GLOSSARY OF OHIO SCHOOL FINANCE TERMS

Abatement
Tax abatement is an exemption, in whole or in part, of real estate taxes incurred from new or renovated improvements to a specific piece of property.

Adult Basic Education Fund (Fund 501)
Instructional programs for people 16 years of age and older who are not enrolled in secondary school and who have less than a twelfth-grade education or its equivalent; who need development of basic educational skills; or who do not have a secondary school diploma or its recognized equivalent, and have not achieved an equivalent level of education, or who are unable to speak, read, or write the English language.

Adult Education Fund (Fund 012)
A fund to account for transactions made in connection with adult education classes. Receipts include, but are not limited to, tuition from patrons and students, and reimbursement from the Ohio Department of Education. Expenditures include supplies, salaries and textbooks.

Alternative schools fund (Fund 463)
A fund used to account for alternative educational programs for existing and new at-risk and delinquent youth. Programs shall be focused on youth in one or more of the following categories: Students who have been expelled or suspended, students who have dropped out of school or who are at risk of dropping out of school, students who are habitually truant or disruptive, or students on probation or on parole from a Department of Youth Services' facility.

Assessed Value
The percentage of property valuation that is subject to taxation. For example, Class I and Class II properties are assessed at 35 percent, and public utility tangible property at either 25 percent or 88 percent, depending on the type of utility.

Autism Scholarship
A scholarship program that gives the parents of children with autism who qualify for a scholarship the choice to send their child to a special education program other than the one operated by the school district of residence to receive their education and the services outlined in the child’s Individualized Education Program (IEP). Any student who has been identified by their district as a child with autism and for whom the district has created an IEP qualifies for the autism scholarship program (ORC 3310.41).

Auxiliary Services Fund (Fund 401)
A fund used to account for monies that provide services and materials to students attending non-public schools within the school district.

Average Daily Attendance (ADA)
Student membership calculation based on a district’s average attendance, as opposed to the number of students enrolled.

Average Daily Membership (ADM)
A calculation from year-end student-by-student data reported via EMIS, which counts students by educating district, not resident district.

Base-Formula Amount
The amount assigned by the Ohio General Assembly represents what the state believes is the cost to adequately educate one child with no special needs for one year (also known as the “per-pupil allotment,” “base-cost amount” or “state aid figure”). The fiscal year 2018 base-formula amount is $6,010.
**Biennium**  
Any two-year period, used mostly in school funding to refer to the two fiscal years that make up each state budget.

**Bond Retirement Fund (Fund 002)**  
A fund provided for the retirement of serial bonds and short term notes and loans. All revenue derived from general or special levies, either within or exceeding the ten-mill limitation, which is levied for debt charges on bonds, notes, or loans, shall be paid into this fund.

**Bond Levy**  
Property tax levies used to provide the local revenue for construction purposes. Proceeds from a bond levy are used to pay the principal and interest on construction bonds. Bond levies are offered for a specified dollar amount and a specified period of time.

**Building Fund (Fund 004)**  
A fund used to account for the receipts and expenditures related to all special bond funds in the district. All proceeds from the sale of bonds, notes, or certificates of indebtedness, except premium and accrued interest, must be paid into this fund. Expenditures recorded here represent the costs of acquiring capital facilities including real property.

**Categorical Expenditures**  
Categorical expenditures refer to expenditures required by school districts beyond the base-formula amount. Examples of categorical expenditures include special education, vocational education, gifted education, pupil based assessment, and transportation.

**Classroom Facilities Fund (Fund 034)**  
A fund used to account for the proceeds of a levy for the maintenance of facilities.

**Classroom Facilities Maintenance Fund (Fund 010)**  
A fund provided to account for monies received and expended in connection with contracts entered into by the school district and the Ohio School Facilities Commission for the building and equipping of classroom facilities.

