STATEHOUSE REPORT

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House bill to eliminate inside millage, make other significant changes to property taxation introduced

Earlier this week, Representative David Thomas introduced House Bill 335. HB 335, if passed, would make the widest sweeping changes to Ohio's property tax system in decades. The bill has five elements: it incorporates three existing bills regarding property tax changes and makes two new changes.

The most significant change the bill makes is the elimination of inside millage authority for counties, municipalities, and school districts (along with any other miscellaneous entities that receive inside millage), effective for tax year 2025. HB 335 allows townships to retain their current inside millage rate, largely because property taxation is the only revenue source for townships.

The Legislative Service Commission (LSC) estimates that the elimination of inside millage for these entities would result in a property tax cut totaling at least $3.5 billion annually (with the figure increasing as property values increase). Counties account for $853.1 million of that total.

To mitigate the revenue loss, the bill allows counties to levy up to an additional 1% of sales tax. This would increase the total county sales tax authority to 2.50%, leviable in increments of 0.05%. Any increase in sales tax using this new authority would need voter approval. A preliminary estimate by CCAO staff is that the median county would need to levy 0.55% of additional sales tax to offset revenue loss from inside millage elimination. Twelve counties (Brown, Carroll, Harrison, Henry, Meigs, Monroe, Morgan, Morrow, Noble, Paulding, Perry, and Vinton) would be unable to completely offset the revenue loss.

In addition to the overarching concern of the significant revenue reduction for county operations that the bill would cause, there are two additional points of concern that CCAO would like to note at this time.

The first is the general timeline of revenue loss and potential offsetting sales tax increases. Given the timing of property tax revenue payments and the timeline for new voted sales tax levies, counties may not be able to replace any portion of the lost revenue for six months at best, or for increasing increments of six months depending on subsequent votes.

The inside millage reduction is effective beginning in tax year 2025, which is the current year. Distribution of TY 2025 property tax revenue occurs in 2026, with the first payment typically being distributed in February. Counties would effectively begin experiencing the loss of inside millage at that payment.

Meanwhile, if a county opts to see a sales tax increase, it would need to submit the resolution to put the issue on the ballot to its board of elections by August 6. If the vote in November is successful, the increased rate would first be collected on April 1 and would first be distributed to counties on June 1. If a county places the vote on the May 2026 ballot, it would not receive revenue from the new sales tax rate until December 1.

The second aspect of inside millage elimination that the Association wants to highlight at this time is the effect on loan debt service. According to the Department of Taxation, at least 11 counties use a portion of inside millage revenue for debt service. Depending on the individual debt agreements, the loss of inside millage revenue may have a number of effects, including credit rating decreases, increased cost of credit moving forward, or potential debt default.

The other components of HB 335 are incorporating House Bill 129 (adding additional factors into the calculation of a school district's 20-mill floor), House Bill 186 (generally limiting a school district's 20-mill floor revenue increase to inflation), and House Bill 309 (clarifying and expanding the authority of the county budget commission to revise rates of voted property tax levies). The bill also includes permissive authority for counties to double the homestead exemption benefit to eligible taxpayers. Any foregone revenue from a county permissive homestead exemption expansion would not be reimbursed by the state. CCAO has testified in support of House Bill 129 and has a number of platform positions on property tax reform including allowing deferral programs and the creation of a circuit breaker to prevent tax bills from becoming unaffordable.

CCAO has discussed House Bill 335 and its implications in the Tax and Finance Committee, has met spoken with Representative Thomas, and will be meeting again with Representative Thomas, as well as Representative Bill Roemer (the chairman of House Ways and Means) and House majority caucus staff on Tuesday to discuss the bill further. The bill will also be subject of conversation at the Association's Board of Directors meeting next Friday.

CCAO is holding a Virtual Membership Meeting for Monday, June 9, at 8:00 a.m. to discuss the bill and its implications. This meeting is open to all commissioners, county executives, and county council members.

The information to join the meeting was emailed to all members earlier this afternoon. If you did not receive the information, please contact Boards' Liaison and Events Manager Robin Garrett at rgarrett@ccao.org.

