

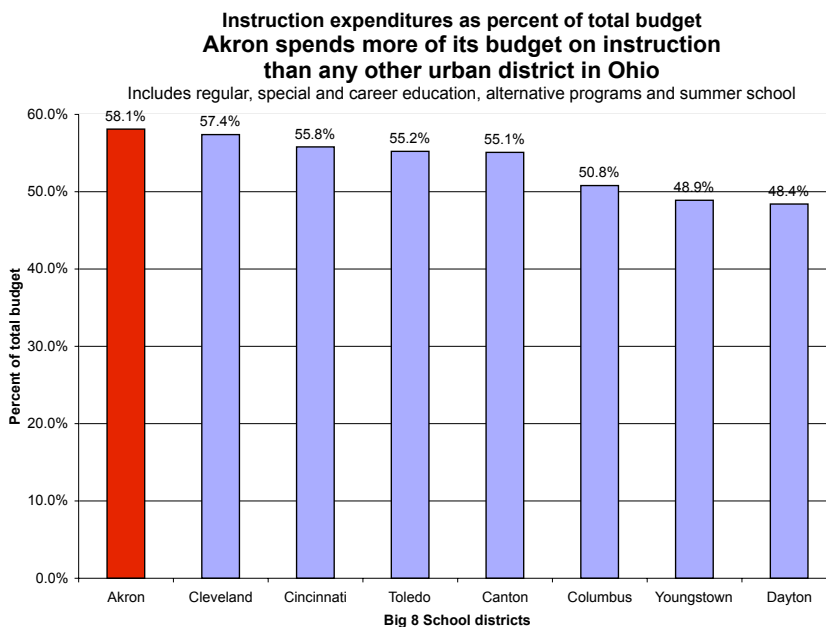
# Commonly asked questions about Akron Public Schools Finances

## Q Does APS spend its money effectively and efficiently?

A Yes, without a doubt; and we have proof of our accountability.

The state auditor praised Akron Public Schools for its fiscal accountability and for maintaining one of the lowest cost-per-pupil ratios of Ohio's urban districts. Akron spends more of its budget directly in the classroom and less on administration than any other urban district in the state. In its 2001 Contract with the Community, the district pledged to keep spending increases to 3% or less and maintain a balanced budget. To monitor that spending, we appointed

a Fiscal Accountability Committee. The committee, comprised of citizens and professionals with financial backgrounds, monitored our spending for three years and issued independent reports which concluded that the district kept its promise.



## Q What makes a school district's revenue and expenses fluctuate?

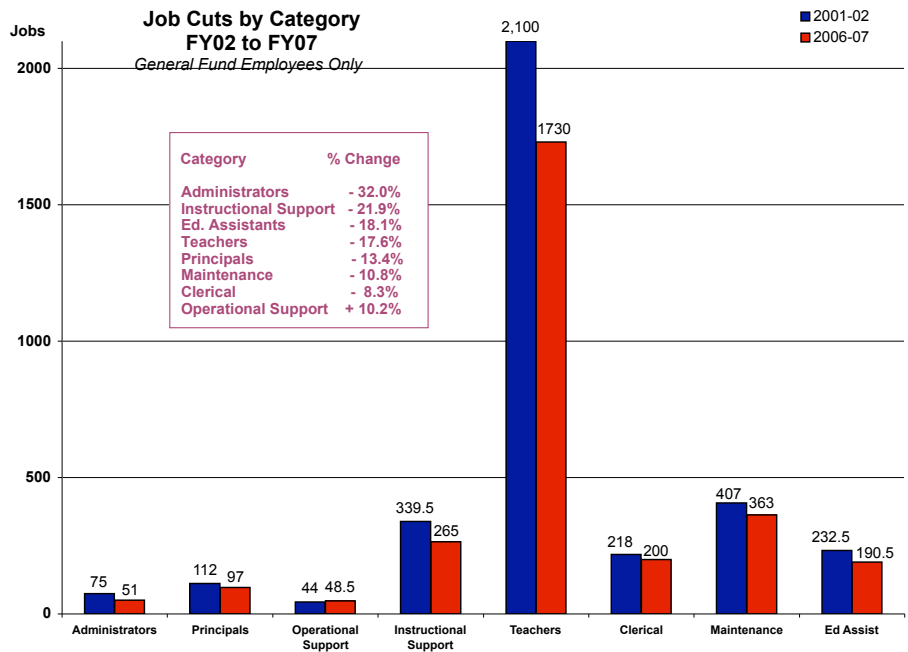
A Often, legislative changes eliminate revenue the district once expected. For example, APS once received \$1.1 million annually from personal tangible exemption reimbursement from the state. HB 66 phases that revenue out over the next three years, and there is no revenue replacement. The telephone public utility tax is another example. APS once received \$3.5 million annually, but now revenue will decline to \$2.5 million by 2009 and then phase out completely over the next decade. The district is also losing significant income from the loss of students. Operating costs, just like in your household, continue to rise. Since 2001, health insurance premiums increased 69%, gas bills rose 40%, and we are paying 83% more in fuel for our buses. The cost of transporting community school students increased 25% in just one year.

