



FQA1 Fiscal Distress Information

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Dear Talawanda Community,

We understand many are confused, do not understand, and may have questions about Talawanda School District's finances. Many individuals are not able to attend the Board of Education meetings but you can watch videos of the meetings [HERE](#) (<https://www.talawanda.org/departments/board-of-education-30/virtual-boe-meetings-links-314/>) and you can refer to meeting agendas and minutes [HERE](#) (<https://www.talawanda.org/departments/board-of-education-30/virtual-boe-meetings-links-314/>)

We are working on a few Q & A (Question and Answer) sheets. Our hope is to provide the community with quick, factual information, and increase your understanding of our finances. Additional and more detailed information may be found on our website, under the Treasurer's department, or you may contact our staff and administrators. We are always available for these important conversations.

We will provide you with these FQA's over the next several weeks. Each FQA sheet will have one to five (1-5) questions answered and/or explained depending on the length and amount of detail. We hope these will help our community understand the district's information as many are not able to attend our Board of Education meetings as often as they would like.

Question 1: How did the Talawanda School District become fiscally distressed?

The simple answer is to say that our expenses (with annual inflation) have risen faster than our annual revenue. They are not increasing at the same rate of travel creating deficit spending which then erodes the District's cash reserves. The long answer is a complicated issue that we will attempt to break down as much as possible. Ohio school funding is reliant on a combination of State funding and Local funding. Depending on where you live within Ohio dictates the percentage funded by the State versus the Local community. There is an over reliance on property tax and an expectation of wealthier communities to pay more money through levies and bonds for their schools. There has been more than one conversation on the unconstitutional way that Ohio funds its public schools (DeRolph case in 1997).

Talawanda School District is considered a wealthy school district (largely based on landmass/land values). We are a large geographical district, with 145 square miles. While we

have many farms and the land is considered valuable, it does not mean all farmers are wealthy. Approximately 30% of our students come from low socio economic backgrounds. The State of Ohio considers Talawanda wealthy and therefore has determined that our **residents** should pay more for their students' education.

Recently, the Ohio Legislature, with Governor DeWine's signature, established a new student funding formula (The Fair School Funding Formula). While this is a move in the right direction to address the unconstitutional funding, the new formula is still unconstitutional because it still does not fund schools fully, continues to be over reliant on property values/income levels and provides less to wealthier schools (wealthier is determined by the State of Ohio funding index). The new student funding formula does not provide any additional relief to TSD. In fact, the current inflation on items such as fuel, electricity, supplies, etc. are out pacing the little additional money we will receive. Other neighboring districts are finding themselves in the same kind of fiscal distress even though they recently have passed additional operating levy taxes, whether it be property or school income taxes.

The Fair School Funding Formula has been in development for five years and was passed by the Ohio Legislature as part of the state budget in June 2021. Due to this new funding formula, Talawanda' base funding will decrease from the state, which increases the need from our local funding.

Talawanda receives its local revenue (to supplement the state funding) from two places: property tax, which does not fluctuate for property owners even if their property was to increase in value, and income tax levy where residents pay 1% of their income (this does/will fluctuate year to year).

- Talawanda School District's last property tax levy (**operating**) was passed in November 2000.
- Talawanda School District also has a school income tax (**operating**) established in 2004.
- Talawanda School District's last bond levy (**THS construction**) was passed in November 2008.

The State of Ohio's student funding formula is designed to have communities supplement this formula by way of additional levies, bonds, and/or school income taxes to make up the difference. *In the 2020-21 school year, of the \$6,750 amount allocated by the State for each student, Talawanda School District received approximately \$1,500 per student from the state funding model. Talawanda spent approximately \$13,519.14 per student. Communities that are considered poor areas receive more money per student under this current funding model. Again, the per pupil student funding formula does not provide enough money to operate Talawanda School District.

District expenditures have increased an average of 3.02% per year. Meanwhile, the revenue has only increased by an average of 1.69% per year. Recently, the inflation of material costs for operation has increased at a faster rate than the revenue.

While we continue to monitor, adjust, and make decisions to be good stewards of our taxpayer money (while operating a top notch school district), our revenue from the state has historically been flat funded and will continue to be relatively flat for many years resulting in the fiscal crisis.

Additional information may be found on our website: www.talawanda.org or
<https://www.talawanda.org/departments/treasurer---finance-42/understanding-school-finance-395>

**DeRolph Decision at:

<https://www.supremecourt.ohio.gov/rod/docs/pdf/0/2002/2002-Ohio-6750.pdf> or
https://en.wikipedia.org/wiki/DeRolph_v._State#:~:text=State%20is%20a%20landmark%20case,funding%20public%20education%20was%20unconstitutional

***Board of Education Meeting videos (

<https://www.talawanda.org/departments/board-of-education-30/virtual-boe-meetings-links-314/>
or www.talawanda.org Click Departments Click Board of Education Click Videos)

*****CUPP Report November 2021 at:

<https://education.ohio.gov/Topics/Finance-and-Funding/School-Payment-Reports/District-Profile-Reports>