



## **2008-2009 General Operating Budget**

# **Overview**

Ohio's current school funding system is designed to reduce the state's cost of funding by reliance on local residents and local property tax growth for school funding needs. Over the years, the state also has adopted the philosophy that if a district can generate more taxes per student than some state-targeted amount, that district should get less state funding because it is "wealthy" in property values. Cincinnati Public Schools (CPS) has been characterized as having "wealthy" property tax values and thus only receives 33.5 percent of its state-set funding amount per pupil and other state categorical funding, while Cleveland receives 65.0 percent of those same amounts. CPS is considered wealthy not because of the ability of our residents to pay the tax but because of the value of taxable property that exists within the district. This is one more example of shifting the burden of funding schools from the state to the local taxpayer.

Over the past two decades, the state consistently has failed to provide for adequate funding for public schools. During this same time, the state made business tax-reform decisions at the expense of school districts and other local government entities that are dependent upon their property tax base for survival. Most reforms did not have any reimbursements from the state, and, when they did, the state would count those funds as support for schools and other local governments. The two largest were the utility deregulation plan, through which utilities ceased to pay tangible taxes and residents paid a temporary excise tax to the state so the state could pay it to the local governments in place of the lost utility tangible taxes; and, most recently, the elimination of most tangible taxes, through which most businesses will pay no tangible taxes. The state implemented a new Commercial Activity Tax (CAT) to help reimburse schools and local governments for lost tangible taxes for a period of eight years. While the reimbursement was helpful, it did not fully cover the reduced local taxes, thus shifting more to the local taxpayer.



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### **Overview (cont.)**

#### **2009 Fiscal Year Revenue Projections**

Total revenues are projected to increase 3.1 percent over 2008FY levels. Local revenue collections are expected to drop by less than 1 percent. While real estate tax collections are expected to increase by 11.2 percent, tangible tax collections are expected to drop by 30 percent because of the tangible business tax reform mentioned previously.

Total state revenue is expected to stay flat. Other state funding is expected to increase 14.8 percent as a result of the tangible-tax elimination plan, which contained temporary tangible-tax reimbursement payments from the state.

#### **Expenditures**

##### **Personnel**

Personnel costs for the 2009FY have increased by \$0.2 million or less than 1 percent from 2008FY levels. This is primarily the result of inflationary increases that are offset by staffing reductions and some reallocation of costs into other funding sources. These reductions were made even though a 2 percent salary increase was given to employees. The cost of the increase was primarily funded through savings generated by changes in employee health insurance benefits.

##### **Non-personnel**

Non-personnel costs for the 2009FY increased by \$13.7 million or 4.9 percent from 2008FY levels. This is the result of an increase in charter tuition, Ed Choice vouchers, an increase in transportation and utility costs to the General Fund as well as the addition of crossing guards to the operating budget.



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### **Overview (cont.)**

#### **Summary**

Cincinnati residents passed a 7.89-mill operating levy in March 2008 to help compensate for inflationary costs, inadequate state funding and business tax reform in the past.

CPS' revenues are projected to increase about 6 percent over the five-year period from the 2007 Fiscal Year through the end of the 2012 Fiscal Year. In fact, the best-case scenario for school funding in the new biennium budget for CPS is continuation of current funding levels. During this same time period, expenditures are being reduced through "rightsizing" of the district and cost containment.