THE IMPACT OF SCHOOL DISTRICT INCOME TAX ON THE FREQUENCY OF REQUESTS FOR NEW OPERATIONAL TAX LEVIES IN RURAL OHIO SCHOOL DISTRICTS

Susan Miko

A Dissertation

Submitted to the Graduate College of Bowling Green State University in partial fulfillment of the requirements for the degree of

DOCTOR OF PHILOSOPHY

December 2006

Committee:

Patrick D. Pauken, Advisor

Linda S. Dobb
Graduate Faculty Representative

Craig A. Mertler

Judith Zimmerman
ABSTRACT

Patrick D. Pauken, Advisor

The ability to have an alternative method of taxation via the school district income tax gives school boards in Ohio an approach toward remedying financial woes in addition to traditional property tax levies. However, making the determination of whether to select property tax, school district income tax, or a combination of both types of taxes can leave school officials and board members at a loss.

The purpose of this study was to investigate the impact of the school district income tax on the ability of rural Ohio school districts to maintain financial stability. The researcher investigated rural (as defined by the Ohio Department of Education) school districts in Ohio that have implemented a school district income tax and compared their need to return to the voters for new operational levy support (indicating a lack of financial stability at that point) with those districts who rely solely on property taxation.

The results indicate that rural districts which utilized a combination of both school district income taxes and property taxes were able to stay “off the ballot” significantly longer before returning for new operational tax dollars than those districts which utilized only voted property taxation. It may be that this “balanced portfolio” approach of utilizing both types of taxation helps to provide strengthened economical support to school districts in the long run and, consequently, strengthened community support of local schools.
ACKNOWLEDGMENTS

Several acknowledgments must be made at this point. My dissertation committee stands “front and center” in my thanks for all their efforts on my behalf. Dr. Patrick Pauken, dissertation chair, is already mentioned in the dedication, as his role in assisting me was nothing short of amazing.

Heartfelt thanks also go to the rest of my committee. Dr. Craig Mertler is the one member of my committee who remained constant throughout the process. He “signed on” with me approximately six years ago, and remained available throughout the duration of my work. He is also the only committee member who taught a class in which I participated. He made the year-long advanced educational research and statistics course very interesting and enjoyable. I feel very fortunate to have participated in Dr. Mertler’s class, as well as having his expertise as I dealt with the data in this dissertation.

Dr. Linda Dobb also deserves acclaim. In addition to her many and varied responsibilities as a Vice-President at Bowling Green State University, she willingly stepped in to fill the role of Graduate Faculty Representative when my previously assigned representative went on sabbatical. I appreciate Dr. Dobb’s support and encouragement.

And to committee member Dr. Judith Zimmerman, who willingly stepped in at the very last minute when another committee member could no longer serve. Thank you, Dr. Zimmerman! I have enjoyed getting to know you.

And finally, my thanks to four special colleagues: Dr. Bob Ludwig, B.G.S.U. professor and previous dissertation chair; BASA senior fellow Mr. Dick Maxwell; and to school superintendents Dr. Jim Barney and Mr. Denny Recker. Your advice and support was greatly appreciated, and your questions thought-provoking and clarifying. Thank you!
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>INTRODUCTION</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Statement of the Problem</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Purpose of the Study</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>Research Questions</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>Definitions of Terms</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>Significance of the Study</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td>Limitations of the Study</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td>Summary and Organization of the Document</td>
<td>14</td>
</tr>
<tr>
<td>II</td>
<td>REVIEW OF THE LITERATURE</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td>General Introduction</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td>School Funding and Taxation in Ohio</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td>Rural Education in America</td>
<td>31</td>
</tr>
<tr>
<td>III</td>
<td>METHODS</td>
<td>44</td>
</tr>
<tr>
<td></td>
<td>Sources of Data and Collection Procedures</td>
<td>45</td>
</tr>
<tr>
<td></td>
<td>Data Analysis</td>
<td>47</td>
</tr>
<tr>
<td>IV</td>
<td>RESULTS</td>
<td>49</td>
</tr>
<tr>
<td></td>
<td>Introduction</td>
<td>49</td>
</tr>
<tr>
<td></td>
<td>Collection of the Data and Findings</td>
<td>50</td>
</tr>
<tr>
<td></td>
<td>Summary</td>
<td>56</td>
</tr>
<tr>
<td>V</td>
<td>DISCUSSION</td>
<td>58</td>
</tr>
<tr>
<td></td>
<td>Reflection on the Findings</td>
<td>58</td>
</tr>
</tbody>
</table>
# LIST OF TABLES

<table>
<thead>
<tr>
<th>Table</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The Effects of H.B. 920 on the School Property Tax Rate of an Ohio School District</td>
<td>5</td>
</tr>
<tr>
<td>2</td>
<td>Ohio’s Foundation Program Guaranteed Amounts Per Basic Pupil for the Fiscal Years 1982 Through 1991 Compared to the Average Per Pupil Expenditure</td>
<td>25</td>
</tr>
<tr>
<td>3</td>
<td>Non-Metropolitan Population by Region, 2000 (U.S. Census Bureau Data)</td>
<td>40</td>
</tr>
<tr>
<td>4</td>
<td>Percentage Change in Non-Metropolitan Population, 1990-2000 (U.S. Census Bureau Data)</td>
<td>41</td>
</tr>
<tr>
<td>5</td>
<td>Methodology Summary</td>
<td>48</td>
</tr>
</tbody>
</table>
CHAPTER I. INTRODUCTION

In 2003, Ohio Governor Bob Taft called for the creation of the Blue Ribbon Task Force on Financing Student Success, with the charge to “recommend a funding system for public elementary and secondary education in Ohio, including appropriate mechanisms for funding such a system” (*Building a Better School Funding System*, 2005, p. 4). A diverse thirty-five member panel, representing a wealth of knowledge and experience from the public and private sectors, accepted the Governor’s challenge and met for two years to achieve the charge. In 2005, the panel’s report, entitled *Building a Better School Funding System: Advancing Ohio, Building a Strong Foundation, Creating Educational Opportunities*, was released. The introduction of the report opens with the following:

There is no easy solution for Ohio’s school funding situation. Ohio is such a diverse state with so many different socioeconomic subtleties that the system of generating sufficient revenue to educate the state’s children so that they are prepared to meet the demands of today and tomorrow is, by its nature, a complex challenge. There is no end point for this process. Ohio should debate continually the question, ‘Are we doing everything we should to ensure that our children have a bright and promising future?’ Ohioans have asked this question previously and they will continue to do so in the future. Indeed, there is no state in the union where debating education funding has ceased, regardless of the state’s funding system. (p. 4)

Although currently under discussion and dissection in Ohio, public school funding throughout the United States has a history nearly as old as the country itself. The Northwest Ordinance in 1787 (Section 13, Article 3) declared that “Schools and the means of education shall forever be encouraged.” Horace Mann, often viewed as the “Father of Public Education”,...
strove fifty years later, while serving as secretary of the Massachusetts Board of Education, to lead the common school movement. And while support of a free, public education would appear to be a national commitment as the years ensued and the country grew, the Tenth Amendment of the United States Constitution, adopted in 1791, provides that “the powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people.” With that statement, education became the responsibility of state government, and state constitutional provisions – as well as numerous court decisions over the years – have solidly upheld state responsibility for educational support (Brimley & Garfield, 2005).

And while the establishment of the United States Department of Education would appear to be an encroachment on the idea of state and local support of education, the enabling statute clearly states otherwise: “The establishment of the Department of Education shall not increase the authority of the Federal Government over education or diminish the responsibility for education which is reserved to the States and the local school systems and other instrumentalities of the States” (20 U.S.C. § 3403).

Public school attendance has remained the educational choice in the United States for the past 100 years, with approximately 90% of students enrolled in public schools (Glomm & Ravikumar, 2002). At the start of the 21st century, over 379 billion dollars was expended for public school support, and school finance continues to be a top priority policy issue at the state and local levels and is also identified as a high priority at the national level (Odden & Picus, 2004).

As Ohioans seek to keep public education viable and competitive with other educational entities such as private, parochial and charter schools, school funding becomes central to making
that goal a reality. The report from the Governor’s Blue Ribbon Task Force on Financing School Success in the State of Ohio states the following: “Placing a levy before voters is necessary for school districts, but it diverts attention, energy and time away from the primary goal of educating students. More importantly, reliance on levies reduces a district’s ability to plan fiscally” (p. 14).

Statement of the Problem

Property Taxation for School Support

Although educational support and funding can be studied nationally and even globally, the focus of this research will be limited to the State of Ohio. In Ohio, public education has faced especially dismal financial support since the enactment of House Bill (HB) 920 in 1975, which limited the revenue from voted millage to the amount that the initial levy yielded on all real and personal property.

Under HB 920, when assessed values of real and personal property within the boundaries of a political subdivision (i.e., public school district) increase, the tax millage rates on the classes of real property are effectively reduced (Crim et al., 1994). While one would surmise that the benefits of inflationary rises in property would, in turn, cause levy values to rise, the limiting aspects of HB 920 have served to derail support of Ohio schools in two major ways.

The first is that the voter often does not fully comprehend the implications of HB 920. The assumption is often incorrectly made that school levies are directly tied to the increasing cost of property taxes. The voter makes the assumption that because his property tax bill has increased and because the school district is the largest recipient of property taxes, it therefore means that the school district is receiving more money at the time of the property tax increase. While a fallacious assumption, it is difficult for a school district to explain the impacts of HB 920, as they are counterintuitive to public perception. The homeowner, or agricultural and/or
business owner may see an increase in his tax bill because the value of his property has gone up, yet HB 920 has effectively limited the revenue collected by the school district to the amount that the initial levy was to yield on real property. As assessed values of real and personal property within the boundaries of a political subdivision increase, the rates on the classes of real property are effectively reduced (Ohio Revised Code §§ 319.301, 5713.01, 5713.041, 5715.24, 5715.33, 5715.343)

Second, school districts face the impact of inflation every bit as strongly as any other entity. Transportation of students to public and most parochial schools is mandated in Ohio, with public school districts absorbing those costs, and fuel prices have continued to rise in both the public and private sectors. School districts in Ohio also face rising energy bills for heating and cooling. Teacher salaries in Ohio, while only mid-range for the country as a whole, (National Education Association, 2006) nevertheless reflect strong teacher collective bargaining laws which have helped unions keep pace with inflation, and health insurance benefit costs have increased nearly exponentially over the past few years. Yet HB 920 limits the abilities of school districts to receive any inflationary increases in property taxes collected because a school levy based on property tax must remain at a fixed collection rate, regardless of the overall increase in the value of properties within the district. (Crim et al., 1994, p. 24).

Fifteen years after the passage of HB 920, the Ohio Department of Education produced the following table, illustrating the results of reductions brought about by HB 920 on an Ohio school district. As one can see from Table 1, the impact of reduction is significant. The table reflects the impact of reduction from the years 1976 through 1991. The first two categories listed (inside millage and a bond issue) are not impacted over the time period of 1976 through 1991 because HB 920 does not limit these types of levies. However, the comparison of “Voted Rate”
versus “Effective Rate” in the next categories of levy descriptions (general fund and permanent improvement) shows how severely H.B. 920 impacted the original voted millage rate.

Table 1

*The Effects of H.B. 920 on the School Property Tax Rates of an Ohio School District*

<table>
<thead>
<tr>
<th>Levy Description</th>
<th>Voted Rate</th>
<th>Residential and Agricultural Effective Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inside</td>
<td>4.22</td>
<td>4.2200</td>
</tr>
<tr>
<td>Bond</td>
<td>1.22</td>
<td>1.2200</td>
</tr>
<tr>
<td>1976 General Fund</td>
<td>20.90</td>
<td>10.2687</td>
</tr>
<tr>
<td>1977 General Fund</td>
<td>4.92</td>
<td>2.4181</td>
</tr>
<tr>
<td>1981 General Fund</td>
<td>5.00</td>
<td>3.0932</td>
</tr>
<tr>
<td>1984 Permanent Improvement</td>
<td>1.25</td>
<td>0.8448</td>
</tr>
<tr>
<td>1989 Permanent Improvement</td>
<td>0.50</td>
<td>0.3987</td>
</tr>
<tr>
<td>1991 Permanent Improvement</td>
<td>1.94</td>
<td>1.9400</td>
</tr>
<tr>
<td>Total</td>
<td>39.95</td>
<td>23.4035</td>
</tr>
</tbody>
</table>

Note: Data from the Ohio Department of Taxation. Rates are for residential and agricultural properties for the 1991 tax year, payable in 1992.