**Commercial Activity Tax (CAT)**  
An annual business privilege tax measured by the gross receipts of businesses. Most companies doing business in Ohio will be subject to CAT, a broad-based, low-rate tax measured by gross receipts. When fully phased in after five years, CAT will be levied at a rate of 0.26 percent on gross receipts in excess of $1 million.

**Continuing Levy**  
Levy proposing a millage rate or school district income tax that is assessed indefinitely, unless voters revoke the tax or the school board instructs the county auditor not to assess it.

**County Financing District Levy**  
Limited or continuing levy proposed by a county Educational Service Center (ESC) for support of a specific program (such as special education) or purpose. If approved, the tax is levied on all participating districts in the county. May be packaged with a millage reduction for residents of the participating districts.

**DeRolph I**  
March 24, 1997, Ohio Supreme Court decision in which the court ruled, by a 4-3 vote, that Ohio’s school funding system was unconstitutional. The court allowed the state one-year to craft a new funding system.

**DeRolph II**  
May 11, 2000, Ohio Supreme Court decision in which the court ruled, again by a 4-3 vote, that the new
funding system created by the General Assembly in response to the DeRolph I ruling was still unconstitutional. The state was given until June 15, 2001, to overhaul the funding system.

**DeRolph III**
Sept. 6, 2001, Ohio Supreme Court decision in which the court ruled, again by a 4-3 margin, though with a different group of justices comprising the majority, that the funding system incorporated in HB 94 would be constitutional pending a series of changes specified by the court. The state requested reconsideration of the decision.

**DeRolph IV**
On Dec. 11, 2002, the Ohio Supreme Court, in a 4-3 ruling, found Ohio’s school funding system once again unconstitutional and restated its decisions in DeRolph I and II, which required the state legislature to fix the school funding system. The court also relinquished jurisdiction over the case and essentially ended the lawsuit.

**District Agency Fund (Fund 022)**
A fund used to account for those assets held by a school district as an agent for individuals, private organization, and other governmental units. Agency funds could include a central payroll account. In an agency fund, assets equal liabilities, and the fund balance is zero.

**District Managed Student Activity Fund (Fund 300)**
A fund provided to account for student activity programs that have student participation in the activity but do not have student management of the programs. This fund would usually include athletic programs but could also include the band, cheerleaders, flag corps, and other similar types of activities.

**Drug Free School Grant Fund (Fund 584)**
A fund established to offer a disciplined environment conducive to learning, by preventing violence in and around schools and strengthening programs that prevent the illegal use of alcohol, tobacco, and drugs, involve parents, and coordinated with related Federal, State, and community efforts and resources.

**Dual-Purpose Levy**
Single ballot issue for both a permanent improvement levy or a bond issue combined with an operating levy. It may be continuing or limited. The ballot issue must state how much of the tax levy will be used for each purpose. A permanent improvement operating levy may be either a property tax or a school district income tax, but a bond/operating levy must be a property tax.

**Educational Service Center (ESC)**
Local political subdivisions that are governed by publicly-elected boards of education (ORC 3311.055). ESCs provide services to area school districts including administrative, academic, fiscal, and operational support. All districts with an Average Daily Membership (ADM) of 16,000 or less are required to be affiliated with an ESC.

**Effective Mills**
The actual rate of taxation realized when the tax reduction factor reduces the taxes charged by a voted levy. It equals the taxes charged divided by the taxable value of the class of property against which they apply.

**Emergency Levy**
Limited levy proposed up to five years for a specific dollar amount. The millage rate required to produce the dollar amount changes on all types of property if property values change. Emergency levies may be renewed for the dollar amount originally requested.

**Employee Benefits Self-Insurance Fund (Fund 024)**
A fund provided to account for monies received from other funds as payment for providing medical, hospitalization, life, dental, vision, or any other similar employee benefits. The Employee Benefits Self-
Insurance Fund may make payments for services provided to employees, for reimbursements to employees who have paid providers, to third party administrators for claim payment or administration, for stop-loss coverage or for any other reinsurance or other similar purposes.

