



# LAKE LOCAL SCHOOLS

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### Written Testimony

Before the

Ohio Senate Finance Committee

Jeff Carpenter, Treasurer  
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Lake Local Schools (Wood)

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Chairman Oelslager and Honorable Members of the Senate Finance Committee. My name is Jeff Carpenter. I am the Treasurer of Lake Local Schools and I wish to provide testimony on behalf of my school district and as a member of the Coalition for Fiscal Fairness in Ohio (CFFO).

By any measure, Lake Local Schools is an example of a low cost, high performing district.

We are deeply concerned over the loss of Tangible Personal Property (TPP and PUTPP) tax dollars, but just as important to our district, we feel compelled to draw attention to the level of state support Lake Local Schools has received over the last 7 biennium budgets.

The loss of TPP affects school districts differently, some very little, others quite extensively. For us, it represented nearly 1/3rd of our property tax base and 12% of our operating revenue. Since the phase-out started, we have already lost \$631,537, or 2.75 mills, and we stand to lose \$928,259, or 4.12 mills more.

The troubling aspect about this loss is the process and the history of the politics behind the elimination of the TPP tax. As I testified before the Senate Education Finance Sub Committee on April 12th: "The people here in Columbus see the TPP Loss Reimbursement as something to eliminate. To us, the state hi-jacked 31% of our property tax base and 12% of our operating revenue."

**This underscores a huge disconnect between the original intent of the hold harmless provision of the phase-out, sold to us as “in perpetuity”, and the current desire to eliminate the state’s funding obligations, as specified in HB 66, through the collection of the CAT Tax revenues.**

The authors of HB 66 knew that the loss of TPP, no matter how long the phase out period stretched out, would represent a crippling blow to many districts. Therefore, the language was stated in the bill, “Furthermore, 70 percent of the CAT revenue is earmarked for education purposes *in perpetuity*. (emphasis added) The aggregate amount of revenue for school district property tax replacement is thus constant or growing (as CAT revenues grow), but direct hold harmless payments to individual school districts are phased-out.”

The bill’s authors knew that the loss of TPP would be a big problem, but wanted to leave it open as to a how a permanent fix should be handled, either through a component in a future formula or by making the 70% CAT tax obligation permanent.

Fast forward to now. The Ohio Legislative Service Commission recently provided a synopsis of the history of TPP from HB66 (2005), HB119 (2007) HB 1 (2009), and HB 153 (2011) This document now states that the “earmark” was always scheduled to end in FY2018. It made NO mention of the “in perpetuity” clause contained in HB 66 and the “Thereafter” reference in HB 153, nor the creation of the School District Tangible Property Tax Replacement Fund

The “in perpetuity” clause certainly is the source of the disconnect between school districts’ understanding of the original HB 166 bill, the “Thereafter” phrase in HB 153 and what the state appears to be doing now. (Bent on taking the whole thing)

It was our locally collected tax, now it’s the state’s tax; and you didn’t ask us if it was ok to take it. There is a word for this.

We ask that an equitable TPP permanent fix be put in place to compensate the districts for the loss of TPP. The state can keep the difference over what the CAT yields over the loss reimbursement amounts, and both parties should be happy with this.

The phase-out and the total loss of TPP is a significant problem for Lake Local Schools, but it’s in the broader context of the whole funding issue that leaves us bewildered.

Consider these facts: Since 2002, state unrestricted aid combined with TPP/PUTPP and their reimbursements to Lake Schools have risen a miserly 1.19% over 14 years.

Our ADM has increased 3%, and as a result, our taxpayers have seen a 77% increase in property taxes.

The state's education budget has grown 126% over that time, yet we are in typology group VI – Small Town, High Poverty. Where has all that money gone?

Even more astounding, is that Lake is a heavily CAPPED district, receiving only 73% of the state's education formula. That translated into a 2.8 million dollar shortfall to formula in FY14 and FY15 alone.

How did districts become "capped?" And, why are some districts "on the guarantee?" How does a Treasurer explain this to the School Board...or to the Community?

Moreover, we are funded at 50% less per pupil than the average per pupil for our topology.

So that's how a low-cost, high performing district in Ohio is rewarded?

As our Board President, a Proud Purple Raider, so aptly puts: "We fall down the rabbit hole deeper and deep with each budget."

The "rabbit hole" is the distortions in school funding created by the political process as evidenced by the last 7 biennium budgets. Each budget has had its own nuances, but the current budget debate between the initial Governor's budget proposal and HB 64 highlights how this occurs. The Governor's version attempts to move forward to get districts off the cap and reduce the number of districts that are on the guarantee, under the idea that the state should not pay to educate kids that are no longer there. However, seeing that many districts would lose money, the House's version redistributes the money to show that no district would lose money over the previous budget. Imagine that....a Republican controlled House engaging in "redistribution"? While that may be politically expedient, it's certainly not a thorough and efficient way to fund public education.

And, this has been going on year after year, budget after budget. No wonder we feel the "rabbit hole" effect.

In summary, we have two messages that we would like to send.

- 1) If you're going to CAP us, then don't WHACK (eliminate the TPP loss provision). Let's find an equitable and permanent TPP solution.
- 2) The district has done its part – 2013 budget cuts of 1.5 million dollars. (Closed an elementary school, eliminated 10 teacher and 12 classified positions, eliminated dozens of supplemental positions, eliminated all day,

every day kindergarten, and shelved plans for a one-to-one technology initiative.)

The Teacher's and Classified Unions have done their part (3 year pay freezes, 4 years for administrators, along with significant employee health care insurance increases)

The Community has done its part - 77% percent increase in property tax increases over the past 14 years.

It's time for the state to step up and do its part. "Our Kids Matter, Too"

Thank you Mr. Chairman and member of the Senate Finance Committee, at this time I would be happy to answer any questions you or the other committee member may have.