

Proposed 1% Earned Income Tax

Frequently Asked Questions

1% Proposed earned school district income tax	\$3.5 million Latest ODT estimate of annual revenue using TY2024 information	January 2027 Collections would begin if approved in November 2026
Continuing The proposal is not for a fixed term	Residence-based Residents pay on qualifying earned income regardless of where they work	Not a property tax The proposal does not increase school property-tax millage

Working FAQ for community information and discussion

Prepared from district forecasts, FY2023-FY2025 financial reports, ODEW spending data, levy committee questions/talking points, and district-provided levy information.

Before You Read

What is this FAQ intended to do?

This document is designed to explain the district’s financial outlook, the proposed 1% earned school district income tax (SDIT), how the tax would generally work, why the district is seeking additional revenue, and what the district’s forecasts show with and without the proposed tax.

Financial forecasts are planning tools. They are based on assumptions that can change as state funding, property-tax law, enrollment, wages, benefits, and other factors change. Tax treatment can also depend on individual circumstances.

For questions about an individual tax situation, taxpayers should consult a qualified tax professional or official Ohio Department of Taxation guidance.

1. The Proposal

1. What is Bellefontaine City Schools proposing?

Bellefontaine City Schools is proposing a **1% earned school district income tax** on a **continuing basis**. If approved by voters in November 2026, collections would begin in **January 2027**.

The latest Ohio Department of Taxation estimate provided to the district, using Tax Year 2024 information, calculates approximately **\$3.5 million in annual revenue** once collections are fully established.

Source: District-provided levy information, August 2026.

2. Is this another property-tax increase?

No. The proposal is an **earned school district income tax**, not an increase in school property-tax millage. The amount paid would be based on qualifying earned income rather than the value of a person’s home.

Source: Levy committee talking points; district-provided levy information.

3. How much would a 1% tax cost?

At a 1% rate, the calculation is \$10 for every \$1,000 of taxable earned income. The examples below are simple illustrations; a taxpayer’s actual taxable earned income may differ from total household income.

Taxable earned income	Approx. annual tax	Monthly equivalent
\$40,000	\$400	\$33.33
\$50,000	\$500	\$41.67
\$60,000	\$600	\$50.00
\$75,000	\$750	\$62.50
\$100,000	\$1,000	\$83.33
\$150,000	\$1,500	\$125.00

Source: 1% arithmetic examples; levy committee talking points.

4. Who would pay the tax?

School district income taxes are **residence-based**. A resident who lives within the Bellefontaine City School District boundaries would be subject to the tax on qualifying earned income **regardless of where that person works**.

Source: District-provided levy information, August 2026.

5. What if I live in the district but work in Columbus, Marysville, Dayton, or somewhere else?

The location of the employer does not determine whether a resident is subject to the school district income tax. If a taxpayer resides within the Bellefontaine City School District, the tax is residence-based and would apply to qualifying earned income.

Source: District-provided levy information, August 2026.

6. Would retirement or investment income be taxed?

Generally, **retirement income and investment earnings would not be taxable** under the proposed earned-income structure. Individual circumstances can vary, so taxpayers with questions should consult a tax professional or official Ohio Department of Taxation guidance.

Source: District-provided levy information; levy committee talking points.

7. Would Social Security recipients or retirees automatically owe the tax?

Not necessarily. A retiree whose income consists only of income that is excluded from the earned-income tax base generally would not owe the tax on that excluded income. A retiree who continues to receive qualifying earned income could be subject to the tax on that earned income.

Taxpayers should consult a tax professional for advice about their specific circumstances.

Source: District-provided levy information; levy committee talking points.

8. Why was an income tax selected instead of another property-tax levy?

An additional property-tax levy was considered. The district determined that another property-tax proposal was not the most viable option because of significant recent changes to Ohio property-tax law and uncertainty surrounding additional state-level proposals affecting property taxes.

An earned-income tax also broadens the local tax base beyond property ownership: residents with qualifying earned income contribute whether they own a home, rent, or have another housing arrangement.