Support of rural school education at the K-12 level is becoming a great hurdle for educational leaders. The time commitments necessary for running levy campaigns for school superintendents, board of education members, and administrators – who, by Ohio law, are not permitted to work on a levy campaign during their regular working hours (e.g. “company time”) – as well as the public and all those committed to education takes away from time that could be spent in other educational capacities such as curriculum development. It also places those
attempting to secure additional school funding dollars for schools “at odds” with those who feel they are already taxed too much - without the opportunity to say “no” - at the local, state and federal levels. Additionally, school personnel often face the “wrath” of those who do not support school levies, and levy campaigns become personal issues, pitting neighbor against neighbor and tearing close-knit communities apart.

School District Income Taxation

In response to concerns about the deficiencies in property taxation, the Ohio legislature enacted HB 694 in 1981. This bill allowed school districts to pursue ballot initiatives for income tax from January 1, 1982 through June 30, 1983. This eighteen-month “window” permitted school districts to levy income tax percentages ranging from .5% to 1%. Six school districts passed income tax levies at that time, including four rural districts. However, certain provisions of the law were repealed in the 1983 budget bill, so income tax levies became unavailable to additional school districts until the passage of Senate Bill 28 in 1989. From six school districts in 1983 receiving income tax benefits, the number has grown to 153 as of January, 2006 (Ohio Department of Taxation, Tax Data Series, 2006).

Purpose of the Study

The ability to have an alternative method of taxation via the school district income tax gives school boards in Ohio an approach toward remedying financial woes in addition to traditional property tax levies. However, making the determination of whether to select property tax, school district income tax, or a combination of both types of taxes can leave school officials and board members at a loss.

The purpose of this study was to investigate the impact of the school district income tax on the ability of rural Ohio school districts to maintain financial stability. The researcher
investigated rural (as defined by the Ohio Department of Education) school districts in Ohio that have implemented a school district income tax and compared their need to return to the voters for new operational levy support (indicating a lack of financial stability at that point) with those districts who rely solely on property taxation. The results of this research will enable educational leaders of rural Ohio school districts to see how similar districts approach school funding through levies.

Research Questions

The study addresses the following five questions:

1. How many rural school districts have approved school income tax levy support since the inception of the tax?
2. In which year did the greatest number of rural school districts pass school income tax levies?
3. Of those rural districts that passed a new school income tax levy in that year, how many election cycles passed before voter approval was given for a new operational tax levy?
4. Of those rural districts that passed a new property tax levy in that year, how many election cycles passed before voter approval was given for a new operational tax levy?
5. Do rural school districts which have passed operational income tax levies in addition to property tax levies stay “off the ballot” for new operational dollars longer than those who rely solely on property taxes?
Definitions of Terms

*Adequacy* – Providing sufficient funds for the average district/school to teach the average child to state standards, plus sufficient additional revenues for students with special needs to allow them to meet performance standards as well. Many school finance court cases have shifted from challenging fiscal disparities to challenging the adequacy of the funding system.

*Assessed Valuation* – The assessed valuation is the total value of property subject to property tax in a school district. In Ohio, it is determined by a governmental agency or tax assessor. The assessed valuation in most states and localities is only a percentage of the market value of the property. In Ohio, property is assessed at 35% of the market value.

*Board of Education* – The governing body of the school district, charged with policy making and oversight of the school district. In Ohio, a district School Board (Board of Education) consists of either 5 or 7 members. (Vocational School Districts and Educational Service Centers have a greater number of members representing a wider local constituency.)

*Current Operating Expenditures* – Expenditures necessary for the daily operation of the school program including expenditures for administration, instruction, transportation, operation, maintenance and fixed charges.

*Election Cycle* – *See Levy Cycle*

*Effective Mills* – A tax rate applied to real property after adjustments have been applied which reflect a tax reduction factor.

*Effective Tax Rate* – The tax rate charged on real property after application of tax reduction factors.

*Equity* – Fairness, impartiality, justice or anything that is fair. In a legal framework, equity is the resorting to general principles of fairness and justice when existing laws are
inadequate for the situation and a system of rules and doctrines supplementing statutory and
common law and superseding such law when it proves inadequate for just settlement.

**Financial Stability** – The ability of a school district to be fiscally solvent. School districts
in Ohio are required to have a positive cash balance for three years into the future. This is
assessed annually by the Ohio Department of Education. Once districts cannot demonstrate this
they are required to submit a plan to the Ohio Department of Education, describing how they will
rectify the situation. Typically, that plan includes reduction of expenditures and/or increases in
income via tax levies. Failure to submit a plan or follow the requirements of the plan may result
in the district being placed in various categories (fiscal caution, fiscal watch, and fiscal
emergency) with increasing state management/control as the level of financial distress increases.

**Foundation Amount** – The amount of dollars per pupil that the state funds to provide a
basic education for a pupil.

**Foundation Program** – A state equalization aid program that guarantees a certain
foundation level of expenditure for each student, together with a minimum tax rate that each
school district must levy for educational purposes. The difference between what a local school
district raises at the minimum tax rate and the foundation’s expenditure is made up in state aid.
Foundation programs focus on the per-pupil expenditure and therefore enhance the state
government’s fiscal role in education.

**HB 694** – Enacted by the Ohio legislature in 1981, this law allowed school districts to
pursue ballot initiatives for income tax from January 1, 1982 through June 30, 1983. Six school
districts took advantage of it, and income tax levels ranged from .5% to 1%. In the 1983 budget
bill certain provisions of the law were repealed, so it became unavailable to school districts
(except those that had already instituted it) until the passage of SB 28 in 1989.
HB 920 – Passed by the Ohio legislature in 1975, this law limits the revenue from voted millage to the amount that the initial levy was to yield on real property which includes residential, agricultural, commercial, industrial, and public utility real property.

Inside Mills – Millage levied under the 10-mill limitation in the constitution. Such millage is enacted without requiring a popular vote and is not subject to tax reduction rates.

Levy (Tax Levy) – A levy placed on the ballot which seeks voter approval for a specified amount of revenue to be raised by a particular millage rate. Such a levy may be used for a specified project; however, more commonly the revenue received from the levy is used for the general operation of the school district. (Also see School District Income Tax.)

Levy Cycle – In Ohio, levy opportunities for additional school district taxation occur four times in non-general election years (February, May, August and November), and three times (March, May and November) in years which presidential elections are held.

Market Value – The value of real property determined by its price on an open market.

Mill – The basic unit for computing local property taxes and is equivalent to one tenth of one cent or one-tenth of one percent (one dollar per thousand of assessed value of property).

Outside Mills – Millage levied in addition to inside millage. Such millage can only be levied after an affirmative popular vote.

Permanent Improvement Levy – A restricted use levy that can only be used for capital-related expenses. These levies do not contribute to the calculation of the 10-mil floor (“inside” millage), but are subject to reduction factors if they are outside levies.

Property Tax – A tax conditioned on ownership of property and measured by the value of such; this form of tax includes general property taxes related to property as a whole in addition to real and personal tangible.
Property Taxation Rural Districts – Ohio rural (as defined by the Ohio Department of Education) school districts implementing exclusively property taxation as the taxpayer supported option for support of school districts.

Qualifying Millage – The property tax rate that must be levied for a school district to qualify to receive state basic aid. The rate is 20 mills. Included in the 20 mills are all current expense levies (using the rate before application of reduction factors), emergency levies, current expense levies of overlapping joint vocational school districts, and the millage equivalent of current expense income taxes.

Real Property – Land and buildings.

Reappraisal – A process completed every six years by county auditors to determine the market value of all real property. It is accomplished through a visual inspection of all property.

Rural Poor School Districts – Defined by the Ohio Department of Education as districts that have a high incidence of poverty, with high ADC (Aid to Dependent Children) count, low gross family income levels and low per pupil valuation. Rural poor school districts are not a part of this study, nor are they a subset of rural school districts in Ohio. They are a separate typology.

Rural School Districts – Defined by the Department of Education as districts without any city of over 5,000 population based on census data. These districts are rural, although some of them cover such a large area that their pupil enrollments are larger than those of some urban districts.

School District Income Tax – an income tax separate from federal, state and municipal income taxes that are earmarked specifically to support school districts. Imposition of the school district income tax must be voter approved by residents of a school district.
School District Income Tax/Property Taxation Rural Districts – Ohio rural (as defined by the Ohio Department of Education) school districts that implement both school district income tax and property taxation for support of their school districts.

Tangible Personal Property – Machinery, equipment, furniture, fixtures, and inventory.

Tax Effort – In general, the burden of taxation on a taxpayer. In this definition, it is the percentage of income in a school district that is paid for residential and agricultural property taxes and school district income taxes.

Tax Reduction Factor – The amount that a tax levy rate has been reduced to prevent the levy from producing more revenue due to reappraisal.

Taxable Value – The value of property subject to taxation, after application of assessment rates.

True Value – The market or book value of property. For real property, it is market value. For business tangible and non-electric production utility tangible property, it is depreciated cost. For electric production equipment, it is 50 percent of original cost.

20-Mill Floor – A school district with at least 20 mills of current expense taxes levied may not have its effective tax rate reduced below 20 mills. Once the effective tax rate reaches 20 mills, no further reductions in effective rates are made, allowing such districts to receive the full impact of increases in taxable values on those mills.

Significance of the Study

The results of this study will assist rural school districts as they plan the appropriate choice(s) for school funding options in their respective districts. For those districts which have not currently implemented a school district income tax, this study will enable them to compare themselves to similar districts which have had successful passage of income tax levies and to
begin to analyze whether a school district income tax might better meet their needs versus reliance on only property taxation. Through this determination, school districts in Ohio will have a greater understanding for – and broader basis of research in – the role played by school district income tax in the overall support of school district revenue. Equally important, the study will shed light on the topic of school finance, which is frequently discussed, yet seldom researched.

Limitations of the Study

This study provides a “snapshot” of the effects of school district income tax passage over a specified time period for rural school districts in Ohio, and focuses on the necessity for those districts to return to the ballot for new operational dollars compared to similar rural districts which utilize only property taxation as their voted means of monetary support.

Factors such as inflation rates and the impact of the State and national economies, school district decisions regarding operational monetary spending choices, and the success rate for levy passage are not determined or addressed in this study.

It will assist the reader to know that Ohio utilizes a very complex system of school funding. School district treasurers (the chief financial officers of school districts) are in constant communication with the State of Ohio as revenue projections, expenditures, and budget adjustments are made. The system is further complicated by the fact that the Ohio Department of Taxation oversees school district income taxation, while the Ohio Department of Education oversees property tax collection. Treasurers use an ODE-generated report called the SF-3 as their primary form for reporting changes throughout the year. It should also be noted that Ohio Schools utilize a fiscal year approach (July 1-June 30) as their reporting year, while most school districts have payroll adjustments following a school calendar year (August through July or September through August). A further complication is that Ohio school districts do not utilize
GAAP (General Accepted Accounting Principles) until the conclusion of the year, at which time the conversion to GAAP is made. There are also specific regulations in Ohio Revised Code that determine how often various forms of taxation can be brought forth on the ballot, along with rules governing verbiage on the ballot. For the May, 2006 primary elections (the most recent election at the time of this study), 187 school districts (out of 613 total in the state of Ohio) had school tax issues on the ballot. It should also be noted that in the United States, only five states (Pennsylvania, Iowa, Kentucky, Michigan and Ohio) currently permit school district income taxation (Guide to Ohio’s School District Income Tax, Ohio Department of Taxation, 2005).

Within Ohio, the population of this study is limited to the “rural” demographic as defined by the Ohio Department of Education. Although there is also a “rural poor” category, it should be noted that “rural poor” is not a subset of “rural”, but a completely different typology. This separate category of “rural poor” is not utilized here, but could be considered for further research.

Summary and Organization of the Document

This study determines the impact of school income tax in maintaining financial stability in the school district. It compares the length of time rural school districts can go before seeking new operational levies based on utilization of property tax versus income tax for previous operational expenses.

This dissertation is divided into five chapters. The first chapter, the introduction, contains the statement of the problem including property taxation for school support, the impact of House Bill 920 on school funding, and school district income taxation; purpose of the study; research questions; definitions of terms; significance of the study; limitations; and summary and organization of the document. The second chapter provides an overview of literature related to
the discussion of school finance in general, as well as more specific insight into Ohio school
finance and levy choices. Chapter three provides data collection and data analysis methods. The
fourth chapter describes the findings of the study, and the fifth chapter summarizes the findings,
discusses limitations, and includes recommendations for further research.
CHAPTER II. REVIEW OF THE LITERATURE

General Introduction

According to Brimley and Garfield (2005), education is an investment in human capital and is important in enabling people to read; acquire mathematical skills; become problem solvers; develop self-realization, economic sufficiency, and civic responsibility; and enhance human relationships. Yet, as is typical of all investments, elements of risk exist and no one can predict accurately that all recipients of our educational product will achieve their maximum human potential.

