

RICHMOND HEIGHTS LOCAL SCHOOLS

SPARTAN CONNECTION

FROM THE DESK OF SUPERINTENDENT DR. RENÉE T. WILLIS,

MAY/JUNE 2021

\$CHOOL FUNDING 101



- PROPERTY TAXES
- TAX ABATEMENT
- STATE FUNDING FORMULA

- ECONOMIC DEVELOPMENT
- T.I.F.
- HOUSE BILL 110

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www.richmondheightsschools.org*

SPARTAN NATION



Dear Residents:

Richmond Heights Schools is committed to offering the very best education to our students. Our teachers and staff strive to equip our children with the tools and skills they need to flourish in college, careers and life.

As a school district, we also believe it is important to be transparent with our residents about our spending priorities, how schools are funded, and how we work to manage our precious resources efficiently. That's why we've created this Financial Update, which is intended to share the district's financial story, both the successes and challenges, with residents. This is an in-depth look at the very real situation that Richmond Heights Schools is facing right now.

I hope you find this report informative. Should you have any further questions, please feel free to contact me at any time. I can be reached at willis.renee@richmondheightsschools.org.

Thank you for your continued support of our schools and students.

Sincerely,

A handwritten signature in black ink that reads "Renée Willis".

Dr. Renée Willis
Superintendent



What are the spending priorities for Richmond Heights Schools?

At Richmond Heights Schools, our mission is to prepare all learners to navigate an ever-changing global community by offering a robust learning environment and innovating programming. Our teachers and staff prepare students for emerging jobs that are in-demand in our community, including real world training in modern manufacturing technologies.

The student to teacher ratio of 15:1 is well below the state average. With our smaller class sizes and our high quality teaching staff, students receive personalized attention.

The brand new 21st Century Community Learning Center opened in March 2021 - this state of the art facility serves the whole community and provides practical educational opportunities for all.

- Our building houses the Cuyahoga County Public Library- Richmond Heights Branch, as well as innovative programming spaces such as our Makerspace and aviation classroom.

- Additionally, our building offers an after-school program for students in grades 7-12 who are Richmond Heights residents. The grant-funded program includes tutoring and homework help with certified teachers and enrichment opportunities for all enrolled students.



In the past year, the graduation rate for Richmond Heights students has seen a significant increase. "It's a new day for the Richmond Heights way!"

How are our schools funded?

Public school districts in Ohio receive funding from two primary sources. Richmond Heights Schools receives approximately 27 percent of the district's day-to-day operating budget from the State of Ohio.

Next is the funding that voters approve at the local level through local property taxes. These are taxes paid by both residents and businesses within our district's boundaries.



How does the State determine how much money our schools get?

The amount of state funds that a district receives is based on a formula that takes into account the student enrollment and the property wealth of the district. However, Ohio has not had a school funding formula since the 2018-19 school year, and prior to that, an estimated 80% of Ohio school districts were not on the state's funding formula.

That means districts like Richmond Heights must make up for the difference locally.

I heard the way Ohio funds schools is unconstitutional. Is that true and how does that impact Richmond Heights Schools?

Yes - the method by which Ohio funds schools was deemed unconstitutional in 1997 by the Supreme Court of Ohio and has never been fixed since that ruling. In the past 24 years, many proposals to Ohio's school funding issue have been suggested, but none to improve Richmond Heights Schools' reliance on local taxes have passed.

Our district, along with others, is currently advocating for a change to the funding methodology. We have provided testimony to the General Assembly in Columbus and have written letters to our legislators. Until we see major changes, it's up to the taxpayers of Richmond Heights Schools to fund the majority of our daily operations.



How does school choice, which includes charters and EdChoice vouchers, impact school funding for Richmond Heights Schools?

Our community has traditionally had some families choose private or parochial education for personal reasons. Richmond Heights Schools believes in a student's right to choose an education option to meet their individual needs.

However, when students within our school district boundaries decide to leave our school district for a private voucher (EdChoice) or charter school option, state tax dollars go with them. In fact, families can take an EdChoice voucher without ever having set foot in our public schools.



Richmond Heights Schools receives about \$1,633.50 per pupil from the state to support the day-to-day operating needs of our students. However, if a student chooses to attend a charter or private school instead, the district must pay on average \$6,050 for that child to the private school. This means that approximately \$4,400 per student of local tax dollars are sent to private schools per student.