Source: District-provided levy information; FY27 August Forecast property-tax reform disclosures.

2. Why Is Additional Revenue Being Requested?

9. Why does the district say additional revenue is needed?

The district's latest forecast shows a **structural gap between recurring revenues and recurring expenditures**. Without new levy revenue, the August FY27 forecast projects annual deficits throughout the forecast period and a negative year-end cash balance beginning in FY29.

The issue is not simply whether the district has cash today. The issue is whether recurring revenue can keep pace with the recurring cost of operating the school system over time.

Source: FY27 August BCS Forecast, Forecast Summary and Five-Year Forecast.

10. What does the forecast show without the proposed SDIT?

Without new SDIT revenue, the current forecast projects the following General Fund path (renewal revenue is included where modeled):

Fiscal year	Revenue	Expenditures	Year-end cash balance
FY27	\$28.98M	\$30.52M	\$4.71M
FY28	\$29.03M	\$31.75M	\$1.99M
FY29	\$29.57M	\$33.07M	(\$1.52M)
FY30	\$30.08M	\$34.14M	(\$5.59M)
FY31	\$30.13M	\$35.24M	(\$10.70M)

Source: FY27 August BCS Forecast, page 3 / Five-Year Forecast. Values rounded.

11. Is the district simply planning to spend more every year?

The latest forecast actually assumes that expenditure growth will **slow compared with recent history**. Over the prior five-year period, expenditures increased by an average of **4.89% annually**. The forecast projects average annual expenditure growth of **2.65%** through FY31.

The problem is that projected base revenue growth is even weaker: the forecast projects average annual revenue change of approximately **-0.08%** over the same period. In other words, spending is projected to grow more slowly than it has historically, but still faster than revenue.

Source: FY27 August BCS Forecast, Expenditure Overview and Forecast Summary.

12. What are the district's largest operating expenses?

Schools are personnel-intensive organizations. In the current forecast, **salaries represent 58.20%** of General Fund expenditures and **employee benefits represent 24.39%**. Together, salaries and benefits account for roughly **83%** of General Fund spending.

Purchased services account for about **12.17%**. Supplies, capital outlay, other objects, and other financing uses make up the remaining share.

Source: FY27 August BCS Forecast with SDIT modeled, Expenditure Overview.

13. Has the district already taken steps to control costs?

Yes. The FY2024 and FY2025 financial reports state that the district has made budget reductions dating back to **FY2006**, with the majority of personnel-related reductions made through **attrition where possible**. The reports also state that additional reductions made in summer 2019 helped stabilize the forecast and produce budget surpluses.

The reports further state that the Board continues to scrutinize expenditures, pupil-teacher ratios, and class sizes when evaluating future staffing needs.

Source: Bellefontaine City School District FY2024 and FY2025 cash-basis financial statements, Management's Discussion and Analysis.

14. What do the most recent completed fiscal years show about spending?

General Fund cash disbursements increased by **1.52% in FY2024** compared with FY2023 and by only **0.87% in FY2025** compared with FY2024. In FY2025, instruction spending decreased 0.71% while support-service spending increased 3.48%.

Those results provide context for the question of whether the district has been controlling spending: recent actual General Fund expenditure growth has been comparatively modest even as the long-term forecast has weakened.

Source: FY2024 and FY2025 cash-basis financial statements, Management's Discussion and Analysis.

15. Why can't the district simply cut enough to close the gap?

Large recurring reductions would eventually affect the areas that make up most of the budget. Because salaries and benefits account for about 83% of General Fund spending, a multi-million-dollar recurring reduction cannot realistically be achieved entirely through office supplies, small contracts, or other minor line items.

The district should continue seeking efficiencies regardless of the levy outcome, but the scale of the projected deficits means significant expenditure-only solutions would eventually involve staffing levels or services.

Source: FY27 August BCS Forecast with SDIT modeled, Expenditure Overview; FY2024-FY2025 financial statements.