Financial support is necessary to provide for the needs of students, human resources, facilities, equipment and supplies, and property to allow for and sustain educational viability. Alan Greenspan, widely acclaimed for his role as Chairman of the Federal Reserve in the United States over the last two decades stated, “Critical to our investment in human capital is the quality of education in our elementary and secondary schools”. He further stated,

Certainly, if we are to remain preeminent in transforming knowledge into economic value, the U.S. system of education must remain the world’s leader in generating scientific and technological breakthroughs and in preparing workers to meet the need for skilled labor. Education must realize the potential for bringing lasting benefits to the economy. (Greenspan, 2000, in Brimley & Garfield, 2005, p. 3)

School Funding and Taxation in Ohio

Hoyle, et al. (2005) report that school financial data are derived from local, state and federal information sources, and that formulas that generate funding for school districts tend to be complex and difficult to understand. Further, as court decisions in the last two decades across
the country requiring adequacy and equity in education have increased, the complexity of
funding has likewise increased.

The following listing represents the types of levy issues available to the Ohio voting
public. It should be noted that this listing encompasses tax issues linked to school districts only,
and does not include levies for municipal services, township and/or county support, fire and
ambulance services, etc. (Ohio Department of Education, School Finance and Management
Services, May, 2005). Levies impacting upon this research include those devoted exclusively to
school district operational support. They include Emergency (Operating) New; Continuing
(Operating) New; Limited (Operating) New; Income Tax (Operating) New; and Phase In
(Operating) New.

But it must be noted that Ohio voters also face the following school district initiated tax
levies: Capital Improvement (Limited); Operating with Capital Improvement; Bond Issues;
Millage Reduction; County Financial District (Operating); County Financial District
(Reduction); Capital Improvement (Continuing); Replacement Continuing (Operating); Income
Tax Capital Improvement; Replacement Capital Improvement; Combined Municipal/School
District; Replacement Limited Operating; Issue Repeal; Operating Levy and Permanent
Improvement; Bond Issue and Permanent Improvement; Bond Issue and Income Tax; Building
and Maintenance Levy; Operating Levy and Bond Issue; Permanent Improvement/Bond
Issue/Operating Levy; Income Tax/Permanent Improvement with Bond Issue; Educational
Technology; Current Expenses; and Building Assistance issues. Levies for public library,
recreation, construction/maintenance of public centers, and cultural centers may be linked to
school districts, and placed on the ballot by school districts.
Further complicating the issue is the procedure required for tax levies to be brought before the voters. Property tax levies require two resolutions, passed by the school district board of education. The first is a “resolution of necessity” which must be approved and submitted to the county auditor to verify the amount of money the specified millage will bring in. A “resolution of necessity” must have a two-thirds vote of the entire board of education (four positive votes out of a five-member Board) under Ohio Revised Code (O.R.C.) § 5705.21 to authorize the levy. The resolution is then forwarded to the county auditor, and after receiving the auditor’s estimate, the board of education must then approve a “resolution to proceed”. This “resolution to proceed” contains the actual ballot language, and must have a majority vote of the board of education to authorize the resolution. Both resolutions and the auditor’s estimate are due to the Board of Elections at least seventy-five days before the election.

School district income tax levies (the other main form of school support in Ohio) also require two resolutions from the board of education. The first is a “resolution of necessity”, which must be approved and submitted to the Ohio Department of Taxation eighty-five days prior to the election. A majority vote of the entire board of education is needed to authorize the resolution. After receiving the state tax commissioner’s certification (the Ohio Department of Taxation has ten calendar days to respond), the Board must then approve a “resolution to proceed” (majority board of education vote again required). The resolution to proceed contains the ballot language.

Renewals of property taxes only permit three public votes per year; school district income taxes may only be on the ballot two times per calendar year, and the second try must be in November during the general election.
A Brief History of Ohio School Funding

School funding in Ohio was not always as complex as it has become today. First developed through what were called subscription schools, families who wished to educate their children pooled monetary resources and collectively hired a teacher. Before Ohio even gained statehood, The Northwest Ordinance of 1787 – which governed the territory – stated, “Schools and the means of education shall forever be encouraged” (Congress of the Confederation, An Ordinance for the Government of the Territory of the United States, Northwest of the River Ohio, 1787, in Crim, 1994).

The Supplemental Act, which created the State of Ohio in 1803, provided that one section of each township be reserved for school purposes. The law, however, contained no safeguards to insure that schools benefited from this land. Often, valuable timber was removed from the land, and it was abandoned (Shreve, 1989).

In 1802 The Ohio Constitution was submitted to the United States Congress. Sections three and twenty-five of Article VIII make reference specifically to education, including, “The means of instruction shall be forever encouraged by legislative provision” (Ohio Const., art. VIII, § 3), as well as the more specific verbiage,

No law shall be passed to prevent the poor in the several counties and townships within the state, which are endowed, in whole or in part, from the revenue arising from donations made by the United States for the support of schools and colleges; and doors of the said schools, academies and universities, shall be open for the reception of scholars, students and teachers, of every grade, without any distinction or preference whatever, contrary to the intent for which the said donations were made. (Ohio Const., art. VIII, § 25)
Legislation enacted in 1825 – while supportive of school finance – was interestingly tied to a canal bill. (A system of canals was actively used for transportation in Ohio during that time period.) Passing the canal bill on February 4th, the legislature then determined on February 5th that each district must levy taxes for the schools of the district. By 1838, the state further mandated that all youth in Ohio would be provided with a free education. At that time, also initiated was a pledge of $200,000 derived from a half-mill general property tax (increased to one mill in 1873) levied on all taxable property in the State and from special taxes on banks, insurance companies, and bridge companies. The initial payment was made in December, 1838, and distributed to the schools on the basis of numbers of white youth between the ages of four and twenty (Bell, 1952).

An important paragraph in both the Ohio Constitution of 1802 as well as the current Ohio Constitution is as follows: “The general assembly shall make such provisions, by taxation, or otherwise, as with the income arising from the school trust fund, will secure a thorough and efficient system of common schools throughout the State” (Ohio Const., art. VI, § 3). This provision would later come under careful scrutiny in major court cases, including the Board of Education v. Walter (1977) and in the series of four DeRolph v. Ohio cases in the 1990s through early 2000s. At issue would be the legislature’s responsibility in funding, and the definition of what truly constitutes a “thorough and efficient” system of common schools.

Guthrie (2004) indicates that U.S. education history can be characterized as a nineteenth century effort at constructing a scaffold for public schooling, a twentieth century quest to ensure access to the system, and an emerging twenty-first century challenge to render the system more effective. He further states that, no doubt, such a vulgarization is upsetting to historians. Yet it nevertheless captures the evolution and realities of school finance. Nineteenth and early
twentieth century state and federal school finance arrangements concentrated on inducements for
states to construct public schools and colleges, staff them, extend the range of grades and
services offered, and share costs between local and state sources.

Until 1900, state support for schools was funded under a simple formula. The entire
amount made available by the legislature was simply divided by the number of students
attending school. However, in legislation enacted in 1900, the set amount of $1.45 per student
age four through twenty was established as the “guarantee”. This continued until 1920, when the
amount was raised to $2.00 per student. The source of the funding was through an imposed 1.8-
mill property tax and revenues from the State’s general revenue funds, and in 1920 also included
an additional levy of one mill to be retained by the counties.

In the early 1930s, following the crash of the stock market and devaluation of property,
legislation was enacted to further support schools. A one-cent tax per ten cigarettes and a one-
cent tax per gallon of gasoline were each passed to support schools. However, in 1933, the voters
amended the Ohio Constitution with the following paragraph:

No property taxed according to value shall be so taxed in excess of one percent of its true
value in money for all state and local purposes, but laws may be passed authorizing
additional taxes to be levied outside of such limitation, either when approved by at least a
majority of the electors of the taxing district voting on such proposition, or when
provided for by the charter of a municipal corporation. (Ohio Const., art. XII, §§ 2, 11)

This is particularly important – in light of today’s funding for education in Ohio – as it set the
baseline of 1% (10 mills) which is now referred to as “inside millage”. It should be noted that
prior to this amendment, the Ohio Constitution allowed all political subdivisions (school
districts, townships, villages, towns, cities, and counties) to levy up to 1.5% (15 mills) on the true
value of their properties without voter approval. In addition to the lower percentage, taxpayers are also granted a 10% tax credit (called “rollback”) on property tax bills, and 12.5% if owner occupied. The loss in revenue created by this change in 1933 was supplemented by a 3.0% state sales tax instituted by the legislature in 1935, although the food component of the sales tax was later repealed.

In 1935, another component of Ohio school finance which exists today was also imposed. Called the “School Foundation Program”, it provided direct payment to school districts based on their enrollment of students in three different groups: grades 1-8; grades 9-12; and kindergarten. Included also were provisions for the length of the school term and size of the district (attendance based). After payments were calculated, the amount of money that would be raised from applying three mills to the assessed value of the district was added. If the calculations did not yield sufficient funds to meet the “minimum operating costs” the district was entitled to additional aid (Crim, 1994). This was also the first time that support for school transportation was provided (HB 466, 91st General Assembly, 2nd session, 1935.13).

Although the sales tax and foundation program were in place, in 1937 the state failed to make the February quarterly payment to schools and by December the shortage for the fund was estimated to be near seven million dollars (Bliss, 1937). In later years, school foundation payments would also often be less than predicted or absent altogether.

Several studies of school districts in Ohio were conducted during the 1940s and 1950s. Most notable was the Manahan report, headed by Representative W.L. Manahan and published in 1955. Over 25% of the report was devoted to school finance in Ohio. The 101st Ohio General Assembly followed up on many of the recommendations, and a more comprehensive formula plan was established in 1956 which included provisions for “teacher units”. The plan utilized
four factors in determining state support of school districts, and in the end, school districts were identified as either “additional aid” districts, or non-additional aid districts (also called “guarantee districts”).

While there were successes during this time period, a rift was developing between wealthier and poorer districts, and there were concerns regarding the complexity of the foundation formula. A 1967 Ohio Department of Education report entitled *The Ohio Law for the State Support of Public Schools* cited the following:

> The gradually increasing educational costs have made it almost impossible for the poorer districts to maintain quality programs or to establish salary schedules competitive enough to employ or retain well qualified personnel. The local school tax burden combined with additional municipal, state, and federal taxes has resulted in general reluctance of the voters to approve additional levies on local property for support of schools. (Parsons, 1968, p. 6)

Even though voters were reluctant to approve levies, and the state was reluctant to provide additional support to schools, it should be noted that in the late 1960s the state also began requiring mandatory transportation of students by public school transportation for those who were attending private and many parochial schools. Rural districts were especially hard hit, as they were already transporting their students often across distances of 100 to 150 square miles or more twice daily, and the additional requirement to transport students who wished to attend non-public schools increased those burdens even further.

By 1971 eight Ohio school districts were in financial bankruptcy, as a result of voter failure to pass levy issues because of the rise in property taxes, and closed their doors for varying
time periods to help defray costs (Ohio Schools, 1971). Other school districts, although still solvent, faced severe budget cutbacks when state school aid was further decreased.

Recognizing that property taxes alone were not sufficient to support Ohio’s programs including schools, the legislature passed the first state income tax in 1971. It should be noted that this was a state income tax, as opposed to a school district income tax which would become another option available at a later time. Although touted as being beneficial to schools when the new income tax passed, many other state entities aside from education benefited from the infusion of tax dollars from the new state income tax (Crim, 1994).

An educational foundation program did, however, result from legislation passed in 1971 with the intent to support schools. Six hundred dollars per pupil in grades one through twelve and $300 per kindergarten student were allocated, but special education students, those taking full-time vocational classes, and 25% of pupils attending state joint vocational schools were not counted. To further complicate the issue, the formula then applied a mathematical equation to the process, which yielded the amount that became the “basic” state aid per pupil. Instead of the $600 per pupil “guarantee” – the resultant amount was actually a range of $79 per pupil (ADM) in districts with $32,000 valuation per pupil to $179 per pupil (ADM) in districts with $20,000 per pupil valuation. The areas of special education, vocational education, approved transportation and approved extended time were supported by “unit funding”, based on the number of “units” being served per teaching area. These areas featured even more complex funding formulas.