## Q Has the district tried to cut its costs?

A Yes! The district has been cutting costs annually since 2001. District officials began by streamlining the district and its operations. Up until May 2006, cuts were made as far from the classroom as possible. With a looming deficit and no new revenue, voters were told in May 2006 that an Issue 1 defeat would necessitate (for the first time) cuts to student programs. Issue 1 lost by a few hundred votes, and the board made an additional \$7 million in cuts in order to balance its FY08 budget. (Remember, a district must submit a five-year budget; and the first two years must be balanced.) The board was forced to cut freshman and middle schools sports, middle school foreign languages and fourth-grade instrumental music. To date, \$40 million, including 575 jobs, has been cut from the budget.

**Q Were cuts made to central office staff?**

**A** Yes. In fact, the central office staff has been reduced 32% since 2001-02 – more than any other job category. The district has 17% fewer teachers, 13% fewer principals and 22% fewer instructional support staff.



**Q Why not ask all employees to start contributing more to health care?**

**A** An increase in the employee share for health benefits for administrators and most of the district’s union groups was implemented in the fall of 2005. This increase is expected to save \$1.4 million in the first 10 months. Obviously, negotiations with unions are necessary to make additional changes.

**Q Why not close more schools to cut costs?**

**A** Three schools have been closed – two at the end of the 2005-06 school year and one earlier. By 2007, a total of six schools will be closed. The district may accelerate closing schools already identified in the construction plan. These decisions will be carefully implemented based on space in receiving schools, transportation and student achievement issues.

**Q After all these cuts, what does the five-year forecast look like?**

**A** Unfortunately, it does not look good. Even with cuts of \$40 million, the district projects a \$30 million deficit in the 2008-09 school year and a \$70 million deficit the year after.

**Q Akron Public Schools has fewer students, so why does it need more money?**

**A** Akron Public Schools current enrollment is about 27,000 students, a decline of approximately 3,000 students since 2001. This equates to a loss of about 2 students in each classroom. Reducing a classroom from 25 to 23 students doesn’t change its costs. The district must still provide a teacher to educate the other 23 students, turn on the lights in the room and heat the building.

In addition, there are more demands on schools now than at any other time in the history of public education. Schools have only two primary sources of income – state and local funding. State income is driven by enrollment, which is declining throughout the state; local property taxes do not increase from year to year due to HB 920; and legislation has eliminated additional revenue from some business taxes.

**Q What happened to all the lottery revenue?**

**A** This is a question school districts are frequently asked. Revenue from lottery funds is about 4% of the state's total education budget. In Akron, the amount of lottery funds we receive is enough to operate the district for less than seven days. Opponents complain that, instead of adding to the education budget, lottery profits just replaced the state's education budget. In other words, for every dollar the lottery puts in, the state takes a dollar back from its education budget and spends it elsewhere. Over the years, lottery's sales have been relatively stagnant; and lottery revenue for education has declined.

**Q Akron approved an income tax in 2003. Why not use that money to operate the schools?**

**A** When Ohio offered to pay 59% of a \$800 million school construction project, Akron residents approved a small income tax to fund the local share (41%) of the project. These funds cannot be used for daily operation costs such as textbooks, utilities and teachers. The income tax will be collected until the bonds used to fund the construction project are retired.

