

**Prepared Notes for Board Meeting - Resolution**

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Before addressing the specifics in this resolution, I want to take just a moment and discuss why I believe it is proper that our Board of Education consider such things. Some members of this board are politically active but as Mr. Bressman pointed out a few weeks ago, they are only empowered to speak as individuals. The only way this board can take a formal position is via a resolution like this one. In a moment, I'm going to lay out the many reasons why I believe this board should reject this resolution, but I want to be clear that there is value in considering those education-related questions of the day and determining if a given position is personal or if a given position represents a formal position of the Worthington Board of Education.

In adopting this resolution, the Board is accepting the final paragraph of the resolution, but that paragraph is based on 11 statements of fact, some of which I believe to be misleading.

The first, fifth and eleventh clauses all reference a number of 10.7 million dollars. A little under 20% of the 10.7 million dollars results from the "loss" of one time money. Let's think about that for a second. The money was "one time" yet this resolution criticizes the state budget in part because the "one time" money will not be offered in perpetuity. Moreover, where did the money come from? It came from the federal government. Where did they get it from? They borrowed it, over 40 cents out of every dollar, from anyone who was willing to buy treasury bonds. Essentially, we paid for one or two years of help with current operating expenses with money that was borrowed on a 2 to 30 year time schedule. I disagree with that policy and oppose any resolution that is implicitly supportive of it. .

The majority of the other "losses" stems from the accelerated phase out of the tangible personal property tax. Here, I think we need a bit of history and context.

In 2005, Governor Taft eliminated the Tangible Personal Property Tax on Business. The tax was burdensome and Ohio was one of the few states that had it. The problem was - the tax was not a state tax, it was a local tax. Governor Taft replaced the TPP with the Commercial Activity Tax. Unlike the TPP tax, the CAT tax is at the statewide level. Essentially then, the state replaced a local tax which Worthington Schools benefited from with a statewide tax which Worthington Schools did not benefit from. To make that change easier on school districts across the state, the state promised that school districts would be held harmless (meaning, they would get the exact amount they would otherwise lose) until 2011 and then gradually, the tax reimbursements would be phased out, presumably after the schools had a chance to adapt to no longer having that revenue source. In total, school districts would have 13 years to adapt.

Fast forward to the state budget in 2007. Governor Strickland elected to keep the CAT tax and the Phase out schedule. Worthington's 5 year forecast at the time reflected Governor Strickland's decision:

Fast forward to 2009 and Governor Strickland's second budget. Now, the TPP phase out was on the radar screens of school districts because it showed up in their five year forecasts. School districts, including ours, were lobbying the state to keep the reimbursements coming forever, a permanent reimbursement of the business tangible tax. In fact, this was passed by both the Ohio House (controlled by Democrats) and the Ohio Senate (controlled by Republicans) but Governor Strickland used a line item veto to strike down the measure. In its place, he agreed to extend the reimbursements until FY13.

The problem is, Governor Strickland, the Democratic House and the Republican Senate had no more control over extending the TPP than this board does. One general assembly cannot mandate what the next general assembly does. Fast forward to 2011. The state of Ohio is facing hard times and sharp cuts. To address the problem, Governor Kasich elects to stop fully reimbursing school districts for their losses that stemmed from Governor Taft's decision to eliminate the business tangible tax in 2006 and a new phase out schedule was created. This is a chart of the anticipated TPP reimbursements through the years for FY12 and FY13, the years under consideration in this resolution.

TPP Reimbursement Promises, FY12 and FY13

	FY12	FY13
October, 2007 Forecast	\$12,371,746	N/A
October, 2008 Forecast	\$12,371,746	\$9,720,365
October, 2009 Forecast	\$15,022,834	\$15,022,834
October, 2010 Forecast	\$15,022,834	\$15,022,834
Proposed State Budget	\$12,856,261	\$10,638,303

Before criticizing the state budget as this resolution does, we need to decide for ourselves if the root cause of our problem might be that the state legislature made a promise in 2009 that they were in no position to keep. In any event, I'm struggling with a resolution that categorizes any of this as a "loss" since, absent Governor Strickland's promise in 2009, we were never entitled to that money in the first place.

