



**Senate Ways and Means Committee
HB 140 Opposition Testimony**

**Buckeye Association of School Administrators
Ohio Association of School Business Officials
Ohio Library Council
Ohio School Boards Association
Ohio Township Association**

June 1, 2022

Chair Blessing, Vice Chair Roegner, Ranking Member Williams, and members of the Senate Ways and Means Committee, thank you for the opportunity to speak to you today to express our opposition to House Bill (HB) 140. My name is Katie Johnson, representing the Ohio Association of School Business Officials. Joining me today for this testimony and answering your questions are Kevin Miller with the Buckeye Association of School Administrators, Heidi Fought with the Ohio Township Association, Will Schwartz with the Ohio School Boards Association, and Jay Smith with the Ohio Library Council.

Collectively, we represent the boards and administrative leaders of public school districts, libraries and townships from around the state. All our members must rely on local property taxes for support. Due to limits imposed by the Ohio Constitution and Section 5705.02 of the Revised Code, our members must place levies on the ballot to raise the local funds necessary to meet the needs of their communities. A successful ballot issue takes a lot of planning and community support to be successful. This support relies on a high level of trust between the community and school district and local government leaders. Historically, this trust has been built through a commitment to transparency along with ongoing education to assure voters know how a proposed levy or bond issue will impact each of them personally.

By necessity, ballot language is technical in nature and not meant to be an accurate estimate of the taxes owed by each individual taxpayer should the levy pass. Instead, the current ballot language describes the taxes that will be levied on behalf of the taxing entity. We understand the proposed changes in HB 140 are intended to allow voters to better understand the effects a proposed levy will have on their property taxes. However, we believe the changes in HB 140 will actually cause confusion and misunderstanding by voters.

First, the transition to the use of the “county auditor’s appraised value” is misleading since property in Ohio is not taxed uniformly. The use of this term assumes all taxpayers are residential/agricultural property owners and does not acknowledge rollbacks and the recently expanded homestead exemption.

Since the language applies to only one class of voter, not all, this proposed change is confusing and misleading. Additionally, use of an existing levy's "effective rate" for residential or agricultural property only in the renewal context in an attempt to mitigate inconsistent definitions of value is further confusing and misleading.

In addition, the bill's requirement that the county auditor's estimate of annual collections be included in the ballot language will be very misleading to voters. For instance, as values in the district go up, the millage rate collected by the county auditor will go down. Also, as bonds for a capital project are retired or refinanced, the amount of money needed to make the bond payments may go down, reducing the collection amounts. Again, the purpose of the language in the current ballot requirement is to direct the county auditor in collecting the tax ~ not to indicate to voters how much they will pay.

During levy campaigns, school districts and other local governments routinely provide an estimated tax obligation on homes, but they have the ability to distinguish the various factors that will affect this estimate. The following differences among taxpayers, levies and properties mean the calculation of the actual taxes on an individual property derived from a levy will vary widely:

- Differences between Class 1 (Residential and Agriculture) and Class 2 (Commercial) Property (the calculation is most often different among the two classes);
- The taxpayer may have specific discounts (i.e., the Homestead Exemption);
- The type of levy has a bearing on what a property owner will pay (i.e., for certain renewal levies, residential property qualifies for the state-paid 10% rollback; commercial properties do not); and
- "HB 920" means property owners often pay lower "effective rates" for levies rather than the full voted rate after the initial year of implementation.

As previously noted, ballot language under current law describes the taxes that will be levied on behalf of the taxing entity. It is not intended to be a calculation for an individual property owner due to the differences among properties, taxpayers, and levy types. To change the ballot language as proposed in HB 140 is confusing, potentially misleading, and less transparent (see attached for sample ballot language).

As a result of these concerns, we urge you to reject the proposed changes in HB 140 and instead consider the following suggestions:

- Ask LSC to make the language uniform for all levy types in statute (there are differences among the revised code language for different levy types ~ this would be an improvement to current law); and
- Require the county auditor to calculate the tax liability for individual taxpayers "upon request" based on the property type, the levy type, and reduction and discount factors.

Again, we believe taxing entities are already providing accurate information to potential voters during the levy campaign process. If individual voters wish to better understand the impact of a proposed levy on their specific property, the county auditor can calculate an estimate based on all relevant factors.

Mr. Chairman, this concludes our testimony. **We urge you to oppose HB 140.** Thank you for your consideration. We are happy to address your questions.

Sample Ballot Language – HB 140 Proposed Changes

ORC 5705.21 – Renewal Property Tax Levy	ORC 5705.21 – Modifications proposed by HB 140
<p>“A renewal of tax for the benefit of . . . (subdivision) for the purpose of . . . at a rate not exceeding 3.5 mills for each \$1 valuation, which amount to \$0.35 for each \$100 of valuation, for . . . (term).”</p>	<p>“A renewal of tax for the benefit of . . . (subdivision) for the purpose of . . . (purpose), <u>that the county auditor estimates will collect \$. . . annually*</u>, at a rate not exceeding 3.5 mills for each one dollar \$1 of <u>valuation taxable value</u>, which amounts to \$33.03** for each one hundred dollars \$100,000 of <u>valuation the county auditor’s appraised value***</u>, for . . . (term).” ****</p>

* This total includes the application of the proposed levy on all property; it is not limited to residential and agricultural, which is inconsistent with the use of the appraised value calculation that follows.

** Proposed changes in HB 140 require that “*the estimated effective rate, in lieu of the rate, shall be expressed for each one hundred thousand dollars of the county auditor's appraised value*” for renewals. Due to HB 920 the effective rate of a renewal levy would be lower than the gross/voted rate considering the application of the reduction factors and the fact that they do not account for inflation in property values. (Please note that the example above builds on the example provided to the committee during proponent testimony.) A few things to note:

- The total amount of \$33.03 reflects a residential effective rate of 0.94 mills due to HB 920; **however**, the ballot language reflects the voted millage of 3.5 mills.
- There are multiple rates that apply to a voted levy depending on the property type; **however**, under the proposed changes in HB 140 only the residential and agriculture rate appears on the ballot. There are different effective rates that apply to commercial/industrial property.

*** Estimated value per \$100,000 of appraised value does ***NOT include any applicable tax credits, including Homestead and rollback.*** If the original 3.5 mills were passed prior to November of 2013, the 3.5 mills would be eligible for the 10% and 2.5% rollbacks. If this is not taken into account, it could substantially overstate the renewal amount reflected on ballot.

**** Please note that home values are below \$100,000 for a majority of voters in various counties throughout the state.