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## **Board of Education**

Bob Siebenaler, President  
Tom Flegal, Vice- President  
Lyn Bowsher  
Chris Herman  
Nick Hug

## **Senate Ways and Means Committee HB 123 Opposition Testimony**

**Edgerton Local Schools. Williams & Defiance County  
Bill Blakely, Treasurer/CFO**

**December 10, 2021**

Chair Blessing, Vice Chair Roegner, Ranking Member Williams, and members of the Senate Ways and Means Committee, thank you for the opportunity to testify in opposition to House Bill (HB) 123.

My name is Bill Blakely and I serve as the Treasurer/CFO for the Edgerton Local Schools in Williams and Defiance Counties. The Edgerton Local Schools, a rural district that covers 69 square miles in Williams and Defiance Counties, with a significant portion of the district being agricultural land serving roughly 600 students.

As required by the Ohio Constitution, school districts must raise a portion of the funds necessary to educate the students in our communities. This is often referred to as a school district's "local share." Most districts raise their local share by levying voted property taxes. Due to the operation of the tax reduction factors in the Ohio Constitution, the total amount of tax revenue from a voter-approved levy cannot increase due to rising valuation of existing property. This means that new property and renovations to existing property are the main sources of increases in tax revenue for a voter-approved levy.

We understand that economic development tools, like a community reinvestment areas (CRA), encourage development in communities that might not otherwise happen without certain incentives. However, to protect the school districts in these communities and the students they serve, it is important that the use of tax abatements and other economic development incentives be implemented carefully.

Ohio's current law governing community reinvestment areas (CRAs) allows for economic development to occur, while striking a balance between encouraging development and protecting our schools. Current law allows for the elected boards of education of the impacted school districts to speak on behalf of their communities when a proposed exemption exceeds this 50% threshold, requiring them to evaluate the impact of abating an approved tax to stimulate development. Increasing this threshold from 50% to 75%, as proposed in HB 123, disrupts this necessary dialogue and balance between incentivizing development and the need to provide the necessary resources to educate the children in the impacted communities.

# Edgerton Local School District

111 East River Street, Edgerton, OH 43517



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In our district, the Village recently passes a CRA for businesses/commercial property and was looking at extending that to residential property. In most cases businesses will negotiate with the district on an agreement to make the district whole for the lost revenue in real estate taxes. However, this is not done with residential and would be come a collection nightmare even if it did occur. With both residential or commercial property, new construction is really the only way that the district sees much growth in real estate taxes. Often times, school districts have much more to lose in CRA agreements than the municipalities but don't have much say and are only brought to the table if the CRA is greater than 50%. In the Village of Edgerton the school district collects roughly 55.4% of the real estate taxes while the Village only collects 8.5% of the real estate taxes. Therefore, the impact of revenue on the district is roughly 6.5 times the amount of the Village. Yet, the Village controls the CRA with little to no say from the school district. The districts real estate taxes make up roughly 25% of the overall general fund revenue, which accounts for more than 50% of the districts local share. Based on the current developments in town and those in the works our district could be looking at a loss of \$1,044,000 in potential revenue bases on estimated valuation over a 15 year taxabatement. This is just the residential property and does not take into consideration if a business would not make an agreement to make the school district whole for lost revenue. Obviously, if people are moving into the district there is a good chance that enrollment could increase. Therefore, cost would be going up and the local share would not be changing. This would then put additional financial burden on the current residents of the district pick up the necessary added cost to the local share. I am very pro business and growth. However, commercial development should not be done at the expense of our current taxpayers. This is why the current CRA legislation works - it strikes the right balance between encouraging development and protecting our taxpayers and schools.

We also have serious concerns with the proposed change to increase the threshold that triggers the sharing of payroll taxes under current law. The statutory authority for the municipality or county that established the CRA to enter into a compensation agreement with the school district is necessary. The school district is foregoing property tax revenue due to the CRA abatement and the sharing of payroll taxes applies to make the district whole. This authority provides each community the flexibility to find the right balance between incentivizing the development and meeting the needs of the impacted school district.

Mr. Chairman, I want to thank you and the committee for you time and consideration. This concludes my testimony. **I urge you to oppose HB 123.** I have also attached information regarding the amount of real estates taxes my district could loss on just the residential side. I am happy to address your questions.