Other than one time money and TPP reimbursement money, the remainder of the 10.7 million dollars in "lost" revenue comes from a reduction in the state foundation. That amount in the Governor's Executive Proposal was 1.4 million dollars, around 10% of state foundation as was predicted with freakish accuracy by our treasurer, or less than 1.2% of our total revenue. Now, 1.4 million dollars is a lot of money, I'm not disputing this, but we need to look at the big picture here. The 1.4 million dollar figure was derived via formula from our FY11 state aid. In FY11, as has been the case for 13 years, Worthington has been a guarantee district, meaning that when Student Board Member Alyssa Biron was first getting nervous about entering Kindergarten, Worthington was first put on the guarantee. For ten long years, as Worthington's enrollment declined, the

state kept us on the guarantee, constantly giving us the same amount in foundation funding despite the loss of over 10% of our student population. Any formula that is based on ADM and does not contain guarantees would disproportionately hit Worthington. The question we need to ask ourselves is whether it is correct policy for state funding to be based on a combination of student population and relative wealth of the district.

There are other aspects of the resolution's whereas clauses that need to be discussed. For example, the assertion that Worthington Schools has implemented spending reductions of 22 million dollars might sound great in a levy campaign, but its derivation uses the worst form of fuzzy math because it compares actual spending versus anticipated spending from a forecast produced back in 2007. *One example to illustrate the point. Back in 2007-2008, Natural Gas prices were out of control. The treasurer increased the gas budget and assumed it would increase 5% in perpetuity. Since then, natural gas prices have returned to historical norms. The \$22 million dollar number would include the difference between what we spent and what we thought we would spend as a "cut". Folks, truly, this only happens in Government where if I say I'm going to increase spending by 20% and I only increase it by 10%, I can take credit for a 10% cut.*

This brings us to the final clause of this resolution, calling on us to do two separate things. First, we should oppose the Kasich budget and second, we should ask the general assembly to reduce reliance on property taxes by increasing state funding of education. I would submit to the board that the only reason for rejecting the state budget is that it plays Robin Hood, disproportionately taking money from Worthington residents and redistributing it to other districts, and by that yardstick, we should have rejected both Strickland budgets and I imagine, most of Governor Taft's budgets as well. The trouble is, I don't believe that a Robin Hood budget is bad state policy. I think that society has a moral obligation to fund public education and the only policy that makes sense is to help districts that can't help themselves. As a member of this board, I'll fight for every last dime for Worthington, but it would be intellectually dishonest to say that I don't understand why the legislature may see it a different way.

The resolution goes further, calling on the General Assembly to increase state funding for education. In order for the state to do this, they must cut spending somewhere else or increase taxes. For Worthington residents, a policy of increasing state taxes for education when most of our state taxes would get redistributed to other districts makes absolutely no sense. If Worthington residents are concerned about Worthington Schools, by all means, vote for local levys, but a resolution by this board that advocates or even hints at increasing taxes so the state can redistribute dollars as it sees fit is greatly misplaced.

Folks, our Superintendent, her administration and our Treasurer have done yeoman's work at maintaining and enhancing our program while keeping us on course to only require reasonable levys at reasonable intervals, as tonight's budget talk illustrates. The state of Ohio is not going to have an abundance of resources any time soon and I strongly disagree with any policy that would require a tax increase at the state level, both because I believe it would hurt Ohio's economy and because the money wouldn't come to Worthington anyway. I also disagree with school funding proposals that only focus on

one side of the equation. At some point, we need to have an adult conversation about the compensation models employed by every school district in the state, we need to tackle employee health care at the state level and we need pension reform.

That said, I want to commend our treasurer for his advocacy in this budget cycle. One epiphany that Jeff and I shared is that Worthington is getting disproportionately fewer resources because the state believes we are a rich school district, however, the state formula only uses a single yardstick in making that determination, that being assessed property value. By seeking to broaden the definition of “rich” to encompass income levels as well as property valuations, we can change the rules, allow the state to continue its Robin Hood policy but recognize that Worthington’s taxpayers aren’t as able to contribute to education as much as their property values would indicate. Our efforts may not bear fruit in this cycle, but they will bear fruit and our treasurer is to be thanked for that effort.

If this board wishes to pass a resolution with regard to the state budget, a resolution urging the general assembly to consider income levels in addition to property valuations would be most appropriate, as would a resolution opposing HB136 and any other school choice proposals that seek to redistribute Worthington’s local property tax dollars to fund private and/or charter schools. I thank the room for their attention.