

# WITNESS INFORMATION FORM

Please complete the Witness Information Form before testifying:

Date: April 4, 2022

Name: Bill Wade

Are you representing: Yourself  Organization

Organization (If Applicable): Mentor Public Schools

Position/Title: CFO/Treasurer

Address: 6451 Center Street

City: Menor State: OH Zip: 44060

Best Contact Telephone: 440974-5222 Email: wade@mentorschools.org

Do you wish to be added to the committee notice email distribution list? Yes  No

Business before the committee

Legislation (Bill/Resolution Number): HB 123

Specific Issue: Concern with impact on district finances.

Are you testifying as a: Proponent  Opponent  Interested Party

Will you have a written statement, visual aids, or other material to distribute? Yes  No

(If yes, please send an electronic version of the documents, if possible, to the Chair's office prior to committee. You may also submit hard copies to the Chair's staff prior to committee.)

How much time will your testimony require? Written Testimony

provide a brief statement on your position:

*This form and any materials (written or otherwise) submitted or presented that may be requested by the public and may be published online.*

Chairman Blessing, Vice Chair Roegner, Ranking Member Williams, Members of the Ways and Means Committee, thank you for giving me the opportunity to provide written opponent testimony on H.B. 123.

On behalf of Mentor Schools I am writing today to oppose HB 123 as it is currently drafted. Ohio's current law governing CRAs allows for economic development to occur, while striking a balance between encouraging development and protecting our schools. I understand from my time as the superintendent in Kirtland that economic development tools, like a CRA, encourage development in communities that might not otherwise happen without certain incentives. However, to protect the school districts and students in the communities I serve it is important that the use of tax abatements and other economic development incentives be implemented carefully and collaboratively as I have experienced during my time as an educational leader.

School districts are very limited under Ohio law in their ability to raise funds. School districts are restricted to either levying a property tax or income tax, with the majority levying a property tax. For Mentor, a community who relies heavily on property taxes because we see lower than average state funding, any policy change that could directly impact our ability to maintain our currently approved (and relatively flat) revenue source needs to be carefully analyzed. Voted property tax levies are approved by the electorate for a specific purpose. Due to the operation of the tax reduction factors in the Ohio Constitution, the total amount of tax revenue from a voter-approved levy cannot increase due to rising valuation of existing property. This means that new property and renovations to existing property are the main sources of increases in tax revenue for a voter-approved levy. Again, our revenue remains relatively unchanged unless we seek voter approval for additional tax dollars or we are adversely affected by a decrease in funding from the state or policy decisions that reduce our annual receipts.

Considering that school districts predominantly rely on property taxes to raise local funds, it is not surprising that the highest millage rates in a community are typically for school levies, which may include both operating and capital purposes. In contrast, while counties and municipalities have the authority to place a property tax levy on the ballot for specific purposes, they rely

predominantly on sales and income taxes, respectively (both which have a greater propensity for growth). The result is that any property tax exemption has the greatest impact on school districts and the communities they serve.

The current CRA law acknowledges this impact on school districts and requires school district approval for any tax exemption over 50%. The current law allows for the elected boards of education of the impacted school districts to speak on behalf of their communities when a proposed exemption exceeds this 50% threshold, requiring them to evaluate the impact of abating an approved tax to stimulate development. Increasing this threshold from 50% to 75%, as proposed in HB 123, disrupts this necessary dialogue and balance between incentivizing development and the need to provide the necessary resources to educate the children in the impacted communities. I ask for this change to be rejected.

I would also ask the committee to use careful consideration for the proposed change to increase the threshold from \$1,000,000 to \$2,000,000 to trigger the requirement that municipalities share payroll tax revenue generated by new employees at a large CRA commercial or industrial project with the school district encompassing that project the sharing of payroll taxes under current law. This increase again directly impacts the relatively flat revenue a district has through property tax with little impact on the municipality. Increasing the threshold only further limits the requirement for dialogue between the district and city to share the additional income tax to keep the district whole. In my experience this discussion is needed, and helpful, to promote the collaboration between the district and municipality to help ensure mutually beneficial solutions are created and explored to best meet the needs of the community as a whole.

I understand the need and desire to attract business to our state and local areas. I think we need to be considerate of the entire picture and the impact that changes have on our current funding structure for schools and other entities through property taxes. I agree having the ability to offer tax breaks is an important concept, however, I think we need to be careful to not deter the

necessary discussion between the local governments (i.e. municipalities and schools) to come up with mutually beneficial solutions.

Respectfully submitted,



Bill Wade

Mentor Schools CFO