By 1973 the Ohio General Assembly again authorized a study to focus on adequate funding of school districts in Ohio. This report, called “The Syracuse Report”, featured additional and substantial modifications to the foundation formula. Known as the “equal yield plan”, the intent was to provide an equal return to school districts making an equal taxing effort
The plan was eventually implemented by 1979, but in 1981 the plan was discarded in favor of a foundation formula that was once again based on a guaranteed amount per pupil, comprised from a combination of state and local funds, with the local contribution being that amount raised per pupil from a levy of twenty mills (Crim, 1994). Table 2 shows a comparison of the guaranteed amounts versus the per pupil expenditures for the years 1982 - when the foundation formula was again restored - through 1991. One will note that the ratio of the guaranteed amount to actual expenditures for this decade is shown in the far right column.

Table 2

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Guaranteed Amount</th>
<th>Expenditure Per Pupil</th>
<th>Ratio Guaranteed Amount to Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>1982</td>
<td>$1,410</td>
<td>$2,327</td>
<td>1.65</td>
</tr>
<tr>
<td>1983</td>
<td>$1,680</td>
<td>$2,516</td>
<td>1.49</td>
</tr>
<tr>
<td>1984</td>
<td>$1,835</td>
<td>$2,811</td>
<td>1.53</td>
</tr>
<tr>
<td>1985</td>
<td>$1,943</td>
<td>$3,079</td>
<td>1.58</td>
</tr>
<tr>
<td>1986</td>
<td>$2,080</td>
<td>$3,322</td>
<td>1.60</td>
</tr>
<tr>
<td>1987</td>
<td>$2,235</td>
<td>$3,438</td>
<td>1.54</td>
</tr>
<tr>
<td>1988</td>
<td>$2,280</td>
<td>$3,622</td>
<td>1.59</td>
</tr>
<tr>
<td>1989</td>
<td>$2,360</td>
<td>$4,019</td>
<td>1.70</td>
</tr>
<tr>
<td>1990</td>
<td>$2,530</td>
<td>$4,349</td>
<td>1.72</td>
</tr>
<tr>
<td>1991</td>
<td>$2,636</td>
<td>$4,605</td>
<td>1.75</td>
</tr>
</tbody>
</table>
While the foundation guarantee amount increased on a yearly basis, the overall increase was approximately $1200.00 for the ten year period, while expenditures nearly doubled, rising by nearly $2300.00.

From 1992 through 2003 the percentage of the state budget used to fund elementary and secondary schools (grades kindergarten through twelve) in Ohio increased from 34.5% in fiscal year 1992 to 39.3% in fiscal year 2003. The nearly 5% increase in state spending for public education would seem to be promising, however, in 2003 seven school districts projected deficits totaling an aggregate amount of three million dollars. Financial forecasts submitted by Ohio school districts to the Ohio Department of Education for fiscal years 2004 through fiscal year 2007 indicate the number of school districts facing deficits growing significantly, with 364 districts projected to have aggregate totals of deficits in 2007 at nearly three billion dollars (Ohio Department of Education).

The Effects of House Bill 920

Although the funding process for Ohio schools was already quite complex, a new complication entered the scene with the passage of House Bill (HB) 920 in 1976. As previously stated, communities were voting against school levies as property valuations increased in the 1960s and 1970s. This voter backlash did not go unnoticed by the legislature, so an attempt to curb the inflationary rise of property tax was promoted through the passage of HB 920 which requires rollbacks of local millage rates in response to inflationary increases in the value of real property. Essentially, the revenue from the initial voted levy is what the school district receives. The mechanism to do this is as follows: as assessed valuations of real property (residential, agricultural, commercial, industrial, and public utility real property) and personal property increase, the rates on the classes of real property are effectively reduced (Ohio Revised Code §§
Revenues for voted levies for all political subdivisions are impacted, but it impacts school districts more since they are so heavily dependent upon the voted levies for their income (Baker, 2005).

Fleeter (1996) completed *An Analysis of the Impact of Property Tax Limitation in Ohio on Local Revenue for Public Schools*. This comprehensive look at HB 920 included five major findings. First, there is considerable evidence that the millage rollbacks introduced by HB 920 in response to inflationary property value increases have significantly reduced local revenues for many Ohio school districts, and that this type of provision is largely unique to Ohio. Second, there is evidence that the administration of the millage rollbacks (in terms of the twenty-mill floor and the exclusion of tangible property and new construction of real property from rollbacks) will result in differential effects on local revenue growth for districts with different compositions of the tax base and different levels of tax effort. Third, simulations suggest that because of differences in inflationary growth of real property, poor rural districts are the least effected, on average, while wealthy districts are the most affected by HB 920. However, districts of all types can see large or small impacts depending on their particular circumstances. Fourth, relatively high utilization of the school district income tax by rural districts can potentially afford an avenue to local revenue growth that is currently not attained with the property tax. Fleeter indicated that further research to verify this premise is necessary. And finally, the substantial restrictive impact of HB 920 on local revenue growth in wealthy districts raises the prospect that tax limitation in Ohio has had a somewhat equalizing effect on local revenues, and perhaps expenditures since 1976.
Overview of Property Taxes

Property taxation has been the prime support of schools in Ohio since the 1800s. Of all property taxes levied in the state, nearly 70% goes toward the schools, with the remainder divided among other local governments. Two types of property are taxed in Ohio, and within those are two additional classifications. Real property (land and buildings) is broken into the classifications of residential/agricultural (Class One) and industrial/commercial (Class Two). The second type, business tangible personal property (machinery, equipment, furniture, and inventories) includes the two classifications of property: public utilities and general business.

A foundation method is used to determine the amount of money the state provides for basic education. The number of students multiplied by the dollar amount determined by the legislature for a given year is the basis for the foundation amount. Localities are also required to contribute to educational support, with the required rate of 23 mills (2.3%) of relative property wealth, called the “charge off”. A district with greater property wealth will ultimately contribute more, because the charge off rate yields more dollars. School districts may also seek voter approval beyond the 23 mills to support additional programs, operating costs, etc. (Sobul, 2000).

School District Income Taxes

In 1981 the Ohio legislature passed House Bill 694 which permitted the board of education of a school district to allow voters to select a school district income tax as a means of funding schools. Taxation rates were available by quarterly increments of .25%, .50%, .75% and 1.0% (Ohio Revised Code § 5748.02). Initially, six school districts approved the income tax, although one repealed it at a later time. Amended Substitute HB 291, passed two years later, repealed the school district taxation option due to complaints by municipal governments, as they were relying on income tax as a source of revenue in their own locales; however, those school
districts which had already implemented it were allowed to continue (Ohio Revised Code § 5748.01). This income tax is separate from federal, state, and municipal income taxes, and is utilized solely to support school districts.

In 1989 Senate Bill 28 reauthorized local income taxation as an option for school districts. It has an identical tax base with the state income tax, and is paid by residents of the school district, regardless of where they work. Those who live outside the school district but work within its boundaries are not subject to this tax. The state retains 1.5 percent of school district income tax collections for administration of the program. Taxes are collected in the same manner as state income tax: through monthly or quarterly withholding from employers, quarterly estimated payments, and annual tax returns. The most recent information on school district income tax receipts, which reflects the third quarter of fiscal year 2006 showed a collection of $43.3 million, which was distributed to 146 school districts (Ohio Department of Taxation, Tax Data Series, February 2, 2006). Of districts receiving school district income tax, the range of dollars received extended from $45,524 to $2,194,107.

House Bill 66, enacted in the current Ohio biennial budget bill (2006/2007), offers an alternate base for a school district income tax levied under Chapter 5748 of the Ohio Revised Code. For school districts choosing this option, only earned income for school district residents applies to this tax. Income that is taxed includes wages, salaries, tips, interest, dividends, unemployment compensation, self-employment, taxable scholarships and fellowships, pensions, annuities, IRA distributions, capital gains, state and local bond interest (except that paid by Ohio governments), federal bond interest exempt from federal tax but subject to state tax, alimony received, and all other sources. Income that is not taxed includes social security benefits, disability and survivors benefits, welfare benefits, child support, property received as a gift,
bequest or inheritance, and workers compensation benefits. Specific item listings from federal tax forms help determine this tax cost compared to the traditional school district income tax base which begins with the federal adjusted gross income. HB 66 was created in response to citizen concern regarding the taxation of income of senior citizens which occurred in the other type of school district income tax collection (Ohio Department of Taxation, School District Income Tax, 2005).

*DeRolph v. State of Ohio*

Recently, school funding in Ohio has become even more complex due to a series of legal challenges. In 1991, the Ohio Coalition for Equity and Adequacy of School Funding filed the lawsuit *DeRolph v. State of Ohio*. In 1997, the State Supreme Court ordered the state to change the foundation program, the “over reliance” on local property taxes, “forced borrowing”, and insufficient state funding for school buildings. While the State Supreme Court held that the state failed to meet Ohio’s “thorough and efficient” standard for financing schools, the Court, however, did not agree to appoint a special master to oversee the state’s further efforts to comply with the provisions of the State Constitution.

Although there were subsequent funding increases following *DeRolph*, in 2000 the Court found the funding system substantially unchanged and still unconstitutional in what has been termed *DeRolph II* (2000). Although school-facilities funding increased and the state revised the funding system and increased funding for education, in 2001 the Court issued *DeRolph III* and appointed a mediator. Mediation failed, and in 2002 the Court again declared the system of school finance unconstitutional (*DeRolph v. Ohio, 2002 (DeRolph IV)*). Of important note was that the Court did not retain jurisdiction.
In 2003 plaintiffs asked the Supreme Court for a compliance conference on *DeRolph IV*. The state asked the State Supreme Court to prohibit such action. The Court honored the state’s request, and the case was ended (*Ohio v. Lewis*, 2003). This lack of enforcement of the law has been problematic as school districts await both direction and assistance; however, the “thorough and efficient” clause remains and is important to future litigation possibilities.

William Phillis, Executive Director of the Ohio Coalition for Equity and Adequacy of School Funding which brought suit in the *DeRolph* cases, has played a key role in bringing and keeping the need for a remedy for educational funding in Ohio to the forefront. Currently, Phillis has assembled a group representing the Ohio School Boards Association, the Ohio Education Association and the Buckeye Association of School Administrators to ratify ballot wording for a school funding amendment to the Ohio Constitution, with the goal of securing enough signatures to put the ballot before the public in November of 2007. It is anticipated that approval of this constitutional amendment, currently dubbed “Educate Ohio”, would slash local property taxes by about $2.5 billion and shift the expense to the state. Per Phillis, “The overarching goal is to solve the 100-year-old problem: how do you define the cost of an adequate education, and how do you pay for it?” (Hallett, *The Columbus Dispatch*, April 5, 2006).

**Rural Education in America**

Rural schools face their own unique sets of challenges. Stern (1994) states that one problem facing rural education is the lack of a definite understanding of the meaning of “rural”. The U.S. government term for rural is “nonmetropolitan”, and the U.S. Census Bureau defines rural areas as communities with fewer than 2,500 inhabitants or fewer than 1,000 inhabitants per square mile. Ohio has defined “rural” through the Ohio Department of Education, and even breaks it down into two segments, “rural” and “rural poor”. Rural school districts are defined by
the Ohio Department of Education as districts without any city of over 5,000 population based on census data. These districts are rural, although some of them cover such a large area that their pupil enrollments are larger than those of some urban districts. Rural poor school districts are defined by the Ohio Department of Education as rural districts that have a high incidence of poverty, with high Aid to Dependent Children count, low gross family income levels and low per pupil property valuation (Ohio Department of Education Typology of Districts, 1990).

Regardless of the image one has in mind when hearing the term “rural”, three significant trends are currently impacting rural America. First, the overall U.S. population classified as rural is decreasing. Second, the proportion of working age adults (18-64) remains higher in metropolitan than in rural areas (Parker, 1993); and finally, the older population of America has increased more in rural areas than in other areas (Hobbs, 1994). When considering the financial ramifications of these trends on school support, not only is the overall rural population decreasing, but the growing population of non-working older adults in rural districts means that those with less income are regularly called upon to be the “backbone” of financial support for their school districts. In rural areas, this aging population often resides in family farmhouses or in residences they own in nearby villages. Either way, increasing property taxation continues to impact this group, and if residing in a state that has imposed school district income taxation, this older population is significantly affected as well.

