



HB 64

Testimony Regarding TPP Reimbursements

House Finance and Appropriations Committee

Cary Furniss – Treasurer, Reading Community City Schools

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Chairman Smith, Ranking Minority Member Driehaus, and members of the committee, my name is Cary Furniss and I am Treasurer of the Reading Community City School District and have served in that role since 2006. I am here today to share with you the extreme difficulties we would face if the provision to eliminate the Tangible Personal Property Tax (TPPT) is maintained in House Bill 64.

The Reading Community City School District is a first ring suburban district in Cincinnati Ohio. The student population is approximately 1,700 students that are served in 3 school buildings ranging in age from 99 years to 63 years old. The District has already experienced significant revenue losses due to the elimination of TPPT. The elimination of TPPT has resulted in a 20% permanent reduction to its tax base. Levies since 2005 and any levies going forward must be 20% higher due to the TPPT losses. In 2005 45% of the tax base was comprised of residential property. Due to the elimination of TPPT, residential property now comprises 58% of the districts local property tax revenue capacity. The elimination of TPPT has clearly shifted the existing local share of school funding to homeowners and increased further shares of funding a community might consider. That notion is also supported by evidence the Districts tax payer effort is 109% of the state average using ODT's methodology. The support provided by our community is at a median income of \$29,255 which is 10% lower than the state average. *Simply, our taxpayers cannot afford the shift.*

The Reading Community City Schools operate in a conservative manner in financial terms. The Districts per pupil spending is \$9,132. This is approximately \$1,100 less than the 5 most similar districts to Reading. The districts expenditures are averaging an annual DECREASE of 1.21% over the past 5 years. The district has experienced an enrollment growth of 4.6% while staffing has increased by less than 1% since 2009. This data is designed to demonstrate the District has

made numerous efforts to streamline costs and increase efficiency to offset the losses experienced from TPPT elimination.

In fiscal year 2005, the districts TPPT revenue generated nearly \$1,679 per pupil; by 2014 Ohio's reimbursement was only \$832 per pupil, a reduction of \$847 per pupil. During the same time period state foundation revenue only changed by \$285 per pupil. The Executive Budget and Substitute Bill proposed would further reduce the reimbursement to \$554 per pupil by fiscal year 2017. At some point our voters will have to replace funds they have already approved. Simply, our taxpayers cannot afford the shift.

When House Bill 66 was passed the legislature promised to make good with new revenues to offset the TPP losses and that has not happened. Since 2009 we have seen the SF-3, PASS, Bridge and the SFPR. The Executive Budget proposal will be the 5th funding mechanism in the past 8 years if approved in this legislative cycle. The continual change in the formula makes it challenging to plan financially and has left the district without the necessary revenue to offset the loss of TPPT. The substitute bill would result in a net loss of \$700,000 of current revenue to my district when funding the model is fully implemented and reimbursements are eliminated.

Another challenge or unintended consequence of the elimination of TPPT was the impact on the districts capacity to raise capital for facility improvements and replacements. The District has 3 educational facilities ranging in age of 99 years to 63 years of age. The buildings have significant asbestos, no modern climate controls, limited safety systems, very little handicap access and no fire suppression. The district lost bonded debt capacity and tax base diversity with the elimination of TPPT. The change in tax base also had an impact on how credit agencies viewed the school district and had a negative impact on the credit worthiness of the district. The replacement payments continue to be a drag on the districts credit outlook due to the temporary status of the replacement payments and the significance the payments in relation to the overall finances of the district.

The Reading Community CSD has taken cost reduction initiatives to address the revenue shortfalls. The District eliminated 24 full-time positions in 2007 to address the initial gap between TPPT revenue and the initial replacement payments. In 2008 the Board of Education opened its door to open enrollment for the first time to attract students to gain efficiency and to generate revenue to maintain programs and services. Currently, the district has in excess of 300 open enrollment students from 15 districts in the Reading CCSD. The district has reached a maximum level of open enrollment based on the facilities and services available. Open enrollment has been a positive initiative for the district and we routinely have to turn down 50-75

students annually. The overwhelming interest from students from other communities say as much about the work we do and the product offered as any state mandated report card could disclose.

The Reading Community made conscious decisions to attract industry, believing the revenues from TPPT would offset the negative aspects of a heavy commercialization of its tax base. The District is home to a Chlorine reactor, a 30 year EPA Super Fund site and numerous brownfields. Elimination of the reimbursement for the remaining districts would be unfair. We would respectfully request the reimbursement be made permanent and we will keep our Chlorine reactor, Super Fund site and brownfields.

I thank the members of this committee for their time and effort on this issue and at this time Mr. Chairman I would be happy to address any questions you may have.
