

WRITTEN TESTIMONY

Charles E. Walder, Geauga County Auditor

Good morning, members of the House Ways and Means Committee, and thank you for this opportunity to provide proponent testimony on HB-129. My name is Chuck Walder, and I am the Auditor of Geauga County in Northeast Ohio. I have served the taxpayers of Geauga in this capacity since early 2018. Today, I offer my county's perspective and respectfully recommend passing HB-129, a practical and necessary piece of legislation in the best interests of Ohio's taxpayers.

My Office is the frontline for taxpayers seeking to understand their property tax bills. The complexities surrounding unvoted millage and how it can be reallocated frequently create confusion, and, frankly, erode public trust. HB-129 offers a much-needed dose of transparency by placing reasonable limitations on these funds' reallocation. This legislation is not about creating obstacles for our schools, but rather about developing the public's trust through clear communication and accountability.

Often government, when trying to solve complex problems, attempts to fix all known or anticipated issues. Generally, my experience since entering government is that government-proposed solutions can grow to a point where nothing gets done and nothing fixed, because the solution takes on a life of its own and delays action. Here, HB-129 addresses a few specific issues that will have an immediate, measurable effect on Ohio taxpayers. It is progress without overcomplication and allows work to continue in modernizing and reforming Ohio school funding.

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. School districts' ability to shift unvoted millage can be confusing to property owners.

For 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 and an additional school is very near the floor. As a result of an appeal for taxpayer fairness from the Geauga Budget Commission, one (1) 20-mill floor 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 leaders of our local governments,

encouraged by the Geauga Budget Commission, our taxpayers would have faced far greater pain, yet still there remains considerable push-back towards our local school districts.

One Geauga County school district that benefitted from both inside and outside millage windfalls attempted to renew a permanent improvement levy last Spring and when it failed again last Fall. 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. Now that district is considering an Inside Millage shift into a Permanent Improvement Fund. This would create additional revenue in 20-mill floor adjustment for the district all without the approval of the taxpayers who have twice spoken in opposition to Permanent Improvement money.

In another example, the other school district that benefitted from both inside and outside millage windfalls faced the Geauga County Budget Commission just last week for its 2025/2026 annual budget hearing. The Budget Commission voted to rescind a 1-mill Inside Millage redirection to Permanent Improvements because the district failed to demonstrate need in their budget submission. Additionally, the district reports over \$25 million in unencumbered cash in their General Fund with a 65.5% Cash as a % of Expenses compared to the state average of 46.1%. This same district has placed a 5.35-mill Bond Levy on the May ballot to build a new school complex. The irony of this particular district's funding is that they currently have 9.3-mills of Emergency Levies, yet they cannot articulate their emergency. The Budget Commission's reversal of the Inside Millage shift to Permanent Improvement will result in \$1.25 million dollars of direct tax relief to the district's property owners because that millage will now be counted in the school's floor calculation.

As one of the 88 individuals in Ohio responsible for ensuring fair and accurate property valuations and for properly distributing tax revenue, I believe that HB-129 addresses several important issues that would enhance transparency and accountability in local school district financing. HB-129 takes a significant step towards fiscal responsibility and taxpayer trust by limiting the reallocation of certain unvoted property tax milage. By establishing clearer boundaries on school districts' ability to shift unvoted millage, HB-129 promotes a more direct link between voter-approved levies and their purported purposes. This will give taxpayers more certainty about how their millage is applied.

Furthermore, including property and school district income taxes in a district's effective millage floor calculation is a logical modernization to ensure that the calculation more accurately reflects the district's actual revenue. Including these revenue sources provides a complete and more realistic picture of a school district's overall tax burden and funding capacity. Transparency is vital to preserving the public's trust, especially relating to fiscal matters.

Moreover, HB-129's requirement for public hearings before a school district can alter its levy within the ten-mill limitation in a way that would increase property taxes is an important

safeguard for taxpayers. These hearings will foster community engagement by giving property owners the opportunity to learn about tax increases, voice their concerns, and ask questions. Our constituents have a right to understand their tax obligations and have a say in the decisions that impact them.

HB 920 deserves reform. HB-129 is a great step in that endeavor. From my daily interactions with taxpayers, I believe that HB-129 directly addresses many of their concerns by promoting clarity in fund allocation, providing a more accurate picture of the overall tax burden, and ensuring that taxpayers have a say in decisions that directly impact their wallets. Therefore, I respectfully encourage you to pass this common-sense measure to enhance fiscal responsibility, improve transparency, and strengthen the trust between taxpayers and our schools.

Thank you very much for giving me the opportunity to provide a county-level perspective to this important issue. I greatly appreciate all of you and your dedication to helping Ohio's overburdened taxpayers.