Public Testimony of Timothy Ryan Jenkins, Treasurer/CFO
Olentangy Local School District, Delaware County, OH
HB 1, Modifying Property Taxation and Income Tax Rates
House Ways and Means Committee

Chair Roemer, Ranking Member Troy and Members of the House Ways and Means Committee:

Thank you for allowing me to provide written testimony today as an opponent of HB1, the bill proposing to modify property taxation and income tax rates in the state of Ohio.

My name is Ryan Jenkins, and I am the Treasurer and Chief Financial Officer for the Olentangy Local School District. In my twenty-six years in education, I have also been a high school math teacher, and a high school and middle school building principal.

Olentangy Schools, situated in the southern half of Delaware County, is the 4th largest school district in the state of Ohio by number of students—we educate over 23,000 students each day in one of the most successful school districts in the state of Ohio. In fact, we are one of only 12 schools across the state of Ohio to achieve a perfect 5 Stars in all areas of the 2021-22 state report card.

The success of our students is due in large part to the strong support we get from our local constituents. Our residents expect our schools to facilitate maximum learning for every student, every day.

In supporting that mission, our residents have faithfully passed 6 operational levies, 10 bond issues and 2 permanent improvement levies since March of 1999. These ballot issues were critical for our District, and for our community, as we have tried to continue our mission of facilitating maximum learning in perhaps the fastest growing district in Ohio.

I provide this information to you to help to explain why our district is generally in opposition to the provisions of HB1. Put simply, we believe that HB1, as currently written, will negatively impact our constituents' willingness to support our school district through the continued passage of needed levies.

As a rapidly growing district with a relatively high local capacity, we face a continuing reality of passing local levies to keep up with our capital and operating needs. Our current state share of the state funding formula is only about 20%, so we do not get most of our funding from the state of Ohio for operating needs. Moreover, our state share impacts our ability to participate in Ohio Facilities Construction Commission projects, so our bond issues are entirely locally funded.

We believe that the following key provisions of HB1 will make passing local levies in the Olentangy Schools far more difficult:

- Elimination of the 10% non-business credit paid by the state on behalf of property owners
- Modification of the 2.50% owner-occupied credit to a flat $125 credit paid by the state on behalf of property owners—given that the median value of a home in our district is about $400,000, and based on our effective millage rates, the $125 credit will in general not be as much as a 2.50% credit
- Reduction of the assessment percentage for real property by 10% (i.e., reducing the assessment percentage from 35% to 31.50%); further, the bill seeks to continue to decrease the assessment percentage as indexed to inflation

I now will further address each of these points in more detail. Further, I have provided other documentation to buttress each of these points.

1. Elimination of the 10% non-business credit shifts a greater burden to local taxpayers but does not increase overall funding for the district; replacing the 2.50% owner-occupied credit with a flat $125 credit increases the property tax bill of our average citizen

In the document 'FY24 vs. FY23 State.pdf,' we have provided a listing of all 611 school districts in Ohio and have further shown the value of the 10% credit to each district in aggregate and on a per pupil basis for the 2021 tax year (paid in 2022). We have also compared the value of the loss of the 10% credit on a per pupil basis and in the aggregate to the proposed increases in funding from the state of Ohio on an aggregate and per pupil basis. The funding estimates provided are from the Ohio Department of Education (ODE) and are based on Governor DeWine's initial budget proposals as part of the Fair School Funding Plan (FSFP) provisions of HB33.

For Olentangy Schools, the district received about $18.5 million in state funding to reimburse us for the 10% non-business credit provided to our district residents (see **Column E** of the document). That equates to a loss of about $846 per student (see **Column F**) if the 10% non-business credit is eliminated.

Column H shows that we expect to get about $3.9 million in additional funding from the state of Ohio per the provisions of the FSFP.

But **Column I** shows that the aggregate effective *decrease* in state funding for Olentangy will be about $14.5 million (i.e., **Column H** minus **Column E**).

