
GRAHAM LOCAL SCHOOL DISTRICT

2018 FINANCIAL PROSPECTUS

**Success Today,
Prepared for Tomorrow!**



By Treasurer
Judy Geers



November 6, 2018 is an important day for our schools and our community. That is when voters will decide the outcome of the 1 % earned income tax levy request. This levy prospectus will share important financial facts as to why the district is making this request, what happens if the request is approved or if it fails and why the timing is so critical.

As a school district, we feel it is important to be open and honest with our residents so you have all the information you need to make an informed decision. This is an honest look at the very real situation that Graham Local Schools is facing right now. Should you have further questions, please feel free to contact us any time! My phone number is (937) 663-4123.

WHAT'S ON THE BALLOT?

Graham Local Schools has a 1% Earned Income Tax levy on the Tuesday, November 6 ballot for operations. We cannot continue to operate in a fiscally responsible manner without passage of this request. This levy is the leanest request possible to restore services and personnel positions that were cut for the 2018-2019 school year.

Graham students' education and opportunities are on the line. We need to ensure

we have the funding needed to provide students with a quality education, so they are successful today and prepared for tomorrow. This levy will generate approximately \$2 million annually and will be a 5-year limited levy effective January 1, 2019.



What is earned income? It is income that you receive from wages, salary, self-employment income, tips and other compensation.

What income is not considered earned income? Rental income, social security benefits, pensions and annuities, disability and survivor benefits, welfare benefits, child support, alimony, interest and dividends, IRA distributions, capital gains, lottery winnings and worker's compensation benefits are not considered earned income and are not subject to the school district tax.

COST

What will an Earned Income Levy cost me? This chart breaks down the yearly, monthly, weekly and daily cost for the 1.0% Earned Income Tax Levy based on the income you earn per year.

<u>If you earn per year:</u>	<u>yearly cost</u>	<u>monthly cost</u>	<u>weekly cost</u>	<u>daily cost</u>
\$30,000	\$300.00	\$25.00	\$5.77	\$0.82
40,000	400.00	33.33	7.69	1.10
50,000	500.00	41.67	9.62	1.37
60,000	600.00	50.00	11.54	1.64
70,000	700.00	58.33	13.46	1.92
80,000	800.00	66.67	15.38	2.19
90,000	900.00	75.00	17.31	2.47
100,000	1,000.00	83.33	19.23	2.74

Earned income subject to the school district tax includes wages, salary, self-employment income, tips and other compensation.

Income NOT subject to the school district tax: rental income, social security benefits, pensions and annuities, disability and survivor benefits, welfare benefits, child support, alimony, interest and dividends, IRA distributions, capital gains, lottery winnings and worker's compensation benefits.

Do other districts in Champaign and surrounding counties have an income tax for operations?

Out of 40 districts in Champaign and the surrounding Counties, there are 28 districts who have an operating income tax in addition to their operating real estate taxes.

County	School District	Income Tax %	County	School District	Income Tax %
MIAMI	BETHEL LSD	0.75%	MADISON	MADISON PLAINS LSD	1.25%
SHELBY	FAIRLAWN LSD	0.75%	MIAMI	MILTON UNION EVSD	1.25%
SHELBY	HARDIN-HOUSTON LSD	0.75%	MIAMI	PIQUA CSD	1.25%
SHELBY	RUSSIA LSD	0.75%	SHELBY	FORT LARAMIE LSD	1.50%
UNION	FAIRBANKS LSD	1.00%	SHELBY	JACKSON CENTER LSD	1.50%
MADISON	JEFFERSON LSD	1.00%	CHAMPAIGN	MECHANICSBURG EVSD	1.50%
MADISON	LONDON CSD	1.00%	CHAMPAIGN	TRIAD LSD	1.50%
UNION	NORTH UNION LSD	1.00%	MIAMI	TROY CSD	1.50%
CLARK	NORTHEASTERN LSD	1.00%	MIAMI	BRADFORD EVSD	1.75%
CLARK	NORTHWESTERN LSD	1.00%	MIAMI	MIAMI EAST LSD	1.75%
CLARK	SOUTHEASTERN LSD	1.00%	MIAMI	NEWTON LSD	1.75%
SHELBY	ANA LSD	1.25%	LOGAN	RIVERSIDE LSD	1.75%
SHELBY	BOTKINS LSD	1.25%	CHAMPAIGN	WEST LIBERTY SALEM LSD	1.75%
MADISON	JONATHAN ALDER LSD	1.25%	MIAMI	COVINGTON EVSD	2.00%

