



Chair Roemer, Vice Chair Thomas, Ranking Member Troy and members of the House Ways and Means Committee, thank you for the opportunity to provide testimony in opposition to House Bill (HB) 335. My name is Nicole Piscitani with the Ohio School Boards Association (OSBA). We represent boards of education for public school districts, career technical education centers and educational service centers.

OSBA is committed to working with the Ohio Legislature to find property tax reform solutions that are fair to taxpayers and protect educational opportunities for all Ohio students. Local property taxes are the cornerstone of school funding in most districts, enabling quality instruction, student support and safe learning environments. When considering these changes, it is important to keep in mind that school funding is a shared responsibility between the state and local communities. It is essential to consider the impact property tax changes will have on public school students.

We are open to thoughtful reform but cannot support changes that reduce local control or hinder a district's ability to serve its students. Reforms must ensure funding stability and predictability. ***We urge you to consider the collective impact any property tax changes will have on Ohio's students and maintain the ability for local communities to acquire the resources necessary to meet the needs of students.***

Before I delve into the various provisions of HB 335, I want you to picture the faces of the 1.4 million children who will be impacted by this bill. This bill will impact every single public school student in the State of Ohio. These students are our future. It is our duty to ensure they have the resources they need.

### **Inside millage**

The Ohio Education Policy Institute (OEPI) analyzed HB 335 and the repeal of inside millage. I have provided the report along with my written remarks, but I want to highlight its findings. This is taken directly from the report, "the elimination of nearly \$2 billion in school district property tax revenue will certainly have a significant impact on the ability of Ohio's school districts to deliver educational services to the more than 1.4 million students currently enrolled in traditional K-12 districts. One of the most direct ways to demonstrate

this impact is to estimate the number of teachers that would need to be cut in order to realize the reduced spending required by the loss such a significant amount of revenue. This can be done by using the average classroom teacher salary reported in the FY24 Cupp Report and adding an additional 35% for fringe benefits. The lost inside millage revenue amount in each district can then be divided by this teacher cost figure to arrive at the number of teaching positions that would need to be eliminated. ***The report shows that statewide nearly 20,000 teachers would need to be eliminated in order to save the amount of revenue lost by the repeal of school district inside millage. This amounts to nearly 20% of the current number of (FY24) full-time teachers in Ohio's school districts.*** The immediate reduction of inside millage as proposed would be devastating. It would force districts to go back to the tax payer through other types of levies to maintain quality educational services, after Ohio's taxpayers have made it very clear more levies and taxation is not what they want.

### **20-Mill Floor**

Since 1976, provisions have been in place to help protect property owners from increases in property taxes when the value of their property increases due to reappraisal or updates by their county auditor. This protection, known as House Bill 920, works to reduce a school levy's millage rate so that the levy generates no additional revenue beyond what it produced when it was first approved by voters. However, since Ohio law does not allow a school district's combined real property millage to fall below 20 effective mills – the source of the term 20-mill floor – the reduction factor no longer applies once the floor is hit.

The reduction factor and rising property values are also responsible for pushing more and more school districts down to the 20-mill floor. As property values rise, millage rates are reduced and districts approach and land at the floor. In tax year 2018, the number of districts who found themselves at the Class I floor was 168. In tax year 2023, spiking property values grew that list to 409. Meanwhile, between tax year 2022 and 2023, 89% of the new floor districts went through reappraisal or update in 2023, which indicates that the driving force in 20-mill floor districts clearly is rising property values.

HB 335 would include emergency and substitute levies in the calculation of the 20-mill floor, which would temporarily lift district with those types of levies off the floor and subject them to the reduction factors of HB 920. This provision would also force the affected school districts to either cut essential services, place more levies on the ballot in response or both. Those new levies might also come at a higher cost to property owners because new levies no longer qualify for the state-paid property tax discounts.

Rather than make changes to the definition of Ohio's minimum millage for educational operations in the wake of fluctuating values, **we would recommend renaming emergency and substitute levies to indicate what they truly are – fixed sum levies.** Additionally, as this committee considers changes to the 20-mill floor calculation **we would request that they be either phased in over a period of time or take effect when the levies expire.**

### **Limit 20-Mill Floor Revenue to Inflation**

HB 335 would limit the increase in property tax revenues for 20-mill floor districts to the three-year average rate of inflation. When provisions of HB 186 adjusted the school funding formula to reflect this limitation, we saw this approach as fair to ensure that schools are not judged by revenue-generating capacity they no longer have. **Without this language, we cannot be supportive of this proposal.**

It should also be noted that the other provisions of HB 335 largely create phantom revenue issues too. As you know, Ohio provides funding to schools based not on what a district raises in revenue locally, but what it *can* raise based on its property valuation and the income of its residents – this is what is referred to as local capacity. HB 335 takes this one step further, not only is the state determining a district's state share, but it then prohibits districts from receiving the local funds that are voter approved.

### **County Budget Commissions**

We also have concerns about the provisions regarding county budget commissions. Many school districts are not confined to a single county. In fact, 255 districts span multiple counties, with one district covering parts of five counties. All residents of a school district, no matter which county they reside in, vote on school district levies. Our concern is that under this bill's provisions, a single county budget commission could lower the millage for the residents in its county, thereby creating uniformity issues for residents in the other counties.

### **Cash Balance Carryover**

The authorities granted to the county budget commission under this bill -- and in the state budget, (HB 96) -- are based on their review of a district's cash balance carryover. A school district cash balance carryover is not a rainy day or emergency fund; it is the district's operating fund. ***We are concerned that the HB 96 cash balance provisions, coupled with other property tax reforms, will have a profound impact on a school district's ability to adjust to the changes and maintain levels of student service.*** The school

districts that would be impacted by the cash balance provisions would first experience a loss of those funds and then experience the impact of losing inside millage. This would drive school districts to have incredibly low levels of carryover balances and would have extreme financial implications.

In closing, the 1931 voters established inside millage in Ohio's Constitution. Almost a century later, inside millage has been the keystone of Ohio's property tax system. All property taxes first start with inside millage. The last time Ohio did major tax reform, was in 2005 with HB 66. Many of the invited witnesses here today were part of those lengthy discussions that spanned over six months, and they understand the need to phase in such large changes to ensure that it is done thoughtfully and gives time to make any adjustments that may be needed in the process. Thorough and deliberative discussions regarding HB 335 can't be achieved in two weeks before a final budget vote. Ohioans deserve the time and opportunity to weigh in on such a vast proposal.

Chair Roemer and members of the committee, thank you for your time. I would be pleased to answer any questions you may have.