Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: S.B. 321 of the 129th G.A. **Date**: May 8, 2012

Status: As Introduced **Sponsor**: Sen. Beagle

Local Impact Statement Procedure Required: No

Contents: Authorizes the State Library Board to establish library districts for association libraries, makes other changes to the law concerning public libraries, and declares an emergency

State Fiscal Highlights

- Lower property taxes as a result of elimination by the State Library Board of overlapping territory subject to property taxation by two library systems would reduce state reimbursement of the 10% rollback of residential and agricultural real property taxes and of the homestead exemption.
- The State Library Board may incur costs to review the boundaries of all public library districts in the state and to amend, define, and adjust the boundaries to eliminate areas of overlap. According to the Board, these costs are expected to be minimal.

Local Fiscal Highlights

- Elimination by the State Library Board of overlapping territory subject to property taxation to fund two library systems would reduce property tax revenue, by an estimated $276,000 to $434,000.

Detailed Fiscal Analysis

The bill authorizes the State Library Board to establish library districts for association libraries and makes other changes to the law governing the organization, governance, and operation of public libraries. Those provisions with potential fiscal effects are discussed below. Please see the bill analysis for a description of all the bill's provisions.

Tax Provisions

The bill requires the State Library Board, prior to January 1, 2015, to review the boundaries of all public library districts in Ohio and amend, define, and adjust the boundaries as necessary to eliminate areas of overlap.

Reducing the aggregate tax rate in a taxing district, by eliminating that taxing district as part of the territory of a library, would reduce local tax revenue. To the extent that the reduction in taxes is on residential or agricultural real property, the state reimbursement for the 10% rollback would also be reduced. For owner-occupied residential real property, the lower tax rate would also imply a reduction in state reimbursement for up to $25,000 of market value of the home.

A search of the tax year 2011 tax rate abstract for jurisdictions with levies that have the word "library" in their names identified 139 library districts in 2,074 taxing districts that have such levies.[1] Of these, 11 taxing districts each had levies associated with two public library districts. A total of nine public library districts had such overlapping areas (one of these districts overlapped with two others). The total amount of taxes imposed for the benefit of these library districts is about $208,000.[2] If in each such situation the library district with the higher tax rate continued to receive revenue from the taxing district, the amount of tax revenue foregone by the other district would total about $69,000 statewide. If the library district with the lower tax rate continued in each instance to receive the tax revenue, the amount of tax revenue foregone would be about $139,000.

A State Library of Ohio statistical file for 2010 indicates that 120 public libraries received operating revenues from property taxes in that year, out of a total of 251 public libraries listed in the file. For the nine public library districts with overlapping areas, the share of each district's total operating revenue in 2010 represented by the estimate of

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[1] Some of the jurisdictions identified in this way are school district libraries.

[2] This estimate is based on tax year 2011 tax rates and real property taxable values in the 11 taxing districts, but uses tax year 2010 public utility taxable values. The tax year 2011 public utility taxable values by taxing district had not been published on the Department of Taxation web site as of the date that the research for this fiscal note was done.

property tax revenue from overlapping areas ranged from very little up to 16% in two districts, Champaign County Library and St. Paris Public Library.[3]

A separate analysis from the Ohio Library Council found four occurrences of overlapping library districts in the state. Two of these are occurrences of overlap included in the LSC analysis, and two are additional occurrences of overlap not identified by the method described above. The total value assigned by the Ohio Library Council to these four occurrences of overlapping library districts is about $376,000, however, this amount includes the taxes payable to both of the library systems in one of the occurrences of overlap. Since only one of the districts would forego taxes if overlaps are eliminated, the loss of tax revenue appears to be less than this amount, by $54,000 to $107,000.

Combining these two sources of information, the total amount of tax revenue foregone appears to be at least an estimated $276,000, and possibly up to $434,000.

Conversion of certain libraries to school district free public libraries

The bill provides two ways in which certain library associations and other eligible libraries may convert to a school district free public library. According to the bill, all assets and liabilities of the former library would become those of the newly created school district library. However, the bill also specifies any tax levies that have been authorized for the former library continue for the benefit of the school district library to assist in the payment of operating expenses, interest, or any other indebtedness, or for the retirement of bonds. Presumably, eligible libraries would seek to become a school district free public library only if they could get access to local tax funds via a levy.

State Library Board responsibilities

The bill authorizes the State Library Board, under certain circumstances, to define, amend, and adjust the boundaries of overlapping library districts and association libraries. As mentioned above, the bill also requires the State Board, prior to January 1, 2015, to review the boundaries of all public library districts in the state and to amend, define, and adjust the boundaries to eliminate areas of overlap. According to a spokesperson with the Board, additional Board meetings may be to deal with boundary changes. The Board also is likely to form a five to seven member advisory committee to deal with boundary disputes. The additional meetings and formation of the committee may result in increased costs related to reimbursement of members for necessary expenses. In addition to these costs, the Board may have increased administrative costs

[3] The figures for total operating revenue and estimated property tax from overlapping areas are not directly comparable since they are for different years, but are indicative of the relative importance to the nine library districts of the property tax revenue from these areas. Figures used are in each case the latest available.

for the increased workload under the bill. However, according to the spokesperson, the Board anticipates that these additional costs will be minimal.

Library governance provisions

The bill makes a variety of changes to the governance provisions of the current Library Law. One provision changes the current law requirement of a two-thirds vote for a library board to set aside any unencumbered surplus in the library's general fund to allow boards, without a vote, to set aside unencumbered surplus remaining in any fund, not just the general fund, as long as doing so would not be contrary to law. Another provision increases the competitive bidding threshold for a board of library trustees from $25,000 to $50,000. These two provisions, respectively, may provide library boards with more financial flexibility with their operations and may reduce administrative costs by allowing library trustees to avoid the bidding process for contracts below $50,000.

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