Kenston Local was the only district to have a “conventional” 9.39 mill reduction approved by voters.

This trend towards pre-emptive millage reduction levies of 0.01 mills was continued in 2006 when 12 of millage reduction initiatives were placed on the November 2006 ballot (10 of these by Lake Local school district in Stark County). All 12 of these issues were for the minimal 0.01 millage reduction amount. Table 10 provides a summary of the millage reduction issues placed on the November 2006 ballot.

Table 10: Summary of Millage Reduction Levies on the November 2006 Ballot

School District	County	Millage Amount	Result
Circleville City	Pickaway	0.01	Passed
Lake Local	Stark	0.01	Passed
Lake Local	Stark	0.01	Passed
Lake Local	Stark	0.01	Passed
Lake Local	Stark	0.01	Passed
Lake Local	Stark	0.01	Passed
Lake Local	Stark	0.01	Passed
Lake Local	Stark	0.01	Passed
Lake Local	Stark	0.01	Passed
Lake Local	Stark	0.01	Passed
Lake Local	Stark	0.01	Passed
Lake Local	Stark	0.01	Passed
Mason City	Warren	0.01	Passed

All 12 of these issues passed, resulting in slight reductions of local tax revenue in these 3 school districts. However, none of these 12 levies can again face repeal or millage reduction until November 2011. (Note that a May 2006 renewal of a 1.9 mill PI levy with a 0.5 mill reduction in Evergreen Local school district in Fulton was miscoded by ODE as a millage reduction of 1.9 mills.)

As frustration with Ohio school levies grows, defensive millage reductions of the type seen in November 2005 and 2006 may become more common.

VIII. The Earned Income School District Income Tax: A New Tool for Districts

In 2005, the Ohio General Assembly authorized a new option for districts interested in adopting the school district income tax. In contrast to the traditional school district income tax which utilizes the state definition of Adjusted Gross Income as the tax base, the new school levy option taxes only earned income, similar to how Ohio’s municipal income tax functions. As is the case with the traditional school district income tax, the school district Earned Income Tax levy applies only to residents of the particular school district, in contrast to the municipal income tax which taxes the earnings of both residents and non-resident workers. Like the traditional school district income tax, the new earned income tax levy option can be employed on either a continuing or a term-limited basis.

It is important to note that a school district cannot have both types of school district income tax in place simultaneously. A district with a traditional school district income tax that would like to implement an earned income tax must either repeal the existing tax or allow it to expire if it is term limited. A “conversion” option that would allow districts to convert an existing “traditional” income tax to a new “earned” income tax would make it easier for many districts to adopt this new local revenue option.

The November 2005 election saw 7 school districts place “Earned Income” Tax Levies on the ballot. Of the 7 districts on the ballot, Circleville City school district was the only district to gain

voter approval of the Earned Income Tax levy. An additional 8 districts placed earned income tax issues on the ballot in May 2006. All 8 of these issues failed. 18 districts placed earned income tax issues on the November 2006 ballot. 8 of these 18 levies gained voter approval. Table 11 provides a summary of the 33 school district earned income taxes that have been on the ballot through 2006.

Table 11: Summary of School District Earned Income Taxes on the Ballot in 2005 and 2006

