



# Ohio Legislative Service Commission

## Bill Analysis

Sam Benham

### H.B. 547

129th General Assembly  
(As Introduced)

Rep. Pillich

---

## BILL SUMMARY

- Modifies, beginning in fiscal year 2014, the school district and joint vocational school reimbursement schedule for the loss of revenue from the phase-out of the tax on tangible personal property used in business.
- Bases the amount of reimbursements on the reimbursement amount a school district received in fiscal year 2011 (i.e., before current law's reductions and phase-outs were implemented).
- Provides permanent and full reimbursement for a school district whose total fixed-rate levy loss as of tax year 2011 is at least 10% of the district's total revenue resources.
- Phases out reimbursement schedules for a school district whose total fixed-rate levy loss as of tax year 2011 is less than 10% of the district's total resources.

---

## CONTENT AND OPERATION

### Tangible personal property tax phase-out and replacement payments

The bill replaces the existing schedule for phasing out the reimbursements paid to school districts and joint vocational schools for their loss of business tangible personal property tax revenue caused by the previously legislated repeal of those taxes. The effect is to allocate to school districts a percentage of replacement payments each district received during fiscal year 2011 based upon the percentage a district's fixed rate levy loss is of the district's total revenue resources as measured under current law.<sup>1</sup>

---

<sup>1</sup> A fiscal year for a school district runs from July 1 through June 30.

From 2005 to 2011, state law phased out taxes levied by school districts on business personal property. To compensate the school districts for the resulting property tax losses, state law established a schedule of "replacement" payments from commercial activity tax revenue. A school district's fixed-rate levy losses equal its 2004 personal property taxable values multiplied by the sum of the effective tax rates for its fixed-rate levies in effect in tax year 2004 or applicable to tax year 2005 (so long as the levy was approved by voters before September 1, 2005). From this product is subtracted the school district's "state education aid offset," which is the increase in state funding a school district receives because of the loss of its personal property tax base. The resulting difference was the amount of the replacement payment, which was paid in full for each fiscal year through fiscal year 2011.

### **Current law**

Under current law, beginning in fiscal year 2012, the base for a taxing unit's fixed-rate levy loss reimbursement is, for school districts, the district's "current expense TPP allocation," which is the portion of the reimbursement the school district received in fiscal year 2011 relating to fixed-rate current expense levies, excluding any portion relating to levies that expired. (For ease of explanation, current expense TPP allocation is referred to hereafter as "TPP allocation.")

Over the fiscal year 2012-2013 fiscal biennium, fixed rate levy loss reimbursements are either reduced or terminated. To determine whether a school district is entitled to fixed-rate current expense levy loss reimbursement for a fiscal year, the district's TPP allocation is compared to its "total resources," which is the district's total receipts over a single fixed period from certain state and local resources. If the school district's TPP allocation does not exceed a threshold percentage of its total resources, it is no longer entitled to reimbursement for fixed-rate current expense levy losses. If its TPP allocation does exceed the threshold, its reimbursement for the fiscal year equals the difference of its TPP allocation minus the threshold percentage of its total resources. The threshold percentage is 2% for fiscal year 2012 and 4% for fiscal years 2013 and thereafter. (For ease of explanation, this formula is referred to hereafter as the "threshold percentage formula.")

Reimbursement for fixed-rate levies for purposes other than current expenses is reduced by 25% in FY 2012 and by 50% in FY 2013 and thereafter as compared to the reimbursement received by districts under the prior reimbursement formula in effect for fiscal year 2011.

## New reimbursement schedules for school districts

Beginning in fiscal year 2014, the bill modifies the school district and joint vocational school reimbursement schedule for the loss of revenue from the tangible personal property tax phase-out. Instead of calculating fixed-rate current expense levy loss reimbursement using the threshold percentage formula and reducing fixed-rate non-current expense levy loss reimbursement by 50% from the FY 2011 amount, the bill bases the reimbursement schedule on the percentage that a school district's 2011 fix rate levy loss (for both current expenses and non-current expenses) is of the district's total resources. Depending on this percentage, a school district will receive a certain percentage of the amount of the reimbursement the district received in FY 2011, the last year in which districts received full fixed-rate levy loss replacement payments.

To determine how quickly the reimbursement payments phase out under the new schedule, the bill divides school districts into four separate classes based on the percentage a district's total 2011 fixed-rate levy loss is of the district's total resources. "Class I" schools include each district whose 2011 total fixed-rate levy loss is at least 10% of the district's total resources. "Class II" schools have 2011 fixed-rate levy losses that are at least 5.8% and less than 10% the district's total resources. "Class III" schools have 2011 fixed-rate levy losses of at least 3.3% and less than 5.8% the district's total resources. "Class IV" schools have 2011 fixed-rate levy losses less than 3.3% of the district's total resources. In general, the districts in classes with higher loss percentages phase out over a longer period of time -- or not at all -- compared with classes with lower loss percentages. The reimbursement payments phase out for each class of school district according to the following schedule, of which the percentages indicate the percentage of the total fiscal year 2011 payment required to be made to the district in that fiscal year:

Fiscal Year	Class I	Class II	Class III	Class IV
2014	100%	100%	100%	100%
2015	100%	95%	90%	90%
2016	100%	95%	90%	80%
2017	100%	90%	80%	70%
2018	100%	90%	80%	60%
2019	100%	85%	70%	50%
2020	100%	85%	70%	40%
2021	100%	80%	60%	30%
2022	100%	80%	60%	20%
2023	100%	75%	50%	10%

<b>Fiscal Year</b>	<b>Class I</b>	<b>Class II</b>	<b>Class III</b>	<b>Class IV</b>
2024	100%	75%	50%	0%
2025 and 2026	100%	70%	40%	0%
2027 and 2028	100%	65%	30%	0%
2029 and 2030	100%	60%	20%	0%
2031 and 2032	100%	55%	10%	0%
2033 and 2034	100%	50%	0%	0%
2035 and 2036	100%	45%	0%	0%
2037 and 2038	100%	40%	0%	0%
2039 and 2040	100%	35%	0%	0%
2041 and 2042	100%	30%	0%	0%
2043 and 2044	100%	25%	0%	0%
2045 and 2046	100%	20%	0%	0%
2047 and 2048	100%	15%	0%	0%
2049 and 2050	100%	10%	0%	0%
2051 and 2052	100%	5%	0%	0%
2053 and After	100%	0%	0%	0%

The Department of Education is required to pay one-half of each school district's or joint vocational school's total fiscal year reimbursement twice per fiscal year – on or before November 20 and on or before May 31.<sup>2</sup>

---

## **HISTORY**

### **ACTION**

### **DATE**

Introduced

05-15-12

H0547-I-129.docx/emr

---

<sup>2</sup> R.C. 5751.20 and 5751.21(C)(13).