Financing rural education in Ohio has its own set of special issues. In fact, the crucial relationships between good schools and thriving rural communities is supported by the Rural School and Community Trust, the national nonprofit organization seeking to improve the quality of rural education through research, policy analysis and support for rural people and organizations working to improve rural schools. The primary purpose is to stimulate discussion
about rural schools and issues with the ultimate aim of elevating rural issues in policy arenas. To achieve that end, an essential prerequisite is a broad and deep research base on rural issues and, particularly, rural education finance (Imazeki & Reschovsky, 2003).

*Rural Schools and School Finance Litigation*

Howe (1999) listed six fundamental questions that state supreme courts have recently considered. They include:

1. Public education: Is it a state or local responsibility?
2. Judicial review: What is the jurisdiction of the courts in education finance reform?
3. “Thorough and efficient” education: What is the constitutional definition?
4. School district funding levels: Does equal opportunity mean equal funding or simply constitutional adequacy?
5. State education funding systems: What reforms are required to achieve constitutionality?
6. Local property tax as the chief source of school revenue: Is it necessary for local control? Are funding disparities a result of the property tax system? (p.32)

Beginning with *Serrano v. Priest* (1971), the courts began to examine cases involving inadequacy and inequities in educational funding. At the time this California case was brought to court, the per-person California expenditures for education ranged from $274 in one district to $1,710 in another. Within one county, the Beverly Hills school district expended $1,223 per student, while Baldwin Park expended $577. Yet because of property value disparities, the taxpayers of Baldwin Park paid 54.8 mills ($5.48 per $100 of assessed valuation) while Beverly Hills residents paid only 23.8 mills (2.38 per $100 of assessed valuation). The tax effort, therefore was nearly 2:1 for the poorer district. The importance of this case, in which the State
Supreme Court ruled for the plaintiff and found the system for financing California schools to be unconstitutional, was that court took into consideration the ability of the taxpayer to pay – not just the discrepancy in state or local support for schools.

Within six weeks of Serrano, Minnesota had its system for financial education also declared unconstitutional. A federal district judge, in Van Dusartz v. Hatfield (1971), accepted the California arguments from Serrano as being equally appropriate to this case. The court said:

This is not the simple instance in which a poor man is injured by his lack of funds. Here the poverty is that of a governmental unit that the State itself has defined and commissioned. The heaviest burdens of this system surely fall de facto upon those poor families residing in poor districts who cannot escape to private schools, but this effect only magnifies the odiousness of the explicit discrimination by the law itself against all children living in relatively poor districts. (Brimley & Garfield, 2005, p. 234)

In 1973, the United States Supreme Court accepted the San Antonio Independent School District v. Rodriguez as the first (and only, to date) federal equal protection case concerning school finance. Rodriguez held that the disparity in per-pupil spending, caused by the varying values of taxable property in the districts, was unfair. Although the court used the equal protection clause of the Fourteenth Amendment in deciding the case, the true significance of the U.S. Supreme Court ruling was its decision that reforms with respect to state taxation and education were matters reserved for the legislative processes of the various states and not the federal government. Since that time, the U.S. Supreme Court has declined to hear any cases, citing the Rodriguez doctrine that such matters are state concerns.

Beginning in the late 1980s, school finance court cases have now primarily focused on equity and adequacy issues and have been decided in state courts. Rose v. Council for Better
Education (Kentucky, 1989), Edgewood Independent School District v. Kirby (Texas, 1989), Coalition for Equitable School Funding v. State of Oregon (Oregon, 1991) and the Ohio DeRolph case, as mentioned earlier, all have wrangled with the concepts of what constitutes an acceptable level of financial support to education. Even the recent Campaign for Fiscal Equity v. The State of New York (2003) continues to deal with financing education equitably and requiring legislative action in support of this.

In summarizing the general principles or conclusions of the court rulings beginning with Serrano in 1971, Brimley and Garfield (1995) stated:

1. It is reaffirmed that financing education is the responsibility of the state.
2. Since educational needs vary from district to district, the state does not have to require all of its school districts to spend the same amount of money per pupil or offer identical educational programs.
3. State legislature are not required to eliminate property taxes in favor of taxes on other sources of revenue.
4. Schools may make additional expenditures for programs for exceptional children, compensatory programs for culturally disadvantaged children, and programs for other educational needs that are significant and worthy of special treatment.
5. No specific plans have been mandated to achieve equitability in school finance formulas.

It should also be noted that in the 25 major court cases from 1971 to 2003 where the plaintiffs prevailed, 18 addressed issues facing rural schools (Dayton, 2003).
Central Issues of an Adequate Education in a Rural Setting

Horace Mann, often referred to as the “Father of Education” in America, had strong feelings about the diversity of the American school system - or lack thereof - in his opinion. In an 1837 lecture he observed:

In this Commonwealth there are about three thousand public schools, in all of which the rudiments of knowledge are taught. These schools, at the present time, are so many distinct, independent communities; each being governed by its own habits, traditions, and local customs. There is no common, superintending power over them; there is no bond of brotherhood or family between them. They are strangers and aliens to each other. The teachers are, as it were, imbedded, each in his own school district. As the system is now administered, if any improvements in principles or modes of teaching is discovered by talent or accident, in one school, instead of being published to the world, it dies with the discoverer. (Chalker, 1999, p. 30)

Although Mann cannot be accused of lacking support for rural schools, he was influenced by the operation of city school boards, already functional in the mid 1800s, who were working to establish a more “orderly” system of educating students. By the 1890s, education reformers were citing deficits in rural education, arguing the notion that the rural environment itself was to blame. In the late 1890s, the National Education Association established the Committee of Twelve on Rural Schools. As a result of their study, recommendations were made to centralize services through consolidation of schools. Ultimately, “school problems were connected to rural problems both as cause and cure” (Smith, 2005). From this was born the Country Life Movement.
As the concern regarding potential deficits in rural education spread throughout the country, President Theodore Roosevelt established the Commission on Country Life which investigated and reported on problems unique to rural living. The conclusion of the report stated:

The schools are held to be largely responsible for ineffective farming, lack of ideals, and the drift to town. This is not because the rural schools, as a whole, are declining, but because they are in a state of arrested development and have not yet put themselves in consonance with all the recently changed conditions of life. The very forces that have built up the city and town school have caused the neglect of the country school…The school must express the best cooperation of all social and economic forces that make for the welfare of the community. Merely to add new studies will not meet the need. The school must be fundamentally redirected, until it becomes a new kind of institution.

(Cohen, p. 2352)

It is interesting to note that the “rural sentimentalists” were squaring off against those supporting theories of scientific management in the early 1900s, much as those involved in industrialization were turning their backs on farming. Mabel Carney (1912) addressed the needs of rural schools at that time, stating that at least nine things were needed to effectively address the rural life problem: educational redirection so that what happened in classrooms centered on the rural experiences of students; improvement of physical facilities; expansion of the school to include serving the community as a social center; trained teachers; better supervision; legislation sensitive to the needs and condition of the countryside; consolidation; establishment of teacher-community partnerships; and sufficient resources to meet the challenges of improvement (p. 145). Those currently involved in rural education in America would probably echo those nine principles, nearly a full century later.
Throughout the remaining decades of the 1900s, rural life and rural education continued to be studied. Most notable were Dewey’s (1919) *New Schools for Old: the Regeneration of the Porter School*; AASA’s yearbook for 1939 entitled *Schools in Small Communities*; Sanderson’s 1939 exploration of centralization; Reeve’s 1945 Rural Education Project coming out of the University of Chicago; Butterworth and Dawson’s 1951 moderate views; the 1960 NEA’s Department of Rural Education publications; Sher’s 1977 work which lamented the misconceptions that influence policy decisions regarding rural areas; Manno’s 1989 *Rural Education: A Changing Landscape*; the Office of Educational Research and Improvement (OERI) 1994 report *The Condition of Education in Rural Schools*; and Chalker’s *Leadership for Rural Schools* (1999).

Interestingly, Ward (2003) describes how scholarly research on rural education has often taken three diverse paths:

The most obvious are those whose intellectual roots may be in Romanticism and who see rural America as the “bucolic village”. The church at the center of the village is white with a tall, slim steeple; the storekeepers are all generous and kind to children and elderly ladies; the populace is terminally middle class and white; and Norman Rockwell lives just around the corner from the village square. The farmers even wear clean and pressed overalls. This view manifests itself in the literature, which includes articles full of plaintive cries of the moral superiority of rural culture, the preservation of rural institutions, and a “satanizing” of everything urban.

Those who see little good in rural communities hold an equally extreme view. They consider rural populations to be undereducated, impoverished, culturally bankrupt, and without much economic or social value. They regard most rural economic development
as exercises in exploitation of rural populations. In education, they propose consolidation of rural schools as the solution for every problem.

A third school of thought sees rural communities as extraneous and not worthy of concern or study. The intellectual “action” is all in metropolitan areas – in cities or their suburbs. This view essentially is elitist and shows disdain for anyone not part of the dominant cultures of a diverse urban society. Rural America should just go away. (pp. 107-108)

Ward’s portrait of scholarly research on rural education is, indeed, disheartening. While somewhat facetious, it points to the fact that researchers may – indeed – be missing the point that rural education deserves the same serious investigation of all of its components as does its “big city” cousins. Hopefully, the research from this study on financing rural education, coupled with future follow-up analysis will help bridge the dearth of research of which Ward speaks.

Determining Financial Adequacy and Equity in Rural Setting

Unlike that of its urban neighbors, the economy of rural America is based on production agriculture, including ranching and timber production, mining, recreation and tourism, and small-scale manufacturing (production and assembly). Both technology and market structures are changing these industries considerably, and changing the scale of economic activity in rural areas - eliminating the small firm and depopulating the countryside - which sometimes leads to repopulation by others with non-traditional characteristics (Purdy, 1999).

Population is also a factor tied to financial stability in rural areas. Table 3 shows the 2000 Decennial Census data for non-metropolitan population by region and Table 4 shows the percentage of population in non-metropolitan areas.
Table 3

Non-Metropolitan Population by Region, 2000 (U.S. Census Bureau Data)

<table>
<thead>
<tr>
<th>Region</th>
<th>Non-Metro Population</th>
<th>% in Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northern New England</td>
<td>1,743,000</td>
<td>55.9</td>
</tr>
<tr>
<td>Rural Great Lakes</td>
<td>12,593,000</td>
<td>16.5</td>
</tr>
<tr>
<td>Rural Great Plains</td>
<td>10,742,000</td>
<td>27.8</td>
</tr>
<tr>
<td>Rural Appalachia &amp; Delta South</td>
<td>14,794,000</td>
<td>36.6</td>
</tr>
<tr>
<td>Mountain West</td>
<td>2,880,000</td>
<td>56.1</td>
</tr>
<tr>
<td>Rest of the United States</td>
<td>12,688,000</td>
<td>10.8</td>
</tr>
<tr>
<td>Total United States</td>
<td>55,440,000</td>
<td>19.7</td>
</tr>
</tbody>
</table>

As one can see from Table 3, the non-metropolitan population of states varies greatly from region to region. One can see that the two smallest regions, the Mountain West and Northern New England, have the largest percentage of their populations in non-metropolitan regions, while the largest region overall – the Great Lakes states – has only 16.5% of the total population in non-metropolitan areas.

Also worth viewing is the percentage (+ or -) of change in non-metropolitan populations from 1990 through 2000. As seen in Table 4, it is interesting to note that the population shift for rural America mimics the overall U.S. population trends. Rural and overall population has decreased in the North and East, and increased in the South and West.
### Table 4

*Percentage Change in Non-Metropolitan Population, 1990-2000 (U.S. Census Bureau Data)*

<table>
<thead>
<tr>
<th>Region</th>
<th>Non-Metro Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northern New England</td>
<td>5.9% decrease</td>
</tr>
<tr>
<td>Rural Great Lakes</td>
<td>5.9% decrease</td>
</tr>
<tr>
<td>Rural Great Plains</td>
<td>6.4% decrease</td>
</tr>
<tr>
<td>Rural Appalachia and the Delta South</td>
<td>11.6% increase</td>
</tr>
<tr>
<td>Mountain West</td>
<td>15.7% increase</td>
</tr>
</tbody>
</table>

Assorted ramifications can be elicited from the comparison of data in the above two tables. Most notably for this study – since the focus is on Ohio – is that the seven states in the Rural Great Lakes region share the same classifications of low non-metropolitan poverty and low non-metropolitan minority enrollment as does Ohio. The states include Wisconsin, Michigan, Illinois, New York, Pennsylvania, Virginia and Ohio. This bodes well for rural areas, as these are large states with major urban populations and large rural or non-metropolitan populations. Overall, these states – because of their 20th century industrial backgrounds – have been able to historically have large state tax bases. Rural school finance policy issues in these states most frequently tie to small size, sparsity, and poor rural school buildings. As the economic infrastructure of these states begins or continues declining due to lack of industry and commercial development in the 21st century, rural districts in this group may find themselves facing the difficult issues of poverty and isolation faced by their southern counterparts.
Politics in the Rural Setting and Ramifications on Schools

Sharp and Walter (2004), in *The School Superintendent: The Profession and The Person*, list eight characteristics of a good school board. These include common sense, commitment, interest, confidence in their superintendent, optimism, preparation and compromise, willingness to make difficult decision, and the ability to appreciate diversity in the various board members.

