

House Bill 1 flat income tax impacts schools, Kenston treasurer says

By ANASTASIA NICHOLAS

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In a recent discussion of the effect of pending Ohio House Bills 1 and 33, Kenston Local Schools interim treasurer Ryan Pendleton warned that the passage of House Bill 1, which would establish a flat 2.75 income tax, could decrease annual tax revenues by a half-billion-dollars for local governments and school districts.

Mr. Pendleton said that, as of April 1, there are 44 pending school bills in the House and Senate that impact education – the most that he has seen.

“House Bill 1 eliminates the current income tax brackets,” he said. “Even though it has a major school impact, it is a tax overhaul budget bill.”

Mr. Pendleton said the bill eliminates a 10% property tax rollback, which many district homeowners receive. It would also revise the 2.5% homestead property tax rollback.

“There’s a lot of misunderstanding, even among our lawmakers, about what House Bill 1 does,” he said.

Mr. Pendleton quoted Ohio House Speaker Jason Stephens (R), who supports the Fair School Funding Plan.

“Currently, in the State of Ohio, the general fund revenue pays for the 10% rollback, which goes back to 1983. It’s a significant expense that goes to subsidize local property taxes. To remove that, but also lower the taxable value of our residents’ property at the same time, frees up money to the general fund for income tax reduction.”

Mr. Pendleton said that House Bill 1 would result in a \$1 billion annual increase for residents and agricultural property tax owners across Ohio, a \$150 million tax decrease to businesses and commercial property taxpayers, and a half-billion-dollar annual decrease in local tax

revenues for local governments and school districts.

Mr. Pendleton used a calculator built by Ohio treasurers to show House Bill 1's impact and tax burden shift on the Kenston district.

"Hopefully, it doesn't go any further," Mr. Pendleton said about the bill. "We've been a part of the debate in Columbus and showed this calculator to our lawmakers about this. I think House Bill 1 is not turning into an actionable item – rather, a conversation about doing flat income tax."

House Bill 33, he said, is the budget bill that contains the Fair School Funding Plan, a major overhaul to school funding in Ohio.

It went from the governor's office to the House, where it sits now. Mr. Pendleton said he is passionate about this bill and recently testified in support of it in Columbus.

Kenston Board of Education President Jennifer Troutman told Mr. Pendleton that the board appreciates that he travels to Columbus advocating for schools.

Mr. Pendleton had better news on another topic. The district has saved \$242,500 since hiring a medical wellness insurance broker about a year ago.

In March 2022, the district hired Gallagher Insurance, a Solon-based medical wellness insurance broker, which has been tracking financials as a result, Mr. Pendleton said.

"Medical spending is the second-largest spend in the district," Mr. Pendleton said. "Oftentimes with inflation, we can't control those expenses. We do have a great partnership with bargaining groups, though, about plan design, and that's reinforced through bargaining contracts."

Since the district hired Gallagher, its administrative fees for broker compensation were reduced by \$50,000, Mr. Pendleton said.

Overall administrative fees were reduced by 20%, or an additional \$42,000 in reductions, and those fees were guaranteed for three years. Prescription rebates were increased by almost 23%, or a \$43,000 reduction.

“At the same time, the broker negotiated an additional \$7,500 in wellness funds for the district to use in conjunction with our staff,” Mr. Pendleton said. “Also, on Save SP, a medical plan that we’ve included for all of our staff, there’s a negotiated savings of almost \$100,000.”

Mr. Pendleton said this indicates that “the work that the district did to bring on this broker was well-timed.”

“There’s probably some further savings that we can look at,” he said. “Most of the inflation that we see on your prescription program is driving the cost for the district.”