Column G shows that we expect to receive about $27.7 million in state funding per the provisions of the FSFP (including additional funding for School Resource Officers). That equates to about $1,270 per pupil (**Column K**). However, **Column F** shows that because we are *losing $846* per pupil in state funding for the 10% non-business credit, it is reasonable to assume that our state funding per pupil will effectively decrease to $425 per pupil as shown by **Column L** (and **Column J** shows that our aggregate effective state funding will drop to about $9.3 million).

In our district, shifting the roughly $18.5 million in taxes back onto our local taxpayers will almost certainly make passing levies more challenging. Moreover, our average taxpayer will expect that paying 10% more for local property taxes means that the Olentangy Schools are getting 10% more in funding. Most will not make the connection that the schools (and other taxing entities) are getting a 'net zero' in funding increase from that 10% because while the local burden has increased by that 10% share, the state share has decreased by that same 10% to offset that.

This is all shown as follows in Figure 1:

Figure 1

IRN	School Name	A. County	B. Funded ADM 2023 February #1 Payment	C. 2023 February #1 FSFP State Aid w-Preschool and Spec Ed Transportation	D. Formula Funding Per Pupil: (C / B)	E. Sum of 10% for Full Year 2021 for Estimation	F. 10% Funding on Per Pupil Basis	G. FSFP FY24 Projections w-SRO	H. FY24 Change in State Funding w-SRO	I. FSFP FY24 Change in Funding Net of 10% Credit Loss: (G - C - E)	J. FY24 Final Net Funding From State: (C + I)	K. FY24 FSFP Funding Per Pupil Using FY23 Enrollment: (G / B)	L. Effective FY24 Funding Per Pupil After 10% Shift: (J / B)
46714	CENTRAL LOCAL LOCAL SD	Defiance	928.50	$6,768,443	$7,290	$350,360	$377	$6,966,905	$198,463	($151,897)	$6,616,546	$7,503	$7,126
43869	DEFIANCE CITY SD	Defiance	2341.14	$16,880,583	$7,210	$625,478	$267	$17,472,663	$592,079	($33,399)	$16,847,184	$7,463	$7,196
46706	AYERSVILLE LOCAL SD	Defiance	677.40	$4,685,350	$6,917	$196,057	$289	$5,195,620	$510,271	$314,214	$4,999,564	$7,670	$7,381
45419	HICKSVILLE EX VILL SD	Defiance	867.93	$7,213,693	$8,311	$251,678	$290	$7,611,640	$397,948	$146,269	$7,359,962	$8,770	$8,480
46763	OLENTANGY LOCAL SD	Delaware	21823.95	$23,778,544	$1,090	$18,452,926	$846	$27,721,486	$3,942,942	($14,509,984)	$9,268,560	$1,270	$425
46748	BIG WALNUT LOCAL SD	Delaware	3820.98	$6,541,493	$1,712	$2,802,983	$734	$6,724,350	$182,857	($2,620,126)	$3,921,367	$1,760	$1,026
46755	BUCKEYE VALLEY LOCAL SD	Delaware	2064.88	$4,499,575	$2,179	$1,617,438	$783	$4,914,865	$415,290	($1,202,148)	$3,297,427	$2,380	$1,597
43877	DELAWARE CITY SD	Delaware	5279.28	$18,746,157	$3,551	$3,322,925	$629	$19,186,690	$440,532	($2,882,393)	$15,863,765	$3,634	$3,005

This same analysis shows that in aggregate across the entire state that the value of the 10% non-business tax credit to Ohio's 611 traditional public schools is about $772.1 million. In losing that $772.1 million payment from the state of Ohio, the initial increase from the state as proposed by the FSFP (about $276.2 million) will be an effective decrease of about $496 million in overall state funding—and the logical conclusion is that this same $496 million will shift back to local taxpayers and make passing levies in those districts more challenging as well.

