# Coalition for Fiscal Fairness in Ohio

The TPP group that wants to be part of the solution

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Testimony of Mike Sobul

Representing the Coalition for Fiscal Fairness in Ohio (CFFO)

House Bill 49

Before the Senate Finance Committee

June 1, 2017

Chairman Oelslager, Vice Chairman Manning, Ranking Minority Member Skindell, and members of the committee, as Ms. Hauser explained, the issues being faced by districts because of their fixed-sum reimbursements are different than what you heard earlier for fixed-rate reimbursements. As the fixed-sum reimbursements are phased-out, taxpayers in impacted districts will see what are essentially unvoted tax increases, but with no additional revenue going to the districts.

Currently, there are 155 districts receiving fixed-sum reimbursements totaling nearly $40 million annually. In a handful of these districts, the amount of unvoted tax increases that would be driven by the phase-out would be substantial. In addition to St. Bernard-Elmwood Place, there are three districts that would see increases in millage rates in excess of four mills (Middletown

City, Bath Local, and Lordstown Local). There are also four districts where taxpayers would see millage rate increases of between two and four mills (Fostoria City, Warren City, Weathersfield Local, and Shawnee Local).

The recommendation CFFO is suggesting will slow down the phase-out of fixed-sum reimbursements in districts where taxpayers would be most negatively impacted while at the same time slightly accelerating the phase-out in other districts. In addition to protecting taxpayers in the most impacted areas, the CFFO proposal would reduce the overall dollar amount of fixed-sum reimbursements paid by the state over the next biennium by an estimated $27 million.

The CFFO proposal would replace the current scheduled five-year phase-out with a tiered approach. For tax years 2018 and 2019, the reimbursements would decline by an equivalent of three-quarters of a mill of tax revenue each year. The phase-out in 2020 would be an additional half mill. At that point, the fixed-sum reimbursement would be eliminated in all but eight to ten districts, but with no taxpayer seeing a millage increase in excess of two mills over the three-year period.

The reimbursements remaining in place after 2020, would stay in place through 2023. Then there would be another round of phase-out over the next three years where again no taxpayer would see an additional increase in tax rate of more than two mills. The reimbursements left in place after 2026 would stay for 2027-2029, at which point another three-year phase-down totaling two mills would take place.

We feel that the fixed-sum proposal being put forward by CFFO is very reasonable, protecting taxpayers in the most vulnerable school districts while causing minimal harm to other districts' taxpayers relative to current law. In addition, the dollar savings from this change could be used to offset part of the additional cost to help protect districts as proposed in the CFFO fixed-rate proposal outlined earlier by Mr. Pickana.

Thank you again Mr. Chairman for the opportunity to be here today. At this time Ms. Hauser and I would be happy to answer any questions committee members might have.

## Fixed-Sum TPP & SB 3 Reimbursements

By: the PFR Team
March 6, 2017

Following both HB 66 and SB 3, certain school districts began receiving reimbursements for emergency levies (and other fixed-sum operating levies) to prevent large shifts of tax burden from businesses with tangible property and public utilities' personal property onto other taxpayers.  Currently, 155 districts are receiving such payments.  Under the original two bills, the SB 3 payments were to end after 2016 and the HB 66 payments after 2017.  The current budget bill, HB 64, eased the burden of the elimination of the payments by phasing them out over five years beginning the same years they would have gone away under previous law.

While still shifting burden to local taxpayers, the elimination of the payment over five years does make the tax increase less noticeable.   The Table-A below shows the 155 districts stratified by the millage increases that will occur from the elimination of the reimbursements.

Table – A
Tax Millage Rate Needed to Replace Fixed Sum TPP

| Millage Increase | Number of Districts |
|---|---|
| Over 13 mills | 1 |
| 4 – 6 mills | 3 |
| 2 – 4 mills | 4 |
| 1 – 2 mills | 21 |
| 0.5 – 1 mill | 40 |
| Less than 0.5 mill | 86 |

Table-A shows that for 8 districts, there will be a total increase in millage of at least 2.0 mills. For four districts, there will be a total increase of at least 4.0 mills, including one district (St. Bernard-Elmwood Place) that will see an increase of over 13.0 mills when TPP is fully implemented over five years.

The Table-B below shows the districts whose taxpayers will see tax increases of at least 1.5 mills over five years.

Table – B
Individual District Millage Needed to Replace
(Fixed Sum Operating) TPP Reimbursement*

| DISTRICT | TPP LEVY LOSS REIMBURSEMENT | MILLAGE REPLACEMENT |
|---|---|---|
| ST BERNARD-ELMWOOD PLACE CSD | 1,287,695 | 13.33 |
| MIDDLETOWN CSD | 3,437,431 | 5.18 |
| LORDSTOWN LSD | 493,590 | 4.71 |
| BATH LSD | 998,972 | 4.00 |
| FOSTORIA CSD | 685,329 | 3.97 |
| WARREN CSD | 934,915 | 3.09 |
| WEATHERSFIELD LSD | 210,618 | 2.51 |
| SHAWNEE LSD | 1,053,688 | 2.44 |
| HOWLAND LSD | 1,047,826 | 1.99 |
| TWINSBURG CSD | 1,613,594 | 1.97 |
| CRESTLINE EVSD | 132,887 | 1.92 |
| MASSILLON CSD | 642,305 | 1.63 |
| EDISON LSD | 380,205 | 1.57 |
| MAPLE HEIGHTS CSD | 396,795 | 1.54 |

*Based on tax year 2016 valuations.

The elimination of the TPP reimbursement for fixed sum operating levies results in a complete and direct increase in tax rates on the local residential and business taxpayers. While the phasing out of the reimbursement does soften the impact, and spread it over five years, the tax increase remains.