Glossary of School Finance Terms

Assessed Valuation
The percentage of a district's valuation that is subject to taxation. For example, Class I and Class II property are assessed at 35%.

Audit
An examination of the accounting records by an independent auditor.

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

Average Daily Membership (ADM)
Number of students enrolled in a school district who are either in attendance or have an excused absence the first full week in October.

Base Formula Amount
Dollar figure assigned by the General Assembly that represents what the state believes it costs to adequately educate one child with no special needs for one year. This is also known as the foundation figure or per-pupil allotment.

Biennium
Any two-year period, used mostly in school funding to refer to the two fiscal years that make up each state budget.

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

Class I Property
Residential and agricultural property.

Class II Property
Commercial, industrial and all other property.

Continuing Levy
Levy proposing millage rate or school district income tax that is assessed indefinitely.

Effective Mills
The actual rate of taxation realized when the tax reduction factor reduces the taxes charged by a voted levy.

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.

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 (Ex - FY 06 begins July 1, 2005 and ends June 30, 2006).

Floor
Rate below which voted mills will not be reduced under the property tax reduction factor. This is established by the General Assembly. It is currently set at 20 mills.

Foundation Formula
The method of funding schools through a combination of state and local aid. It is 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.

Inside Mills
The millage imposed by local governments without voter approval. Defined in the Ohio Constitution. Inside mills are not subject to the property tax reduction factor. This is sometimes referred to as "unvoted mills".

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.

Millage
Factor applied to the assessed, or taxable, valuation of real or 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. For every $1000 of property value, a property owner pays $1.

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

Outside Mills
Millage approved by voters. Outside mills are subject to the property tax reduction factor. This is sometimes referred to as "voted mills".

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 can be a property tax or an income tax.

Property Tax Rollback
A percentage reduction in the taxes charged against all real property. The percentage equals 10% for all 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.

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

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 Phantom Revenue
Term used to describe the interaction between the state foundation formula and the tax reduction factor. The state formula works as though each increase in a school district's real property value results in more local revenue and reduces the district's state aid accordingly. The property tax reduction factor prevents most growth in valuation from yielding additional revenue. Thus, the "phantom" revenue refers to the money that the state formula credits as local revenue, but that the tax reduction factor ensures the district will never collect the taxes.

Recognized Valuation
Computation used to alleviate the reappraisal phantom revenue effects in the state foundation formula of an increase in a district's valuation due to an update or reappraisal. The recognized valuation adjustment adds, for foundation formula purposes only, one-third of a reappraisal increase to the district's valuation in the first year, two-thirds in the second year and the full increase in the third year.

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.

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.

Tangible Personal Property
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. House Bill 66 phases out the tax on the tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by 2009, and the tax on telephone and telecommunications property will be eliminated by 2011. The tax is phased out by reducing the assessment rate on the

property each year. At the same time, HB66 replaces the revenue lost due to phasing out the tax. In the first five years, school districts and local governments are reimbursed (on a declining scale) for lost revenue; in the following seven years, the reimbursements are phased out.

Valuation of a School District
Taxable value of all Class I and Class II real property, general tangible personal property and public utility personal property in a district.