Ohio Legislative Service Commission

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Addendum to Fiscal Note for Sub. S.B. 208

Fiscal Effect of AM1180-1
In Senate Ways & Means
October 21, 2015

Description: The amendment establishes a formula for making tangible personal property (TPP) supplement payments for city, local, and exempted village school districts to guarantee that the combined amount of foundation funding and fixed-rate operating direct reimbursements for TPP tax losses for a district does not fall below 96% of the FY 2015 level in FY 2017.

In addition, the amendment modifies the formula for calculating fixed-rate operating direct reimbursements for TPP tax losses beginning in FY 2018. Under current law, such payments are phased out by a certain percentage of total resources each year, starting between 1% and 2% in FY 2016, according to the district's property wealth and income. As the percentages increase incrementally each year, the amount of a district's payment decreases until the payments eventually end. Starting in FY 2018, the amendment requires that reimbursement payments for fixed-rate operating levies be reduced based on a uniform ⅝ mill (0.000625) of the average of the total taxable value of the district for tax years 2014, 2015, and 2016. Payments for other types of levies remain unchanged by the amendment.

Fiscal effect: TPP supplement payments in FY 2017 are estimated to be approximately $44 million statewide. TPP supplement payments are supported by cash that was transferred from the Medicaid Reserve Fund (Fund 5Y80) and FY 2015 GRF surplus revenues at the beginning of FY 2016.

The modifications to the formula for calculating fixed-rate operating direct reimbursements for TPP tax losses phase out the payments more gradually than the formula under current law. Under the amendment, payments for traditional school districts are estimated to continue for an additional 15 years beyond what is currently contemplated, resulting in an additional $325.4 million in estimated reimbursement payments from FY 2018 until the phase-out runs its course. Because joint vocational school districts (JVSDs) have a much larger tax base, effective millage rates tend to be considerably smaller than traditional school districts. As a result, the proposed phase-out rate of ⅝ mill represents a much larger portion of a JVSD's local property tax revenue, causing the reimbursement payments to be completely phased out for those districts in FY 2018. Under current law, reimbursement payments to JVSDs are expected to amount to about $885,000 in FY 2018 and an accumulated total of $1.3 million from FY 2018 until they eventually end. Reimbursement payments are currently supported by 20% of receipts from the commercial activity tax, deposited into the School District Tangible Property Tax Replacement Fund (Fund 7047).

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