Election	School District	County	Tax Rate	Duration	Result
Nov. 2005	Bucyrus City	Crawford	0.75%	Continuing	Failed
Nov. 2005	Colonel Crawford Local	Crawford	1.50%	Continuing	Failed
Nov. 2005	Wynford Local	Crawford	1.00%	5 Years	Failed
Nov. 2005	Sebring Local	Mahoning	1.00%	5 Years	Failed
Nov. 2005	West Branch Local	Mahoning	1.00%	5 Years	Failed
Nov. 2005	Circleville City	Pickaway	0.75%	Continuing	Passed
Nov. 2005	Lucas Local	Richland	1.00%	Continuing	Failed
May 2006	Tecumseh Local	Clark	0.50%	Continuing	Failed
May 2006	Colonel Crawford Local	Crawford	1.50%	Continuing	Failed
May 2006	Lancaster City	Fairfield	1.00%	Continuing	Failed
May 2006	West Geauga Local	Gauga	1.00%	10 Years	Failed
May 2006	North Fork Local	Licking	1.00%	5 Years	Failed
May 2006	Madison-Plains Local	Madison	1.25%	Continuing	Failed
May 2006	Sebring Local	Mahoning	1.00%	Continuing	Failed
May 2006	West Muskingum Local	Muskingum	1.00%	5 Years	Failed
Nov. 2006	Athens City	Athens	1.00%	4 Years	Passed
Nov. 2006	Northwestern Local	Clark	0.75%	5 Years	Failed
Nov. 2006	Colonel Crawford Local	Crawford	1.50%	5 Years	Failed
Nov. 2006	Lancaster City	Fairfield	1.50%	10 Years	Passed
Nov. 2006	South-Western City	Franklin	1.00%	Continuing	Failed
Nov. 2006	Southwest Local	Hamilton	0.75%	Continuing	Passed
Nov. 2006	Fairfield Local	Highland	1.50%	5 Years	Failed
Nov. 2006	North Fork Local	Licking	1.00%	3 Years	Failed
Nov. 2006	Jonathan Alder Local	Madison	0.75%	5 Years	Passed
Nov. 2006	Madison-Plains Local	Madison	1.25%	Continuing	Failed
Nov. 2006	Sebring Local	Mahoning	1.00%	5 Years	Passed
Nov. 2006	Cloverleaf Local	Medina	0.50%	Continuing	Passed
Nov. 2006	Troy City	Miami	1.50%	Continuing	Passed
Nov. 2006	Switzerland of Ohio Local	Monroe	1.00%	5 Years	Failed
Nov. 2006	Brookville Local	Montgomery	1.00%	5 Years	Failed
Nov. 2006	Stow-Munroe Falls City	Summit	0.50%	5 Years	Failed
Nov. 2006	Chippewa Local	Wayne	1.00%	5 Years	Failed
Nov. 2006	Eastwood Local	Wood	1.00%	5 Years	Passed

Table 11 shows that a number of districts have made multiple attempts to pass an earned income tax levy. In November 2006, both Colonel Crawford Local and Sebring Local appeared on the ballot for the third attempt to pass this type of levy. Sebring was successful, while Colonel Crawford failed yet again. In addition, Lancaster City, North Fork Local and Madison-Plains Local were all on the ballot in November 2006 for the second attempt at an earned income tax, with Lancaster and North Fork finally gaining voter approval.

Also apparent in Table 11 is a pattern that is well-known to those who are trying to pass a levy after it has failed previously. In most cases, districts that have attempted to pass an earned income tax a second or third time typically either reduce the millage rate or shorten the duration for which they are asking voters to approve the levy.

Table 12 compares the number and success rate of “traditional” school district income tax levies place on the ballot from November 2005 through November 2006 with the number and success rate of new earned income tax levies.

Table 12: Comparison of “Traditional” and “Earned” Income Tax Levies: November 2005 through November 2006

Election	“Traditional” Income Tax Operating Levies*			“Earned” Income Tax Levies		
	#	# Pass	% Pass	#	# Pass	% Pass
Nov 2005	26	6	23.1%	7	1	14.3%
Feb 2006	3	2	66.7%	0	0	--
May 2006	25	15	60.0%	8	0	0.0%
Aug 2006	1	0	0.0%	0	0	--
Nov 2006	16	4	25.0%	18	8	44.4%
Totals	71	27	38.0%	33	9	27.3%
New Levies	61	17	27.9%	33	9	27.3%
Renewals	10	10	100.0%	0	0	--

* Traditional income tax levy figures do not include income tax levies that are placed on the ballot in conjunction with Bond or Permanent Improvement levies.

