



Coalition for Fiscal Fairness in Ohio

The TPP group that wants to be part of the solution

Tim Pickana ■ 33800 Inwood Road ■ Solon, Ohio 44139 ■ 440-349-6207

Testimony before the House Extended Subcommittee on Primary and Secondary Education

Tim Pickana, President, Coalition for Fiscal Fairness in Ohio (CFFO)

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Presentation and discussion related to possible unintended consequences associated with the permanent elimination of TPP reimbursements to schools

Mr. Chairman, thank you for the opportunity to submit testimony today. My name is Tim Pickana, President of the Coalition for Fiscal Fairness in Ohio (CFFO). I am here to brief the committee on the importance of the Tangible Personal Property (TPP) tax and those Ohio school districts who are heavily reliant and who would be negatively impacted if those funds were permanently eliminated. It is because of this long-standing reliance that we remain highly involved with any tax policy or funding change as there are definite unintended consequences which a certain percentage of Ohio public school districts will be exposed to.

Prior to discussing this topic any further I would like to provide you with a brief description of my background. I am a graduate from Bethany College with a Bachelors degree in accounting, and a minor in economics. As a Certified Public Accountant I began my career with the Local Government Services division of the Ohio Auditor of State's Office (AOS), primarily working with counties, school districts, townships and villages throughout the southeastern quadrant of Ohio. I left AOS to begin my career as the Chief Financial Officer for public school districts. My experience as CFO with school districts has been with small, rural southeastern Ohio school district, and then on to one of the "Big 8" urban school



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districts in northeastern Ohio, and most recently with a fairly large and prominent suburban school district in northeastern Ohio. I believe that my professional background and cross-section of experience truly helps me gain a better understanding surrounding the various school district demographics throughout the State.

Approximately four years ago I was involved with a couple other school district CFOs establishing the CFFO. Over the past three years I have served as the President of the organization. The CFFO is an organization which was created to help address one issue, the Tangible Personal Property phase-out issue facing school districts across the state of Ohio who will be devastated by a permanent and complete phase-out. Our organization prides itself on believing that while we all must be a part of the solution to help address any state financial deficit or funding formula fix; we must not be a part of the problem. This was evident during the recent Biennium Budget (HB 153) when our organization worked with members of the Legislature, especially the House in retaining TPP reductions in both fiscal years 2012 and 2013. Collectively we recognized that we along with many entities must face reduced amounts to help with the state's financial deficit. The members within our CFFO organization realized a 2% operating revenue reduction beginning in fiscal year 2012, and then an additional 2% operating revenue reduction in fiscal year 2013. We are now receiving a total of 4% less in our TPP revenues per year each and every year moving forward. Our organization believes we must do our best to educate and inform our communities, taxpayers (both residential and commercial), and the Legislature of our situation surrounding the issue of making certain we retain our remaining TPP reimbursement revenues. It is our obligation to inform all parties involved that should a permanent and complete TPP phase-out ever be realized by high percentage TPP loss districts, there would be a significant, negative impact on those school districts, the



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residents, the business, and ultimately the children. It is our goal to make certain all parties involved are aware of the possible unintended consequences surrounding high percentage TPP loss districts should a permanent and complete phase-out plan be implemented. Please know many of the highly reliant TPP districts across Ohio applaud your efforts taken in the Biennium Budget, especially honoring past statutory protection related to TPP reimbursements.

Unintended consequences related to a permanent phase-out are our biggest concern. Following my testimony will be Ernie Strawser with Public Finance Resources, Inc., who will speak more to the numbers, however it is important to note that prior to HB 153 over 50% of school districts had less than a 5% reliance on TPP as a percentage of their operating revenue. It can definitely be argued that all school districts across the state could make budget adjustments necessary offset a 5% operating revenue loss. However, what about those that would receive greater than a 5% operating revenue reduction through the loss of TPP? What about those that stand to lose over 10%, 20% or even 30% of their total operating revenue, in addition to the 4% already lost over the past two years, as a result of the TPP loss alone?

We respectfully ask you to please not make the mistake to believe that all of the high TPP loss districts are rich and will simply have to absorb the loss. There is a significant cross-section of districts that will be devastated.

- Many are low per pupil expense districts located in a lower cost of living quadrant of the state. Others may be slightly higher per pupil expense districts located in a significantly higher cost of living quadrant of the state.



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- Some may be receiving 50%, 60% or 70% state funding assistance in basic aid. Others may be only receiving 5%, 15% or 25% state funding assistance in basic aid.
- Some school districts are among Ohio's highest performing districts without providing education at the highest cost.
- Some may be low taxing districts, while others are already taxing their districts in a significant manner.
- Some may be realizing a loss of \$0 per pupil with the permanent elimination of TPP, while others will be losing as much as \$4,297 per pupil in their general operating fund.
- If districts attempted to pass an additional levy to replace the lost TPP revenues, some districts would only have to pass a fraction of a mill, while others will have to pass over 33 operating mills. For those districts that are already high state funded through basic aid combined with low TPP loss revenues, they will be fortunate and be in a better position to adjust to any state basic aid reductions handed to them. For those districts that are lower state funded through basic aid (or facing significant basic aid reductions) combined with high TPP loss revenues, they will be unable to adjust to the loss without devastating their districts and communities.

When taking into consideration the combined impact of state basic aid reductions, as well as TPP reductions, many districts will be not be able to make enough reductions and/or pass additional millage great enough to maintain the integrity and quality of the education they are providing. There will be “double-edged swords” facing many districts should a permanent and complete phase-out take place. Do they drastically reduce the budget and forever lower the quality of education and services provided to their children? Or, do they pass an additional levy to tax their way out of the TPP loss and place additional tax burdens on their



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residential and commercial taxpayers during the terrible economic times we are currently facing? If they do, much business will simply relocate or collapse to being “double-taxed” by a higher Commercial Activities Tax (compared to what they were paying in TPP) plus an additional millage tax to replace the local district TPP revenues forever taken away.

In summary, Mr. Chairman and members of the Committee the CFFO firmly believes we must be forthright in crafting a workable solution in order to ensure that the great state of Ohio grows stronger over the years and not weaker. However, the most important suggestion we can offer is we must not assume this is a “one size fits all” problem or solution. As mentioned above, there are many different circumstances and criteria facing many different schools. We must not make permanent decisions now that will result in devastating some school districts, communities, and our taxpayers for decades to come.

Thank you Mr. Chairman and members of the Committee, at this time I would be happy to answer any questions, or if it pleases the committee I would like to bring up Mr. Ernie Strawser to specifically discuss the numbers and we can then jointly address any questions the committee may have.