SOURCES: Data sources for this Prospectus are from the Ohio Department of Taxation link: https://www.tax.ohio.gov/tax_analysis/tax_data_series/school_district_data/publications_tds_school.aspx and the Ohio Department of Education link: <http://education.ohio.gov/Topics/Finance-and-Funding/School-Payment-Reports/District-Profile-Reports>

Earned Income Tax Base:

Source: Guide to Ohio's School District Income Tax, page 4:

https://www.tax.ohio.gov/portals/0/tax_analysis/tax_data_series/school_district_data/sditqa.pdf

Earned Income Tax Base Since 2006, school districts have been permitted to levy the tax, subject to voter approval, against an alternate tax base that includes, to the extent included in Ohio Adjusted Gross Income (OAGI), only earned income and self-employment income (including income from partnerships) of the residents of the school district. The tax would exclude all other types of income including: social security benefits; disability and survivor benefits; railroad retirement benefits; welfare benefits; child support; property received as a gift, bequest or inheritance; workers' compensation benefits; interest and dividends; capital gains; annuities and pensions, etc. This tax base also excludes certain adjustments to income that are allowed on the federal return, including IRA contributions, self-employment health insurance deductions, and alimony payments. The earned income base also does not allow the personal exemptions that are allowed under the traditional tax base.

The Earned Income Tax Base for School Districts is calculated by first determining wages and other compensation which is reported on line 24 of the SD-100. Next, net earnings from self-employment to the extent included in Ohio adjusted gross income is reported on line 25. Line 25 shows net earnings from self-employment earned while a resident of an earned income tax school district and included in OAGI. **Since, the Business Income Deduction is an adjustment to OAGI, a taxpayer's net earnings from self-employment can be reduced if the income was deducted in computing OAGI. Because of the increase in the Business Income Deduction up to \$250,000 of business income, some taxpayers may not report any self-employment income on this line.**

The final piece of information used to calculate the earned income tax base is any adjustment to wages and compensation that might be required due to Ohio not conforming to changes made to federal law for Ohio income tax purposes. Please see Tax.Ohio.Gov/Other/Update.aspx to determine if this adjustment is applicable in any given year.

School district taxable income for earned income tax base districts is the sum of wages, other compensation, and net earnings from self-employment to the extent included in Ohio adjusted from income.

Cutting Business Income Taxes

Source: <https://www.tax.ohio.gov/Business/BusinessIncomeTaxDeduction.aspx>

Virtually all businesses are now eligible for a 100% tax deduction on the first \$250,000 of business income. This deduction is the centerpiece of a major tax reform package initiated by Ohio Governor John Kasich and approved by the Ohio General Assembly that produced the largest overall tax reduction in the country - \$2.7 billion over three years. House Bill 64 and Senate Bill 208 continued the business income deduction to 2015 and forward.

For taxable year 2016 and forward, the business income deduction will enable a business owner who files single or married filing jointly to deduct 100% of business income up to \$250,000 from the adjusted gross income they report on their Ohio personal income tax return. Married filing separate filers will deduct 100% of business income up to \$125,000. Any remaining business income above these thresholds will be taxed at a flat 3% Ohio income tax rate.

Owners of and investors in businesses structured as sole proprietorships and pass-through entities (PTEs) qualify for this tax deduction. PTEs include: partnerships, Subchapter S corporations (S-corps) and Limited Liability Companies (LLCs). Income generated by the business and passed through to the owners/investors is subject to personal income tax. The deduction, originally Ohio's small business investor income deduction, was first effective for Ohio-sourced business income earned in taxable year 2013 and claimed on income tax returns filed in 2014. Beginning in tax year 2015 the deduction was expanded to include eligible business income from all sources regardless of where the income was earned.

For more information on this tax deduction, please contact the Ohio Department of Taxation at 1-800-282-1780.

