



**Senate Finance Committee  
Proponent Testimony – Senate Bill 313  
Ohio School Boards Association  
Buckeye Association of School Administrators  
Ohio Association of School Business Officials  
June 2, 2020**

Chairman Dolan, Vice Chair Burke, Ranking Member Sykes, and members of the Senate Finance Committee. Thank you for the opportunity to present testimony today in support of Senate Bill (SB) 313. My name is Barbara Shaner, Advocacy Specialist for the Ohio Association of School Business Officials (OASBO). Joining me in this testimony and in answering your questions are Will Schwartz, Deputy Director of Legislative Services for the Ohio School Boards Association (OSBA), and Kevin Miller, Director of Governmental Relations for the Buckeye Association of School Administrators (BASA).

Generally, there are two components to SB 313, both of which we support. First, new public utility property attributed to the valuation/tax duplicate in the Felicity Franklin school district triggered an adjustment in the district's state aid (trigger known as the "028 Adjustment") in Fiscal Year (FY) 2019. A claw back of state funding in the amount of \$400,266 was taken from the district. However, it was later determined that said public utility property was not located within the district boundaries at all, but in fact was located in Kentucky. This resulted in the requirement that more than \$200,000 in property tax revenue from the property in both 2017 and 2018 be refunded to the utility company from the district's local funds.

The understanding that the property was not really within the school district's boundaries indicates that the FY19 "claw back" of state funds from the Felicity Franklin district was inappropriate. Additionally, in 2019, through HB 166, the 133rd General Assembly removed the claw back provision from the "028 Adjustment" for future years, acknowledging that the practice was unfair to districts. SB 313 proposes to refund the district those funds that were taken from Felicity Franklin in error. We hope you will support this provision.

Next, a situation that would be critical in normal times has become even more concerning due to the economic decline as a result of the Coronavirus health emergency. The continued devaluation of Ohio's coal and nuclear powered electricity power plants is causing extreme financial hardship for the school districts in which they are located and their residents. This, coupled with the education funding reductions the state has found necessary, mean these affected districts need your help. The second component of SB 313 would provide assistance to these districts.

The districts with electricity power plants within their borders have enjoyed the benefits of the value of public utility facilities in their tax base in the past; however, the residents in these districts are typically not wealthy. In fact, power plant school districts' residents tend to have a lower median income and a higher percentage of poverty than the state average. Therefore, it is more difficult for these districts to use local means to offset the loss of property valuation and tax revenue resulting from the devaluation of public utility property, and in extreme cases, closure of the power plants.

Further, the state's school foundation funding formula will not compensate for the loss of local revenue these districts are experiencing, largely because all districts are flat funded in this biennium (based on the 2018-2019 school year). It is a widely accepted belief that Ohio's school funding formula is flawed and practically speaking, for fiscal years 2020 and 2021, no formula exists.

SB 313 is aimed at recognizing the loss of value these power plant districts have experienced. To qualify for this additional funding, a district must have lost 10% or more of its public utility tangible personal property (PUTPP) valuation between tax year 2017 and tax year 2019 for an additional payment in FY 2020. The comparison for FY 2021 would be between tax year 2017 and 2020.

The bill requires that the Ohio Department of Education (ODE) use the previous school funding formula to re-calculate state aid for qualifying districts in each year of the current biennium, using the lower most recent property valuation data available. ODE would provide payments to those districts if the new calculation produces a higher amount of funding than the districts are currently receiving under flat funding. The districts would receive the difference between the current funding level and the re-calculated amount.

It is our understanding that ODE has a set-aside for purposes of dealing with significant shifts in values for PUTPP within school districts' tax valuation, so no additional appropriation is needed. Four school districts appear to meet the threshold contained in SB 313 **and** would receive some level of additional funding for FY 2020.

We support the provisions in SB 313 as a way to mitigate the losses these districts are experiencing. We would suggest, however, that the committee consider some minor modifications to the proposal. We believe an adjustment to the threshold for the initial valuation test (i.e., a 10% change year-over-year rather than over a two-year period) would bring in one additional school district, River View Local in Coshocton County, that has seen significant reductions over the past several years due to power plant devaluations. River View does not qualify for the re-calculation as contained in SB 313.

The second modification would provide more significant relief to those districts, who under the previous flawed school funding formula were on the 'guarantee' and therefore the payment produced by the re-calculation in SB 313 will only provide for very small payment relative to the loss in local property taxes. Even if the previous school funding formula would not significantly replace the lost local revenue, we ask that you consider the reality of the local losses as part of the solution in SB 313.

For instance, Dr. Howard Fleeter, consultant and school funding expert for the Ohio Education Policy Institute, has suggested that a threshold for a minimum payment based on 50% or 75% of the loss of local taxes could be included in the bill. If the recalculation of the formula does not replace at least the legislature's set percentage of the local tax loss, Dr. Fleeter's threshold would kick in. The cost to the ODE set-aside fund for this purpose would be minimal and would be within the earmark's limit, yet it would mean much to the affected school districts. The tables in Addendum 'A' on the last page of this testimony demonstrate the results of adding this option. We offer Dr. Fleeter's expertise to the bill sponsor and to this committee.

In closing, changes in the state's energy policies coupled with new energy resource options have caused this hardship in the form of significant losses in revenue for a few districts. This is due to no fault of the districts or their residents who have been subject to electricity power plants in their back yards for many years. We urge you to support SB 313, and we look forward to working with Senator Johnson and this committee in helping these districts.

This concludes our testimony. We will be happy to address your questions.

Addendum 'A'

Table 1: Estimated Impact of Proposed Additional FY20 State Funding: 50% Minimum

District	County	Power Plant? Y/N	TY17-19 PUTPP % Decrease	PUTPP Taxes Lost	SB 313 Additional Aid	Proposed Additional Aid
Manchester	Adams	Yes	-73.0%	-\$1,337,022	\$1,337,022	\$1,337,022
Perry	Lake	Yes	-30.2%	-\$1,492,559	\$1,045,912	\$1,045,912
<b>New Richmond</b>	Clermont	Yes	-25.7%	-\$772,135	\$293,667	<b>\$386,068</b>
<b>Gallia County</b>	Gallia	Yes	-14.7%	-\$805,300	\$3,954	<b>\$402,650</b>
<b>River View</b>	Coshocton	Yes	-6.1%*	-\$138,370	\$0	<b>\$69,185</b>
<b>Totals</b>					<b>\$2,680,555</b>	<b>\$3,240,837</b>

\* River View eligible based on PUTPP valuation decrease of -11.8% from TY17 to TY18

Table 2: Estimated Impact of Proposed Additional FY20 State Funding: 75% Minimum

District	County	Power Plant? Y/N	TY17-19 PUTPP % Decrease	PUTPP Taxes Lost	SB 313 Additional Aid	Proposed Additional Aid
Manchester	Adams	Yes	-73.0%	-\$1,337,022	\$1,337,022	\$1,337,022
Perry	Lake	Yes	-30.2%	-\$1,492,559	\$1,045,912	<b>\$1,119,419</b>
<b>New Richmond</b>	Clermont	Yes	-25.7%	-\$772,135	\$293,667	<b>\$579,101</b>
<b>Gallia County</b>	Gallia	Yes	-14.7%	-\$805,300	\$3,954	<b>\$603,975</b>
<b>River View</b>	Coshocton	Yes	-6.1%*	-\$138,370	\$0	<b>\$103,778</b>
<b>Totals</b>					<b>\$2,680,555</b>	<b>\$3,743,295</b>

\* River View eligible based on PUTPP valuation decrease of -11.8% from TY17 to TY18