**Q What is being done to change the way schools are funded?**

**A** Akron Public Schools actively participated in the DeRolph v. State lawsuits which found the state's funding unconstitutional four times. Board members, the superintendent and staff continually meet with legislators, provide testimony at state and federal hearings, attend rallies, and encourage citizens to choose elected officials wisely. Ohio mayors are working on a possible state sales tax issue, and local parents and citizens have created Next Step which is affiliated with The Ohio Fair Schools Campaign. All these efforts are exciting, but none will bear fruit soon enough to help Akron's current financial situation.

**Q Why do schools always ask homeowners for money?**

**A** State law allows districts to raise money in only three ways: property tax, school income tax and bond issues. Bond issues cannot be used for operating expenses. APS ruled out an income tax because businesses are not taxed at all. The burden falls entirely on personal income and can include pensions and Social Security. Local property taxes generate about \$106 million, or 39%, of the district's total general fund revenue, with local homeowners providing less than 20% of the \$106 million. You might be surprised to know that Akron has received only four operating increases in the past 21 years.

**Q When my property value goes up, don't schools get more money?**

**A** No. In the mid-1970s, the Ohio legislature passed HB 920, known as the "tax reduction factor." As property values go up, the taxes charged are adjusted downward resulting in no revenue increase to the school district. The only way a school district can get more money is to ask voters to approve it. Many argue that if public schools received the inflationary increases in property taxes, schools would not need new levies as often. A new law passed last spring will allow inflationary increases but only if the district states it clearly in the ballot language – which Akron has not done.

**Q Should taxpayers give up on legislative help with school funding?**

**A** Absolutely not. Taxpayers should carefully elect state officials who care about children and are willing to provide adequate funding for education in Ohio.

**Q Can I review the operating budget?**

**A** Yes, we encourage you to do that. The five-year budget is available at [www.akronschools.com](http://www.akronschools.com); or you can request a copy from the treasurer's office (Jack Pierson, 70 N. Broadway, Akron, OH 44308) or by calling 330/761-2851.

# Fiscal condition threatens future of schools and Akron Good Schools — Our Only Way

## **District academic health is good and getting better**

- Continued academic progress
- Rose to Continuous Improvement in three years
- Effective rating missed by only four points in 2006
- The top-performing urban district in the state
- Competing with suburban districts

## **We promised, we delivered**

District serious about 2001 Contract with the Community:

- Met or exceeded Contract goals by 2004; still honoring goals today
- Monumental academic gains
- Streamlined administration operations and cut jobs
- Appointed oversight committee to monitor spending
- Did not seek new levy until every component of Contract was met

## **State law requires a balanced budget**

APS accountable and fiscally responsible:

- State requires five-year budget projection; first two years must be balanced
- APS made necessary cuts every year to keep budget balanced
- Since 2001, district made cuts totaling \$40 million
- Cut 575 jobs, including 32% of administrative and 17% of teaching jobs
- Six schools closed by 2007-08 school year

## **Defeat of Issue 1 was devastating**

- Issue 1 was defeated by only a few hundred votes
- Loss necessitated \$7 million in new cuts
- For first time, cuts made to student programs
- Cut middle school/freshman sports, elementary and middle school foreign languages, and fourth-grade instrumental music

## **Our schools are at a critical crossroads**

Costs continue rise while revenue stays flat:

- Without new revenue, we lose more teachers and programs
- Deficit soars to \$30 million by 2008-09 school year; \$70 million in 2009-10
- We risk the extras that attract, keep children in school and residents in Akron
- We weaken academic foundation to give every child best education possible

## **Condition of schools puts community at risk**

Our schools must come first:

- Good schools are vital component of strong city
- Businesses don't grow without educated workforce
- We jeopardize the job market, neighborhoods and home values
- Crime increases

## **Our schools are worth the investment**

Your investment affects more than schools:

- Protects your personal investments
- Protects our educational programs and our children's future
- Protects our neighborhoods
- Keeps our city strong
- Good schools are the only way