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**Ohio House Ways and Means Committee
Proponent Testimony – House Bill 129
Nick Ciolli, Research Analyst
(Written Only)**

Chairman Roemer, Vice Chair Thomas, Ranking Member Troy, and members of the House Ways and Means Committee, my name is Nick Ciolli, the County Commissioners Association of Ohio's Research Analyst. Thank you for the opportunity to provide written proponent testimony for House Bill 129.

HB 129 takes steps to create a more holistic 20-mill floor by including fixed-sum levies (primarily emergency property tax levies and substitute property tax levies) and income taxes a school district levies in the calculation for the district's 20-mill floor. Currently, only inside millage designated for operating expenses and current expenses property tax levies are counted for a district's 20-mill floor. Since districts on the 20-mill floor enjoy partial exemption from property tax reduction factors, this floor must be carefully considered.

As property tax valuation increases began affecting the state during the last General Assembly, the CCAO Tax and Finance Committee developed recommendations for reform of the property tax system. One of these recommendations is the abolishment of the 20-mill floor since it undermines the intent of the HB 920 reduction factor framework and causes confusion for taxpayers when their tax bills come back higher than they expected due to the partial exemption from reduction factors. This confusion can spill over into hesitance to vote for property levies for county services such as developmental disabilities boards, mental health boards, and children services.

In testimony to the House Ways and Means Committee two years ago focused on HB 920's reduction factors, the [Legislative Service Commission explained](#) that the 20-mill floor "is intended to guarantee that school districts have at least 20 mills worth of property taxes to pay operating expenses."ⁱ

In the Legislative Service Commission's [School District Local Operating Revenue](#) Members Brief, LSC explains that the 20-mill floor "does not include school district income tax levies or emergency levies, although these levies are generally used for operating expenses."ⁱⁱ

As the testimony and reference material prepared by LSC shows, under current law, school districts can utilize multiple flows for operating revenue but only have a portion counted for



their 20-mill floor. This causes taxpayers to see larger tax increases than they would if the 20-mill floor had a more holistic calculation of the resources available to school districts.

Representative Thomas noted during his sponsor testimony and LSC notes in the Bill Analysis, including revenue from school district income taxes in the 20-mill floor may be unconstitutional. CCAO understands this concern and supports taking whatever steps Representative Thomas and the committee feel are appropriate to ensure the bill withstands constitutional scrutiny.

In addition to the changes in the composition of the 20-mill floor, HB 129 also prohibits school districts from reallocating inside millage if the change will result in a tax increase. This provision of the bill reflects an interaction between a district's inside millage and the 20-mill floor that does not apply to the inside millage of other local governments.

If a district uses its inside millage for current expenses (in the 20-mill floor) and reallocates it to permanent improvements (outside the 20-mill floor), the district may see increased revenue due to the reduction in its 20-mill floor calculation. The table below shows a simplified hypothetical example of a district that levies 24 mills of property tax and how, because that reallocating inside millage can have on the 20-mill floor, the district can realize three additional mills of property tax revenue without passing an additional levy.

Sample of Inside Mill Reallocation Effect on 20-Mill Floor and Total District Millage			
Row Label	Component	Example District (Before Reallocation)	Example District (After Reallocation)
A	Current Expense Inside Mills	5	0
B	Current Expense Outside Mills	17	17
C	Permanent Improvement Inside Mills	0	5
D	Permanent Improvement Outside Mills	2	2
E = A + C	Total Inside Millage	5	5
F = B + D	Total Outside Millage	19	19
G = E + F	Total Millage	24	24
H = C + D	Millage Not Applicable for 20-Mill Floor	2	7
I = A + B	Millage for 20-Mill Floor	22	17
J = 20 - I (if positive)	20-Mill Floor Adjustment Mills	N/A	3
K = H + I + J	Effective Total Millage	24	27

Since other local governments do not have a 20-mill floor equivalent, when they change the purpose of their inside millage there is no change in revenue, simply a change in where the revenue goes. Closing this loophole will help promote taxation transparency and minimize unvoted tax increases.

CCAO would like to thank Representative Thomas for bringing this piece of property tax reform legislation forward and we request that the House Ways and Means Committee consider it favorably.

ⁱ [LSC Testimony](#), Page 4

ⁱⁱ [LSC Members Brief](#), Page 5