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Phase-out of the Tangible Personal Property Tax and Public Utility Deregulation Replacement Payments

Three classes of levies are subject to reimbursements due to the phase-out of the tangible personal property (TPP) tax and public utility deregulation:

- Fixed rate, current expense levies
- Fixed rate, non-current expense levies
- Fixed sum levies

A phase-out of the replacement payments for the TPP tax and for public utility deregulation with respect to fixed rate, current expense levies is already in law.

Fixed rate, current expense levies

Under the administration proposal, the phase-out will be accelerated for districts with little reliance on these payments. However, heavily reliant school districts will experience a prolonged period of phase-out beyond that in current law. The reliance on these payments was determined by taking into account the total resources available to districts. Total resources include total property tax receipts (including rollbacks/homestead), school district income tax, total TPP and public utility reimbursements, and foundation funding. Districts whose fixed rate payments were 2% or less of the total resources are considered low reliance districts. For these districts, the fixed rate reimbursement payment will be zero in fiscal year 2012. If a district's fixed rate reimbursement is over 2% of total resources, then the annual reduction is limited to no more than 2% of base year total resources. The same methodology applies to both TPP and public utility deregulation replacement payments.

In FY2011, TPP replacement payments for fixed rate, current expense levies for school districts and JVSD total \$952.7 million, and represent 91.5% of the total TPP replacement payments. FY2011 public utility replacement payments for fixed rate, current expense levies for school districts and JVSD total \$72.4, million and represent 93.4% of the total public utility replacement payments.

Fixed rate, non-current expense levies

Fixed rate, non-current expense levies will be phased out at 25% per year relative to FY2011 reimbursement payments.

In FY2011, TPP replacement payments for fixed rate, non-current expense levies for school districts and JVSD total \$26.9 million, and represent 2.6% of the total TPP replacement payments. FY2011 public utility replacement payments for fixed rate, non-current expense levies for school districts and JVSD total \$2.0 million and represent 2.6% of the total public utility replacement payments.

Fixed sum levies

Fixed sum levies include bond and emergency levies. These levies **are not** impacted by the policy change, and are not included in the attached estimates.

Inside debt levies, while not fixed-sum levies, are also excluded from the estimates, as their treatment is also unchanged from current law.

In FY2011, TPP replacement payments for fixed sum levies for school districts total \$61.8 million, and represent 5.9% of the total TPP replacement payments. FY2011 public utility replacement payments for fixed sum levies for school districts total \$3.1 million and represent 4.0% of the total public utility replacement payments.

Attachments

1. School Districts TPP Fixed Rate, Current Expense Reimbursement Payments
2. School Districts TPP Fixed Rate, Non-Current Expense Reimbursement Payments
3. School Districts Public Utility Fixed Rate, Current Expense Reimbursement Payments
4. School Districts Public Utility Fixed Rate, Non-Current Expense Reimbursement Payments
5. JVSD TPP Fixed Rate, Current Expense Reimbursement Payments
6. JVSD TPP Fixed Rate, Non-Current Expense Reimbursement Payments
7. JVSD Public Utility Fixed Rate, Current Expense Reimbursement Payments
8. JVSD Public Utility Fixed Rate, Non-Current Expense Reimbursement Payments