



Peter A. Cooper

Bill Analysis

Legislative Service Commission

H.B. 797*

123rd General Assembly
(As Introduced)

Rep. Mottley

BILL SUMMARY

PROPERTY TAXES

- Shifts some existing school district property taxing authority to the state by replacing some of each school district's property tax levies with one new levy in the district, the revenue from which is used to fund a portion of the state foundation program.
- In each school district, imposes the new levy at rates that yield up to 1% of the true value of taxable property (net of unvoted taxes levied by counties, cities, townships, and other subdivisions). Since various classes of property are taxed on different percentages of true value, a different rate is applied to each class so that the taxes levied against the class do not exceed 1% of the true value of property in that class. (Sec. 5705.17(B).)
- Imposes the tax at the following rates (other subdivisions' inside millage is subtracted from the rates shown here): 20 mills on real property, declining to 18 mills within three years; 40 mills on business personal property (including inventory) and public utility property assessed at 25% or less of true value; 20 mills on public utility personal property assessed at 50%; and 11 mills on public utility personal property assessed at 88%. (Sec. 5705.17(B).)

* The introduction of the bill had not been journalized at the time this analysis was prepared. Note that the list of co-sponsors and the legislative history may be incomplete.

- Reduces each school district's local property tax rate to the extent required to offset the new levy. The tax rate reduction varies for each class of property to reflect that the new levy is imposed at different rates on the several classes of property. Only current expense levies (including "emergency" levies) are reduced. (Sec. 5705.17(E).)
- Imposes the new levy and reduces school district tax rates, beginning with tax year 2001 (payable beginning in 2002). (Sec. 5705.17(B).)
- The new levy, being within the constitutional limit on unvoted taxes (1% of true value), is not subject to the "H.B. 920" tax reduction factor law that limits the growth in real property taxes. The bill expresses a legislative intent to eventually make the new levy subject to those limits, and provides for a reduction in the rate on real property from 20 mills to 18 mills in the year of the first sexennial reappraisal or triennial update occurring after 2001. (Secs. 319.301(A) and 5705.17(B)(5); Section 9.)
- In the year of a county's first sexennial reappraisal or triennial update occurring after 2001, levies a one-half mill county-wide tax to pay for school districts' local shares of special education expenses. (Sec. 5705.17(C).)
- Retains school district authority to levy voter-approved property taxes, but only to the extent that the total rate charged against tangible personal property for current expenses exceeds 60 mills (including the new levy imposed by the bill).
- Beginning in tax year 2003, if any school district levies more than 25 mills against tangible personal property (excluding the new levy imposed by the bill), the bill reduces the local tax rate each year by 1 mill or 10% of the millage in excess of 25 mills (whichever is less), until the local rate is no greater than 25 mills on tangible personal property (or, equivalently, until the combined rate of local levies and the new levy is not greater than 60 mills). (Sec. 5705.171(B).)
- Eliminates the 20-mill tax reduction factor floor. (Sec. 319.301(E).)
- Makes delinquent taxes owed to a school district and outstanding on January 1, 2002, payable to the state. (Sec. 5705.17(F).)

EDUCATION FUNDING

- Dedicates all of the proceeds from the new tax levy imposed in each school district to a State Basic Education Fund the bill creates, to be used to fund the foundation program.
- Changes how the foundation formula's charge-off amount is computed. The current charge-off, equal to 23 mills times a district's total property valuation, is replaced with a charge-off equal to a district's tax collections from public utility personal property from local voter-approved levies (but not from the new levy). The new charge-off would be capped at the equivalent of 35 mills times the value of public utility personal property. (Sec. 3317.022(B).)
- Once the new one-half mill county-wide special education tax begins to be levied, replaces the local share of special education amount that is currently used to compute special education aid with a one-half mill charge-off against state special education formula aid. (Sec. 3317.022(C).)
- Dedicates revenue from the county-wide special education levy to a fund in the county, to be disbursed among school districts in the county by the education service center serving that county. If a center serves more than one county, the revenue would be disbursed among school districts in all of the counties served by the center. (Sec. 3317.111.)
- Makes the educational service center and the Department of Education responsible for monitoring whether school districts appropriately identify and evaluate students for special education services. (Sec. 3317.111.)
- Increases the transportation funding subsidy from 60% to 100% of the formula base cost by 2010 in 5 percentage point increments beginning with FY 2002. Incorporates transportation costs exceeding the state's transportation subsidy into the "gap" subsidy so that school districts with local transportation costs exceeding the subsidy are paid for the excess. (Secs. 3317.022(D) and 3317.0216.)
- Modifies the foundation formula guarantee to ensure that each school district receives its guarantee amount under current law plus an amount equal to the proceeds of the new levy imposed in the district. (Sec. 3317.0212.)

- Accelerates the repeal of the foundation funding cap from FY 2003 to FY 2002. (Sections 5 and 6.)

SCHOOL FACILITIES

- Permits some school districts to levy an unvoted tax (within the 1% limitation) of between 1-1/2 mills and 2 mills to provide the local share of a School Facilities Commission building project. (Sec. 3318.056.)
- To levy such a tax, the school district must have failed three ballot measures to provide the local share, or must have an immediate need to make health- or safety-related improvements. Approval is required from the School Facilities Commission. (Sec. 3318.056.)

FISCAL OVERSIGHT

- Authorizes the Auditor of State, before declaring that a school district is in fiscal watch or fiscal emergency, to determine whether a school district's fiscal practices are unsound, and to provide instructions and a schedule for ending such practices. (Sec. 3316.031.)
- Makes the failure of a school district to abide by the Auditor's instructions or schedule a cause for which the Auditor may declare a fiscal watch in the district. (Sec. 3316.03.)
- Declares it to be the state's policy to provide early intervention in school district financial management in order to help school districts avoid financial problems and the need for future solvency assistance. (Sec. 3316.02.)

SPECIAL SUBSIDY FOR MANDATE COMPLIANCE

- Appropriates \$100 million from the GRF for FY 2001 to pay school districts for unreimbursed additional costs associated with implementing the mandates of H.B. 412 and S.B. 55 of the 122nd General Assembly. (Section 7.)
- Directs the Department of Education to distribute the subsidy on the basis of applications submitted by school districts, and to give preference to districts either seeking reimbursement for one-time costs or having insufficient local revenue above the base cost level to absorb the additional costs.

- Expresses a legislative intent to incorporate the costs of the mandates into the base cost funding level beginning with FY 2002, and to appropriate sufficient money to pay for that funding. (Section 8.)

HISTORY

ACTION	DATE	JOURNAL ENTRY
Introduced	---	---

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