TAX SUPPORT—WE'RE AT THE BOTTOM

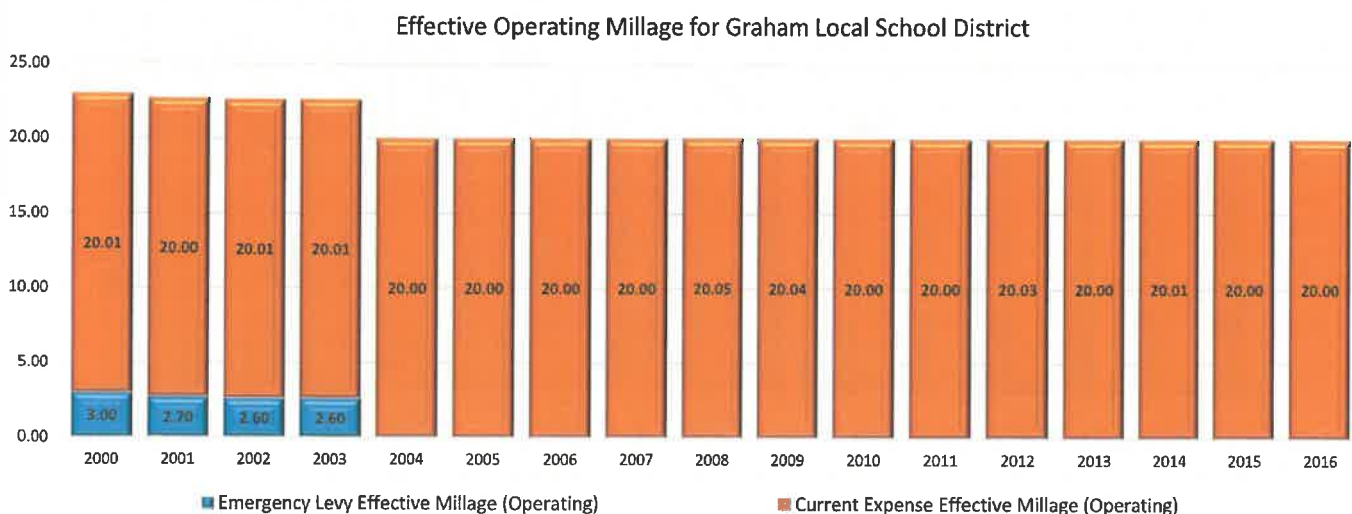
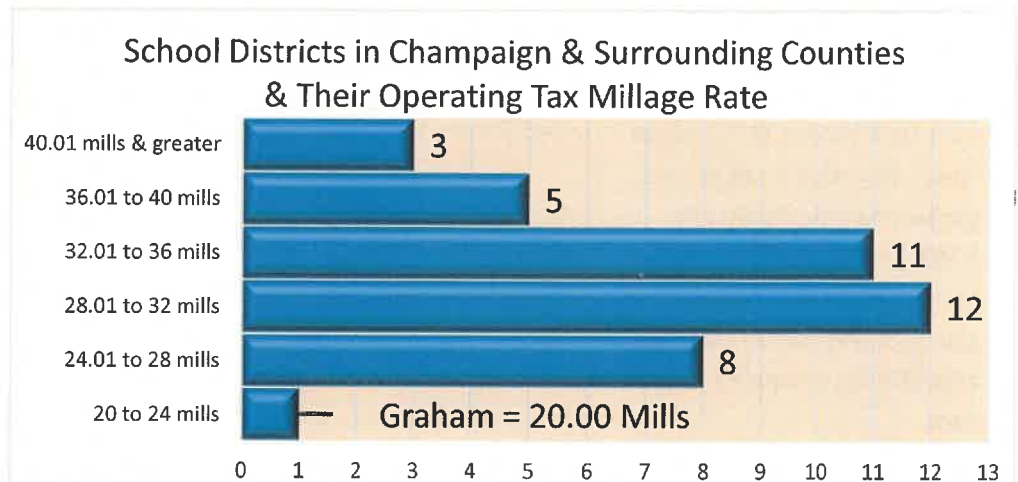
Graham residents pay the lowest operating taxes of all 40 school districts in Champaign and surrounding counties. The closest district to the bottom with Graham was Madison Plains Local Schools in Madison County. They had an effective millage rate of 20.06 for operations (Graham is at 20.00 mills). On May 8, 2018, their residents passed a 1.25% earned income tax levy which is equivalent to 5.71 tax millage. Now the district closest to Graham at the bottom is Hardin-Houston Local School District with an effective millage rate of 24.24 mills (this includes real estate tax and converted income tax to mills).

In June of 1992, the Graham's residents approved new operating funds through an emergency levy

that generated \$550,000 annually. That levy was renewed every three years through 2001 and expired in 2004. It's been over 26 years since the residents of Graham passed new operating funds, and the district has struggled to operate for over 14 years at 20 mills.

