Ohio School Boards Association

TO: Nelson Fox, Fiscal Division Chief

FROM: Richard Lewis, Executive Director
Damon Asbury, Director of Legislative Services

DATE: September 19, 2016

RE: **2016 FISCAL IMPACT STATEMENT REPORT**

The Ohio School Boards Association (OSBA) appreciates the opportunity to review the 2016 Local Impact Statement Report on bills enacted in 2015. The Legislative Services Commission (LSC) prepares an annual report for members of the Ohio General Assembly and the general public on the fiscal impact of certain specific bills on public school districts and other local government agencies. The report provides a concise and valuable analysis of the cost and programmatic implications of the selected bills.

The 2016 Local Impact Statement Report highlights four bills enacted during 2015 that require local impact statements. Two of the four bills have potentially negative fiscal impact on certain local school districts. The two bills are Am. House Bill (HB) 19 and Sub. Senate Bill (SB) 208.

Am. HB 19 incorporates the most recent changes in the Internal Revenue Code (IRC) into Ohio law. This is an important and necessary process. The changes act to reduce the Federal Adjusted Gross Income, which in turns reduces the Ohio Adjusted Gross Income. This leads to a reduction in total tax revenues for the State General Fund and particularly for school districts that levy a school district income tax. It is estimated that tax returns will be reduced by several million dollars in FY 15 and thereafter.

HR 5771, and Am. HB 19 include an extension of an above the line tax deduction of up to $250 for educators who incur expenses for books, supplies, computer equipment and software and supplementary materials used in the classroom. This presents mixed results, in that educators employed by the district may be more likely to spend personal dollars on educational supplies for their classrooms, but also reduces the total tax revenues available to the district.

The second bill, SB 208 addresses tax rates applicable to taxable business income, permits taxpayers to claim personal exemptions and credits, expands exclusions to the commercial activity tax and modifies levy reimbursement

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payments to certain school districts. The latter changes are due to legislative efforts to soften the phase out of tangible personal property (TPP) tax supplements. The changes ensure that for FY 17 traditional qualifying districts will receive at least 96% of FY 15 state aid plus reimbursements for fixed-rate operating levies. Further, the bill modifies the formula for reimbursement payments for TPP tax losses beginning in FY 18. The supplemental reimbursement payments will be phased on an annual basis at a uniform rate of 5/8 mill of property valuation. Such payments are expected to continue for an additional 15 years and will provide an estimated $325.4 million to school districts over time. This will apply to approximately 44 school districts that have been heavily dependent on previous TPP supplemental reimbursement payments. However, some joint vocational school districts will lose TPP reimbursement as compared to current law.

OSBA was very active throughout the budget process and worked hard to eliminate or mitigate the impact of the TPP phase-out on school districts. OSBA and others were successful in getting language to address such matters included in the budget (HB 64), but Governor Kasich vetoed the provisions. SB 208 provisions were designed to provide relief to those districts impacted by the veto. Efforts are ongoing to address the JVS issue.

Unrelated to the TPP payments, the changes to personal exemption eligibility may also reduce revenues to those school districts with a School District Income Tax.

OSBA continues to support the publication of fiscal impact statements. The association also supports legislation that would require the General Assembly to issue local impact statements of <u>all</u> bills prior to their final enactment. This would include the biennial budget, capital appropriations bill and any budget corrections bill which are now exempted from such local impact statements. As in prior years, we would encourage that fiscal impact statements be issued at each step of the legislative process as changes occur from the "As Introduced" version of a bill.

Once again, OSBA wishes to express appreciation to the Legislative Service Commission for its hard work and diligence on this important task. We look forward to working with you now and in the future.

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