Understanding School Finance

What is the difference between a bond issue and a tax levy?

Bond issues and tax levies are among the ways Ohio school districts can raise additional tax money. Both are paid through property taxes and both require approval from voters who live within the district's boundaries. Under current Ohio law, voter-approved levies do not increase with inflation.

- A bond issue raises money that, by law, can be used only for capital costs — building construction and/or renovations, and vehicle and equipment purchases. The district sells bonds to investors, uses that money and then pays it back to investors over a specific period of time (such as 30 years).

- A tax levy generates money to pay a district's operating costs, such as salaries, equipment, utilities, etc. Under Ohio's system of school funding, tax levies do not go up with inflation, requiring districts to return to voters with new requests every three to five years to keep up with rising costs.

  There are two main types of operating tax levies:

  - Regular operating levy — This levy seeks a certain millage rate (the taxation rate) that will generate funds either for a specific period of time or on a continuing basis. (Most are continuing.)

    A regular levy does provide increased revenue when new construction occurs within the district (assuming the construction is not abated), but the millage rate is rolled back every three years when property is reappraised for inflationary increases. In school districts such as Cincinnati that are mature or "built out," there is little growth from new construction, so levies of this type essentially provide no inflationary revenue growth.

  - Emergency levy — An emergency levy is for a specific amount of money, with the millage rate set annually to collect this amount. By Ohio law, an emergency levy cannot last longer than five years and must be renewed or it will expire.

    The amount of money collected with this levy does not grow, even with new construction. Renewing an emergency levy does not increase property owners' taxes.

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