

TESTIMONY

Charles E. Walder, Geauga County Auditor

Good morning, Senators and thank you for this opportunity to provide input on the proposed SB-66 legislation. 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 SB-66 to help relieve taxpayers from some of the effects of the 20-mil floor adjustment for school districts. SB-66 is an incremental improvement toward leveling the playing field for property owners who were unaware that ballot issues carried unintended tax consequences beyond the language that they were offered when voting. My testimony is not intended to address Ohio's public-school funding's constitutionality or all issues surrounding the current housing market phenomena and its ramifications. At issue here is unanticipated consequences surrounding school 20-mil floor adjustments that create additional unvoted taxes to many Ohioans' while also increasing taxes within the 10-mill limitation, also referred to as "inside millage".

Often government, when trying to solve complex problems, attempts to fix all known or anticipated issues. Generally, my experience since entering government just a few short years ago indicates that government proposed solutions can grow to a point where nothing gets done and nothing gets resolved, because the solution takes on a life of its own and delays action. Here, SB-66 incrementally addresses a few specific issues in the 20-mill floor calculation that will have an immediate, measurable effect on Ohio taxpayers. It is progress without overcomplication. It allows for immediate relief with measurable consequences without further delay and allows work to continue in modernizing and reforming Ohio school funding.

By modifying the 20-mill floor calculation to include emergency and substitute levies, all inside millage even when shifted into Permanent Improvement Funds, and to account for income tax revenue through an equivalent effective millage calculation, this legislation is immediate relief for many Ohio taxpayers. The modifications proposed more closely align the actual funding of a specific school district with the burden that is being placed in its district's taxpayers.

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.

TESTIMONY

Charles E. Walder, Geauga County Auditor

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 50% (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 type in their school district.

Gauga County ranks second in Ohio in per capita income. Niche ranked Gauga County's public schools collectively as Ohio's 5th-best. The 2023 Gauga County Sexennial reappraisal resulted in an approximately 30% average increase in property values. There are five (5) wholly contained school districts in Gauga County, two (2) are at the 20-mill floor and one additional school is very near the floor. As a result of an appeal for taxpayer fairness from the Gauga Budget Commission, one (1) 20-mill floor school district (20%) mitigated their inside millage windfall for their taxpayers in 2024. There are 22 other wholly contained political subdivisions in Gauga 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) Gauga 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 Gauga 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) Gauga school districts' inside millage windfall. The adjustment significantly impacted property owners in these school districts, without their vote or consent.

In total, Gauga County property owners were facing nearly \$16.3 million of unvoted tax increases because of Gauga'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 Gauga Budget Commission, our taxpayers would have faced far greater pain, yet still there remains considerable push-back towards our local school districts.

TESTIMONY

Charles E. Walder, Geauga County Auditor

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 tried 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 twice. 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 which would obligate taxpayers for the next 38 years. 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. These Emergency Levies are decades old and have been twice renewed. 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 20-mill floor calculation.

HB 920 deserves reform. SB-66 is a great step in that endeavor. Updating the 20-mill floor calculation provision is a straightforward solution that lightens the load for the majority of Ohio taxpayers, while also increasing transparency. I respectfully encourage you to pass this legislation 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 effective millage calculation.

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 I have regularly shared ideas with regarding this challenge. I greatly appreciate all of you and your dedication to helping Ohio's overburdened taxpayers, and am happy to address your questions.