The EdChoice laws in Ohio have changed several times over the years to the point where if a school building has a D in any of the report card grades, then students can take vouchers to attend private and/or parochial schools. This policy change impacts nearly all school districts across Ohio to some degree, including Richmond Heights.



How does economic development impact funding to our local schools?

When developers approach local municipalities to discuss putting new developments in their city, there is usually a conversation that includes the city officials, the developers and the local school board. The reason for this is because developers usually need property tax abatements in order to finance their new project.

It is also logical to think that with the growth, jobs, and construction happening, it would result in a windfall of money for our schools. However, due to a complicated public-private agreement and tax exemptions under something known as Tax Increment Financing or TIF, very little tax revenue from the growth of these developments will go to fund our schools.

In lieu of tax revenue, the school district does receive funding through an agreement between the city and the school, but these funds basically serve as a “hold harmless,” which simply replaces the tax revenue that was lost on a once blighted area.

While projections for future development at Belle Oaks indicate the potential for a significant increase in the city’s income tax base, long-term, that revenue will be realized entirely by the city, not the school district.

We welcome this investment in our community! However, it is important that our schools have a seat at the table to collaborate with all parties involved to ensure fair and equitable funding for both our taxpayers and local governments.

What do others say about our financial management?

Richmond Heights Schools takes pride in its commitment to a high standard of financial accountability. The district earned Ohio’s Auditor of State Award in 2020 for clean and accurate record keeping, and was recently removed from fiscal watch status because of our commitment to efficient operations. This achievement is given to a select group of local governments that exhibit excellence in financial reporting and compliance with applicable laws.

S&P Global Ratings, an international financial rating firm,..... ***A higher bond rating means increased borrowing power and saves tax dollars through lower interest rates.***

Another key factor in the rating increase is the strong support from the community.....

How are we maximizing dollars?

On a daily basis, our school district continues to analyze costs and implement initiatives

that maximize taxpayer dollars and ensure money is being prioritized to the classroom.

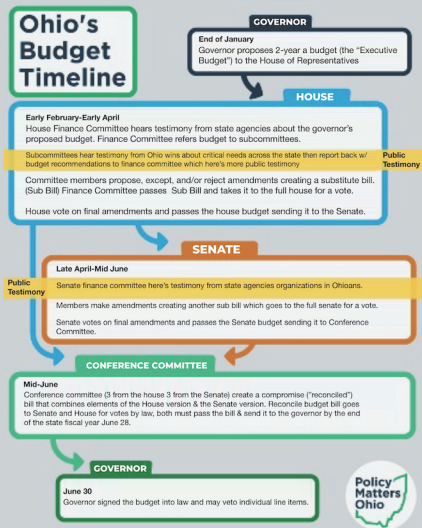
Each May and November, all school districts across Ohio are required to update their five-year financial forecast. For Richmond Heights Schools, the district is experiencing a better than expected financial outlook, thanks to a reduction in spending and additional short-term funding support from the state and federal governments. We certainly welcome this good news, but there are still some significant challenges ahead.

Conclusion

School funding is a very complex topic. We are grateful to our community for supporting our schools so that we can continue to offer the best education possible for students. Our local funding provides a steady, reliable stream of funding so that we can consistently fund the day-to-day operations of our schools.

STATE BUDGET OVERVIEW

Ohio has five separate budgets. The operating budget is the largest and gets the most public attention. It funds education, health, human services, corrections and more. Ohio has a biennial (two-year) operating budget. The first half of this year, lawmakers are hammering out a new operating budget for state fiscal years 2022 and 2023. The state's fiscal year runs from July 1 to June 30; the budget for 2022-23 will start on July 1, 2021 and run through June 30, 2023. The timeline to get the state's operating budget passed is outlined in this graphic provided by Policy Matters Ohio



WHY IS STATE FUNDING IMPORTANT TO THE RICHMOND HEIGHTS LOCAL SCHOOLS?

- Unfortunately the method by which Ohio funds schools was deemed unconstitutional in 1997 by the Supreme Court of Ohio and has never been fixed since that ruling.
- The funding that the Richmond Heights schools get from the state is a very small amount per pupil due the unconstitutionality of the funding formula.
- The state believes the burden should rest on property owners and their property tax.
- Our district along with others is currently advocating for a change to the funding methodology. We have provided testimony to the General Assembly in Columbus and have written letters to our legislators, as this is the time for public input as noted in the previous chart.
- Here is how the current funding is hurting our district:

- The state says that on average it should cost roughly \$6,050 a year to educate a typical student.