Endowment Fund (Fund 008)
The endowment fund may be classified as a permanent or a private purpose trust fund. If the original contribution is required to be kept intact and the earnings are to support the district’s programs, the fund will be classified as a permanent fund. If the original contribution, whether required to be kept intact or not, and the earnings do not support the district’s programs, then the fund will be classified as a private purpose trust fund.

Entry Year Programs Fund (Fund 440)
A fund to implement entry-year programs pursuant to Section 3317.024(T) of the Revised Code.

Excess-Cost Aid
Aid that school districts receive when the local share of the model formula of special education, vocational education, and transportation exceeds the allowable total of 3.3 mills multiplied by the district’s valuation. Qualified school districts receive excess cost aid regardless of the amount of local taxes levied by the district.

Exempt Property
Real property not subject to taxation. Typically, exempt property is owned by federal, state or local branches of government, and religious or educational institutions.

Fiscal Year (FY)
Annual period used for government accounting purposes. Begins July 1 and ends June 30 of the next year. Named for the calendar year in which it ends. For example, FY18 begins July 1, 2017, and ends June 30, 2018.

Floor
Rate below which voted mills would not be reduced under the property tax reduction factor. Established by the Ohio General Assembly; currently set at 20 mills.

Food Service Fund (Fund 006)
A fund used to record financial transactions related to food service operation.

Formula ADM (Average Daily Membership)
Adjustment to ADM used in the school foundation formula representing students in first through 12th grades (including special education students), one-half of the students in kindergarten and one-fifth of the students in the district attending a JVSD.

Foundation Formula
Method of funding schools through a combination of state and local aid. Based on the ability of school districts to raise tax revenues as well as the state-determined minimum amount necessary per student to provide an adequate education.

General Fund (Fund 001)
State and local funds that are available to a school district for any purpose provided it is disbursed or transferred in accordance with Ohio law.

Guarantee
Alternative calculation of state funding that insulates school districts from the effects of dramatic changes in school funding factors, such as property valuation or ADM. Guarantees are also often politically necessary when changes in state policy have disproportionate effects on different types of school districts.
**Homestead Property**
Property where the owner occupies the property as a residence. Such property qualifies for the additional 2.5% rollback. This term should not be confused with the homestead exemption that provides specific property tax relief for elderly (65 and older) or disabled homeowners.

**IDEA, Part B Fund (Fund 516)**
Grants to assist states in providing an appropriate public education to all children with disabilities.

**IDEA, Preschool Grant For The Handicapped (Fund 587)**
The Preschool Grant Program, Section 619 of Public Law 99-457, addresses the improvement and expansion of services for handicapped children ages three (3) through five (5) years.

**Improving Teacher Quality Fund (Fund 590)**
A fund used to account for monies to increase the academic achievement of all students by helping schools and school districts improve teacher, instructional paraprofessional, and principal quality.

**Income Index**
A component of the state funding formula that is an average of the median income index and the district three year average federal adjusted gross income per pupil compared to the statewide three year average federal adjusted gross income per pupil.

**Incremental Property Tax Levy**
Limited levy, with a maximum time of 10 years, that imposes additional millage, or a dollar amount or percentage increase, on a regular schedule throughout the life of the levy. Increments are imposed as the full voted millage, not as effective millage, giving a limited amount of growth in the levy. Up to five changes may be proposed during the life of the levy.

**Inside Mills**
Millage imposed by local governments without voter approval. Defined in the Ohio Constitution, inside mills are not subject to the property tax reduction factor; sometimes referred to as “unvoted mills.”

**Internal Services Rotary Fund (Fund 014)**
A fund provided to account for operations that provide goods or services to other governmental units on a cost-reimbursement basis. The use of the fund may be applied to situations where the district acts as fiscal agent for a multi-district program.

**Intra-District Services Fund (Fund 021)**
A fund to account for functions that provide goods or services to other areas within the school district. Intra-district functions could include central warehousing and purchasing and central data processing.

