

**Transcript of Testimony from Michael Sheppard, Superintendent
to the Ohio House of Representatives
Primary and Secondary Finance Subcommittee**

March 8, 2017

Good afternoon, Chairman Cupp, Ranking Member Miller, and members of the subcommittee, my name is Michael Sheppard, Superintendent of the Berea City School District in Cuyahoga County, and I am joined by Ryan Ghizzoni, Treasurer/CFO of the Berea City School District. We are here to testify on behalf of our school district and The Alliance for High Quality Education.

Thank you for the opportunity to submit testimony today. As Superintendent of the Berea City School District, I would like to express my grave concern with the continued phase-out of the tangible personal property tax reimbursements and the elimination of the current TPP Supplement to school districts. Prior to the State of Ohio's 2005 tax reform, tangible personal property represented \$15.4 million or twenty one (21%) percent of Berea's general fund revenue.

Due to the tax reform involving the tangible personal property tax, Berea currently only receives \$5.5 million in TPP reimbursement for its fixed rate millage levies and \$1.1 million in TPP Supplement payments due to the efforts of the legislators during the previous biennial budget cycle. The proposed further reduction and eventual elimination of the TPP reimbursement would force our local tax payers to assume almost 5.25 mills of additional property tax revenue to make up the current funding we would lose.

Not only has the loss of the tangible personal property tax revenue negatively affected the district operating budget over the past eight years, the downturn in the housing market has decimated the district's residential, industrial and commercial property tax base. For the Berea City School District, property values overall have dropped \$235 million or 15% since 2008. This unprecedented reduction caused annual real estate tax revenue to decline by more than \$1 million. The district has already passed one levy to partially fill the gap of the loss of tangible tax revenue and the loss of revenue due to the recession.

Furthermore, the proposed funding formula introduced by the Governor's Office continues to calculate a funding level for our school district that is considerably reduced due to the proposed funding cap of 5%. This funding cap results in the district not receiving the district will not receive over 37.6% of the state revenue that we are calculated to receive in 2018, all the while reducing the TPP reimbursement and TPP Supplement that is a vital part of our budget.

The Berea City School District has cut expenditures by consolidating buildings, reducing staff and combining services while keeping the goal to maintain the level of services to students. Since 2011 alone, the district has reduced over 150 positions within the school district and the employees of the district have committed to go without a base pay increase for six consecutive years and have also considerably increased their current premium contributions for health insurance. These significant reductions enabled the Berea City School District to reduce general fund salary expenses by \$4.4 million since 2011.

As the Berea City School District has demonstrated in the past, we are committed to inspiring excellence in our students by maintaining the quality educational opportunities currently provided. However, with the proposed elimination of the TPP reimbursement and TPP supplement, along with the 5% funding cap, the district will be forced to reduce programs and opportunities to students.

We are supporting the proposals you heard yesterday on fixed-rate levies from the CFFO. These changes would hold Berea harmless to the FY2015 State Aid plus fixed-rate TPP reimbursements level and substitute capped state aid for TPP reimbursement/supplement on a dollar for dollar basis.

Mr. Chairman and members of the Education Finance Subcommittee, thank you for your time today. I am happy to address any questions you may have about our district and how we are affected by this important issue. Thank you.