



# Solon City Schools

Joseph V. Regano, Superintendent

33800 Inwood Road

Solon, Ohio 44139

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## *Sub HB 64 Testimony*

Before the

House Finance & Appropriations Committee

Joseph Regano, Superintendent, Solon Schools

April 16, 2015

Mr. Chairman and members of the House Finance and Appropriations Committee, my name is Joe Regano, Superintendent of Solon Schools. I am here to testify on behalf of the Solon City School District and as a member district of the Coalition for Fiscal Fairness in Ohio (CFFO).

Thank you for the opportunity to testify today. I am here to express our opposition to the recommendation in the “Substitute” version of the budget to end tangible personal property tax reimbursements to school districts. When in force, these local tax dollars were generated by levy in individual communities.

Subsequently in 2005, these local revenues were usurped under the premise that Ohio needed to reform the state’s tax structure to attract and retain business. We agreed with this concept in principle and have always worked with our Solon business community – including tax abatements that reduced our revenues – for the betterment of the overall business climate. During the HB 66 negotiations on eliminating the TPP, we were told repeatedly by legislators and representatives of Gov. Bob Taft that we would be held harmless and that as soon as the reliability of the new Commercial Activity Tax was determined, that the mechanism for making this reimbursement permanent would be put in place.

During those deliberations, not once was it expressed to any school district involved that the purpose of the 2005 tax reform was to remove these dollars from local districts and for the state to receive them as enhancements to the General Revenue Fund. In all of the conversations we had with key legislative personnel, representatives of the state Chamber of Commerce and the Governor's staff, never did anyone mention eradicating these local dollars from school districts completely.

As a matter of fact, Governor Taft issued a letter to the public, including the Columbus Dispatch, outlining the state's commitment to the reimbursement. His letter covered the time period of that biennium and also referenced the policy change needed to reimburse schools across Ohio impacted by the change over time. The intent was always clearly stated that we needed to enact this reform as a benefit to the business community, which in turn would improve the state economy as a whole. We agreed then and have continually expressed our willingness to anyone who would listen to help craft the permanent solution. And now as this budget stands in the bill before you today – we face a funding disaster for our district.

Unfortunately, for us in education, this is like the promise of the lottery all over again, and would appear it is once again breaking the trust with the public in the local communities who approved these taxes. Just as the promise of the lottery was once that education funding would be increased, the shell game quickly became clear. The lottery dollars supplant other GRF dollars tagged for education, lowering the state's overall fiscal responsibility and no actual increase has ever occurred from that revenue stream. Now, with the proposal in HB 64 to accelerate and completely eradicate the TPP reimbursements, the state is grabbing at the low-hanging fruit and the easy solution in the name of "fairness." Unfortunately it breaks the trust and a promise with the constituents back home in our local communities.

School funding in Ohio is already over-reliant on property taxes as a funding base. The Ohio Supreme Court has reminded us of that fact no less than four times. And now with the proposal contained in HB 64, this message is being hammered home

again to our local taxpayers already paying more than their fair share. In Solon, our community supported the most recent .80 mill levy we put on the ballot in November 2013 and now they will see the effect of that voted millage blunted by the dramatic cuts our district faces in this budget.

No longer can a community seek additional operating funds from a community and guarantee that those dollars will stay within the community to serve the students in their districts.

In Solon, the elimination of reimbursements for the TPP tax amount to \$8.3 million a year in operating revenues and an additional \$160,000 tied to our permanent improvement levy. The so-called "phase-out" schedule would start slashing these dollars from our district July 1, in just three months. Every year for the next 5-plus years, approximately \$1.4 million will be erased from our operating revenues alone. The total of \$8.3 million in total annual revenue we lose when the phase-out is complete represents nearly 12 percent of our operating revenues. This equates to more than seven mills of locally generated property tax revenue that is being taken away from our community by the state and redistributed to other communities.

Regardless of whatever actual funding model is ultimately put in place next year, it will undoubtedly rest upon the ideals expressed by the administration relative to a community's relative value per pupil. No formula will be able to restore a public trust that has been broken and will be permanently harmed by this budget decision.

Mr. Chairman and members of the committee, the Solon community values education and has historically supported its schools. The district's tradition of excellence and position as one of the very best districts in the state was built on this support, including funding from the tangible personal property tax. Please know that I, and the Solon City School District, stand ready to work with the Legislature and the Administration to find more equitable solutions. Thank you for your time and attention on this important matter. At this time I would be happy to answer any questions you or the members may have for me.