While school boards have their roots in mid-17th century New England, the arbitrary nature of their strict decision making processes at that time can hardly be compared with issues facing today’s boards of education. School boards in America are charged primarily with the development of policy for their school districts. The economic downturn of the late 1900s and early 2000s has clearly become one of the centermost issues for school board concern, as they often face the wrath of their constituents when coming before them to ask for tax support for schools. In Ohio – as in many other areas of the country – although court rulings have determined the state method of supporting schools to be unconstitutional, little has been done to rectify the situation. Consequently, the tax payer continues to feel the pressure of tax support for schools, yet has few other arenas in which to show his/her protest of the impact of the overall rise in taxation short of voting down tax levies for school support.

Because state support of education is also tied to the number of students in attendance, rural areas face a challenge in keeping enrollments up while residents now can alternatively enroll their children in e-tech/on-line electronic courses or open enrollment into other state public schools. While lacking social interaction opportunities - especially essential for rural students who frequently don’t have the luxury of “next door playmates” as their city and suburban counterparts do - the curriculum options available through computer courses taken
right from home can be an enticing option. The future, no doubt, will hold a lot of uncertainty and interest for those who follow education.
CHAPTER III. METHODS

The purpose of the study was to investigate the impact of the school district income tax on the ability of rural Ohio school districts to maintain financial stability. The term “rural” is one of seven typologies defined by the Ohio Department of Education (ODE). Classification is based on wealth and size. Rural districts are defined as “School districts with no association to any city of over 5,000 population in 1980. These are rural districts that may cover large areas with enrollment levels higher than some urban districts. Wealth and size of these districts vary considerably” (Ohio Department of Education, Division of School Finance, 1980).

It is important to note that ODE-defined “Rural Poor Districts” are not included in this study. Per definition, these are rural districts that have a high incidence of poverty, with a high ADC (Aid to Dependent Children) count, low gross family income levels, and low per-pupil valuation, which is a measure of total district property wealth divided by the number of students who attend school in the district.

The data gathered allowed me to compare rural Ohio school districts that have implemented a school district income tax in addition to their already existing property taxes with those districts who rely solely on property taxation, and the timeframe that exists before each board of education needs to return to its constituents for additional new operational levy support as monies run out, causing financial stability to be at risk.

In Ohio, the school district income tax began with the enactment of House Bill 694 in 1981 (Ohio Revised Code § 5748.02). This bill permitted Ohio school districts to place initiatives on the ballot for income tax for the period from January 1, 1982 though June 30, 1983. During this 18-month window school districts were allowed to levy school district income tax
percentages of up to 1%, and six districts took advantage of the opportunity, including four that were rural.

In 1983 the budget bill repealed the school income tax because of protests by municipalities that school district income taxation competed with their ability to seek municipal and city income taxation, and the ability for school districts to take advantage of income tax levies was not again authorized until the passage of Senate Bill 28 in 1989. However, those school districts that had already passed school district income tax levies in 1982 and/or 1983 were allowed to maintain them and continue tax collection. The six Ohio school districts taking advantage of the school income tax under HB 694 have grown, under SB 28, to 146 in Fiscal Year 2005 in Ohio, with 102 rural districts taking advantage of the opportunity (Ohio Department of Taxation, Tax Data Series, 2005).

Sources of Data and Collection Procedures

The data utilized in this study consisted of existing statistical information obtained from the Ohio Department of Education, The Ohio Department of Taxation and the State of Ohio, Office of the Auditor. The following reports were used as sources for data for this research.

1. Ohio Department of Education: Typology of Districts for 1990

This source provided the following definition for Rural Districts: These are school districts with no association to any city of over 5,000 population in 1980. These are rural districts that may cover large areas with enrollment levels higher than some urban districts. Wealth and size of these districts vary considerably.

2. Ohio Department of Education: Spreadsheet of Levy Results, 1988-2005

This source, from the Ohio Department of Education, contains a listing of all school levy information from 1988 through the present. The following items are included in the spreadsheet:
election dates, district names, county, district IRNs (district identification numbers, as established by ODE), school tax type, mills (property tax) or % (income tax), number of years for the levy, whether the current tax came from a new or renewal levy or school district income tax, and if the listed levy attempt passed or failed.

3. Ohio Department of Education: School Tax Types

   This source contains descriptive information on the School Tax Type listed in the Ohio Department of Education: Spreadsheet of Levy Results, 1988-2005

4. Ohio Department of Taxation, Tax Data Series, 2000-2006

   This data base source contains information on Ohio school districts that have passed school district income tax levies. It includes “A Guide to Ohio’s School District Income Tax”, as well as annual supplements on school district income tax information and data.

   Data searching was begun with a thorough investigation of the Web sites of both the Ohio Department of Education and the Ohio Department of Taxation. There was some initial confusion as to which department was capable of providing the definition of district typologies as well as tax information. Although school district income taxation falls under the jurisdiction of the Ohio Department of Taxation, property taxation falls under the Ohio Department of Education.

   Further complicating the research was the fact that both departments upgraded computer systems during the 1990s, and only the most recent version of information was currently available electronically. An additional complication was the level of security maintained by the web site for entrance into the system. Although I had clearance as a school superintendent with a fairly high level of access, historical documents which would contain the data and information I was seeking were not readily available. Consequently, I contacted the ODE directly via their
WebServer_Forms site and received a response back within one day. The person who contacted me was then able to utilize her own security clearance level (which exceeded mine) to research the information historically. The data was then made available to me through their URL provided address.

Data Analysis

Two populations were studied. The first group includes rural districts that utilize both voted school district income tax and property taxation for operational support of schools. The second group includes rural school districts in Ohio who exclusively utilize property taxation as their means of voter supported operational dollars.

The researcher investigated the number of levy cycles each school district sustained before obtaining new operational dollars via a property or school district income tax. Frequency and descriptive statistics will be reported. Analysis was then conducted utilizing the $t$ test of independent samples to compare the two samples described above. Refer to Table 5 for a summary of methodology utilized in the study.
Table 5

*Methodology Summary*

<table>
<thead>
<tr>
<th>Research Questions</th>
<th>Location</th>
<th>Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. How many rural school districts have approved school income tax levy support since the inception of the tax?</td>
<td>Ohio Department of Taxation: Tax Data Series, 2005</td>
<td>Descriptive</td>
</tr>
<tr>
<td>2. In which year did the greatest number of rural school districts pass school income tax levies?</td>
<td>Ohio Department of Taxation: Tax Data Series, 2005</td>
<td>Descriptive</td>
</tr>
<tr>
<td>3. Of those rural districts that passed a new school income tax levy in that year, how many election cycles passed before voter approval was given for a new operational tax levy?</td>
<td>ODE Spreadsheet of Levy Results: 1988-2005</td>
<td>Descriptive</td>
</tr>
<tr>
<td>4. Of those rural districts that passed a new property tax levy in that year, how many election cycles passed before voter approval was given for a new operational tax levy?</td>
<td>ODE Spreadsheet of Levy Results: 1988-2005</td>
<td>Descriptive</td>
</tr>
<tr>
<td>5. Do rural school districts which have passed operational income tax levies in addition to property tax levies stay “off the ballot” for new operational dollars longer than those who rely solely on property taxes?</td>
<td>ODE Spreadsheet of Levy Results: 1988-2005</td>
<td>Inferential t test of independent samples</td>
</tr>
</tbody>
</table>
CHAPTER IV. RESULTS

Introduction

The purpose of this study was to investigate the impact of the school district income tax on the ability of rural Ohio school districts to maintain financial stability. I investigated rural school districts in Ohio that have implemented a school district income tax and compared their need to return to the voters for new operational levy support (indicating a lack of financial stability at that point) with those districts who rely solely on property taxation. The results of this research will enable educational leaders of rural Ohio school districts to see how similar districts approached school funding through levies.

Five primary questions were addressed in the study. The first two questions allowed me to establish the parameters for the study; the final three questions elicited needed information to conduct a comparison of rural Ohio school districts and the impact of the utilization of a combination of school district income tax and property tax versus use of property taxation alone on the district’s financial stability as determined by the need to pass new operational levies for additional monetary support. The five questions were:

1. How many rural school districts have approved school income tax levy support since the inception of the tax?

2. In which year did the greatest number of rural school districts pass school income tax levies?

3. Of those rural districts that passed a new school income tax levy in that year, how many election cycles passed before voter approval was given for a new operational tax levy?
4. Of those rural districts that passed a new property tax levy in that year, how many election cycles passed before voter approval was given for a new operational tax levy?

5. Do rural school districts which have passed operational income tax levies in addition to property tax levies stay “off the ballot” for new operational dollars longer than those who rely solely on property taxes?

Collection of the Data and Findings

The data collection and retrieval process for this study was more difficult than initially envisioned. In the State of Ohio, the Ohio Department of Education (ODE) is the primary repository for data related to education. It is to ODE’s credit that information from the past decade has now become readily available through the department’s Web site. In fact, under the direction of the current State Superintendent of Schools, who oversees the ODE, great strides have been made in providing user-friendly, easily accessible information for school officials and the general public. However, like most state government entities across the country, the historical development (and perhaps “politics”) determining which department handles which sets of information can elicit “holes” and redundancy in the quest for meaningful data.

In Ohio, two primary resources are available to obtain data on taxation related to school districts. They are the ODE and the Ohio Department of Taxation (ODT). As stated above, the ODE has historically served as the repository for information related to all phases of education, including property taxation. However, in the 1980s when Ohio school districts began utilizing school district income tax levies for financial support, the ODT stepped in to oversee management of school district income taxation. Consequently, two independent state entities (ODE and ODT) were consulted for data throughout this study, and I often cross-checked the results of information provided through one department to determine accuracy of the data from
the other department. While this could be viewed as inconvenient, I found it to be a safeguard to protect the validity of the research.

To answer question one, “How many rural school districts have approved school income tax levy support since the inception of the tax?” and question two, “In which year did the greatest number of rural school districts pass school income tax levies?”, I initially began my search with the Ohio Department of Education. I knew that the district typology information was “out there”, as my review of the literature had acquainted me with a study conducted by State Auditor Jim Petro in 1998 which included district typology information for the years 1995-1997. Wanting to have first-hand access to the full data, I attempted several searches on the ODE Web site. The Web site did not provide information regarding rural districts or any other typology so I contacted ODE via an e-mail address link available on the site. I indicated who I was and the nature of the information I was seeking. Within one day I had a reply from an ODE staff member, who actually directed me to the e-mail address of another ODE staff member who would have access to archival information. I followed through, and again, within a day, he was able to fax me a typewritten listing of the various typologies entitled “Ohio Department of Education: Typology of Districts for 1990”. These were not available in computerized format; hence the need for faxed information.

Per his information, there are seven typologies in Ohio, with “rural” being the largest by far. The following classification information from ODE is based on 1990 census data: Central Cities (titled “Big 8” Districts) total 8; Central Cities (titled “Other Large Districts”) total 10; Independent Districts total 85; Satellite Cities total 101; Rural Districts total 266; Rural Poor Districts total 76; Wealthy Districts total 61; and Unclassified Districts total 5. Recall that Rural Poor Districts were not included in the present study. Only Rural Districts were included.
The ODT Web site was a bit easier to navigate than ODE’s. With a bit of checking through various headers, I was able to find the “Ohio Department of Taxation: Tax Data Series, 2000-2005”, which contained school district income tax information. Initially, I feared that data for school income tax levies would not be available for years prior to 2000, but that was not the case. Data had been entered for school district income taxes since their inception, so the information for question two was also now available.

Per the most recent data provided by the Ohio Department of Taxation, 153 school districts in Ohio had school district income tax levies in place as of January, 2006. (This included those districts that had passed school district income tax levy issues in the November, 2005 election.) It should be noted that the initial number of school districts approving income taxes was six in the first eighteen months of the available period allowed by HB 694 in 1981, and four of those six were classified as rural districts. It should also be noted that there are currently slightly more than 600 school districts in the State of Ohio; therefore, approximately 25% of school districts are taking advantage of the ability to utilize school district income tax as a means of support.

