



HOUSE WAYS AND MEANS COMMITTEE  
House Bill 123 – Opposition Testimony  
March 9, 2021

Ohio School Boards Association  
Buckeye Association of School Administrators  
Ohio Association of School Business Officials

Chair Merrin, Vice Chair Riedel, Ranking Member Sobbecki, and Members of the House Ways and Means Committee, thank you for the opportunity to provide opponent 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 Katie Johnson with the Ohio Association of School Business Officials. Joining me today for this testimony and in answering your questions is Kevin Miller with the Buckeye Association of School Administrators and Will Schwartz with the Ohio School Boards Association.

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 majority levying a property tax. 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 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 eliminate 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. For this reason, the use of revenue sharing agreements is standard in other economic development tools, such as enterprise zones and tax increment financings.

Considering that state funding for K-12 schools has been frozen at FY19 levels (which has been subsequently cut during the last two fiscal years), revising the CRA law to further limit a school district's ability to raise the necessary funds at the local level could have a devastating impact on our schools, and ultimately, the communities they serve. 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.