3. State Funding, Enrollment, and Property-Tax Changes

16. How dependent is BCS on state funding?

State funding is a major component of the General Fund. In the FY27 forecast, **unrestricted state aid alone accounts for 49.51% of General Fund revenue**. Restricted state aid and state property-tax reimbursements add additional state-supported revenue.

Source: FY27 August BCS Forecast, Unrestricted Grants-in-Aid.

17. How has the Fair School Funding Plan affected BCS?

Beginning in FY2022, Ohio adopted the Fair School Funding Plan. The forecast explains that the plan funds students where they are educated and eliminated certain tuition-transfer payments from school districts. That reduced some district tuition costs, but it also changed how per-pupil state revenue flows.

The FY2024 and FY2025 financial reports described the first-year overall effect for BCS as slightly positive, while also noting uncertainty about the long-term effect.

Source: FY27 August Forecast; FY2024 and FY2025 cash-basis financial statements.

18. Is enrollment changing?

Yes. The latest forecast shows **district-educated enrollment declining from 2,184 students in FY2022 to 2,044 in FY2027**, with the forecast reaching **1,958 by FY2031**. Because the state funding formula uses district-educated enrollment, enrollment changes affect state funding.

Source: FY27 August BCS Forecast, Unrestricted Grants-in-Aid.

19. How are recent Ohio property-tax changes affecting the district?

The FY27 forecast incorporates recent property-tax reforms, including H.B. 129, H.B. 186, H.B. 335, and provisions of H.B. 96. The forecast notes that state and county officials are still working through implementation and that assumptions may change as details are finalized.

The current forecast identifies **real-estate revenue as the largest contributor to the changing revenue trend**. Average annual real-estate revenue growth is projected to be about **\$452,000 lower than the district's historical trend**.

Source: FY27 August BCS Forecast, Forecast Summary and Property Tax Reform disclosures.

20. Doesn't a large increase in home values automatically give the district the same percentage increase in revenue?

No. Ohio's school property-tax system includes mechanisms that limit how certain voted operating levies grow as property values change. Recent property-tax reform legislation has added additional limits and credits in some circumstances.

The district's forecast therefore does not assume that higher market values translate dollar-for-dollar into the same percentage growth in school operating revenue.

Source: FY27 August BCS Forecast, Property Tax Reform retrospective/prospective analyses.

4. What the Forecast Shows With the SDIT

21. Would the proposed SDIT eliminate the district's financial challenges?

It would **substantially improve the district's financial position**, but it would not permanently eliminate the underlying gap between revenue growth and expenditure growth.

With the SDIT modeled, the forecast keeps the year-end General Fund cash balance positive through FY31. However, expenditures begin to outpace total revenue again, and the FY31 annual operating shortfall is approximately **\$1.15 million**.

Source: FY27 August BCS Forecast with SDIT modeled, Forecast Summary.

22. What does the forecast look like with the SDIT modeled?

The modeled scenario phases in new levy collections as the tax begins and receipts build. The forecast uses **\$206,500 in FY27, \$2.464 million in FY28, \$3.721 million in FY29, and \$3.962 million in FY30 and FY31** as new-levy revenue assumptions.

Fiscal year	Modeled new levy	Revenue	Expenditures	Ending cash balance
FY27	\$0.206M	\$29.19M	\$30.52M	\$4.92M
FY28	\$2.464M	\$31.49M	\$31.75M	\$4.66M
FY29	\$3.720M	\$33.29M	\$33.07M	\$4.87M
FY30	\$3.962M	\$34.04M	\$34.14M	\$4.76M
FY31	\$3.962M	\$34.09M	\$35.24M	\$3.61M

Source: FY27 August BCS Forecast with SDIT modeled, Forecast Summary. Values rounded.

23. Why is the model’s full-year levy amount higher than the current \$3.5 million ODT estimate?

The **\$3.5 million figure is the latest Ohio Department of Taxation estimate provided to the district using TY2024 information**. The forecast scenario uses a separate modeling assumption that reaches \$3.962 million annually in FY30 and FY31. School district income tax revenue will grow as the community’s average household income increases. The forecasting software used assumes and models a slight increase in this statistic.