In order to elicit the information for question one, it was necessary to compare school districts which had passed school income tax levies per ODT data to the listing of rural school typology districts per ODE. After manually completing that process, the answer to question one was determined to be 109; that is, 109 out of the 153 school districts in Ohio that have school district income tax as of January, 2006, are rural.

Question two was answered by doing a manual count of the number of rural districts which passed income tax levies in each year that it was allowable. The same two sets of data used for question one were also used for question two; that is, I first used ODT’s listing of
passed levies, and then eliminated all but the rural districts. The findings indicated that the year 1991 was the year in which the most school income tax levies were passed since the inception of the income tax, with an overall total of 25 districts and 18 of them passed by rural districts. It should be noted that the term “Collection Year” is used by ODT. Interestingly, “double digit” collection years (that is, when 10 or more districts passed income tax levies) occurred only in the early 1990s, with an average of 20 passed the first three years when the opportunity for income tax was re-introduced again in 1989. By the year 1994, the number of levies passed dropped to 6, and the downturn continued until 1999 when zero income tax passages occurred overall (not just for rural districts, but for all income tax issues regardless of school typology). A continued overall low passage number (3 or fewer) continued on until a resurgence in the mid-2000s, with 7, 13, and 8 respective district income taxes passed in 2004, 2005, and 2006, and 3, 11, and 5 of those income tax passages being from ODE designated rural school districts during those same three years. Speculation on possibilities regarding these trends will be discussed in Chapter Five.

Questions three and four posed more difficulty in data information retrieval. I was now looking for the number of election cycles from the time a new school income tax levy or a new property tax levy was passed until the time voters went back to again pass a new operational levy. Although not dealing with a formal hypothesis, it was my personal belief, as a school superintendent of a rural Ohio school district which has both property tax and income tax levies in place, that districts with the combined type of levy “portfolio” could withstand the test of market ups and downs better than their counterparts who were only utilizing property tax levies for support. Essentially, my belief was that in comparing levy cycles between the two groups, I would find that more levy cycles would pass (i.e., more time would elapse) for rural districts
with a school income tax in place in addition to property taxation, than those which relied exclusively on property taxes.

ODT did not have any information on property tax, nor did it have “histories” on districts which had passed income tax levies. I therefore needed to find another source, and ODE came through, to a certain extent. As a school superintendent, I did not have the clearance level necessary to access the state vax system where the data were stored. I asked my ODE Area Coordinator to assist me (ODE has regional offices designed to assist school personnel as needed), thinking he would have access. While he was extremely cooperative, he, too, did not have access, so referred me to an ODE staff member in Columbus, Ohio, who could help. What ODE did have available in their old main frame (vax) system was a somewhat rudimentary document entitled “Ohio Department of Education: Spreadsheet of Levy Results, 1988-2005”. It contained headings for the following information: election dates, district names, county, district IRNs (school district identification numbers, as established by ODE), school tax types, number of mills (if a property tax) or percentage (if income tax), number of years of the levy length, new or renewal status, and passage or failure. Although excellent headings, it was soon discovered that data entry was sporadic. Also, the key for the “school tax type” column was also not attached to that document (numbers were listed in the columns, with no identifiers), so another follow up with ODE was necessary to retrieve those results. Unfortunately, the computer database was not compatible with modern systems, so no manipulation of data could be done directly from that spreadsheet.

Examination of the spreadsheet also indicated that there was not any listing of the typology of the school districts; that is, I could not determine which districts would meet the ODE characteristics for “rural”. A manual approach to typology matching – as had been done for
the previous two questions – was again needed. At the completion of the matching I also made
the determination to individually contact either the county auditor or school treasurer for each
district to verify the accuracy of the information as there were so many deficits in the overall
spreadsheet.

The answer to question three, “Of those rural districts that passed a new school
district income tax in 1991, how many election cycles passed before voter approval was given
for a new operational tax levy?”, was calculated at an average of 50.77 election cycles for the 18
districts in the group. Note that this group included districts with operational property taxes
already in place; however, these districts were also introducing income tax as an additional
means for revenue augmentation.

The same approach was utilized for question four, “Of those rural districts that passed a
new property tax in 1991, how many election cycles passed before voter approval was given for
a new operational tax levy?”, was calculated at an average of 33.69 election cycles passed for the
33 school districts in the group.

While the first four research questions were descriptive in analysis, the final question,
“Do rural school districts, which have passed operational income tax levies in addition to
property tax levies, stay ‘off the ballot’ for new operational dollars longer than those who rely
solely on property taxes?”, required the use of an inferential $t$-test of independent samples.
Using the $df$ calculation which yielded 49, the application of an independent $t$-test on the data
obtained in questions three and four resulted in a $t$-statistic equal to $t = 4.365$, with a $p$-value of
$p<.001$. Microsoft Excel software was used for the calculation, and SPSS was also applied.
Application of Levene’s Test for Equality of Variances, which indicates if the second assumption
is met, that is, the two groups have approximately equal variance on the dependent variable
proved significant, with the p-value less than .05. The two variances are significantly different. The “Equal Variances Not Assumed” results show a significant difference between the two groups. There is a significant difference between districts that passed an income tax levy (in addition to property tax levies they already had in place) compared to those districts who utilized property taxes, but not income taxes. The rural districts with both property and income taxes waited longer to go back to the voters for new money than those districts with property tax only.

Summary

As is the case with many research experiences, several interesting findings became apparent. First, the difficulty in obtaining data was somewhat surprising, as was the fact that two separate Ohio state agencies – the Ohio Department of Education and the Ohio Department of Taxation – handled different segments of data. I cannot speak to the rationale for ODE holding school property taxation records and ODT holding school income taxation records, but it does seem a bit odd.

Second, the fact that the “Ohio Department of Education: Spreadsheet of Levy Results, 1988-2005” has so many inaccuracies is somewhat alarming and disheartening. I would caution future researchers to thoroughly compare sets of information from ODE and ODT at all times. I found that the best approach to ultimately verifying either ODE or ODT data was to directly contact school district treasurers or county auditors. Because of the time involved in all the necessary cross-checking, researchers who want to further investigate these topics may find the investigation quite cumbersome. Alternatively, they may wish to conduct qualitative case studies on fewer districts.

For the data available from 1991 election results, districts which utilized both property and school district income taxes appear to fare better in the long run in terms of financial
stability than those utilizing only property taxes. The results were significant, and are worth
further study for other years since the inception of the school district income tax.

Finally, the strong impact on rural school districts was especially heartening. The concept
of a “balanced portfolio” in terms of property and income taxes seemed to bode very well for
these districts. It remains to be seen if the same could be true for other district typologies
throughout Ohio.
CHAPTER V. DISCUSSION

Reflection on the Findings

Financial support for schools in Ohio, and in many parts of the country, is a struggle. State budgets are tighter than ever, with health care, social services, federally mandated programs, infrastructure support and other needs competing for dwindling dollars. Education, while lauded by all, is costly. School expenses rise at a rate at least equal to the pace of inflation, and improvements for items such as new and even continued technology support have created costs which were not previously a part of the education support equation.

American public schools are based on the concept of a “free” education. But just as there is no such thing as a “free” lunch, the concept of an education without “purse strings” attached is not plausible. What unfortunately results is a situation where the public – already inundated by taxes and unfunded mandates – has the unique opportunity to say “no” when faced with a school levy. There are very few other opportunities for the public to actually say “no” to a tax in Ohio. There are occasional municipal issues, including public libraries, recreational centers, and even local swimming pools that arise, and sometimes county tax increases that can also be voted upon, but, especially in rural areas, the brunt of taxes paid by residents are imposed by federal and state governments. It is quite possibly the case that many of those who vote “no” for school district levies are not necessarily opposed to support of their local school district per se, but rather as a protest against taxation in general.

The Federation of Tax Administrators (FTA) is a widely respected national membership organization of state revenue agencies. FTA researchers aggregate figures against the total population or income of each state. Based on the most recently published state and local tax collections figures from the U.S. Census Bureau, taxes per capita in Ohio for fiscal year (FY)
2004 were $3,419, compared to the U.S. average of $3,440. This ranks Ohio as 20th in a state ranking of highest to lowest among the 50 states. This figure includes all taxes paid by all entities in the state, not only by individuals with personal and sales tax, but includes taxes paid by corporations, businesses, property taxes on home, farms and businesses, and specific items such as gasoline and cigarette taxes. This ranking has remained constant for FY 2000, FY 2002, and FY 2004.

State and local taxes as a percent of income were 11.0% for the U.S. average, compared to 11.4% for Ohio, ranking Ohio 12th compared with the other 49 states. It is interesting to note that for FY 2000, Ohio ranked 20th in the nation; for FY 2002, 12th in the nation; and for FY 2004, again 12th in the nation (U.S. Census Bureau, State and Local Tax Collection Figures, FY 2004).

These two sets of data, taken together, indicate that Ohio’s state and local tax bases have remained mid-point in the country, ranked at 20th; however, percent of income necessary to support these taxes has increased among Ohioans since FY 2000, now placing Ohio at number 12 out of the 50 states. It should further be reiterated that these figures and percentages, as listed above, do not include federal taxes. With the federal income taxation brackets ranging from approximately 15% to the 30% range, it is clear that Americans find themselves highly taxed. Levin, et al. (2006) states, “It seems obvious that debate and discussion about tax levels and burdens will continue in Ohio and virtually everywhere else in the civilized world for the foreseeable future.” I believe we all concur with that appraisal. But how do we make the unpalatable “taste” of taxation more palatable?

One approach the State of Ohio has offered its voters is the ability to tax themselves for school district support through school district income taxation. In 1981, the Ohio General
Assembly granted school districts the authority to levy income taxes. The law was repealed in 1983; however, in 1989 a law allowing for school district income taxation was again passed, and remains in effect today.

As stated previously, the purpose of the study was to investigate the impact of the school district income tax on the ability of rural Ohio school districts to maintain financial stability. I investigated rural school districts in Ohio that have implemented a school district income tax and compared their need to return to the voters for new operational levy support with those districts who rely solely on property taxation.

“Rural” was the key component in this study, because of my familiarity with rural school districts. All of my superintendency experience has taken place in rural school districts, and those districts have used school district income tax as a solid supplement to their property taxation which was already in place. In Ohio, rural school districts are primarily composed of farmland areas. Farmers in Ohio – who often have inherited their land through family farms – are often “property rich” but “cash poor”. Long, hard hours of work go into farming, and crop successes are ultimately determined by weather more than any other factor. Thus, for farmers, owning a large amount of property – while “on paper” looks impressive – does little to bring in wealth during years of poor crop production. Added to the “work-hour” costs of running a farming operation are also the costs of maintenance of equipment and the purchase of replacement and updated equipment, as well as fertilizer, pesticides, and seed. Even in good years, ultimate profits can be marginal.

As a result of these factors, many farmers have embraced the concept of a school district income tax. It is viewed by those in the rural communities as a “fairer” tax. School district income tax is not necessarily more welcomed, but it is at least more palatable. It offers those
owning significant amount of property the opportunity to have taxation at a lower level during low production years, and at a higher level when “times are good”. Because of allowances in the tax laws which permit farmers to “write-off” purchase and/or depreciation of equipment, supplies, etc., some school districts initially feared that allowing income tax to substitute for additional property taxation would harm their ability to collect significant revenues to keep them “afloat”. However, given the results of this research – and from what I’ve personally encountered in watching how income tax has positively impacted the school districts where I’ve been employed as superintendent – it appears that school district income tax has demonstrated a “staying power”.

As mentioned in Chapter Four, data provided by the Ohio Department of Taxation reflects that 153 school districts in Ohio had school district income tax levies in place as of January, 2006. With 613 school districts currently in Ohio, this means that approximately 25% have school district income taxes in place. Added to that data is the important finding that 109 out of the 153 school districts with school district income taxes are rural.

Another key piece of data is not only the information gleaned from this study that 50.77 election cycles took place before new operational monies were needed for districts that had school district income tax in addition to property taxes, compared to sole property tax districts which had 33.69 election cycles pass before going back to voters for new operational dollars as discussed in Chapter Four, but of additional significant interest is that seven of the eighteen districts who passed income tax back in 1991 still (as of July, 2006) have not needed to go back on the ballot for new operating dollars, compared to 4 of the 33 school districts who passed property taxes that same year. At first read this may not seem impressive, but when viewed as a
ratio of 7 out of 18 for income tax/property districts (nearly 40%) versus 4 out of 33 for property tax alone (barely 12%), the results are impressive.

