

MEMORANDUM

To: Members of the 133rd General Assembly

From: Paolo DeMaria, State Superintendent of Public Instruction

Date: August 20, 2020

RE: Compensation for Decrease in Valuation of District Public Utility Personal Property

SUMMARY

This memo is being provided pursuant to Ohio Revised Code section 3317.27, and presents the recommended structure for districts who have experienced a fifty per cent decrease in valuation of public utility personal property. The Department is recommending that no additional action is needed by the General Assembly since the provisions of recently enacted H.B. 164 have addressed the issue.

BACKGROUND

Under House Bill 49 of the 132nd General Assembly, the following section was amended into law:

Sec. 3317.27. (A) In any fiscal year, if a city, exempted village, local, or joint vocational school district experiences at least a fifty per cent decrease in valuation of public utility personal property, as certified to the department of education under division (A)(2) of section 3317.021 of the Revised Code, from the tax year immediately preceding the most recent tax year for which data is available to the most recent tax year for which data is available, the department shall develop a payment structure to recommend to the general assembly that would provide additional state funds to the district to compensate the district for a percentage of that decrease in valuation. This payment structure shall take into consideration the effect the valuation decrease has on the amount of state foundation aid received by the district under this chapter and any temporary transitional aid or payment limitations imposed by the general assembly that apply to the district.

(B) Annually, the department shall submit to the general assembly, in accordance with section 101.68 of the Revised Code, the recommended structure for each district to which division (A) of this section applies for the current fiscal year.

IMPACTED DISTRICTS

On May 14, 2020, the Department of Taxation certified tax year (TY) 2019 public utility personal property values. One district, Manchester Local School District in Adams County, experienced a 65.86% reduction in public utility personal property values in TY 2019 compared to TY 2018. The declining public utility values are the result of the sale and subsequent closure of the J.M Stuart and Killen power stations in Adams County.

In the last biennium, Manchester LSD benefited from sections [3317.017](#) and [3317.028](#) of the Revised Code. These two provisions benefited Manchester LSD and other school districts with declining public utility values and automatically provided increased state funding to offset losses in local tax revenue.

In FY20 and FY21, the state budget (H.B. 166 of the 133rd General Assembly) establishes state foundation funding at FY19 levels, and changing property values, including public utility, were not a factor in the calculation of state funding. As a result, the budget also suspended any year-end adjustments under section 3317.028 of the Revised Code.

RESOLUTION

Recently, however, the Governor signed [H.B. 164](#) into law. The legislation includes an adjustment to state foundation funding similar to the adjustment provided under section 3317.028 of the Revised Code. The Department of Taxation certified eligible school districts to the Department of Education on July 1, 2020. Manchester LSD and seven other school districts were eligible for adjustments under the provision. For Manchester LSD, the adjustment is \$1,318,834. This amount is equal to the amount of local operating taxes lost since FY19 funding was calculated. As a result, the adjustment fully compensates the district for local property tax losses related to the loss in value described above. As such, the Department has no additional payment structures to recommend at this time.