Table 12 shows that in the last 5 elections, 71 traditional income tax issues have been placed before voters while 33 earned income tax issues have been on the ballot. At first glance it appears that the traditional income tax issues passed at a significantly higher rate (38.0%) than did the earned income tax levies (27.3%). However, further analysis shows that when only New income tax issues on the ballot are compared, the passage rate of traditional income tax levies (27.9%) is almost identical to the passage rate of the earned income tax issues (27.3%). Because the earned income tax option was enacted so recently, there have been no renewal attempts placed on the ballot yet.

IX. Summary of Main Findings

The main findings from this analysis of school district utilization of operating levies from 1994 through 2006 are as follows:

1. There were a total of 3433 operating levies placed before voters in Ohio over the past 13 years. This is an average of 264 levies per year. 1876 levies were approved by voters for a passage rate of 54.6%.
2. The levy totals summarize above do not include 24 Property Tax Phase-in levies, 4 Combined Municipal/School District Income Tax issues, and 50 millage reduction levies placed before voters from 1994 to 2006.
3. Levies were more likely to pass when placed on the ballot in either the May Primary or November General Election than in the February or August Special Elections. This result seems likely to be attributed both to the February and August ballots being comprised more heavily of levy types with lower success rates and as a consequence of lower voter turnout in the special elections. The passage rate of levies in August elections is by far the lowest at 36.6%.
4. Emergency levies (58.6%) and Term Limited Property Tax levies (67.7%) were both more likely to pass than were Continuing Property Tax levies (45.8%) and School District Income Tax levies (37.8%). It seems that Ohio voters are more willing to approve property levies that last for a finite number of years than continuing property levies or school district income tax levies.
5. While the type of levy is clearly a factor in the likelihood of passage, whether the levy is a new, renewal, or replacement levy also matters. In general, renewal and replacement levies are more than twice as likely to pass (83.3%) than are new income and property tax levies (40.4%). This pattern is also evident when each of the 4 main levy types (Emergency, Continuing Property Tax, Term Limited Property Tax, and School District Income Tax) is examined individually.
6. School district income tax levies, whether new or renewal, term limited or continuing, were less likely to pass than were comparable property tax levies.
7. Year by year analysis of the number of operating levies placed on the ballot from 1994 through 2006 shows an inverse relationship between the number of levies on the ballot and the passage rate. The five years with the fewest levies on the ballot (1998 through 2002) all saw levies pass at a rate in excess of 60%. 2004, the year with the most levies (433) also had the lowest passage rate.
8. More detailed district-by-district analysis is necessary to determine if there is a causal relationship between the decrease in the number of levies and the increased rate of passage. There may be fewer levies lately because the passage rate is higher, or the passage rate may be higher because districts are not going to the ballot as frequently.
9. Of the 1876 operating levies that passed from 1994 to 2006, 43% were Emergency levies, 28% were term limited property tax levies, 18% were continuing property tax levies, and 11% were school district income tax levies.
10. Analysis of Joint Vocation School (JVS) District operating levies revealed findings which mirrored those for the "regular" 612 Ohio school districts:
 - Term limited and emergency JVS levies passed at a higher rate (65.2%) than did continuing JVS levies (54.5%)
 - Renewal and replacement JVS levies were almost twice as likely to pass (80.0%) as were new JVS levies (45.6%).

11. Overall, JVS operating levies were about 8 percentage points more likely to pass than regular district's operating levies ((62.6% to 54.4%). In addition, JVS operating levies were more likely to be approved than JVS capital levies by a margin of nearly 16 percentage points (62.6% to 46.7%).

12. The November 2005 and November 2006 elections were notable for the presence of 28 "defensive" millage reduction levies of 0.01 mills. These 28 initiatives were placed on the ballot by school supporters in order to forestall anti-tax activists from placing millage reductions of much larger amounts on the ballot for 5 years. Because this will occur regardless of whether the smaller 0.01 mill reductions passed or failed, it is not terribly important to note that 20 of the 0.01 reductions passed and 8 failed. The more important outcome is that none of these 28 levies can face repeal or millage reduction until either November 2010 (the 16 from Nov. 2005) or November 2011 (the 12 from Nov. 2006). As voter frustration with Ohio's reliance on local school levies grows, "defensive" millage reduction initiatives of this type may become more and more common.