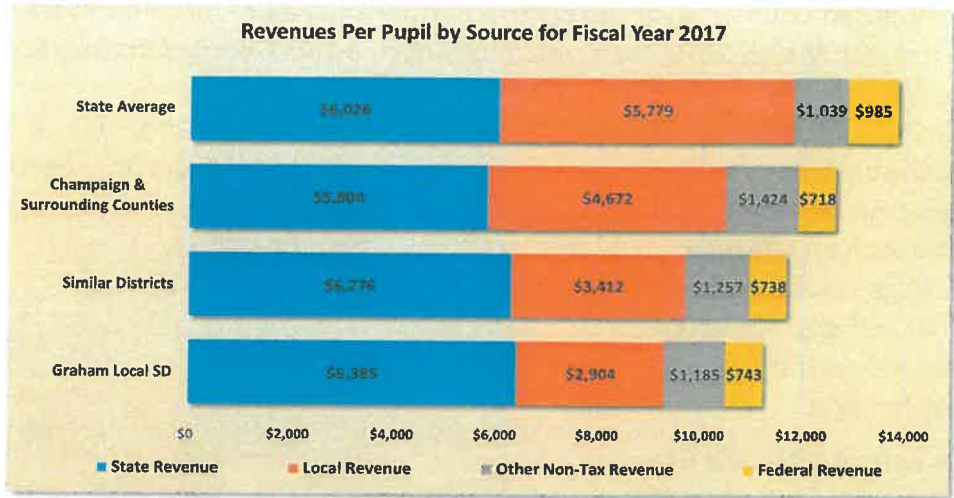
With the loss of the levy this past May and in November 2017, Graham implemented cuts in the amount of \$1,500,000. The cuts represent 8% of our operating budget and are focused on non-instructional costs (transportation, support staff and custodians). 14 individuals lost their jobs. Additionally, 8.5 positions were eliminated through attrition. Our goal is to protect instruction and keep programs in place that directly impact students' success and future opportunities.

The district will be on the ballot on November 6, 2018 for a 1% earned income tax that will generate approximately \$2 million. The need is real. Please take the time to get factual information about the district's finances, so you can make an informed decision about our students' future. If you have questions, please feel free to call Judy Geers at (937) 663-4123 ext. 2609.



FISCAL YEARS 2010-2017 REVENUE COMPARISONS

The majority of our revenues come primarily from two sources: local taxes and the State of Ohio. 25.9% of the district's revenues are from local taxes. 56.9% of the district's revenues are received from the State of Ohio. Local tax support lags behind similar and area districts by 3.3% and 11.5% respectively. Our state funds exceed similar and area districts by 3.15% and 11.3% respectively. Total revenues per pupil is 5.5% and 5.7% less than similar and area districts compared to Graham.

