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Substitute HB 64 Testimony

Before the

Ohio House of Representatives

Michael Sheppard, Superintendent, Berea City School District

April 15, 2015

Good afternoon, Chairman Smith, Vice Chairman Schuring, Ranking Minority Member Driehaus, and members of the House Finance and Appropriations Committee, my name is Michael Sheppard, Superintendent of the Berea City School District in Cuyahoga County, and I am here to testify on behalf of our school district.

Thank you for the opportunity to submit testimony today. As Superintendent of the Berea City School District, I would like to express my grave concern to ending the tangible personal property tax reimbursements to school districts. Prior to the State of Ohio's 2005 tax reform, tangible personal property represented \$15.4 million or twenty one (21%) percent of Berea's general fund revenue.

Due to the tax reform involving the tangible personal property tax, Berea currently only receives \$8.7 million in TPP reimbursement for its fixed rate millage levies. The proposed further reduction and eventual elimination of the TPP reimbursement would force our local tax payers to assume almost 7.5 mills of additional property tax revenue to make up the current funding we would lose.

Not only has the loss of the tangible personal property tax revenue negatively affected the district operating budget over the past six years, the downturn in the housing market has decimated the district's residential, industrial and commercial property tax base. For the Berea City School District, property values overall have dropped \$200 million since 2008 and the most recent data published by the Ohio Department of Taxation regarding recent home sales indicates further declines are expected during next year's triennial update. This unprecedented reduction coupled with an increasing number of delinquent taxpayers caused annual real estate tax revenue to decline by more than \$2 million. The district has already passed one levy to partially fill the gap of the loss of tangible tax revenue and the loss of revenue due to the recession.

Furthermore, the funding formula introduced by the House calculates that our school district should receive considerably more in State funding than we currently receive, however, due to the funding cap which was reduced from 10% to 7.5% in the substitute bill, the district will not receive over 42% of the state revenue it is entitled to in both 2016 and 2017, all the while reducing the TPP reimbursement that is a vital part of our budget. Unfortunately, those positive changes in the House version fall far short of compensating the district for the losses suffered from the ongoing reductions in TPP reimbursement.

The Berea City School District has cut expenditures by consolidating buildings, reducing staff and combining services while keeping the goal to maintain the level of services to students. Since 2011 alone, the district has reduced over 125 positions within the school district and the employees of the district have

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committed to go without a base pay increase for six consecutive years and have also considerably increased their current premium contributions for health insurance. These significant reductions enabled the Berea City School District to reduce general fund salary expenses by \$4 million between 2012 and 2014.

As the Berea City School District has demonstrated in the past, we are committed to inspiring excellence in our students by maintaining the quality educational opportunities currently provided. However, with the proposed elimination of the TPP reimbursement, the district will be forced to drastically reduce programs or face fiscal insolvency in the near future, all the while having no ability to make necessary improvements to our buildings or any improvements to technology.

Please leave all forms of TPP reimbursement at the current levels or return them to the levels promised when the tax was phased out.

Mr. Chairman and members of the Ohio House of Representatives, thank you for your time today. I am happy to address any questions you may have about our district and how we are affected by this important issue. Thank you.