



**Senate Ways and Means Committee
Substitute HB 343 Opposition Testimony
Ohio School Boards Association
Buckeye Association of School Administrators
Ohio Association of School Business Officials
June 26, 2018**

Chairman Eklund, Vice Chairman Terhar, Ranking Minority Member Williams and members of the Committee. My name is Barbara Shaner, Advocacy Specialist for the Ohio Association of School Business Officials (OASBO). Joining me today for this testimony and in answering your questions are Jay Smith, Deputy Director of Legislative Services for the Ohio School Boards Association (OSBA) and Thomas Ash, Director of Governmental Relations for the Buckeye Association of School Administrators (BASA). Thank you for the opportunity to speak to you today to express our opposition to Substitute House Bill (Sub. HB) 343.

Our three organizations represent public school district boards of education, superintendents, treasurers/CFOs, business managers, and other school business officials from around the state. On behalf of our members, we oppose Sub. HB 343. Ohio's current property valuation and tax system has worked to benefit its citizens for decades. Through county Boards of Revision (BOR), the system affords all interested parties the ability to participate in the process, providing a proper procedure for checks and balances to preserve and maintain fair and equal taxation practices. We object to Sub. HB 343's unnecessary changes to this long-respected system.

Sub. HB 343 requires:

- Notification to the property owners by the school district to let them know the district is considering a challenge to the current valuation of the property.
 - This is a redundant mandate because **the BOR process is already set up for this purpose** (affected property owners are notified).
- After making notification, the board of education would have to pass a resolution indicating it will challenge the values for specific properties.
 - This step would have the effect of **politicizing the decisions as to which properties would be challenged.**

The new mandates in Sub. HB 343 appear to discourage Boards of Education from accessing the BOR process. This result will be unfortunate not only for school districts, but also for the **residential and commercial property owners whose values are accurate.**

- Because of the effects of "HB 920", commercial property owners with accurate property values **will pay more than their fair share of taxes, subsidizing the lower taxes paid by commercial property owners whose properties are undervalued.**
- This is also true for residential property owners.

Rather than enacting the changes in Sub. HB 343, school board members should be required to set parameters for when the district would challenge property values such as the types of property, the dollar amounts, and/or percentage change, etc. This way, taxpayers are assured of fairness and equality in the actions the district takes. Many boards of education already engage in setting the parameters for when values are challenged.

Based on feedback from our members, we think districts typically challenge values when a sale of property has occurred, and most only challenge commercial property values. Ohio law is clear that the sale price of a property is the best determiner of the property's value. Therefore, challenges based on sales are reasonably evident.

Also, anecdotal reports from members have indicated that the attorneys who represent school districts in these matters operate on a fee-for-service basis. This means school leaders are cautious about filing unreasonable challenges that will not be successful. Also, if a school district or other local government is practicing frivolous filings, the current system is set up to keep them in check. The BOR process will curtail such activity.

Enclosed is an alternative proposal proffered by our three organizations during the Sub. HB 343 legislative process in the House as a good faith effort to recognize the need for districts to utilize best practices in these cases. If enacted, the alternative would address these concerns that have been raised by various stakeholders:

- Attorneys filing Board of Revision (BOR) valuation challenges without the knowledge or approval of the school district.
- Board members unaware of the BOR action initiated by the school district.
- Frivolous filings because attorneys operate on a contingency basis.

[See "suggestions for addressing the perceived abuses" 1, 2 and 3 of the attachment.]

We have also included some administrative steps that could be taken to increase awareness of the BOR process on the part of property owners.

Mr. Chairman, this concludes our testimony. **We urge you to reject Sub. HB 343**, or instead, adopt the provisions in the enclosed proposal.

We will be happy to address your questions.

HB 343 ~ Suggestions for Addressing Perceived Abuses in the Board of Revision (BOR) Process

We believe the majority of school districts engaging in the BOR process by filing claims requesting valuation increases (or counterclaims defending the auditor's values) operate in a fair and ethical manner. Our associations oppose the proposed major changes in the process that would affect every school district regardless of prior behavior and thereby create an imbalance in the system; creating differences in how property owners and taxing entities are treated.

The following are suggestions for addressing the perceived abuses of the privilege of participating in the BOR process:

1. Boards of education (and other local government taxing entities) that intend to file claims and counterclaims to request valuation increases (to defend the auditor's values) must pass a resolution setting the parameters for the district's participation in the BOR process. The superintendent and/or treasurer/CFO must then follow the board's policy when administering the challenges and counter challenges the district files with the BOR.
2. Contracts with any agent (attorney) working on behalf of a school district or other taxing entity must include only a fee-for-service payment arrangement. There would be no contingency payments based on the results of valuation challenges.

****Note:** It is our understanding that it is customary for attorneys representing property owners to operate on a contingency basis (performance/results). We have no objection to this practice by the property owner.

3. Contracts with any agent must stipulate that no claims or counterclaims may be submitted to the BOR without prior approval by the school district administration (treasurer/CFO or superintendent, as determined by the district). The administration could be required to provide the list of properties that have been determined to warrant a challenge or counter challenge to the members of the board of education.

The following points are proposed as options for increasing awareness among property owners about the potential for property values being challenged. We believe these **could be accomplished administratively and are not necessary to be codified in law.**

1. When a property is sold, the conveyance fee statement could include a notice that, based on the sale price of the property, the property value may be subject to review at the request of local taxing entities.
2. When a claim is submitted to the BOR by the property owner, the BOR must provide information, along with other information provided to the property owner about the ability for the affected local taxing entities to participate by filing a counterclaim.
3. When counties undergo a six-year reappraisal, notices to property owners regarding the auditor's determination of value must include information regarding the BOR process.