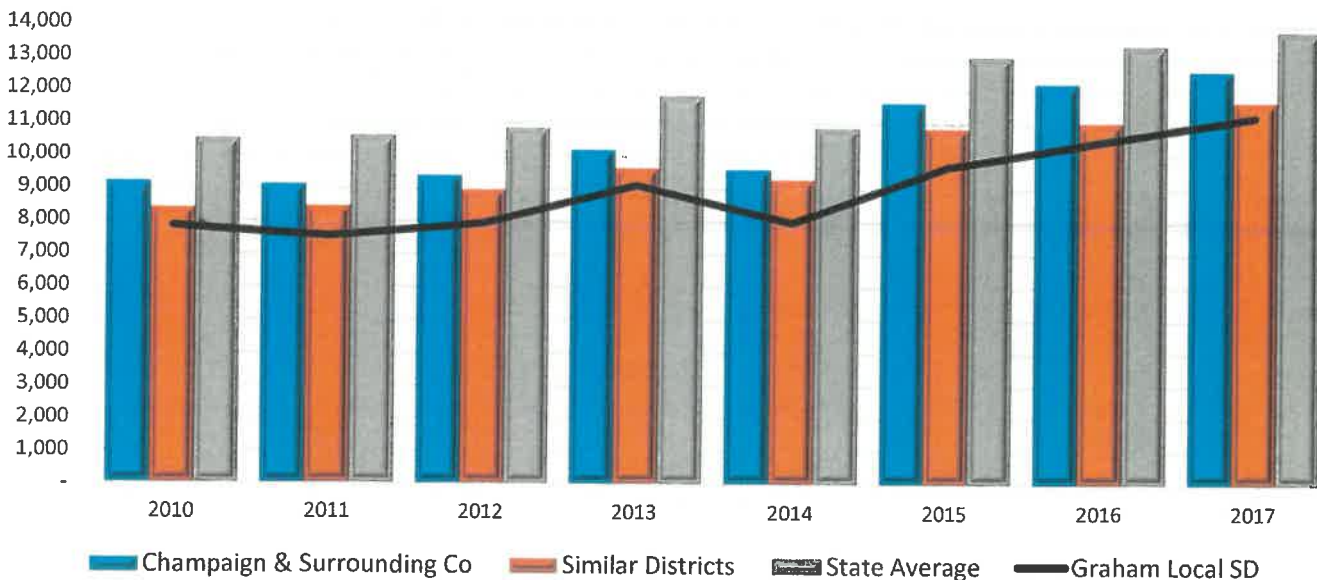


Revenues Per Pupil by Source for Fiscal Year 2017

District	State Revenue		Local Revenue		Other Non Tax Revenue		Federal Revenue		Total Revenue
State Average	\$6,026	43.6%	\$5,779	41.8%	\$1,039	7.5%	\$985	7.1%	13,829
Champaign & Surrounding Counties	\$5,804	45.6%	\$4,672	37.4%	\$1,424	11.4%	\$718	5.6%	12,617
Similar Districts	\$6,276	53.7%	\$3,412	29.2%	\$1,257	10.8%	\$738	6.3%	11,683
Graham Local SD	\$6,385	56.9%	\$2,904	25.9%	\$1,185	10.6%	\$743	6.6%	11,217

FISCAL YEAR (FY) A fiscal year is the twelve-month period that the district uses for budgeting, forecasting and reporting. The fiscal year of the district runs from July 1 to June 30. Fiscal years are identified according to the year in which they end. Example: Fiscal Year 2017 is July 1, 2016—June 30, 2017.

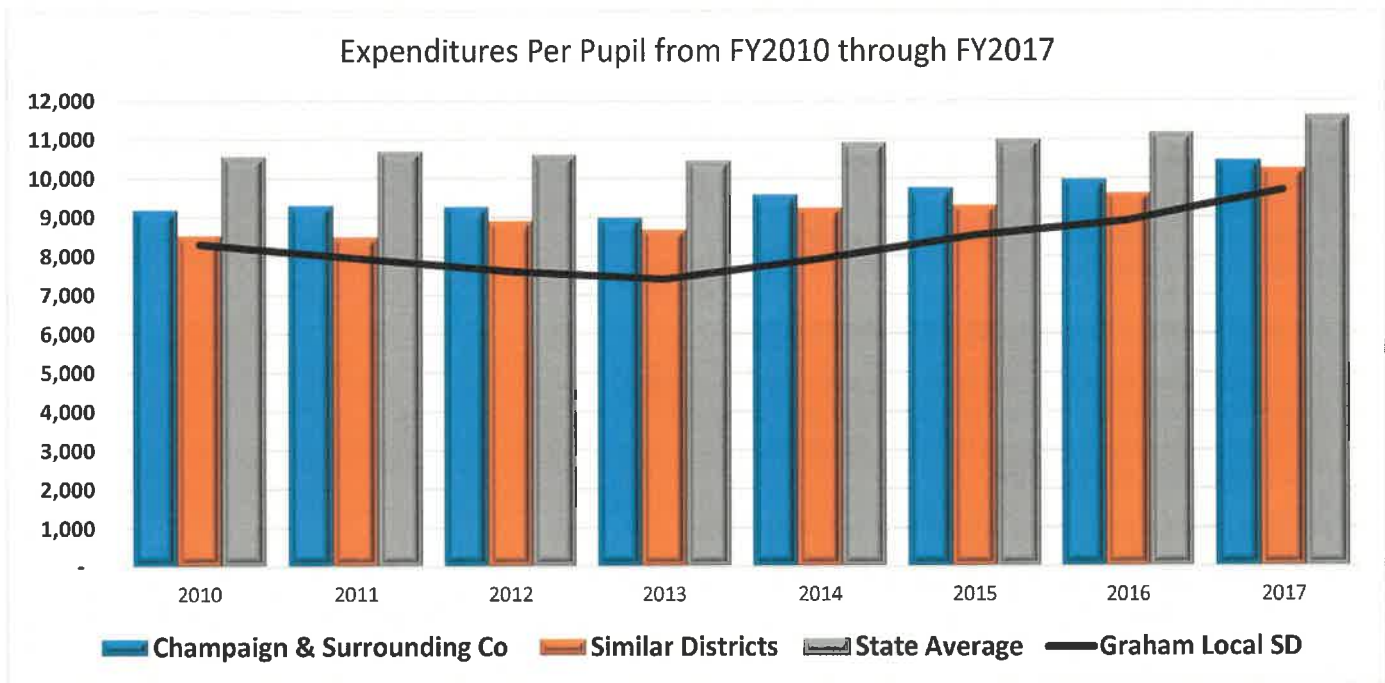
Revenues Per Pupil from FY2010 through FY2017



FISCAL YEARS 2010-2017 EXPENDITURE COMPARISONS

In Fiscal Year 2017, Graham Local Schools spent \$9,689 per student: \$560 less per student than similar districts, \$751 less per student than the average of the districts in Champaign and surrounding counties, and \$1,914 less per student than the state average.

