S.B. 313
133rd General Assembly

Fiscal Note & Local Impact Statement

Version: As Reported by Senate Education

Primary Sponsor: Sen. Johnson

Local Impact Statement Procedure Required: No

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Highlights

- The bill increases GRF expenditures in FY 2020 and FY 2021 for an additional payment to school districts that have at least one power plant in their territory and that experience certain decreases in public utility tangible personal property (PUTPP) value. The estimated FY 2020 payment totals to $3.5 million for eight districts. Fiscal year 2021 payments will depend on PUTPP values for tax year 2020.

- Three additional school districts will receive one-time payments from the GRF totaling about $545,000 to reimburse amounts that, under a provision of former law, were deducted from state foundation aid due to certain PUTPP value increases.

- The bill supports these additional payments by modifying an existing GRF earmark without increasing overall GRF appropriations.

Detailed Analysis

Current law

Under current law, suspended for FY 2020 and FY 2021 by H.B. 166 of the 133rd General Assembly, state foundation aid is recalculated for school districts with substantial decreases in their public utility tangible personal property (PUTPP) values. This recomputation, which is referred to as the "028" adjustment (after the section of the Revised Code in which it appears – R.C. 3317.028) and is performed annually, ensures that the PUTPP values for a district during a given fiscal year are not substantially different than what is assumed in that year's foundation aid formula. For example, tax year (TY) 2018 PUTPP values were not used in the state foundation aid formula for FY 2019. However, the actual PUTPP tax revenues received by school districts during FY 2019 were partly based on TY 2018 PUTPP values. The recomputation applies to a school district whose PUTPP value decreased by more than 10% between the preceding and second preceding tax years (for example, between tax years 2017 and 2018 for purposes of

the FY 2019 recomputation). The recomputation replaces an eligible district's three-year average total taxable value used in the formula to calculate a district's state foundation aid with the district's total taxable value for the preceding tax year and removes the district's funding cap, if any. The payment is the lesser of (1) the difference between the district's foundation funding prior to recomputation and the district's recomputed foundation funding and (2) the absolute value of the change in the district's local property taxes between the preceding and second preceding tax years.

H.B. 166 suspended the operation of the state foundation aid formula and the "028" adjustment for FY 2020 and FY 2021 and, instead, provides school districts with the same foundation aid allocations received for FY 2019. However, in May, the Governor ordered FY 2020 appropriation reductions of about $300 million to state foundation aid in response to the economic disruption caused by the COVID-19 pandemic and the extension of tax payment deadlines.

The bill

For FY 2020 and FY 2021 only, the bill enacts a temporary payment similar to the "028" adjustment but with some modifications. To be eligible for an adjustment in FY 2020, a traditional or joint vocational school district must have at least one power plant located within its territory and the district's PUTPP value must have decreased by more than 10% between at least one of the following three time periods: (1) TY 2017 to TY 2019, (2) TY 2018 to TY 2019, or (3) TY 2017 to TY 2018. The eligibility criteria in FY 2021 generally is the same, except that the decrease in PUTPP value must have occurred from either (1) TY 2017 to TY 2020 or (2) TY 2019 to TY 2020.

Instead of a year-over-year comparison in local property taxes, the bill's FY 2020 and FY 2021 payment calculations compare TY 2019 and TY 2020 local property taxes, respectively, to TY 2017. For both fiscal years, an eligible district's FY 2019 foundation aid is recomputed using the preceding tax year's total taxable value. For example, the bill's FY 2020 payment calculation recomputes an eligible district's FY 2019 foundation aid using TY 2019 total taxable value. In this case, the payment is the greater of (1) the lesser of (a) the positive difference between the district's FY 2019 foundation funding prior to recomputation and the district's FY 2019 recomputed foundation funding and (b) the absolute value of the change in the district's local property taxes between TY 2017 and TY 2019 and (2) 50% of (1)(b). Essentially, (2) ensures that a district receives a payment of at least 50% of the change in local property taxes in an effort to assist a school district that is eligible but would otherwise receive little or nothing under the calculation in (1) because it was on the foundation formula's guarantee in FY 2019.

The bill will increase GRF expenditures by an estimated $3.5 million in FY 2020 to make recomputation payments to eight school districts, including one joint vocational school district (JVSD). Fiscal year 2021 payments will depend on PUTPP values and local property taxes for TY 2020, which are not yet known. Table 1 below lists the districts projected to receive funding under the bill's recomputation payment and their estimated payment for FY 2020. The estimated payment amounts are based on actual TY 2019 property values and local property taxes published by the Ohio Department of Taxation.

Table 1. Estimated Recomputation Payment, FY 2020		
County	**District**	**Estimated Payment**
Adams	Manchester Local	$1,318,835
Lake	Perry Local	$1,055,667
Gallia	Gallia County Local	$402,650
Clermont	New Richmond Exempted Village	$388,487
Clermont	Felicity-Franklin Local	$137,864
Coshocton	River View Local	$117,665
Clermont	US Grant JVSD	$73,976
Meigs	Southern Local	$623
	Total	**$3,495,765**

The bill also provides a payment reimbursing school districts for amounts deducted from foundation aid due to the "028" adjustment for FY 2018 (that this, due to changes in PUTPP value between TY 2016 and TY 2017). Just as districts whose PUTPP value substantially decreases are eligible for payments, former law also required the foundation aid recomputation for districts whose PUTPP values increased substantially, which may have resulted in deductions of foundation aid. As a result of provisions in H.B. 166, districts are no longer subject to deductions beginning with the "028" adjustment for FY 2019. The bill's one-time reimbursement payment will provide three districts with about $545,000. Table 2 below lists the districts slated to receive funding from this reimbursement.

Table 2. Proposed "028" Adjustment Reimbursement		
County	**District**	**"028" Adjustment Reimbursement**
Clermont	Felicity-Franklin Local	$400,266
Trumbull	Weathersfield Local	$144,811
Mahoning	Lowellville Local	$189
	Total	**$545,266**

The bill supports the additional payments by modifying the permissible uses of an earmark of GRF line item 200550, Foundation Funding, without increasing line item 200550's appropriations. Specifically, the bill permits the additional payments to be made from an

earmark of $7.0 million in each fiscal year currently allocated for payments to assist school districts that faced substantially lower local revenues due to nuclear power plant devaluation. In practice, this provision only affects the Benton-Carroll-Salem Local School District in Ottawa County. The Ohio Department of Education (ODE) anticipates the payments to the district to be far less than the earmarked amount, at about $158,000 in FY 2020 and $0 in FY 2021.[1] Thus, the remaining amounts earmarked appear to be sufficient to fund the payments required by the bill.

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[1] If ODE reflects the executive-ordered reduction to the district's foundation aid in the payment calculations, the district's FY 2020 payment would increase to about $518,000.