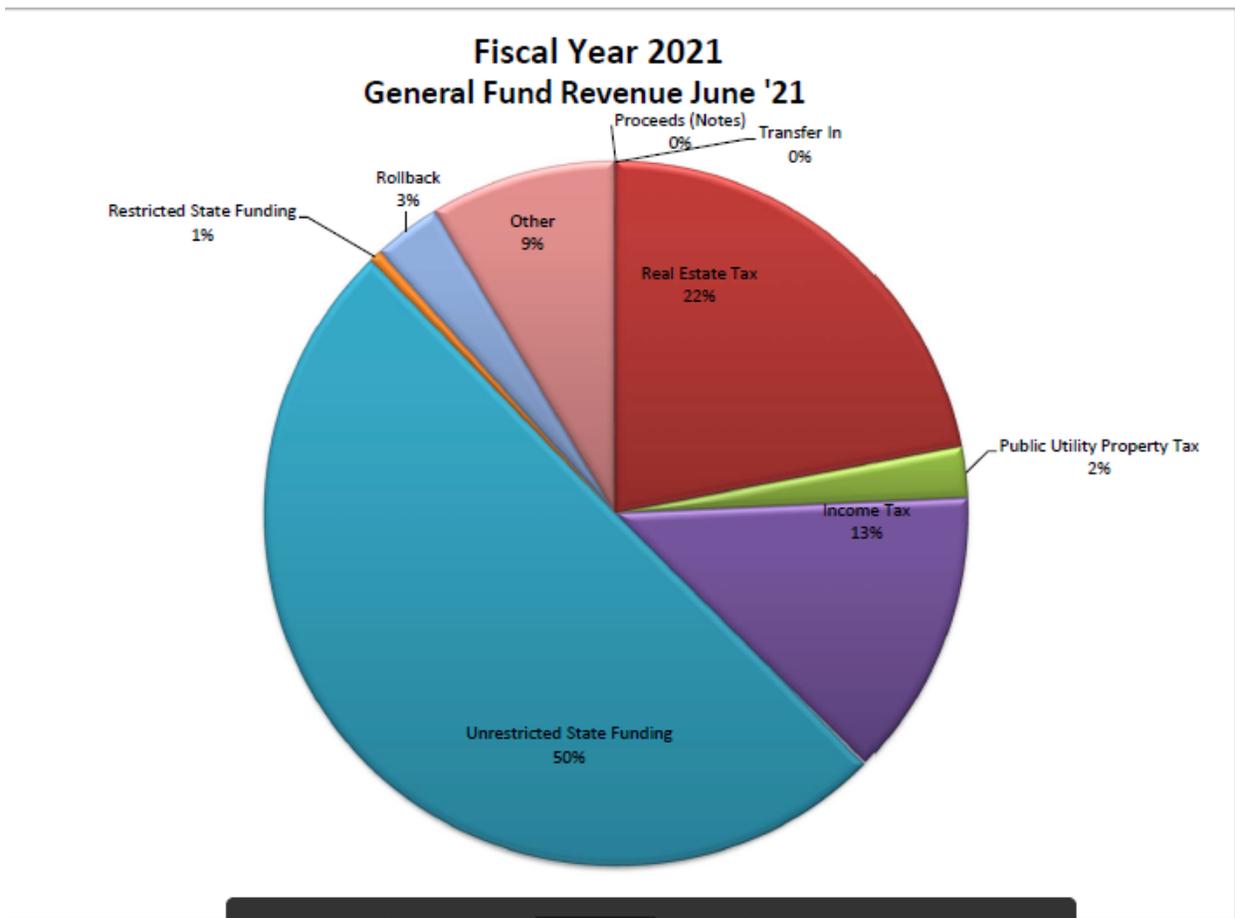
Sincerely,

William E Blakely  
Treasurer/CFO

# Village of Edgerton CRA proposal

Tax Unit Name	Amount	Percentage
School District	\$2,456.96	55.44%
Township	\$242.66	5.48%
City/Village	\$375.42	8.47%
County	\$1,065.00	23.98%
JVS	\$295.90	6.63%
<b>Total</b>	<b>\$4,431.94</b>	<b>100%</b>

Based on the above information (taken from the Williams County Auditors website). A house in the Village has roughly 55.44% of their real estate taxes go to the School District. Meanwhile the Village only collects 8.47% of that tax. Therefore, any tax abatement has a 6.5 times larger effect on the school than it does the Village.



Additionally, 22-25% (rollback is part of real estate tax) of the school districts revenue annually is made up of real estate taxes collected. Therefore, over 50% of the school districts local revenues are coming from real estate taxes. The vast majority of increases in real estate taxes collected annually by the school district comes from new construction not valuation change.

## Current Housing Developments and in the works

<u>Name</u>	<u># of lots</u>	<u>Average Value</u>	<u>Assessed Value</u>	<u>20Mill Tax / house</u>	<u>Year of abatement</u>	<u>Total Abated tax/house</u>	<u>Total abatement for all the homes</u>
Al-Phine 1	10.00	350,000.00	122,500.00	2,450.00	15.00	36,750.00	367,500.00
Knox	15.00	180,000.00	63,000.00	1,260.00	15.00	18,900.00	283,500.00
Al-Phine 2	15.00	250,000.00	87,500.00	1,750.00	15.00	26,250.00	393,750.00
						81,900.00	1,044,750.00