We are vigilant about spending money efficiently and effectively and have cut costs where we can. In May 2018, the board approved budget cuts totaling \$1.5 million starting with the 2018-2019 school year. The cuts include reduced transportation services, increased fees to participate in extracurricular activities and preschool, and reduced staff. These cuts came at a cost and will directly impact our ability to provide a high quality education. Now is the time to refocus on what kind of education we offer our students.



Expenditures Per Pupil	2010	2011	2012	2013	2014	2015	2016	2017
Champaign & Surrounding Co	9,192	9,309	9,275	8,984	9,581	9,744	9,955	10,440
Similar Districts	8,520	8,489	8,899	8,674	9,233	9,300	9,619	10,249
State Average	10,565	10,697	10,597	10,446	10,913	10,985	11,164	11,603
Graham Local SD	8,297	7,947	7,597	7,398	7,918	8,522	8,905	9,689

Due to the lack of sufficient revenues, the district is unable to provide students with the services they need and want. Just as a comparison, in fiscal year 2017, similar districts (using Graham's ADM) spent over \$1 million dollars more than Graham spent for its students. We simply don't have the revenues needed to compete with similar and area districts and provide the same quality education to our students.

Apples to Apples	Dollar Spent Add'l Funds			
	FY17 Graham Student ADM	Expenditure Per Pupil	Dollar Spent Using Graham's ADM	Add'l Funds Spent Compared to Graham
Champaign & Surrounding Co	1,913	10,440	19,972,414	1,436,975
State Average	1,913	11,603	22,196,769	3,661,329
Similar Districts	1,913	10,249	19,606,375	1,070,936
Graham Local SD	1,913	9,689	18,535,440	-

WHY NOW?

A MESSAGE FROM SUPERINTENDENT MR. KOENNECKE

Graham Local Schools is facing a crisis. Our partnerships are being tested as we fail to provide students the quality educational opportunities and supports needed to compete. Competitive Falcon graduates are very important to area industry partners. That quality was significantly hurt last May with a failed levy attempt.

To restore that quality, improve services, and reduce fees, the Graham Board of Education has voted unanimously to place a 1%, 5 year term, earned income tax levy on the November 6, 2018 ballot.

This issue is crucial to our long-term financial health, which the Board has communicated for over a year and a half. Failure to secure new operating funds in November would lead to more devastating cuts to our operations. Graham continues to have the lowest operational taxes of all the schools in the seven county area, and one of the lowest per pupil expenditures. We have a revenue problem that has not been addressed with new operating funds in over 25 years. Our financial situation requires action now.

Last May the same type of ballot issue narrowly failed. We have to do better this time with more dialogue and communication with our district residents.

IF THE NOVEMBER 6 LEVY IS SUCCESSFUL THE BOARD WILL:

- Restore key Transportation Services to all students by January
- Reduce Pay to Participate Fees for 2019-2020 School Year
- Reduce Preschool Fees for 2019-2020 School Year
- Restore key staff positions

IF THE NOVEMBER 6 LEVY IS NOT SUCCESSFUL THE BOARD WILL:

- Enact \$600,000 in deeper cuts and reductions district-wide including:
 - Cut Transportation to state minimum (no transportation for high school students or students who live within 2 miles from the school)
 - Cut additional staff
 - Reduce mileage and professional development budgets
 - Increase student supplies fees for 2019-2020 school year
- Return to the public for a larger amount of additional operating dollars. The need for new funds becomes greater in May of 2019

We know how important it is to ensure each student has a plan for their future, whether it be enlistment, enrollment, or employment. Providing cost effective programs relevant to today's learners and our community partners will continue to help grow our own local economy. The return on investment our community deserves starts with an investment in a quality education.

To learn more about Graham's upcoming levy issue, please visit www.grahamlocalschools.org or follow @GrahamSchools. You can also call our offices at (937) 663-4123.

Sincerely,
Kirk Koennecke
Superintendent
Graham Local Schools