**Jon Peterson Scholarship**
A program that provides scholarships to students who are eligible to attend kindergarten through 12th grade and have an individualized education program (IEP) from their district of residence. The amount of each scholarship will be based on the disability identified on the student’s IEP and will not exceed $27,000 (ORC 3310.52).

**Limited Levy**
Levy proposing a millage rate or school district income tax that is assessed for a specified period of time. A limited levy is eligible for renewal or replacement.

**Management Information System Fund (Fund 432)**
A fund provided for hardware and software development, or other costs associated with the requirements of the management information system.
Median Income Index
A component of the state funding formula that compares the district median income to the statewide median income.

Millage
Factor applied to the assessed (taxable) valuation of real and personal tangible property to produce tax revenue. A mill is defined as one-tenth of a percent or one-tenth of a cent (0.1¢) in cash terms.

Miscellaneous Federal Grants Fund (Fund 599)
A fund used to account for various monies received through state agencies from the federal government or directly from the federal government which are not classified elsewhere. A separate cost center must be used for each grant.

Miscellaneous State Grants Fund (Fund 499)
A fund used to account for various monies received from state agencies which are not classified elsewhere. A separate special cost center must be used for each grant.

Municipal Corporation and School District Shared Income Tax
A combined levy for municipal corporations to levy income taxes to be shared with an overlapping school district. Current law prohibits municipal corporations from levying the tax on the incomes of nonresident individuals.

Operating Levy
Levy used primarily for district operating purposes, which can be either continuing or limited.

Other Grants Fund (Fund 019)
A fund used to account for the proceeds of specific revenue sources, except for State and Federal grants that are legally restricted to expenditures for specified purposes.

Outside Mills
Millage approved by voters. Outside mills are subject to the property tax reduction factor; sometimes referred to as “voted mills.”

Permanent Improvement Fund (Fund 003)
A fund provided to account for all transactions related to the acquiring, constructing, or improving of such permanent improvements as are authorized by Chapter 5705, ORC.

Permanent Improvement Levy
Limited or continuing levy used for maintenance and repair of school property, and, in some limited circumstances, for renovation and building projects. This type of levy can be a property tax or an income tax.

Poverty-Based Assistance (PBA)
Formerly known as disadvantaged pupil impact aid. A calculation to provide additional funds for districts that have a high percentage of economically disadvantaged students. PBA funds are targeted for all-day kindergarten, increased learning opportunities, intervention, professional development, limited English proficient services, dropout prevention, community outreach, and achievement gap supplement.

Project Head-Start Fund (Fund 525)
To promote school readiness by enhancing the social and cognitive development of low income children, including children on federally recognized reservations and children of migratory farm workers, through the provision of comprehensive health, educational, nutritional, social and other services; and to involve
parents in their children’s learning and to help parents make progress toward their educational, literacy, and employment goals.

**Property Tax Reduction Factor**
An adjustment by which the taxes charged by voted mills on Class I and Class II real property are reduced to yield the same amount as those same mills yielded in the preceding year, exclusive of new construction. The reduction factor does not apply to inside mills or to voted mills charged against general and public utility personal property.

**Property Tax Rollback**
A percentage reduction in the taxes charged against Class I (residential and agricultural) real property. The percentage equals 10% for such property and an additional 2.5% for owner-occupied residential property. The state reimburses schools and other local governments for the full amount of the rollback. The rollback applies after the reduction in taxes charged against real property as determined by the tax reduction factor. The 10% rollback for class II commercial and industrial real property has been eliminated.

**Public Preschool Fund (Fund 439)**
A fund to assist school districts in paying the cost of preschool programs for three and four year olds.

**Public School Support Fund (Fund 018)**
A fund provided to account for specific local revenue sources, other than taxes or expendable trusts (i.e. profits from vending machines, sales of pictures, etc.), that are restricted to expenditures for specified purposes approved by board resolution. Such expenditures may include curricular and extra-curricular related purchases.