Finally, in our district the median home value is about $400,000. Even if we change the assessed value from 35% to 31.50%, the $125 credit is not as much as the 2.50% credit. As an example, the full residential effective rate (across all taxing entities) in a portion of our district (specifically taxing District 4) is 72.61 mills. The value of the 2.50% tax credit to the owner of a $400,000 home, assessed at 31.50% of its value, is about $192[1]

[1] Calculation assumes about 84% of Olentangy millage has 2.50% credit

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2. Changing the assessment percentage from 35% to 31.5% will ultimately provide little to no decrease in taxes to local taxpayers, but leads to direct losses to the district

As many of you are aware, this body (the Ohio Legislature) passed HB920 back in the late 1970's. This law requires voted taxes to be equalized each year so that when property values increase, voted taxes paid to local entities do not increase in the same direct proportion. These are commonly called 'tax reduction' factors, and generally mean that as property values *increase* by a certain percentage, tax reduction factors increase. This means that voted tax rates (measured in mills) are *decreased* by the same percentage so that local taxpayers do not see substantial increases in their taxes just because their property values increase due to inflation. This provision has provided Ohio's taxpayers with the basic certainty that their real estate tax bills will only increase due to a voted levy approved by most of its residents.

However, tax equalization factors also work in the other direction—that is, if property values *decrease*, tax reduction factors also decrease. This means that voted tax rates are *increased* such that the collections on voted levies stay the same.

In its testimony to this Committee on March 14, 2023, the LSC provided the same analysis:

> "In other words, the tax reduction factor increases as taxable values increase. **Should the aggregate taxable value of property decrease for any reason, the tax reduction factor will actually decrease so that the same amount of revenue is collected, up to the point the reduction factor equals zero and the applicable levy is collecting its full, voted rate of tax (emphasis added by me).** In no case, however, will the tax reduction factor be negative, so property owners would not pay more than the rate of tax they originally voted for."

Because of this, decreasing the assessed values by 10% (from 35% of market value to 31.50% of market value) will simply not decrease local taxpayer real estate taxes by 10%. In the Olentangy Schools, we currently have an effective tax rate of about 56.20 mills. Only 5 mills of that effective rate are unvoted, and 7.50 mills applies to fixed sum bond issues. So, if assessment percentages are decreased by 10% to 31.50%, this means that the 43.70 mills of voted levies *will increase by about 10%* to offset the valuation changes. Moreover, the County Auditor may still see the need to increase the millage on the 7.50 mills of debt service by a percentage to make sure that the district has the needed collections to pay its debt.

The upshot is that only about 5 mills of the 56.50 will not be changed, meaning that the decrease in local real estate taxes paid by our constituents will simply not be 10%--it will be much less.

<u>But even though the average taxpayer will not really see the benefit of a 10% reduction in assessed values, the district is forecasting losses of nearly $6.7 million</u>. This is due to inside millage remaining unchanged (i.e., tax reduction factors do not apply), and because some of our voted levies are new enough that we have calculated that the tax reduction factors will decrease to zero and will not be able to go negative. For full details, see the document called 'OLSD HB1 Losses and equalization w-HB920.pdf.'

As noted in point #1, we believe the factors noted in point #2 will also make passing local levies far more challenging for the district as the tax burden is shifted to our local taxpayers.

3. The benefits of the decrease in the income tax structure will not be impactful enough for the average constituent of the Olentangy Schools to offset the increases in local tax burden

The district is certainly in favor of providing tax relief to its residents where doing so does not jeopardize its obligation of maximizing learning for every student.

As previously noted, our district is 1 of only 12 districts in the state to earn five stars in all areas of the 2021-22 Ohio State Report Card—our residents have been very supportive of our district over the years and have approved every levy proposed by the district since at least 1999. So, with that said, we are appreciative of the increased support proposed by the state of Ohio through the FSFP and the proposal in HB1 to analyze our income tax structure in the state of Ohio. While nearly all our residents will almost certainly see an income tax cut, we have created an analysis that compares various hypothetical estimated local real estate tax changes (using HB1 provisions) vs. the estimated Ohio income taxes for various hypothetical incomes (again, using HB1 provisions). Given that the median home value in Olentangy is about