Source: District-provided ODT estimate; FY27 August BCS Forecast with SDIT modeled.

24. Does the modeled tax create a large surplus?

No. The modeled ending cash balance stays in a relatively narrow range for several years: approximately **\$4.91 million in FY27, \$4.66 million in FY28, \$4.87 million in FY29, \$4.76 million in FY30, and \$3.61 million in FY31**.

The scenario therefore shows the SDIT stabilizing cash reserves for a period rather than creating an ever-growing balance.

Source: FY27 August BCS Forecast with SDIT modeled, Forecast Summary.

25. Does this mean another levy will definitely be needed later?

No definitive conclusion can be drawn today. Five-year forecasts change as actual revenues, expenditures, enrollment, state budgets, tax law, and labor costs change.

The current modeled scenario shows that the SDIT would provide substantial financial stability, but it also shows the need for continued cost management and long-range planning because expenditures again exceed revenue by the end of the forecast period.

Source: FY27 August BCS Forecast with SDIT modeled; forecast methodology.

5. How Does BCS Spending Compare?

26. How much does Bellefontaine spend per pupil compared with the state?

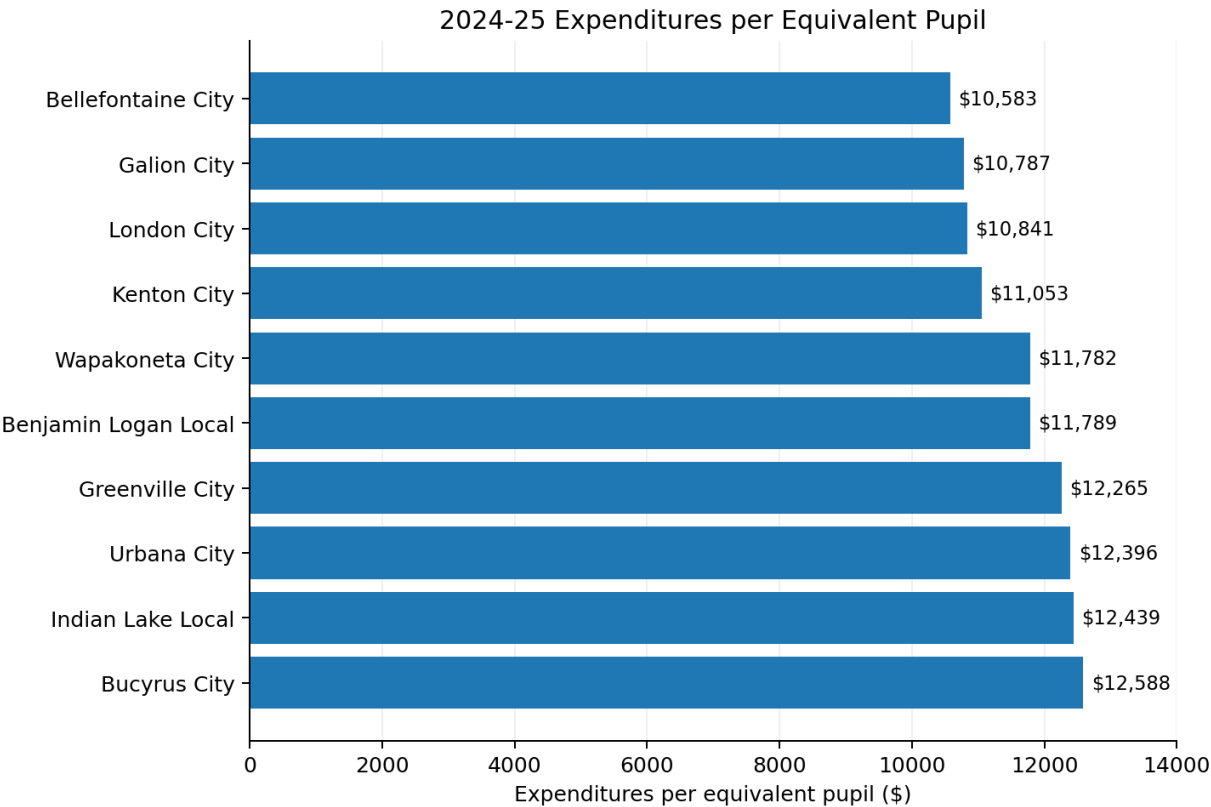
According to the Ohio Department of Education and Workforce’s **2024-25 District Spend Per Pupil** report, Bellefontaine City Schools reported **\$10,583 in expenditures per equivalent pupil**. The statewide figure was **\$12,759**.

