



Ohio House Ways and Means Committee  
House Bill 1 – Opposition Testimony

Adam Schwiebert  
Director of Government Relations – Dayton Metro Library  
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Chairman Roemer, Vice Chair Merrin, Ranking Member Troy and members of the House Ways and Means Committee, thank you for the opportunity to submit written opposition testimony on House Bill 1.

The Dayton Metro Library (DML) is organized as a county district library under Chapter 3375 of the Ohio Revised Code. The Library is proud to serve approximately 400,000 cardholding patrons and provide a wide array of services that benefit the entirety of the Greater Dayton region.

House Bill 1 would significantly reform Ohio's state income and local property tax structures. The legislation in its current form would adversely impact several key DML revenue streams. DML understands that this legislation remains a work in progress and will likely undergo further changes. DML shares this information today to help inform lawmakers on the projected impact of this bill and offer constructive suggestions moving forward.

### **Estimated Impact of HB 1**

#### **1. Reduction in Public Library Funds**

HB 1 would significantly reform Ohio's income tax rate structure. DML does not take a position on state income tax reform. However, the impact of income tax rate reductions in the bill as-written would result in sizable decreases to the Public Library Fund (PLF), which currently receives 1.7 percent of state General Revenue Funds. As state revenue declines, so too do PLF distributions.

The Legislative Service Commission Fiscal Note for HB 1 estimates reductions of \$43 million and \$31 million to the PLF in FY 2024 and FY 2025, respectfully. At this time, DML estimates that this would result in a decrease of approximately \$1.9 million to its PLF receipts below baseline projections. This translates into a revenue reduction equivalent to at least five percent of DML's Calendar Year 2023 operating revenue.

#### **2. Elimination of 10 percent property tax rollback**

HB 1 proposes to eliminate state payments to school districts and local governments for the 10 percent property tax rollback for qualifying Class 1 properties. According to the Ohio Department of Taxation, DML received approximately \$1.6 million in payments in Calendar Year 2022 from the 10

percent rollback. In isolation, this change should theoretically be revenue neutral, as collections from DML's property tax operating levy would increase 10 percent following the repeal of state rollback payments.

### **3. Reduction of property assessment rate**

HB 1 proposes to reduce the real property assessment rate from 35 percent to 31.5 percent, with further reductions tied to inflation. Presumably, this change is made to avoid property tax increases for Class 1 property taxpayers due to the elimination of the 10 percent rollback. However, the complex interaction between the property tax assessment rate and tax reduction factors could have negative impacts on future Library revenues and lead to short-term tax increases on taxpayers.

DML currently has a 1.75 mill fixed-rate levy (outside mills) for operating expenses which was approved by voters in 2009. Increases in property values have caused tax reduction factors to reduce the effective millage of this levy to 1.45 mills. If the 10 percent assessment reduction in the bill were enacted, tax reduction factors would be released on this levy, increasing the effective millage of the levy. The result would be the levy would continue to collect its full amount and Class 1 property taxpayers would experience a significant tax increase.

Going forward, future reductions in the property assessment percentage due to the gross domestic product deflator included in the bill would cause all tax reduction factors to be removed from the 1.75 mill levy. At this point, the Library would incur permanent revenue losses each year. The magnitude of these losses is unknown, but potentially in the millions, and would continue to grow with inflation.

This section of the bill paired with the elimination of the 10 percent rollback is a significant departure from established property tax law in Ohio. The complex implications of the property tax changes contemplated by HB 1 may have widely varying and unexpected results. Such sweeping revisions to Ohio's property tax law warrant a thorough review that may be better suited to a study committee.

### **4. Revenue replacement**

DML asks that as the General Assembly debates tax reform that libraries be held harmless from any adverse fiscal impacts. The intent clause included in HB 1 indicates the willingness of the legislature to work with local governments, but additional clarity and permanency in this area is needed. DML requests that payments be made to libraries to make whole any local fiscal losses brought on by state tax reform, and that these payments be established in permanent law. An increase to the PLF percentage may be the easiest avenue to achieve this request.

Thank you for the opportunity to share feedback on how HB 1 would currently impact the Dayton Metro Library. We hope this information is helpful to lawmakers as discussions continue. As further changes to HB 1 are considered, please feel free to utilize DML as a resource. We thank the General Assembly for their longstanding support of public libraries in Ohio, and we look forward to continuing that partnership well into the future.