

**Testimony on Education Funding Provisions of Substitute House Bill 64,
FY 16-17 Biennial Budget**

**Ohio House of Representatives
Finance Committee
Representative Ryan Smith, Chair
April 16, 2015**

**Jenni L. Logan, Treasurer
Lakota Local School District**

Chairman Smith, Vice Chair Schuring, Ranking Member Driehaus and members of the House Finance Committee, thank you for the opportunity to speak to you today regarding the phase-out of the Tangible Personal Property reimbursement payments to school districts included in Substitute House Bill 64. My name is Jenni Logan and I am the treasurer of the Lakota Local School District in Butler County.

On March 19, 2015, I testified before the Finance Subcommittee on Primary and Secondary Education in opposition to the phase-out of Tangible Personal Property (TPP) reimbursements to school districts. After viewing the changes in the substitute house bill yesterday it was evident the initial recommendation did not change. Therefore, I am returning today to continue my opposition to this item.

Lakota is the eighth-largest public school district in Ohio, with more than 16,000 students. We are a high-performing district, and yet our spending per student is 7% below the state average.

Though we are considered an affluent district, nearly 20% of our students live in poverty. At the same time, 99.5% of our third-graders met the third-grade reading guarantee requirement. Our community has committed the resources we need, to ensure that all children in our schools receive the services they need.

The Lakota Local School District has worked alongside county and township officials to support economic development. Over the years this has resulted in a mixture of tax abatements, Tax Increment Financing (TIF) districts, and a Joint Economic Development District (JEDD). Through these partnerships, opportunities were created and our community was made more attractive to residents and businesses. This resulted in rapid growth and the transformation of our community.

Our community offers a great place to live, work and raise a family. The quality education Lakota provides is crucial to maintaining the strength of this community.

At this time, the financial health of the district is stable. This is partly because of \$20 million in reductions made from 2011 through 2013. They included reducing our staff by over 140 positions, or 10%, cutting transportation to state minimums and implementing some of the highest extra-curricular participation fees in the state.

The other factor in our current financial stability is a successful November 2013 levy, the first new local money in eight years. We took time to listen to our community and strategically develop a plan that was

targeted to specific areas such as technology, student safety, and modernization of programming. Even so, the levy did not restore all the previous cuts.

After suffering three levy defeats before a successful one in 2013, we believe our community has healed tremendously in the past few years and we are on the right track for both our students and its taxpaying citizens. The cost containment practices implemented during our expenditure reduction phase remain in place today.

But now, during the coming biennium, we are worried about the impact of the proposed revenue losses which would result from the total phase-out of the TPP reimbursements. In the original version of HB 64 Lakota would have lost more money than any other school district in the state. In Substitute House Bill 64 we are the second largest loser of state revenue, just below Mason City School District. The loss in TPP reimbursement to our school district over the biennium is \$5.7 million.

Currently, Lakota Local School District receives \$3.1 million in TPP reimbursement. This equates to approximately 1.25 mills for our district annually. Prior to the tax reform effective with HB 66 we were collecting approximately \$10 million annually in local tax revenue attributable to tangible personal property, which was 8% of total revenue at that time.

The recommended phase-out maintained in Substitute House Bill 64 reduces our reimbursement below the original commitments and is even accelerated. To refresh my memory regarding this original legislation and this revenue line item, I went back to the original calculations given to the district for the complete phase-out of TPP. The total variance is \$10 million less than originally promised to the district. Specially, \$4 million less in the next three years. Please see the chart below for illustration purposes.

HB 66 Phase-Out Plan								
	2012	2013	2014	2015	2016	2017	2018	Total
Original Phase-out	\$ 7,283,820.61	\$ 5,722,830.22	\$ 4,682,315.63	\$ 3,641,801.05	\$ 2,601,286.46	\$ 1,560,771.88	\$ 520,257.29	\$ 26,013,083.13
Actual & HB 64 Recommendations	\$ 6,005,022.00	\$ 3,146,223.00	\$ 3,146,223.00	\$ 3,146,223.00	\$ 593,866.00	\$ -	\$ -	\$ 16,037,557.00
Variance	\$ (1,278,798.61)	\$ (2,576,607.22)	\$ (1,536,092.63)	\$ (495,578.05)	\$ (2,007,420.46)	\$ (1,560,771.88)	\$ (520,257.29)	\$ (9,975,526.13)
	HB 153				HB 64 Recommendation			

Additionally, Lakota Local School District was a guarantee district from 2008-2013. Originally, HB 66 was purported to allow replacement for losses in values at the local level that resulted from the elimination of TPP, through the funding formula (a lower charge-off amount). Because we were a guarantee district and because the formula has changed several times since HB 66 was enacted, the charge-off did not work as planned to replace this lost revenue.

Many things have changed since the original TPP phase-out was introduced. Ohio endured a recession and had its own hole to fill during a biennium not that long ago. Therefore, the modifications and reductions made to our reimbursement with House Bill 153 were understandable and we shared the burden and did our part to manage the reductions locally. However, we cannot sustain further losses in state aid.

I am here today to encourage you to maintain the current structure and funding to the TPP reimbursements to school districts.

We feel we have done everything we should, reducing our own costs and voting increases in our local taxes.

To replace a loss due to this phase-out, we have few options. We could go back on the ballot, long before our community is expecting that. Or we could reduce expenditures and reduce student opportunities after just implementing levy promises made in November, 2013.

We urge you to maintain the current structure and funding of the TPP reimbursements to school districts. We need some consistency of funding so that we may plan and offer our students a consistent level of programming.

I will continue to speak up for our community and the impact this has on our local taxpayers.

Thank you.