**Public Utility Property**
Tangible personal property used in the operations of a public utility company.

**Qualifier**
Minimum amount of millage required by state law for participation in the state foundation program. Currently set at 20 mills.

**Real Property**
Land and improvements to land such as structures or buildings. In Ohio, real property is divided into two classes: Class I (residential and agricultural property) and Class II (commercial, industrial and all other real property).

**Reappraisal**
Appraisal by the county auditor of the value of real property for tax purposes. It occurs every sixth year. Three years after each reappraisal, the county auditor adjusts appraised values based on recent sales of property in that county. This adjustment is referred to as the triennial update.

**Reappraisal Guarantee**
A guarantee that safeguards districts from decreases in total state aid due to an increase in local valuations that result from an update or reappraisal.

**Renewal Levy**
Voter approval to extend the term of a limited levy when it expires. The renewal levy must state the same purpose as the original levy. The effective rate of the renewal begins from the point where the original levy ends. A renewal levy proposal can combine with a proposal to raise additional millage.

**Replacement levy**
Like a renewal levy in that it seeks voter approval to extend the term of a limited levy when it expires. Replacement levies differ from renewal levies because the replacement begins with an effective rate equal
to the original effective rate of the levy, which it replaces. In this way, a replacement levy allows a district to obtain the benefit of growth in the real property tax since the approval of the replaced levy. Replacement levies cannot be used for an emergency levy and cannot be combined with other changes in millage in a single proposed levy.

**Rollback**
See ‘property tax rollback’.

**Rotary Fund – Special Services (Fund 011)**
A fund to report any activity for which a fee is charged to external users for goods or services. Activities using this fund tend to be curricular in nature. As an example, this fund would be used to account for receipts and purchases made in connection with the sale of consumer services provided by vocational education classes such as cosmetology or auto mechanics. As another example, this fund should be used to account for "Life Enrichment Programs" offered by a school district.

**School District Income Tax (SDIT)**
Limited or continuing levy proposed as a percentage rate on the income of district residents as reported for state income tax purposes. SDIT can be proposed in combination with a reduction in property tax. Because the SDIT taxes income, not property, there is no reduction factor involved, allowing unlimited growth in the proceeds. School district income taxes apply only to personal income and do not apply to the net profits of corporations. School districts also have the option to levy an income tax just on “earned income” which exempts certain incomes such as pensions and retirement benefits. Therefore, two different types of SDIT levies exist for school districts.

**School District Purpose**
Legally defined reason for seeking a levy. Currently includes: operating expenses; specific permanent improvements and/or class of improvements; general, ongoing improvements; recreational purposes; community centers; support for public libraries or community centers; and the purchase of educational technology.

**School Maintenance and Operational Assistance Fund (Fund 512)**
Maintenance and operational funds to school districts significantly affected (1) by a loss of revenue from taxable real property acquired by the federal government; (2) by provision of public education to children who live on federal property; or (3) by a sudden and substantial increase in school attendance as a result of federal activities.

**Schoolwide Building Program Fund (Fund 598)**
The Schoolwide Building Program Fund allows for the pooling of Federal, State, and local funds to be used to upgrade the overall instructional program of a school building where at least 40 percent of children are from low-income families. Also known as schoolwide pool (SWP).

**Special Enterprise Fund (Fund 020)**
A fund to report any activity for which a fee is charged to external users for goods or services. This fund can also account for any activity where debt is backed solely by fees and charges, there is a legal requirement to recover costs, or the school board has decided to recover costs.

**Special Trust Fund (Fund 007)**
The special trust fund may be classified as a special revenue, permanent, or a private purpose trust fund. A special revenue fund should be used if the original contributions can be expended for school district programs. A permanent fund should be used if the only the earnings on the original proceeds can be expended and not the principal. If the original contribution, whether required to be kept intact or not, and the earnings do not support the school district’s programs, then the fund will be classified as a private purpose trust fund.
**Straight A Fund (Fund 466)**
A fund that supports ideas from local educators that promote academic achievement and economic efficiencies within schools and districts.