- Next the state calculates what share of the \$6,050 it will pay a district based on the property value in that community.

- Our State Share calculates to 27% since the property in Richmond Heights is considered to have a healthy tax valuation.

- o That means the state only gives us roughly \$1,633.50 per student and expects the district's property owners to make up the difference.
- o On top of this, laws have been passed that say if a school has a D in any of the report card grades, then students can take vouchers to attend private and/or parochial schools.
- o A voucher is worth \$6,000. That \$6,000 is taken out of the state's funding for our district (which is already receiving less than most districts due to the property tax situation).
- o Our community has traditionally had several families choose private or parochial education for personal reasons. Now they can take vouchers without ever having set foot in our public schools. Additionally, the private and parochial schools never have to ask the homeowners for a tax levy, only the public schools do; yet they reap the benefits of passed levies.

WE'RE IN A CATCH-22!

There is only one way to move out of voucher status....
Improve our academic stance

But

There is only way to improve our academic stance....
**Financial support to invest in
our students' educational needs!**



Innovative Programming



Let's Get Specific...

HOW DOES ECONOMIC DEVELOPMENT HELP/HURT LOCAL SCHOOLS

When developers approach local municipalities to discuss putting new developments in their city, there is usually a conversation that includes the city officials, the developers and the local school board. The reason for this is because developers usually need property tax abatements in order to finance their new project. In the above section you read about how important property taxes are to schools based on Ohio's funding method. Here is what other developers, cities and school districts worked out.

ORANGE, Ohio - "Orange schools will receive \$3 million annually from the mixed-used Pinecrest development, if the school board approves a proposed tax break, Mayor Kathy Mulcahy says. Pinecrest is now a \$200 million, 675,000 square foot mixed-use development situated on 57.5 acres. It will be home to

and restaurants, a hotel, office space and 70 high-end residences. Developers claim it will bring 2,300 permanent jobs to the village."

Cleveland.com
Orange schools to receive \$3 million annually from Pinecrest, if tax break approved

Updated Jan 11, 2019; Posted Mar 13, 2015

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CLEVELAND HEIGHTS, Ohio - "A similar TIF is already in place for the \$83 million Top of the Hill project, where the CH-UH Schools went from about \$40,000 in annual tax revenues for a city surface parking lot to receiving over \$400,000 a year. Through those "payments in lieu of taxes ("PILOTs"), it works out to about \$12.3 million over 30 years for the school district."

Cleveland.com
Cleveland Heights opts for further talks with Top of the Hill developers on Cedar-Lee-Meadowbrook site

Updated Apr 21, 2021; Posted Apr 21, 2021

SOUTH EUCLID, Ohio – “First Interstate and the INDURE Build-to-Core Fund, which co-own Legacy Village, have agreed to give the schools \$700,000 up front, to help establish a new health-technical careers program at Charles F. Brush High School. Most of that money would come from the bond-financing deal for the garage. "It's about the entire community benefiting from the whole project," said Linda Reid, the school district's superintendent. "We're very excited."

Cleveland.com
Legacy Village plans expansion, with Hyatt Place hotel, 355-space parking garage

Updated Jan 12, 2019; Posted Feb 27, 2015

RICHMOND HEIGHTS, Ohio - “Gleisser said the city can offer 100 percent property tax abatement for 15 years on the added value of a development...."They (city leaders) did their due diligence, but why weren't the schools included? Willis said that next, the city will seek to proceed with tax increment financing (TIF), which allows a

community to divert future tax revenue increases expected from a development to help finance a development.”

Cleveland.com
Richmond Heights City Council approves enlarged CRA; city schools had asked for delay in vote

Updated Dec 12, 2019; Posted Dec 12, 2019

Economic Development in Richmond Heights looks different for its schools than other cities

- DealPoint and its Belle Oaks Project with close to 800 apartments is primed to receive 100% tax abatement for the first 15 years.
- As predicted, they are poised to ask city council for the next 15 years to have a TIF (Tax Increment Financing) which further diverts property tax revenue.

**LET YOUR VOICE
BE HEARD!!!**

Richmond Heights Board of Education
447 Richmond Road
Richmond Heights, Ohio 44143
Phone: 216-692-0086

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VIA RICHMOND HEIGHTS SCHOOLS DISTRICT MEDIA