

Conversion Levy - Permanent Tax Hikes That Remove School District Accountability

October 11, 2010

Mary McCleary

With the start of the new school year, many school districts around Ohio, including Margareta Local School District, have realized that their finances are in trouble. Thus, these districts (several of which experienced failed levies in the spring primary) are going back on the ballot this November to ask for more money despite the economic hardships already facing many property owners.

To address Ohio's school funding crisis, Governor Ted Strickland and the General Assembly introduced a new way for school districts to raise money through the establishment of the conversion levy in the 2009 Ohio Budget. Margareta Local School District is the first district in Ohio to make an attempt at passing this new kind of levy.

If passed, the conversion levy would convert existing school operating levies to a 20-mill floor. Without getting too caught up in terminology, converting to a 20-mill floor essentially removes the protection homeowners have under House Bill 920.

Because of HB 920, property owners only pay taxes on roughly 15 percent of property value increases. For example, if your home is worth \$100,000 and increases in value by 10 percent to \$110,000, you only pay taxes on \$1,500 of the increased value instead of the full \$10,000. Conversely, if your home depreciates by 10 percent, your taxes are only reduced by 15 percent of the depreciation.

Thus, HB 920 brings a degree of stability to property taxes: homeowners are not hit with large tax increases when property appreciates, and school districts do not suffer large revenue losses when homes depreciate as they have over the last several years. By design, HB 920 keeps Ohio's property taxes relatively low.

If the Margareta conversion levy were to pass, district homeowners would be taxed on 100 percent of property value increases instead of just 15 percent. Given Ohio's economic condition and the fact the state has the seventh highest state and local tax burden, many homeowners cannot afford higher taxes.

Another problem with the Margareta conversion levy is that it is a permanent levy and will consequently cause property taxes to rise indefinitely if passed. Every three years when the county auditor's office reassesses property values, homeowner taxes could increase significantly. Since the tax hike would not go into effect until after the next reassessment cycle, Margareta Local School District is selling the levy to voters as type of revenue neutral renewal levy. This approach is, at best, grossly misleading and, at worst, intentionally dishonest.

In addition to skyrocketing taxes, the conversion levy removes the best tool parents have to keep their school districts accountable. When school districts fail to restrain costs, they must ask for

more money. The voters then have a chance to examine spending and decide whether or not a funding increase is warranted. If a conversion levy passes, the school district would have little incentive to spend money efficiently and effectively, as revenue would rise every three years beyond the true needs of the school district, and homeowners would have no means to keep the school district accountable for spending choices, as the school district would avoid new levies.

Between 1998 and 2009, per pupil expenditures in Margarett Schools rose by 75 percent from \$5,807 to \$10,172 far outpacing inflation, which was only 29 percent. Similarly, the average teacher pay increased 20.1 percent from \$45,710 in 2003 to \$54,913 in 2010, while inflation was only 18.6 percent. In 2009, the average physical education teacher in the district earned \$48 per hour with an annual salary of \$64,948. If the average physical education teacher worked the entire year (2,080 hours, instead of the contractual 1,350 hours), he would have earned over \$100,000 in 2009.

Although the residents of Margarett Schools narrowly passed a levy in August, they are notorious for rejecting school levies. When voters reject levies, they fundamentally exercise their right to hold the school district accountable. With a permanent conversion levy in place, voters would lose the ability to reject these property tax hikes.

All Ohioans must be wary of conversion levies. With one vote, taxpayers could unknowingly approve large tax increases for years to come and could lose their most valuable tool in keeping school districts accountable.

For more information, read the Buckeye Institute's report *The Need for Levy Reform in Ohio – Conversion Levy: One Vote, Permanent Tax Increases* at www.buckeyeinstitute.org/reports.

Mary McCleary is a policy analyst at the Buckeye Institute, a conservative think tank in Columbus.

Copyright © 2010, The Sandusky Register.