13. In 2005 the Ohio legislature authorized a new type of school district income tax which is based only upon the earned (wage) income of district residents. The existing school district income tax is based upon both earned and unearned income of district residents. 9 of the 33 earned income tax issues (27.3%) placed on the ballot from November 2005 through November 2006 were approved by voters. This rate is comparable to the rate at which voters approved new "traditional" school district income tax levies (27.9%) over the same period of time.

14. Future analysis by ETPI will examine property tax bond levies and capital improvement property and income tax levies.

15. Future analysis by ETPI will also examine levy utilization and passage rate patterns by different types of school districts in Ohio.

APPENDIX: Summary of Ohio's Main Types of Local Operating Levies

Continuing Property Tax Operating Levies: This is the original property tax levy, measured in mills and lasting indefinitely into the future. As a result of House Bill 920, the effective millage rate of continuing property tax operating levies is subject to rollback in response to inflationary increases in a school district's property tax base resulting from property reappraisal.

Replacement Continuing Property Tax Levies: This levy option enables a school district to allow voters to choose to restore the millage rate of a continuing operating levy to its initial voted level after the effective millage rate has been reduced over time due to the effects of House Bill 920.

Term Limited Property Tax Operating Levies: These levies are exactly like continuing property tax levies, except that they only remain in effect for a period of 1-5 years. These levies will expire after the voted time period is up unless they are *renewed* or *replaced* (see below).

Renewal Term Limited Property Tax Operating Levies: An expiring term limited operating levy can be *renewed* for another 1-5 years. The effective millage rate for the renewed levy will be at whatever level is in effect as a result of the effects of House Bill 920.

Replacement Term Limited Property Tax Operating Levies: An expiring term limited operating levy can also be *replaced* for another 1-5 years. In this case, the effective millage rate reverts to whatever the initially voted millage rate was, counteracting the effects of House Bill 920.

Emergency Property Tax Levies: This type of levy is placed before voters in terms of a fixed dollar amount rather than a fixed millage rate. The millage rate will adjust every year in response to changes in the school district's property tax base (due to both inflation and new construction). These levies can be approved for 1 to 5 years. Because these levies are for fixed dollar amounts there is no need for a *replacement* emergency levy option, they can, however, be *renewed*.

Renewal Emergency Property Tax Levies: An expiring emergency levy can be *renewed* for the same dollar amount for up to five years. The millage rate will continue to adjust every year in response to any changes in the district's property wealth.

Continuing School District Income Tax Operating Levy: This levy is expressed as a fixed percentage rate to be taxed against the income (earned and unearned) of all residents of a school district. Individuals who work in the school district but live elsewhere are not subject to this tax. A continuing school district income tax levy remains in effect indefinitely into the future. School district income tax rates must be levied in multiples of one quarter of one per cent (0.25%), and the minimum percentage rate currently in effect is one half percent (0.5%). These tax rates are not subject to the effects of House Bill 920, which implies that there is no need for a *replacement* school district income tax levy option.

Term Limited School District Income Tax Operating Levy: This levy works the same as the continuing school district income tax with the difference that it remains in effect for a defined period of time. While there is no limit on the time period, in most cases school district income tax levies are approved for 3-5 years. These levies will expire after the voted time period is up unless they are *renewed* (see below).

Renewal Term Limited School District Income Tax Operating Levy: An expiring term limited school district income tax levy can be renewed at the same percentage rate for another 1 to 5 years.

Earned Income School District Income Tax Operating Levy: This new levy differs from the original school district income tax because the voted percentage rate is applied only to earned income. These levies can be employed either on a continuing or term-limited basis. Term-limited earned income tax levies can be *renewed* upon their expiration.