

# St. Bernard-Elmwood Place City Schools

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Testimony Regarding the TPP/ Education Funding  
Provisions of House Bill 64  
FY 16-17 Biennium Budget  
Ohio Senate Finance Committee  
Senator Scott Oelslager, Chair

Mike Mays, Treasurer  
St. Bernard-Elmwood Place School District

June 10, 2015

Chairman Oelslager, and Honorable Members of the Senate Finance Subcommittee for Primary and Secondary Education, thank you for allowing me to address you today. My name is Mike Mays I have been Treasurer for St. Bernard Elmwood Place City School District for 15 years, and I am here to testify on behalf of my school district and as a member district of the Coalition for Fiscal Fairness in Ohio (CFFO).

St. Bernard Elmwood Place CSD is, a small inner-city school district located in St. Bernard, Ohio, surrounded by Cincinnati Public Schools. Our biggest issue today is the possible loss of tangible property reimbursed by the state of Ohio. In 2004 we received over 4 million dollars from TPPT, over 40% of our budget. This year we will receive only \$2,724,639.02 from the state for reimbursement of TPPT, \$1,287,695.17 fixed sum and \$1,436,943.85 fixed rate.

- While it is appreciated that the Senate like the House held districts harmless on total losses it still allows the phase out of TPP to begin creating a huge burden of being three years in after the end of this biennium. Highly reliant districts such as ours will still face huge challenges to account for those losses after this biennium. Unfortunately no plan or solutions are offered in this proposal. No change to the funding formula, the guarantee, or caps will help our highly reliant district overcome these losses.

- Without the benefit of seeing the language it appears the Senate plan does not address the fact that the Governor has the ability to line item veto this proposal, therefore leaving no hold harmless language intact. We respectfully ask that any plan being considered removes both the “As introduced” and “As passed by the House” language contained in ORC 5751.092. If this language is truly meant to hold districts harmless then current law must be retained until the Legislature can thoroughly vet the issue in preparation for the next biennium.
- In the Governor’s first budget (HB 153) he captured over 50% of the TPP fund leaving the most reliant TPP districts. It was at that time that the Ohio General Assembly inserted language that kept the TPP fund in perpetuity (2013 and thereafter) as a way to further discuss crafting a solution. Unfortunately no solution was crafted, we respectfully ask before you eliminate or phase down these funds, you consider solutions so that districts like ours can sustain massive losses, which even if districts could get approved by the voters will result in local tax increased by both residential and business owners.
- Our district remains committed to find solutions to this important issue. We along with many other highly reliant districts have offered suggestions and continue our willingness to work with the Legislature. However, as written, the bill phases out the TPP fund and provides no assistance to our district on how we should be accountable to our tax payers. Beginning in FY 2018 (July 2017) the residents of both our legislative and school districts will ask why these funds were eliminated. Since the inception of the CAT, we are beholden to the Ohio Revised Code and we respectfully ask that you give us the tools to offset these potentially large losses and devastating losses.

In 2005 Governor Kasich wanted to do something to keep manufacturing high paying job in Ohio. They were leaving our state and going to other states or other countries because of high TPPT rates. HB66 eliminated TPPT (tax on machinery and equipment) seemed to be a good idea and replaced it with a CAT tax (tax on gross receipts over \$150,000 at a small rate of .0026). If the TPPT previously went directly to schools the replacement CAT tax should go directly to schools. However what happened was the CAT tax was used to guarantee the TPPT loss to school for a period of time and now they are talking about cancelling that guarantee. Doesn't quite seem fair. Taking away a large % of the budget for many schools, in our district in 2005 it was over 40%, and giving us some of the lost money back and then stopping. Saying that the residents have to now shoulder the burden for this loss instead of the state, which has sufficient funds with the new CAT tax

TPPT went 100% to schools and local governments. There is no way for many schools to make up for this loss.

Some history, in 2005 Total business taxes totaled 2,415 billion made up of 1,219B in tangible property tax (TPPT) for schools, TPPT of 476B for local government and franchise tax of 720B. HB66 eliminated TPPT and franchise tax and in their place instituted a CAT tax that was to REPLACE them.

In 2014 the New CAT tax generated 1,603 Billion, 605 Million of the CAT tax was used to pay remaining TPPT loss to schools leaving 998 Million balance to the state

The effect of HB66 to our district is the following:

- A Reduction in district property valuation from 207,648,500 in 2005 to 99,146,340 in 2015. Because of this reduction in valuation our district can only now generate \$99,146 per mill today as opposed to \$207,648 in 2005. Making it virtually impossible to generate the necessary funds to operate.
- Possible loss of remaining state TPPT of \$2,724,641. Would cause yearly losses causing major reductions in staff and reduction in other expenditures. If we tried to generate the \$2,724,641 with a levy we would need to pass a 27.48 mill levy or \$961 increase per resident (\$100,000 value home) almost impossible

Possible Solution:

Current Law assigns 70% of the CAT tax for Education, use those funds to make the TPPT a Permanent fix and not a two- year temporary fix. Assign 605 Million of the CAT tax permanently to schools to reimburse them for their remaining TPPT loss. Allow for % increases each year as CAT collections increase by the % the CAT tax increases.