

TESTIMONY

Charles E. Walder, Geauga County Auditor

Hello Co-Chairs Blessing and Roemer and members of the Joint Committee on Property Tax Review and Reform. I hope that you are all well. My name is Chuck Walder, and I am the Auditor of Geauga County in Northeast Ohio. Thank you for this opportunity to testify before you.

Today, I offer a county-level perspective, and respectfully recommend relief from those school district taxes that property owners never voted to approve. This testimony does not address Ohio's public-school funding's constitutionality or all issues surrounding the current housing market phenomena. At issue here is many Ohioans' record-high property tax bills after statutorily mandated county-wide property reappraisals.

I propose a solution to lighten the load for Ohio's taxpayers by modifying HB 920 to add emergency and substitute levies in the 20-mil floor calculations, to count all inside millage even when shifted into Permanent Improvement Funds, and to account for income tax revenue through an equivalent millage calculation. None of this would require drastically altering Ohio's property tax system. These four straight-forward changes would also preserve HB 920's original goals while increasing transparency to voters facing levies at the ballot box.

Properties in Ohio are taxed through (1) inside the 10-mill limitation ("inside millage"), which is not voted by the people; and (2) outside the 10-mill limitation ("outside millage"), which is voted by the people. Mathematically, when property values increase, so proportionately does inside millage. This 10-mill inside millage collection is shared among political subdivisions (schools, counties, townships, & municipalities). In Geauga County, that distribution is 45% (4.5 mills) to schools, 30% (3.0 mills) to townships and municipalities, and 25% (2.5 mills) to the County. Therefore, a 30% increase in property valuations results in a 30% increase in inside millage. This happens without a taxpayer vote. Historically, it was justified as an inflationary adjustment to government's funding. However, in the past, revaluations were generally much more modest than we've seen recently.

In 1976, Ohio's legislature enacted House Bill 920, which was meant to insulate property taxes from runaway property revaluations. HB 920's intention was to keep inflation from increasing voted (outside millage) taxes. The reform statute prevented increases in voted levies by modifying the reduction factor of certain levy millage to determine collection. In general, HB 920 did its job for decades when annual property revaluations were modest and throttled property values' effect on voted tax levies, except in the case of certain school districts. To provide schools with minimum funding, HB 920 provided a 20-mill floor adjustment. This annual calculation guaranteed school districts at least 20 effective mills by adjusting the annual reduction factors on specific levies to keep districts at the 20-mill floor should they drop below it due to revaluation.

Yet, HB 920 excluded significant school funding sources from its 20-mill floor calculation, including bonds, substitute levies, permanent improvement levies, classroom facilities levies, emergency levies, incremental levies, inside millage shifted to permanent improvement funds, and income taxes. Over time, some school districts became familiar with the nuances of the 20-mill floor calculation and designed their funding and budgets to maximize HB 920's loopholes. For

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example, rather than ask taxpayers to vote on an operating levy to raise a district's funding above the guaranteed 20-mill floor, a district might instead put an emergency levy on the ballot seeking that same funding amount without impacting the district's floor calculation. Then, when property values increase, the district benefits from reduction factor adjustments assuring it a 20-effective-mill floor. This essentially gives the district additional adjustment revenue because the emergency levy millage was excluded from their floor calculation, all without transparency to the taxpayer and voter.

Of Ohio's 611 school districts, approximately 65% (398 districts) are at the 20-mill floor. Of those at the floor, 78% (310 districts) have emergency levies, substitute levies, or income tax revenue which are not used in their floor calculation. Consequently, this means that more than one half of all Ohio School Districts benefit from funding sources that have no negative effect on their consideration as minimally funded per HB 920's 20-mill floor requirement. This fact is virtually unknown to taxpayers when considering whether to vote for or against a specific levy in their school district.

Geauga County ranks second in Ohio in per capita income. Niche ranked Geauga County's public schools collectively as Ohio's 5th-best. The 2023 Geauga County sexennial reappraisal resulted in an approximately 30% average increase in property values. There are five (5) wholly contained school districts in Geauga County, two (2) are at the 20-mill floor. As a result of an appeal for taxpayer fairness from the Geauga Budget Commission, one (1) school district (20%) mitigated their inside millage windfall for their taxpayers. There are 22 other wholly contained political subdivisions in Geauga County that benefitted from this inside millage windfall (County, City, Townships, and Villages). Of those entities 18 (82%) mitigated their windfall because of that same appeal for fairness from the Budget Commission.

The two (2) Geauga school districts at the 20-mill floor additionally experienced a floor adjustment windfall due to the reappraisal. This resulted in a direct unvoted tax increase to property owners in those school districts. These two districts (West Geauga LSD and Berkshire LSD) experienced state adjustments on certain outside millage levies because the reappraisal caused them to drop below the 20-mill floor when their mill value rose. These state adjustments caused over \$6 million of unvoted tax burden to residents in just two school districts. The 20-mill floor adjustment windfall for just these two school districts far exceeded all five (5) Geauga school districts' inside millage windfall. The adjustment significantly impacted property owners in these school districts, without their vote or consent.

In total, Geauga County property owners were facing nearly \$16.3 million of unvoted tax increases because of Geauga's 2023 revaluation and HB 920. Over \$10.7 million or 66% of that unvoted tax increase was attributed to schools and nearly \$6.1 million or 37% was attributed to 20-mill floor adjustment. If not for the proactive efforts of the Geauga Budget Commission and the leadership of our local governments' mitigation, our taxpayers would have faced far greater pain, yet still there remains considerable push-back towards our local school districts.

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One Geauga County school district that benefitted from both inside and outside millage windfalls attempted to renew a permanent improvement levy this Spring. If passed, the levy would not have impacted that district's 20-mill floor calculation because HB 920 excludes permanent improvement levies from the calculation. Overwhelmingly, taxpayers rejected the renewal levy, sending an unexpected and unprecedented message to school officials. That same school district currently benefits from a school district income tax.

In another example, a different school district that benefitted from both inside and outside millage windfalls faced the Geauga County Budget Commission during its 2025 annual budget hearing. The Budget Commission voted to suppress \$2.3 million in revenue from the schools' emergency levy because the district (i) reported over \$27 million in unencumbered cash reserves—which were two times the state's average for carryover—and (ii) could not articulate what emergency existed warranting the levy's collection. Consequentially, the Budget Commission reduced the district's levy collection revenue for 2025 to near break-even with the school district's anticipated expenses.

As a Geauga County Budget Commission member, I am very proud to share with you that Geauga County political subdivisions mitigated over \$5.2 million of the \$10.2 million inside millage windfall back to Geauga County taxpayers for 2024 with only one (1) of our five (5) school districts participating.

This is an unprecedented time for all Ohioans. Some have argued for artificially modifying how- or how often county auditors appraise property. These solutions fail to address the elephant in the room and will not solve Ohio's school funding issues.

HB 920 needs some level of reform. Fortunately, updating HB 920's 20-mill floor provisions is a straightforward solution that lightens the load for the majority of Ohio taxpayers, while also increasing transparency. I respectfully propose that you consider amending the statute to include emergency levies, substitute levies, and inside millage even when shifted to permanent improvement funds into the 20-mil floor calculation, and to account for income tax revenue through an equivalent millage calculation.

Co-Chairs Blessing and Roemer and members of the committee, thank you very much for giving me the opportunity to provide a county-level perspective to this important issue. Thank you, as well, to Senator Sandra O'Brien—herself a former county auditor and schoolteacher—who asked that I speak to you today about Geauga County's unique experience. I greatly appreciate all of you and your dedication to helping Ohio's overburdened taxpayers, and am happy to address your questions.