Ohio School Boards Association

TO: Terry Steele, Senior Budget Analyst

FROM: Jennifer Hogue, Director of Legislative Services

DATE: April 17, 2023

RE: **2023 LOCAL IMPACT STATEMENT REPORT**

The Ohio School Boards Association (OSBA) is pleased to take advantage of the opportunity to review the 2023 Local Impact Statement Report on bills enacted in 2022. The Legislative Service Commission (LSC) report to the Ohio General Assembly and to the public on the fiscal impact of certain specific bills is a valuable service.

The 2023 Local Impact Statement Report highlights 14 bills enacted during 2022 that require local impact statements. Five of the 14 bills have potentially negative fiscal impact on the level of revenues available to support public school districts. These five bills are House Bill (HB) 223, HB 501, Senate Bill (SB) 33, SB 225 and SB 246. HB 95 had a positive effect on public school districts.

OSBA strongly believes and reiterates its longstanding desire to see even more bills subject to having fiscal impact statements prepared. This is particularly true for omnibus bills, such as the biennial budget bill. We do, however, appreciate the opportunity to review and comment on these specific bills.

HB 95 increases FY 22 appropriations for the Federal School Lunch line item by $338 million. This funding allowed the Ohio Department of Education to pay federal reimbursement to school districts that operate school lunch programs. This funding is appreciated because it provided the funds necessary to continue providing free meals to all students consistent with the federal waiver extension.

HB 223 allows sales tax vendors to deduct sales tax remitted for bad debt on private label credit cards that were used to make purchases from the vendor. The estimated loss to the General Revenue Fund (GRF) is estimated to be up to $16.2 million per year. Ohio's public schools receive their state share of funding from the GRF. This change will result in less money in the GRF, and in turn, less money available to advance the phase-in of the Fair School Funding Formula to provide resources for the education of Ohio's public school students.

HB 501 extends the municipal tax increment financing (TIF) laws to townships. This change could result in school districts losing local

8050 N. High Street
Suite 100
Columbus, Ohio 43235-6481

(614) 540-4000
(800) 589-OSBA
(614) 540-4100 [fax]
www.ohioschoolboards.org

revenue because of new property exemptions for TIFs that townships will establish. Additionally, school districts may see additional costs for the required reviews because of their membership on the township's tax incentive review council.

SB 33 makes changes to the community reinvestment area (CRA) law. Previous law allowed CRA tax exemptions for commercial or industrial property to be granted without the approval of the school district board of education if tax revenues for the property, plus any payments to the district, were equal to or exceed 50% of what the tax revenues would have been without the exemption. This bill lowers that threshold to 25%. The decrease makes the approval of tax exemptions easier and will increase local revenue losses to school districts.

The bill also changed the requirement that municipalities share half of municipal income tax revenue from new employees at the project in the CRA with the school district if the additional payroll was $1 million or more by increasing the threshold to $2 million and indexing it for inflation. Under the bill's changes, this is only required if the municipality that established the CRA is unable to negotiate a compensation agreement with the district. This arrangement benefits municipalities over school districts.

SB 225 makes changes to the historic building rehabilitation tax credit and the Ohio Opportunity Zone credits. These changes are estimated to result in a $82.1 million loss to the GRF over the FY 21-22 biennium and a loss of $82.2 million in the FY 23-24 biennium. These reductions to the GRF result in less funding available to advance the phase-in of the Fair School Funding Plan which provides resources for the education of Ohio's public school students.

SB 246 lowers the tax rate paid on a portion of a pass-through entity's income from 3.99% to 3% beginning in tax year 2023. The potential loss to the GRF is up to $75.7 million in FY 23, up to $77.5 million in FY 24 and will be ongoing based on the rate of participation. These reductions lower the amount of GRF funding available to advance the phase-in of the Fair School Funding Formula and provide the resources necessary to educate Ohio's public school students.

Additionally, the tax exemptions and credits made available through individual bills continue the trend of lower and lower state revenues available to support common and public purposes, including the education of Ohio's children. Appropriate funding for the education of Ohio's children is an ongoing concern for boards of education and should be shared by all of Ohio's citizens.

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.