**State Share Index**
A calculation that takes into account the property wealth and the income of the residents of the district. The state share index is applied to the base formula amount to determine per pupil state funding.

**Student Managed Activity Fund (Fund 200)**
A fund provided to account for those student activity programs which have student participation in the activity and have students involved in the management of the program. This fund typically includes those student activities which consist of a student body, student president, student treasurer, and faculty advisor.

**Tangible Personal Property (TPP)**
Machinery, equipment and inventory used by business in the manufacture and/or sale of their products that is subject to taxation under a property tax. This class of property is also referred to as business tangible property. This tax has been completely phased out.

**Tangible Personal Property Reimbursement**
Payments from the state to districts to reimburse them for the loss of revenue from the elimination of tangible personal property tax. The amount of the reimbursement payment is based on various factors including types of levies, capacity measure, and threshold (revenue raising capacity of the district as measured by property valuation and income of the residents). TPP reimbursement is being phased out with the last payment to be made in fiscal year 2021.

**Title I, Disadvantaged Children/Targeted Assistance (Fund 572)**
To provide financial assistance to State and Local educational agencies to meet the special needs of educationally deprived children. Included are the Even Start and Comprehensive School Reform programs.

**Title I School Improvement Stimulus A Fund (Fund 536)**
To help schools improve the teaching and learning of children failing, or most at risk of failing to meet challenging State academic achievement standards.

**Title I School Improvement Stimulus G Fund (Fund 537)**
To raise the achievement of students in the lowest-performing schools.

**Title III, Limited English Proficiency Fund (Fund 551)**
Funds to develop and carry out elementary and secondary school programs, including activities at the preschool level, to meet the educational needs of children of limited English proficiency. These programs provide structured English language instruction, with respect to the years of study to which the program is applicable, and instruction in the child’s native language to the extent necessary to allow a child to achieve competence in English. The instruction must incorporate the cultural heritage of these children and of other children in American society. The instruction must be, to the extent necessary, in all courses or subjects of study which will allow a child to meet grade promotion and graduation standards.

**Transitional Aid**
Funding that ensures school districts do not experience a dramatic loss in state aid from year-to-year.

**Uniform School Supplies Fund (Fund 009)**
A rotary fund provided to account for the purchase and sale of school supplies as adopted by the board of education for use in the schools of the district. Profit derived from such sale is to be used for school purposes or activities in connection with the school.
**Valuation**
Taxable value of all Class I and Class II real property and public utility personal property in a district.

**Valuation Index**
A component of the state funding formula that compares the district three year average property valuation per pupil to the statewide three year average property valuation per pupil.

**Valuation Per Pupil**
Computation derived by dividing a district’s ADM into the district’s assessed valuation.

**Vocation Education: Carl D. Perkins Vocational Education Act of 1984 Fund (Fund 524)**
Funds to boards of education, teacher training institutions, and the state administering agency for cooperating in development of vocational education programs in the following categories: secondary, post-secondary, adult, disadvantaged and handicapped persons, exemplary programs, cooperative education, construction of area vocational schools, ancillary services, research, advisory committees, and work-study projects, including sex equity grants.

**Vocation Education Enhancement Fund (Fund 461)**
A fund used to account for Vocational Education Enhancements that: 1) expand the number of students enrolled in tech prep programs, 2) enable students to develop career plans, to identify initial educational and career goals, and to develop a career passport which provides a clear understanding of the student's knowledge, skills, and credentials to present to future employers, universities, and other training institutes and 3) replace or update equipment essential for the instruction of students in job skills taught as part of a vocational program or programs approved for such instruction by the State Board of Education.

**Wealth Index**
For school districts whose valuation index is greater than their income index and their median income index is less than or equal to 1.5, the wealth index will be a combination of the valuation index at 60% strength and the income index at 40% strength. For all other districts, the wealth index will be the same as the valuation index.

**Sources:** ODE, OSBA publication *Making Sense of School Finance*, and Uniform School Accounting System User Manual