

Ontario Taxpayer Alert

FROM THE ONTARIO BOARD OF EDUCATION,
LISA CARMICHAEL, SUPERINTENDENT, AND RANDY HARVEY, TREASURER

DEAR ONTARIO FAMILIES:

MAY 2015

We would like to provide you with an update on House Bill 64 concerning the State budget. The House version of the budget was passed on Wednesday, April 22nd. Ontario Schools are no longer receiving a reduction in State funding. In the next two years, we will receive the same amount that we received this year, which means **NO INCREASE**. We were hoping to have received large increases in State funding like all of the other Richland County schools, but at least our budget is not being cut.

A special **THANK YOU** for your efforts in making this change for the better happen. We believe your e-mails and phone calls to Senator Larry Obhof and Representative Mark Romanchuk really made a difference.

The budget process now moves to the Senate. We will do our best to keep you informed on how Ontario is affected along the way. The budget process may not be completely finalized until the end of June.

A BRIEF OVERVIEW

In 2005, the State eliminated the Tangible Personal Property (TPP) tax paid by businesses. This loss of revenue would have had devastating results for Ontario; consequently, the government created a program to supplement those lost dollars. Today's State budget now calls for the phasing-out of that funding, **leaving Ontario business and property owners to assume the tax burden**, hurting our community and schools with far-reaching consequences.

5 REASONS THE ONTARIO SCHOOLS ARE FIGHTING THE LOSS OF TANGIBLE PERSONAL PROPERTY (TPP) FUNDING

THE DISTRICT IS HEADED FOR A FISCAL CLIFF:

1 With \$1.2 million in annual funding at risk, the Ontario Schools are headed for a fiscal cliff not of our making. In the current budget proposal, **the State has provided a temporary fix** by offering supplemental dollars for the next two years. This is called the supplemental TPP guarantee, but it is not a guarantee; in fact, this proposed budget eliminates a commitment written in 2011 to forever reimburse districts for their loss of TPP dollars.

"We sincerely appreciate the effort the Ohio House has put into this extremely important issue by earmarking funding to help mute the effects for fiscal years 2016 and 2017," Superintendent Lisa Carmichael says. "However, although the TPP amendment ensures we do not experience actual losses for those two years, this supplemental TPP is temporary," Carmichael explains.

At the start of the budget cycle on July 1, 2017, Ontario and all districts losing the TPP funding will be left without supplemental monies. The remainder of Ontario's TPP funding would continue to drain away at a rate of \$243,000 a year until the \$1.2 million a year -- \$634 per student -- is gone.

A STATE BUDGET UPDATE

Ontario Taxpayer Alert

THE TAX BURDEN IS SHIFTING TO LOCAL HOME AND BUSINESS OWNERS:

2 The TPP tax was a locally levied tax with revenues that came directly to schools. When the State eliminated the TPP tax, it did so with the intent to make Ohio more business-friendly. **Yet, if the State does not make up for the shortfall of dollars, the schools are pressed to make up the difference locally.** Levies become the only solution. Essentially, by completely phasing out the TPP reimbursement, as the current budget proposes, the State is shifting the tax burden in our community onto the homeowners and business owners who pay property taxes. These are the same businesses who were supposed to be helped by the 2004-2005 tax reform effort abolishing TPP. The original intent was to **help businesses but not at the expense of local schools.**

"Unfortunately, the budget provision on TPP in its current form is temporary and promises long-term ramifications for Ontario Schools as well as Ontario businesses," Treasurer Randy Harvey says. Now those businesses, who the State said they were helping in 2005, face significant increased tax exposure from the Commercial Activity Tax (CAT) as well as any school levies our community may decide to approve in order to recoup the TPP funding losses. According to Treasurer Harvey, it would take a **4.5 mill levy for Ontario Schools to fill a \$1.2 million budget hole.**

THE BROKEN PROMISE OF TPP REIMBURSEMENT:

3 The State promised in 2005 and 2011 to reimburse for TPP losses. This budget proposal breaks that promise.

When the TPP revenues were eliminated in 2004-2005, the need to craft a solution to replace these lost local revenues was clear. That mechanism was the Commercial Activity Tax (CAT). Ontario and other schools impacted by the proposed loss accepted the provision reluctantly, under the premise that it would help improve Ohio's business climate, **but only with the commitment that the State would NOT take away those local dollars without a replacement mechanism. Schools would never have supported that tax change in 2005 without the commitment from the State leaders that a replacement revenue stream would be determined.** Never once during those discussions did anyone at the State level indicate that the entire burden for replacing lost TPP revenues should be borne at the local level. At that time, Ontario was collecting approximately \$3 million a year in TPP.

Then, during the 2011 State budget process, with Ohio experiencing the economic downturn, the legislature reduced TPP reimbursements to schools. **The Ontario Schools lost \$276,000 in fiscal year 2012 and an additional \$282,000 in fiscal year 2013.** That left the district to deal with a **reduction of \$1.8 million.** In addition, during that same 2011 budget process, Ohio passed a law, which is at stake in this budget process, that kept the remaining TPP payments in perpetuity.

In the current budget process, the proposals introduced **permanently erase the commitment to reimburse schools for TPP losses.** The Senate is now hearing deliberations on the budget.

A STATE BUDGET UPDATE

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SCHOOLS CAN'T BUDGET USING A TWO-YEAR LENS:

4 Like businesses, school districts must forecast and project five to ten years into the future to ensure resources are in place for educating students. Schools do not have the luxury of viewing finances in two-year snapshots. With only a temporary fix on TPP funding for two years and the prospect of losing \$1.2 million in the phase-out, the Ontario Schools face a grave financial picture over the next six years. The district has been **financially accountable** to the community and has cut and economized in recent years to stretch levy cycles as long as possible. The district has put in place many of the same cost-containment measures that have been successful in business, including **multi-year pay freezes for ALL employees, and benefit reductions and restrictions for ALL employees**. Additionally, **open-enrollment and pay-to-participate** in extracurricular activities were implemented at the start of the 2011-2012 school year.

WE MUST PROTECT OUR TRADITION OF EXCELLENCE:

5 The Ontario Schools prides itself on providing high-quality educational programs to its students. The Ontario Schools draw businesses and residents to the city. The community has high expectations for the schools to provide a **top-notch education program that meets high scrutiny for fiscal and academic accountability**. The Ontario Schools value a broad range of opportunities for all students, and its students excel in the classroom, on the playing field, and on the stage. **A \$1.2 million annual funding loss equals 16 Ontario teachers**. Absorbing a revenue loss of that magnitude would be devastating and cut into the "meat" of our educational programming. *"The result will be a further shift in the tax burden in our community onto our residential and commercial property taxpayers or staggering cuts to our educational program for students. The TPP issue is too diverse and too significant to Ontario's children to entrust a solution that is not only temporary, but is also making the program funding for these students even more vulnerable,"* Carmichael says.

WHAT ELSE CAN I DO TO HELP?

"This issue is critical for our school district, our students, our residents, and our businesses that pay property taxes. We definitely have more work to do this legislative session to try to illustrate for lawmakers why a permanent fix for TPP is still needed." ~Board President Sam VanCura

We encourage you to visit our school website at www.ontarioschools.org and to sign the petition on our home page by Friday, May 15, 2015, urging the State to FUND THE FORMULA FULLY! We need our Senators to know that we will NEVER support any Tangible Personal Property (TPP) Tax Hold Harmless payment plan that calls for its phase-out or for its elimination until the FORMULA IS FUNDED FULLY! We are attempting to secure as many signatures as we can to submit to our legislators.

A STATE BUDGET UPDATE

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