January 22, 2015

Dear Director:

The Ohio Federation of Teachers (OFT) is submitting comments in response to the Governmental Accounting Standards Board's (GASB) exposure draft of a proposed statement of accounting standards for tax abatement disclosures (Project No. 19-20E).

The OFT is a union of professionals representing 20,000 members in 55 locals across Ohio whose members include public school educators and support staff, higher education faculty and support staff, and public employees. Our mission is to champion the social and economic well-being of our members and of Ohio's children, families, working people and communities. We believe all citizens should have access to the high-quality public education and public services they need to develop their full potential. Securing fair and equitable funding for schools and other public services is necessary to accomplish our mission.

In our role supporting and advocating on behalf of our members and their locals, we frequently use financial statements that conform with GASB's standards. The OFT focuses on issues at the statewide level, including legislation, public policy and education policy, communications, and political advocacy. Accurate financial statements, including limitations on the ability of a government to raise revenue, are critical to inform how we approach our advocacy.

GASB's proposed rule to require governments to report tax abatements on their financial statements is an important step in bringing transparency to economic development deals. Ohio has a vast network of tax abatement and economic development programs that affect state and local government budgets. These programs divert much-needed resources away from schools and other public services. One study estimated that Ohio's economic development programs in only
10 counties cost school districts $2.2 billion in 2009. This was at a time when the state was cutting funding to education. Even now, the state only spends 0.3 percent more per student than it spent in fiscal year 2008. These cuts put even more pressure on school districts to plug budget holes with local revenue sources. A full, transparent accounting of the cost of economic development programs at the school district level, where public officials have no control over what revenue is forgone, is necessary so their true costs can be evaluated.

GASB’s rule could be improved by expanding the definition of tax abatement to include the programs evaluated in the state’s 2009 study and practices that constrain a local government’s ability to raise revenue. In Cincinnati, “the city has abated or placed in TIF [tax increment financing] districts nearly $860 million worth of property total,” some of which will not be taxed at the normal rate for the next 15 years. The city’s unique property tax system—where the council decides the amount of revenue and then sets the property tax rate—further limits its ability to raise revenue and provide public services. In Columbus, developers of the Nationwide Arena, as part of a 15-year property tax abatement, agreed to make payments to the school district in lieu of taxes. After lengthy litigation, the school district and developers agreed on payments based on what the arena earns. Franklin County, where the city is located, also has $2.2 billion of assessed property that is exempt as part of tax abatement programs, mainly properties in TIF districts. Cuyahoga and Lucas counties have $873 million and $299 million, respectively, of assessed property abated under various state programs. A rule that requires disclosure on financial statements of these tax expenditures, especially revenue lost in tax increment financing districts, would increase the amount of useful information on revenue constraints on school districts and other local governments.

Disclosure of tax abatements should include a description of the abatement. Information such as whether a jobs quota or other economic development goal was met for the abatements, which types of taxes were abated, whether the abatement covers residential or commercial property (or both), the purpose of the abatement, and the long-term cost of the abatement would help us better evaluate the usefulness of these programs, especially compared with the cost imposed on school districts. Moreover, a government body should not report a single aggregate revenue-loss number; it should report the revenue lost by each tax abatement program and by the actions of each different body of government.

A strong rule following these recommendations will vastly increase the usefulness of state and local government financial statements. Thank you for the opportunity to submit comments.

Sincerely,

Melissa Cropper, President
Ohio Federation of Teachers

1 www.cdfa.net/cdfa/cdfaweb.nsf/ord/0a0aefbda0a26b0a26b08257936006778216
2 www.cbpp.org/cms/?fa=view&id=4213
4 http://www.keglerbrown.com/content/uploads/2013/06/2008-03-ColumbusCEO.pdf