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Testimony before the Ohio Senate Local Government Committee October 22, 2025 on H.B. 129 The Truth in Guaranteed Tax Rate Act

Chair O'Brien, Vice Chair Gavarone, Ranking Member Smith, and members of the Senate Local Government Committee, thank you for the opportunity to testify on 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 is another step in our Property Tax reform efforts to make the system more accountable to the taxpayer, more easily understood, and prevent the spikes which occurred over the last 5 years.

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.

<u>The Issues</u>

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. This means minimal tax increases due to values increasing- the tax rate would decrease. Once the tax rate approved by the voters decreases to 20 Mills however, 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. 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. This is the 20 Mill Floor.

For 237 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. Because the school is below 20 Mills, they still charge their taxpayers 20 Mills. But, they would need to pass a levy of 6 mills, in order to climb 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 and substitute levies are all used to receive additional revenue on top of their guaranteed revenue, regardless of what the voters have approved. This is a way to gain extra revenue in addition to the minimum guaranteed revenue.

> 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 know. 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.

And it did, with our veto override removing the ability to levy emergency, substitute, and replacement levies and prevent shifting of inside millage which was in the budget. However, the question arises, what to do with these levies until they fall off.

Until the emergency levies fall off, those tax rates should count towards the 20 Mill Floor calculation, and in HB 129 they do, lifting 237 schools off the 20 Mill Floor, preventing spikes in 237 School Districts for their next revaluation. Schools do not lose current revenue by doing this policy, but they are prevented from spiking in unvoted windfalls, the underlying goal of much of our policy.

Taking the Governor's Tax Working Group recommendations into account, to create a glidepath for schools, and to not increase taxes on Ohioans, we allowed for a 1 time renewal of the revenue from an Emergency Levy to be done by schools in the forms of what is referred to as a fixed sum levy. This one time levy is a 5 year term, will still receive the State taxpayer subsidies of the 10% and 2.5% rollbacks, and most importantly will count towards the 20 Mill floor, extending the time the school would be off the floor.

In short, HB 129 lifts 237 schools off the 20 mill floor, gives truth in guaranteed taxation, and provides for an extended time period for no spiking of unvoted property taxes.

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