That places BCS approximately **\$2,176 per equivalent pupil, or 17.1%, below the statewide figure**.

Source: ODEW 2024-25 District Spend Per Pupil report.

27. How does BCS compare with the peer districts identified by the levy committee?

Among the comparison districts identified by the levy committee, Bellefontaine has the **lowest expenditures per equivalent pupil** in the ODEW 2024-25 dataset. The peer-group average shown below is approximately **\$11,652**, which is about **9.2% above Bellefontaine’s \$10,583**.



Source: ODEW 2024-25 District Spend Per Pupil report. Peer districts were those suggested in the levy committee question set.

28. Where does Bellefontaine rank statewide on this measure?

In the 607-district ODEW dataset provided, Bellefontaine’s \$10,583 figure is the **44th-lowest expenditure per equivalent pupil**. About **93% of districts in the dataset report a higher figure**.

This measure does not prove that every individual expenditure is optimal, but it provides useful context: BCS is not a high-spending outlier on ODEW’s per-pupil spending measure.

Source: Calculation from ODEW 2024-25 District Spend Per Pupil report.

6. Accountability and What Happens Next

29. Does the district have money in the bank today?

Yes. A cash balance, however, is not the same as a structurally balanced operating budget. The FY27 forecast begins with a General Fund balance of approximately **\$6.24 million** and shows that balance being consumed over time when annual expenditures exceed annual revenues.

Without the new SDIT, the forecast projects the balance turning negative in FY29. With the SDIT modeled, the balance remains positive through FY31.

Source: FY27 August Forecasts, with and without SDIT modeled.

30. What happens if the levy does not pass?

The current forecast without new SDIT revenue projects a negative year-end General Fund cash balance beginning in **FY29** and approximately **negative \$10.7 million by FY31**, even after the currently modeled renewal revenue.

A school district cannot operate indefinitely with a negative cash balance. If the financial path does not improve through additional revenue, lower expenditures, or both, the district would eventually have to make material budget reductions.

Source: FY27 August BCS Forecast; levy committee question set.

Key Takeaways

1% The proposed rate is a 1% earned school district income tax.	\$3.5M Current ODT estimate of annual revenue using TY2024 information.
Jan. 2027 Collections would begin if voters approve the issue in November 2026.	FY29 Without new SDIT revenue, the current forecast projects a negative year-end cash balance beginning in FY29.
\$3.61M With the SDIT modeled, the FY31 ending cash balance remains positive at approximately \$3.61 million.	\$10,583 BCS expenditures per equivalent pupil in ODEW’s 2024-25 report, about 17% below the statewide figure.

The central financial question is whether recurring revenue can keep pace with the recurring cost of operating the school district while maintaining the educational opportunities and services the community expects.

Primary Sources Used

- Bellefontaine City School District FY27 August Financial Forecast.
- Bellefontaine City School District FY27 August Financial Forecast with SDIT modeled.
- Bellefontaine City School District FY26 October and February financial forecasts.
- Bellefontaine City School District cash-basis financial statements for fiscal years ended June 30, 2023, 2024, and 2025.
- Ohio Department of Education and Workforce, 2024-25 District Spend Per Pupil report.
- Levy committee co-chair question set and talking points.
- District-provided levy information, including the latest Ohio Department of Taxation TY2024 revenue estimate.

Forecast figures are projections and may change. Dollar amounts in this FAQ are rounded where appropriate. Taxpayers should consult a qualified tax professional or official Ohio Department of Taxation guidance regarding individual tax circumstances.