



**Testimony on Education Funding Provisions of House Bill 64
FY 16-17 Biennium Budget**

**Ohio House of Representatives
House Finance & Appropriations Committee**

**Ronda C. Johnson, Treasurer
Mason City School District**

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Chairman Smith and members of the committee, thank you for the opportunity to offer testimony regarding the 2016-17 Biennium Budget. On behalf of over 10,700 Mason City Schools students, I want to share my deep concerns about the proposal to reduce TPP reimbursement payments.

Mason City Schools is located predominantly in Warren County in southwest Ohio, encompassing 25 square miles and home to about 50,000 residents. We are the 16th largest school district in the state of Ohio, and our nearly 3,500 high school students are served in Ohio's largest public high school. Our students are consistently among the highest performing in Ohio - performing among the top 10 school districts in the state for over a decade.

Mason City Schools has been fiscally responsible. We consistently spend below the state average and have held the line on expenditures - prioritizing the classroom.

Mason's Strong Economic Development Efforts

Mason has become known as a great place to raise a family and a great place to start and grow a business. As more people chose to live and work in our community, Mason City Schools grew quickly, doubling in a decade that saw Mason's enrollment go from 5,364 in 1998-1999 to 10,707 in 2007-2008. This growth was due in many ways to the strong economic development efforts of the City of Mason and Deerfield Township that attracted businesses and their workers who were looking for a diverse community with strong schools. We work with our city and township partners to approve incentives and abatements that attract businesses and this has resulted in an economic boom in our community that has helped fuel Ohio's economic recovery.

These efforts did not just happen by themselves. Our community was strategically developed with targeted industry to balance the tax base. Today, that balance has shifted. As the state takes away what was once local dollars for local school districts, more and more of our school district's funding is reliant on local property tax payers. Families moving to our community supported numerous bond issues and operating levies to fund our educational programs. Our current effective millage rate for residential/agricultural is 47.11 - 30% above the state average. Our taxpayers are contributing to our schools – arguably more than their capacity to do so.

State Tax Changes Grew OH Coffers from Business Taxes that Used to Stay Local

In the middle of our growth as a school community, we suffered the elimination of the Tangible Personal Property Tax (TPP). In 2007, Mason City Schools was collecting nearly \$14 million in TPP revenue and we were on track to see significant growth in that revenue line item. We built new facilities to accommodate our growth and ran

our operating millage based on the revenue from this tax base and its projected growth. When the law changed in 2005, Mason City Schools worked in good faith with the legislature to support the tax policy change with the understanding that public schools would not bear the brunt of this tax relief that was enacted to make Ohio more competitive. We appreciated the commitment of the legislature in the early years of the CAT tax to fulfill their commitment to public schools by making the reimbursement payments.

When Ohio and the entire nation faced an economic recession, the state tapped into the CAT revenue to fill budget holes and reduced TPP reimbursements to all school districts receiving them. For Mason, those cuts in fiscal 2012-2013 were \$7 million, or \$550 per student annually - half of our TPP revenue - even if it had remained flat.

Now, although Ohio has rebounded and CAT revenues outperform the amount needed to reimburse schools by more than \$1 billion, the budget before you eliminates TPP reimbursements to schools.

Eliminating TPP Payments = Raising Taxes at Local Level

Losing \$7 million per year has already impacted our budget significantly, as our taxpayers were not willing to support an additional 6.95 mill property tax in 2010 to make up the difference. We heard loud and clear from our constituents that they did not support the shift in tax base. Instead, we were forced to reduce staff by over 150 positions at a time when our enrollment was relatively flat. We closed a school, changed our high school and middle school schedules, increased pay-to-participate fees, consolidated bus stops, and relied heavily on the partnership with our staff who agreed to two years of wage freezes.

If this proposed budget passes, our district will face two terrible choices: a) we will have to make further cost reductions that will impact classrooms and/or b) we will need to ask voters for a larger property tax increase to make up for the loss of state funding since Ohio is shifting that burden to local taxpayers.

Securing Permanent TPP Reimbursement is Critical for Districts like Mason

Our community is strong and supportive of our schools, but we know from experience that they will not support another shift in tax base that will raise their local property taxes. The school funding formula and HB 920 guarantees school districts engage in a levy cycle and Mason has been able to survive in that cycle through the mechanisms outlined above. Our last operating levy was passed in 2005. We have been exceptional stewards of our state and local revenue and our staff and students have risen to the challenges of changing standards and increased rigor – doing so all the while with less resources.

On behalf of our students and families, we implore you to craft a solution to keep permanent what remains of our TPP reimbursements. The budget process must include a long-term commitment to avoid creating unforeseen, gaping holes in our school district budgets. ***Anything other than maintaining the TPP reimbursement payments in perpetuity will significantly jeopardize our fiscal stability, which will in turn adversely impact our 10,700 students and their families.***

About Mason City Schools

The Mason City School District is one of Ohio's highest-performing public school districts. Students in every grade level consistently score above the state and national average in reading, writing, math, science, and social studies, and on the SAT, ACT and AP tests. Mason City Schools spend \$10,185 per student - \$261 less per student than the state average.