



Senate Ways and Means Committee
House Bill 123 – Opposition Testimony
February 15, 2022

Buckeye Association of School Administrators (BASA)
Ohio Association of School Business Officials (OASBO)
Ohio School Boards Association (OSBA)

Chair Blessing, Vice Chair Roegner, Ranking Member Williams, and members of the Senate Ways and Means Committee, thank you for the opportunity to provide testimony on House Bill (HB) 123 and its proposed changes to the requirements related to community reinvestment areas (CRA) under current law. My name is Nicole Piscitani with the Ohio School Boards Association. Joining me today for this testimony and in answering your questions is Kevin Miller with the Buckeye Association of School Administrators and Katie Johnson with the Ohio Association of School Business Officials.

Collectively, our organizations represent public school board members, superintendents, treasurers/CFOs and other school business officials from around the state. On behalf of our members, we are testifying in opposition of HB 123, with concerns related to the proposed changes impacting school districts.

Ohio's current law governing CRAs allows for economic development to occur, while striking a balance between encouraging development and protecting our schools. We understand that economic development tools, like a 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.

School districts are very limited under Ohio law in their ability to raise funds. School districts are restricted to either levying a property tax or income tax, with the vast majority levying a property tax to raise their constitutionally mandated local share. Voted property tax levies are approved by the electorate for a specific purpose. 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.

Considering that school districts predominately rely on property taxes to raise local funds, it is not surprising that the highest millage rates in a community are typically for school levies, which may include both operating and capital purposes. In contrast, while counties and municipalities have the authority to place a property tax levy on the ballot for specific purposes, they rely predominately on sales and income

taxes, respectively. The result is that any property tax exemption has the **greatest** impact on school districts and the *children and communities* they serve.

The current CRA law acknowledges this impact on school districts and requires school district approval for any tax exemption over 50%. The 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. We ask the Committee to reject this change.

We also have serious concerns with the proposed change to increase the threshold for the sharing of payroll taxes under current law from \$1,000,000 to \$3,000,000 (indexed to inflation). When a CRA abatement is provided by a municipality or county, the school district is impacted most by the foregoing of property tax revenue. The current CRA statute recognizes this and requires the sharing of the payroll taxes with the school district when the project is successfully generating payroll taxes in excess of \$1,000,000. Increasing this threshold from \$1,000,000 to \$3,000,000 does not impact the developer utilizing a CRA abatement, the payroll tax is paid regardless; it is the school districts and the students they serve who are the most negatively affected. For this reason, we ask the Committee to reject this change and leave the threshold at \$1,000,000.

The success of our children and our schools is essential for our communities and our state. Strong schools means that our communities can offer an effective workforce. A consistent and ongoing supply of a quality workforce is critical in attracting and retaining business. Including school districts in the discussion of economic development and the incentives provided to attract and retain businesses can help companies understand our schools' value and can be used to help inform workforce and career development programs.

Therefore, we urge the Committee to leave the portions of the current CRA law applicable to school districts as-is, and reject the modifications proposed in HB 123.

Thank you for the opportunity to testify today. We would be pleased to answer questions from the Committee.