$400,000, and the median household income is about $130,000, the following chart (Figure 2) shows that the forecasted decreases in state income taxes will nominally (if at all) offset the increased real estate tax burden using the provisions of HB1:

Figure 2

Ohio Taxable Non-Business Income (Ohio IT40 line 7)		$75,000	$100,000	$125,000	$150,000	$175,000	$200,000	$225,000	$250,000	$275,000	$300,000
Ohio Income Tax	Current	$1,847.38	$2,690.15	$3,641.44	$4,638.94	$5,636.44	$6,633.94	$7,631.44	$8,628.94	$9,626.44	$10,623.94
	After HB1	$1,706.82	$2,394.32	$3,081.82	$3,769.32	$4,456.82	$5,144.32	$5,831.82	$6,519.32	$7,206.82	$7,894.32
	Change	($140.57)	($295.83)	($559.63)	($869.63)	($1,179.63)	($1,489.63)	($1,799.63)	($2,109.63)	($2,419.63)	($2,729.63)
Olentangy LSD School Taxes	**Home Value**	$100,000	$200,000	$300,000	$400,000	$500,000	$600,000	$700,000	$800,000	$900,000	$1,000,000
School Taxes	Current	$1,776.25	$3,552.50	$5,328.76	$7,105.01	$8,881.26	$10,657.51	$12,433.76	$14,210.02	$15,986.27	$17,762.52
	After HB1	$1,848.17	$3,771.35	$5,694.52	$7,617.70	$9,540.87	$11,464.05	$13,387.22	$15,310.39	$17,233.57	$19,156.74
	Change	$71.92	$218.84	$365.77	$512.69	$659.61	$806.53	$953.46	$1,100.38	$1,247.30	$1,394.22

Further, given the fact that the increase in local taxes will give *the appearance* that local taxing entities are getting more in funding (which has been noted is *not* the case), we believe that this will again make passing local levies much harder. The average homeowner does not have as much control or influence over the passage of legislation by the Ohio Legislature, but is often very actively involved in local levies.

In closing, I would add that the real estate tax provisions of law that HB1 seeks to change have been in effect for over 50 years. They have provided Ohio's schools and other local entities a welcomed source of revenue while also providing local taxpayers a real estate tax break. This seems to be precisely the issue being addressed by the Ohio Legislature back in 1971 when Ohio instituted its income tax while also creating the 10% credit. Further, the 2.50% credit was added in 1979 to address up to one acre of an owner-occupied homestead, again to lessen the local income tax burden using state revenues. We acknowledge and appreciate that the 10% and 2.50% credits help to lessen the local property tax burden for such a rapidly growing district, especially given that our levies passed after November of 2013 are eligible for neither credit.

That said, we understand the desire to institute a 'flatter' income tax structure for Ohio's taxpayers. We support that work, but respectfully ask that it be separated from the concept of tying decreases in income taxes to Ohio's property tax structures that have worked reasonably well for over 50 years.

We believe that there is room to analyze both Ohio's income tax structure, and needed tax reforms for local property owners, but propose separate legislation for these initiatives.

Specifically, we believe that HB1 could simply look to institute the flat tax proposed in the bill with no other changes to our property tax structure in the same piece of legislation.

If additional relief is also sought for local real estate taxpayers, we propose new legislation that examines modifications that would provide relief for those *most in need*. Specifically, the Ohio Legislature could seek to expand Ohio's homestead provisions to provide more property tax relief to seniors, who are on fixed incomes and are not as readily able to handle increases in local property taxes due to the passage of local levies. Moreover, perhaps the Ohio Legislature could seek to create local property tax relief for economically challenged taxpayers via means testing.

We believe that these options better preserve our community's objective of having high-quality educational options and other amenities for those who are actively using them while not over-burdening or discounting those who otherwise may not have the means.

I welcome any questions or feedback about my written testimony.

Respectfully, Timothy R. Jenkins, Treasurer/CFO, Olentangy Schools

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