



# WILLOUGHBY-EASTLAKE Board of Education

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35353 Curtis Blvd · Eastlake, OH 44095 · Phone: (440) 946-5000 · Fax: (440) 946-4671

## Senate Ways and Means Committee HB 123 Opposition Testimony

**Willoughby-Eastlake City School District, Lake County**  
**Nicholas E. Ciarniello, Treasurer/CFO**

**February 14, 2022**

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 Nick Ciarniello and I serve as the Treasurer/CFO for the Willoughby-Eastlake City School District in Lake County. The Willoughby-Eastlake City School District educates 7,600 students across the cities of Willoughby Hills, Willoughby, Eastlake, and Willowick, as well as the villages of Lakeline, Timberlake and parts of Waite Hills.

As required by the Ohio Constitution, school districts must raise a portion of the funds needed to educate the students in their community. This is often referred to as a school district's "local share." Up until the passage of HB 110 the Willoughby-Eastlake City School District was a capped district. This forced the district to become very reliant on local taxpayer dollars in order to sustain the school district. 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.

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. To provide context for HB 123's proposed changes, it is important to keep in mind that the current CRA law applicable to residential development does not require board approval prior to awarding a 100% property tax abatement. Any changes to the CRA provisions applicable to commercial and industrial property need to be considered in light of this fact. We understand that economic development tools, such as a CRA, encourage development in communities that might not otherwise happen without certain incentives. However, a win-win-win situation should be the ultimate goal between the applicant, city and the school district.

The current CRA law allows for the elected boards of education of the impacted school districts to speak on behalf of their communities when a proposed exemption for a commercial or industrial project 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 beneficial dialogue needed in order to find a win-win-win situation. The biggest and quite frankly only loser in this situation is the school district which hurts the kids.

In our district, a Veterinary Rehabilitation Facility (VRF) was seeking a 100% tax abatement for a 15-year period. The City of Willoughby Hills and the applicant presented the school district as to why this was good for the community. However, the current proposal was not a win for the school, only for the city and the VRF. The city would benefit from increased income tax and the applicant would be paying no additional taxes on the new building that they wanted to construct in excess of \$2 million. Eventually, we agreed to a structure that we felt would result in a win-win-win situation. This situation and dialogue would have likely not occurred with the proposed changes found in HB123. Another situation in Willowick occurred when the applicant sought the 100% for 15 years with the full support of the city. After proposing the same structure as agreed upon with the VRF the applicant settled for the 50%, thus eliminating the need for school district input/approval.

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. In our district, we agreed to a revenue sharing agreement with the City of Willoughby Hills as a part of the VRF CRA mentioned in the previous paragraph. The city was willing to give the school 75% of any income tax from \$500,000-\$999,999 and then 50% once it exceeded \$1 million. By increasing the threshold to \$3 million, it is highly unlikely that the school district would have the opportunity to recoup some of the funds foregone by providing the CRA abatement, let alone be made whole. This proposed change would disrupt the balance that has been struck under the current CRA legislation.

Mr. Chairman, this concludes our testimony. **We urge you to oppose HB 123.** Thank you for your consideration. We are happy to address your questions.