

Glossary of School Finance Terms

Real Estate Taxes

This is a tax levied on land and buildings located within the school district. Individuals and businesses pay this tax on the property they own. Two key components in calculating real estate taxes are the taxable or assessed value (market value X 35%) of the property and the millage rate.

Market Value

The market value is the estimated sales value of the property. For purposes of real estate taxes, the county auditor determines the market value of all of the property in the county. The county auditor then calculates the taxable/assessed value of each property.

Taxable/Assessed Value

Taxable value and assessed value are different terminologies for the same thing.

Re-appraisal and Triennial Update

The county auditor is responsible for assigning a market value for all of the individual properties in the county. Every six years the county auditor appraises all of the properties to determine their market value. This is re-appraisal. Every three years, the county auditor does an update of the market values based on homes sales. This is Triennial update. Hillsdale Local School District (Ashland/Wayne Counties) will

have a Triennial update in 2017; in 2020 Hillsdale will have a Re-appraisal.

Mills

Property tax rates are computed in mills. A mill is 1/1000 or .001. One mill cost a property owner \$1.00 for every \$1,000 of taxable value.

Inside Millage

In Ohio, millage is referred to as “inside” millage and “outside” millage. Inside millage is millage provided by the Constitution of the State of Ohio and is levied without a vote of the people. It is called inside millage because it is “inside” the law. Another name would be un-voted millage. The Constitution allows for 10 mills of inside millage in each political subdivision. Public schools, counties, townships, and other local governments are allocated a portion of the 10 inside mills. Hillsdale Local School District is allocated 5.2 mills of the 10 inside mills.

Outside Mills

Outside millage is any millage “outside” the 10 mills that is provided by the Constitution of the State of Ohio. This millage is voted in by the public. Another name for outside millage is voted millage.

Effective Millage

Effective millage is the millage rate that is actually levied on property. Once a levy is voted in, a school district cannot collect any additional money due to valuation increases from reappraisal or triennial update on that levy. As property values increase, the millage rate on that voted levy is decreased so that the levy generates the same amount of money. This reduced millage rate is referred to as effective millage. The only way school districts get any additional money on voted millage

is from new construction or from having their millage reduced to the minimum amount allowed by law (20 mill floor).

House Bill 920

During the 1970's property values were increasing at a very high rate. In 1976 the Ohio Legislature enacted House Bill 920. This bill effectively freezes all voted real estate millage at the dollar amount collected the first year the millage went into effect. As property values rise through reappraisal or triennial updates, the outside millage is reduced. In simple terms, the amount of money a school district collects from a levy does not increase as property values increase.

Regular Operating Levy

An operating levy funds the day-to-day operations of the district. It can be used for salaries, instructional supplies, textbooks, transportation costs, maintenance and upkeep, etc. The millage rate is submitted to voters for approval, not the dollar amount. The millage is adjusted down as property values increase. It can be for a limited amount of time or continuing.

Permanent Improvement Levy

Permanent improvement levies are for projects and equipment that have a useful life of five years or more. New roofs, renovations, and school busses are assets that fall into this category.

Renewal Levy

Ohio law generally allows districts to ask voters to renew a limited levy when it expires. The levy must be for the same purpose and is renewed at the effective millage rate. (Example: A five-mill, five-year levy that has been lowered by the reduction factor to 3.8 effective mills would

be renewed at the 3.8-mill rate.) A renewal, however can be combined with additional millage.

Replacement Levy

This type of levy has the same purpose as a renewal, but instead of renewing the previous levy at the effective rate, a replacement levy is imposed at the original millage rate of the levy that it replaces. This gives the district the benefit of any growth in local value that occurred during the life of the previous levy. (Example: A five-mill, five-year levy would be replaced for five mills, instead of the 3.8-mill effective rate of the older levy.) This type of levy cannot be used for an emergency levy, and unlike the renewal levy, cannot be combined with other changes in millage.

Continuing Levy

A levy proposing millage or school district income tax that is assessed indefinitely.