There was one anomaly in the group studied. That occurred in a rural school district with both income and property tax. That district needed to go back to the voters shortly after passing its school district income tax. This was not because of any deficits in the income tax, but instead because a corporation in the school district had re-valued their tangible personal property so significantly - and at such a severe loss to the school district - the school district had to quickly find additional revenues to replace the deficit. This district was not counted in the study population.

Taking all this in, just what does this mean for school districts and their superintendents, treasurers, and Boards of Education who must work so diligently to pass school levies? Edward W. Chance, of the Department of Educational Leadership, University of Nevada-Las Vegas stated in 1997, “The job of the superintendent is highly complex and full of conflict, politics, and community input. This holds as true for the rural superintendent as it does his/her urban counterpart” (Chalker, 1999, p. 81).

Ultimately, it is the community/communities in which the school district resides which determines the success or failure of school district levies. Passing school levies is, essentially, all about “politics” and perception. Additionally, a further complicating factor is the “ownership” community members feel toward their schools. Unlike the more abstract taxation coming from the federal and state government, community members have a vested interest in what occurs directly “at their doorstep”. In many rural communities, taxpayers are also “born and bred” in the same community where they live their entire adult lives, so not only do they “remember things as they used to be”, they also have a distrust for those raised outside the community, which often
includes the school superintendent, school treasurer, and some – or possibly all – of the school board members.

Chalker (1999) indicates that people like to think that their local school is apolitical. But, in the real world all schools act as miniature political systems. And according to Schmuck and Schmuck (1990, p. 9), “A small town is like the whirlpool of a river. It engages everyone because, like the river’s eddy, it irresistibly draws the community’s residents into it.”

School election theory has developed significantly over the past few decades. Sergiovanni et al. (1992) suggests the following tactics for school elections: avoid alerting the opposition and ignore them if they do surface, mobilize the positive voters, play down problems and play up positive events. In my experiences as a superintendent, I have found this works very well, with the exception that if the initial first or second levy tries are unsuccessful, the negative voters also begin to mobilize. So the voting strategy then adds the facet of facing the opposition squarely and dealing with them, but still utilizing the remainder of Sergiovanni’s tactics.

Spring (1993) cites the research of McCarthy and Ramsey (1971) as significant to understanding local school politics. Community power structures are listed as four types: inert, dominated, factional and pluralistic. In inert communities, no visible power structure exists, and there is little interest in schools, short of wanting a solid general, vocational, and/or college prep program for students. Little attention is paid to the Board of Education, and the community vests the majority of power in the superintendent. Although prominent in rural schools throughout the decades leading up to and including the 1970s, Spring indicates that the complexity of schooling during the 1980s and 1990s has moved the rural community environments more typically into the characteristics of dominated communities, pluralistic communities, or factional communities.
In dominated communities, most of the power is held by a few individuals or groups. These persons, per Spring, are generally a part of the communities economic elite or their ethnic, political or religious group dominates the community. Dominated communities often exist in small towns where a single industry prevails. Board members represent the elite, and the superintendent acts in their interest.

Pluralistic communities have a number of competing interest groups and a high degree of community interest in education. This type of community is often found in suburban communities where the pursuit of education is valued by the citizenry. The board of education represents assorted interest groups, but are open-minded and interested in facts. Superintendents in these communities are typically very professional, and serve as advisors to the board.

The final type, factional communities, usually have at least two factions that compete for interest. Religion can often be the dividing issue, and secondary to educational concerns. School board control passes from one group to another group, and the superintendent often takes on the role of political strategist, trying to balance the competing groups.

Examination and knowledge of the type of community in existence can be very useful to the school superintendent. Passing levies is, in many ways, and indicator of overall support for the school district personnel, policies, facilities or even extra-curricular activities. In Ohio, the Buckeye Association of School Administrators (BASA) has determined that the “typical” superintendent remains in his/her position for an average of five years. This relatively quick “turn around time” means that superintendents must “hit the ground running” in terms of assessing communities as they take on new positions, and understanding the nature of the politics and power base, since it is likely they will find themselves on the ballot for new or renewal levies shortly after arrival in the school district.
Emotions can also play a strong role in successful – or unsuccessful – levy passage. One particular rural school district in northwest Ohio was on the ballot in August, 2006 in a special election, seeking new operational dollars after facing nine straight defeats since 1999. Because rural school districts often provide the “entertainment” for their communities (which lack the options available in their urban counterparts), school athletics has often historically been the driving force between successful levy passage, as residents did not want sports and other “extra-curriculars” cut as the result of a levy defeat. In the early 2000s, this concept began to diminish in some school districts when funding started to be raised privately for support of athletic programs. Two approaches were permitted by some school boards. Some allowed private sources such as corporations, wealthy community members, and/or organizations developed exclusively to raise fund for athletics to shoulder the costs for athletics. Another approach was the “pay to participate” option that some districts took, which charged the parents of athletes a certain amount, often based on the number and/or type of sports their child participated in, or a “flat” fee approach per student or family.

Depending on the amount produced by these approaches, some school districts were able to offer sports, even during times of financial distress. The danger, however, has been that the “carrot” of sports is then no longer “dangled” in front of the community during attempts to pass levies. Consequently, when that is removed, voter interest in the levies often appears to dwindle. Also complicating the issue is the fact that constituents will provide dollars – often in excess of what the new tax levy might cost them – in support, instead, of athletics.

Community driven approaches such as these will, no doubt, continue to develop as funding becomes even more competitive. It remains to be seen if the strong athletic and extra-curricular interest and support rural districts have enjoyed in the past will continue as time
progresses and new forms of entertainment – perhaps technology based – emerge in these locales.

As can be seen through both a review of the literature and the results of this study, there is a real “pragmatism” needed in determining the approaches to use in gaining voter support for levy issues. In Chapter Four, the findings of this study indicated a strong significance in the use of a combination of income and property tax support for funding rural school districts. While only exploring one year, I would still recommend that the favorable outcome from use of a combination of school district income tax and property tax be considered by each school superintendent and board of education as they develop plans for their own district’s economic stability. Because the community structure is different in each district, knowledge of what “works best” with a particular voting contingency is of utmost importance.

Also to be examined by district leaders should be the economic base that is found within the district. As mentioned previously, one district was not included because my correspondence with the treasurer indicated that a significant amount of their commercial/industrial base had suddenly been taken from them. Because of recent tax changes in Ohio relating to commercial and industrial properties, treasurers of school districts in Ohio may want to carefully examine the ramifications of those losses of dollars to see if income taxation for their district might help offset some of the negative impacts of the tax changes. A thorough investigation of the income available in the school district is also necessary. If per capita income is low, then it may be likely that an income tax levy is not necessarily the answer to dwindling finances. But even that should be monitored, as income may have risen significantly, without the school district being aware of it if focus has not previously included income in the school finance equation.
Limitations of the Study and Recommendations for Further Research

This research serves simply as a “starting point” in the process of investigating the ramifications of utilizing school district income taxes in support of Ohio schools. Although I believe the findings are significant, a few important limitations must be cited.

First and foremost, the study’s data are based on only one year. In order to achieve a full picture of the impact of school district income taxation, I would recommend that future researchers investigate the entire range of available information, from the years 1981 through 1983 (when income taxation for school districts was first permitted through the year it was rescinded); and then from 1989, when school district income taxation was restored, through the present year. Through comparing the length of time school districts who had passed income tax levies in addition to their property tax levies were able to stay off the ballot before passing new operational levies as compared to their counterparts who had only passed property tax levies, the number of election cycles overall would provide a longitudinal look at this process. It should also be noted that some districts have still not had to return to the ballot. That data has been counted at the maximum number of cycles that currently exists; however, as each election cycle passes and those districts continue to stay “off the ballot”, the results should be re-calculated.

Arising from this question could also be an analysis of the effect of the economy on the length of levy cycles before new operational dollars are requested, that is, a hypothesis could be made that during strong economic times, income tax levies help “carry” a district because of the rise in per capita income, whereas in weaker economic times, property taxes help provide back-up – much like stocks versus annuities/savings accounts do in the world of personal finance.

Another interesting bit of information gleaned during my personal conversations with school treasurers of districts that currently have school income taxes in place was the speculation
that rapidly growing school districts are especially benefited by school district income taxation, New properties are charged at their full value, that is, the “rollback” effects of property taxes that have lingered on the tax rolls for several years are not encountered in school districts where residential building is on the rise. A treasurer of a district in rural Central Ohio, for example, indicated that “Growth on the tax base has really helped. We have an average of 450 new students for each of the past five years, and 350 or more students for each of the past 10 years.” Their school district income tax levy, passed in 1991, has carried them through today. Future researchers may also want to explore growing versus non-growing school district, and compare those demographics in terms of income tax success.

Also worth noting are the ramifications of utilizing a school district income tax in non-rural settings. Recall that there are five other typologies of significance in Ohio, besides rural. (The only remaining typology is labeled “unclassified”, and applies to only five districts of the 600-plus in Ohio.) Those other typologies include “Central Cities – the Big Eight”, which are the eight major metropolitan populations in Ohio; “Central Cities – Other Large Districts” which total 10 other urban districts; “Independent Districts” numbering 85; “Satellite Cities” totaling 101; and “Rural Poor”, yielding 76.

Interesting questions could be raised about these typologies, with data gathered to prove or disprove the assumptions. For example, “Central Cities – the Big Eight” probably have both low residential property tax bases and low adjusted gross incomes for residents. Urban blight, poverty and the other accompanying characteristics may play a role on the effects of property versus income taxes. However, some areas of re-gentrification in cities such as Columbus, Cleveland or Cincinnati may have property and personal income values progressing as times move forward. When moving into suburban “turf”, property values and income values both rise
substantially. So what would the ramifications be in terms of school support via income and/or property taxation in those venues? And what about the rural poor typology? Appalachian in nature and description, these, too, are often areas of low property value and low personal income – just as their large, urban counterparts are.

And if we extend out geographically beyond just Ohio, it should be noted that bordering states all have very different means of supporting schools, clearly an “apples and oranges” proposition if comparisons were to be made. There appears to not be any logic to this approach, but simply individual states exercising their rights to fund schools as they see fit. However, it might well be worth researchers’ time and efforts to determine if other states in the nation have similar means and methods of funding their schools. We could analyze their successes and build on their failures, just as we should do within our own state.

Concluding Remarks

Although written nearly twenty-five years ago, the venerable document from the National Commission on Excellence in Education, entitled *A Nation at Risk: The Imperative for Educational Reform*, stated the following which still resounds as a “wake up call”, or perhaps more significantly, a “call to arms”:

Our nation is at risk. Our once unchallenged preeminence in commerce, industry, science, and technological innovation is being overtaken by competitors throughout the world. This report is concerned with only one of the many causes and dimensions of the problem, but it is the one that undergirds American prosperity, security, and civility. We report to the American people that while we can take justifiable pride in what our schools and colleges have historically accomplished and contributed to the United States and the well-being of its people, the educational foundations of our society are presently being
eroded by a rising tide of mediocrity that threatens our very future as a nation and a people. What was unimaginable a generation ago has begun to occur – others are matching and surpassing our educational attainments. If an unfriendly foreign power had attempted to impose on America the mediocre educational performance that exists today, we might well have viewed it as an act of war.

While this dissertation does not delve into the deficits or successes of the educational system here in America in the first decade of the new millennium, it is without dispute that dollars are needed to fund education. America is currently fighting to keep – or perhaps better stated in 2006 – to retrieve the height of educational prowess and innovation that once was ours. And Ohio, too, is struggling for those same laudable goals. Finding the monetary and community support to achieve these goals remains the vehicle needed to make our good intentions become reality.
REFERENCES


Congress of the Confederation. (1787). *An Ordinance for the Government of the Territory of the United States, Northwest of the River Ohio* (now commonly referred to as *The Northwest Ordinance of 1787*), Third article, July 13, 1787.


DeRolph v. State, 728 N.E.2d 993, 89 Ohio St.3d 1 (2000) (DeRolph II).

DeRolph v. State, 754 N.E.2d 1184, 93 Ohio St.3d 309 (2001) (DeRolph III).


Governor’s Blue Ribbon Task Force on Financing Student Success in the State of Ohio (2005). *Building a better school funding system: Advancing Ohio; Building a strong foundation; Creating educational opportunities*. Columbus, OH: Blue Ribbon Task Force.


Ohio Const. art. VI, § 3.

Ohio Const. art. VIII, § 3.

Ohio Const. art. VIII, § 25.

Ohio Const. art. XII, §§ 2, 11.


Parsons, J. M. (1968). *The Ohio law for the state support of public schools.* Columbus, OH: Columbus Blank Book Company.


