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Testimony before the Ohio House Ways & Means Committee April 9, 2025 on H.B. 129 The Truth in Guaranteed Tax Rate Act

Chair Roemer, Ranking Member Troy, and members of the Ohio House Ways & Means Committee, thank you for your time today and consideration of HB 129, the bill I call the Truth in Guaranteed Tax Rate Act. This legislation, while not as long term in impact to HB 186 which Rep. Hoops and I gave sponsor testimony on last week regarding the 20 Mill floor, this bill before us today is another step in our Property Tax reform efforts to make the system more accountable to the taxpayer and more easily understood.

I want to preface my testimony by saying that this bill is not an easy one for me to advocate for given some of the negative impacts to certain school funding budgets this may have, especially some of my best performing and frankly favorite schools in my district. I am here today though encouraging support for this legislation because I truly believe it is the right taxation policy for our taxpayers, and several decades of bad tax policy that schools have grown accustomed to, does not change the need to take action.

The 20 Mill Floor, that guaranteed tax rate that schools are minimally receiving from all of their properties, we know is one of the main drivers of the unvoted spikes in Property Taxes since 2020. We also know that no local entity was forced to accept those unvoted spikes in tax revenue. Many did. What compounds the issue however, is what counts towards the guaranteed tax rate for schools and how, through perfectly legal means but what I call just bad tax policy, schools have maneuvered to receive the guaranteed tax rate plus much more.

The Issues

#1 The 20 Mill Floor takes into account only inside millage used for current expenses and voted, fixed-rate current expense levies or what we'd consider general fund levies. These voted levies, if in total are above 20 Mills of effective tax rate, will generate the same revenue every year. When values go up, the tax rate goes down to collect the same revenue. Once the tax rate approved by the voters decreases to 20 Mills, then 20 Mills is always applied to the value of the district, causing the spikes.

Over time, the school district would then receive only what 20 Mills would generate for their district, getting more revenue with higher values though. If a district was at 18 Mills of voted tax rate, their voters only approved 18 Mills but that number is less than the guaranteed rate of 20 Mills, so the school picks up essentially 2 Mills of unvoted tax revenue.

For just under 200 schools, at some point in their history, the 20 Mills was not enough revenue. If they were to place a regular, general fund levy on the ballot, it may be the case that levy would have to be extremely high to get additional money and their voters would say no.

Example being a school of 15 Mills effective rate, that is what their voters approved, is charging their taxpayers 20 Mills, and would need to pass a levy of 6 mills, in order to reach out of that guaranteed floor and charge their taxpayers an additional 1 Mill above the 20 they were charging to receive more revenue than 20 Mills.

Instead, schools have used levies which do not count towards that guaranteed tax rate calculation. Emergency levies, substitute levies, and income tax levies are all used to receive additional revenue on top of their guaranteed revenue, regardless of what the voters have approved. It would be one thing if schools passed an Emergency Levy, and it was one and done. I have had schools with Emergency Levies extending back 20 + years. That's not right.

Example being a school of 12 Mills effective rate, that is what their voters approved, is charging their taxpayers 20 Mills because of the guaranteed tax rate, but has an Emergency Levy of 4 Mills. What the taxpayer is paying is 24 Mills to the school- 20 Mills due to the 20 Mill Floor and 4 Mills of Emergency Levy amount. The voter though only approved 16 Mills- 12 Mills of general levies and 4 Mills of Emergency Levy. Meaning, the taxpayer is paying an extra 8 Mills that was not voted or approved. That is due to the General Fund levies being less than the 20 Mill Floor but Emergency Levies not counting towards that guaranteed tax rate. That's not truth in taxation.

This is complicated stuff. I'm happy to answer questions on it soon. But all of that is to say, the school district has a minimum guaranteed tax rate they can receive if the voters do not wish to pass more levies. I have not been able to look a taxpayer in the face telling them how this process works and then say with any ounce of confidence that it is fair to be charged unvoted millage on top of voted extra millage and have no say in the unvoted part. That must change.

#2 Many schools have also realized that they can add more unvoted tax rate onto the bill by reallocating their Inside Millage, or portion of the tax bill that is fixed onto every property and given to the local entities. If a school district's Inside Millage is allocated to the General Fund, that tax rate counts towards the 20 Mill Floor. If the school district reallocates that millage to Permanent Improvement or other funds, then the Inside Millage does not count towards the

20 Mill Floor tax rate calculation effectively allowing for an immediate tax increase by the amount of Millage moved. This is without a vote of the people and with full knowledge of the effect.

HB 129 stops both practices. It gives taxpayers a much clearer understanding of what impact their vote has with levies and guaranteed tax rates.

I do not believe however that the bill as introduced is perfect and in my many discussions believe that changes should be made, and I am happy to explain any of these in greater detail.

1. Income Tax counting towards the guaranteed tax rate is likely not constitutional and it detracts from a goal of mine, a greater moving of the burden from property tax to other forms of taxation. Let me be clear though, schools should push for income tax levies if, and only if, they are offsetting and decreasing their property tax burden. I attempted to do that in this bill, but believe it is not the right approach.
2. The language currently speaks to becoming effective 90 days after passage. This does not give schools enough time to budget or set a strategy of living within their voted means. I believe a time period for districts to either ask the voters for their approval of what is currently unvoted taxes or decrease spending would need to happen.

To my taxpayers, the impact could be large. For those living in school districts at the 20 Mill Floor and with emergency levies, the number is on average between 5 to 15 Mills or \$1 Million to \$5 Million a year in taxes being charged that have not had a vote of the people through the workarounds I mentioned above. Senator O'Brien has a similar bill, SB 66, which has received proponent and opponent testimony in the Senate. She estimates the figure at \$300 Million statewide being charged to taxpayers that should be approved by voters.

To my school friends, and I have had many, many, many conversations on this bill already. I say simply that we do not take away the ability to receive more revenue for your services through HB 129. We just provide the voters a more transparent way to approve these tax increases. Schools can place these levy differences on the ballot and have an up or down vote as should have been the case all along.

With that very long, dry testimony Chair and members, I am happy to take questions.