If you have questions about the bill or would like to share information about its potential impact on your county, please contact the Policy Team at policy@ccao.org.

Senate adopts substitute budget bill with cuts to county priorities

On Tuesday, the Senate Finance Committee adopted its initial round of changes to the House Bill 96 in the form of a substitute bill. The Senate changes included an income tax cut totaling $1.68 billion which resulted in many agency line items seeing reductions.

This article discusses the status of CCAO's priorities for the budget (children services, indigent defense, Next Generation 9-1-1, child care access, and county jails). The subsequent article goes over other budget provisions with county implications.

Summary of CCAO Priorities in the Senate Substitute Bill

- Decreased the increase in funding levels for the State Child Protection Allocation (SCPA) to $22 million over the biennium, rather than $55 million over the biennium in the House version.

- Removed $20 million in SFY 2026 and $10 million in SFY 2027 to assist communities in starting regional child wellness campuses.

- Maintained language that establishes a process for the Department of Children and Youth to increase cost transparency and predictability for placement costs.

- Reduced the increase in indigent defense reimbursement funding from the House proposal by $21.75 million in each fiscal year, which will result in an expected 80% reimbursement.

- Maintained language and funding for a state administered indigent defense pilot.

- Maintained the Next Generation 9-1-1 monthly user fee increase from $0.40 to $0.60. The Senate also altered the fee's distribution formula to send more money to county operations.

- Maintained the House's initial eligibility for publicly funded child care at 145% of the federal poverty level (FPL), down from 160% FPL in the executive proposal.

- Maintained the removal of funding for jail construction projects from the executive budget proposal.

- Removed the requirement that the Ohio Department of Medicaid submit an 1115 waiver to allow for Medicaid coverage of a 30-day supply of medication, behavioral health, mental health, and substance abuse treatments for the incarcerated population.

Children Services

The Senate reduced the proposed funding levels for the State Child Protection Allocation (SCPA). In SFY 2025 (the current fiscal year), the SCPA is funded at $155 million. The Senate substitute bill funds the SCPA at $162 million in SFY 2026 and $170 million in SFY 2027. The House had proposed funding the SCPA at $180 million in SFY 2026 and $185 million in SFY 2027. These funds go directly to county public children services agencies for placement costs of children in foster care.

The Senate removed funding for regional child wellness campuses that would provide short-term crisis stabilization placements. The House had proposed funding the campuses at $19.75 million in SFY 2026 and $9.75 million in SFY 2027.

The Senate substitute bill maintains language that authorizes the Department of Children and Youth to issue a Request for Proposal (RFP) to establish statewide rate cards for placement and care of children eligible for foster care maintenance payments. Providers would report to DCY the rates for various services provided, and counties would then pay those rates when placing.

Indigent Defense

The Senate removed the increase in funding provided by the House for county indigent defense reimbursement. That amounts to a decrease $21.75 million in each fiscal year, back to the Executive proposal. A comparison between the reimbursement scenarios can be found below.

Indigent Defense Reimbursement Scenarios, House and Senate Budgetary Appropriation Levels					
SFY 2026			SFY 2027		
System Cost Scenario	House Funding ($218 million)	Senate Funding ($197 million)	System Cost Scenario	House Funding ($224 million)	Senate Funding ($202 million)
$234 million ($18.5m/month)	93%	84%	$247 million ($19.5m/month)	91%	82%
$240 million ($19m/month)	91%	82%	$253 million ($20m/month)	89%	80%
$246 million ($19.5m/month)	89%	80%	$259 million ($20.5m/month)	87%	78%

The Senate also removed language that would have capped reimbursement to counties for appointed counsel at $75 an hour for non-death penalty cases and $140 an hour for death penalty cases. We were pleased to see the removal of this language as it disproportionally impacted rural counties who are forced to pay higher rates to appointed counsel.

The Senate retained funding and language for the Northwest Regional Hub as well as a performance audit of the indigent defense system.

CCAO quickly worked with the OPD and the Ohio State Bar Association to have an amendment drafted to restore funding to the House levels. We worked with Senator Nathan

Manning to draft the amendment and are hopeful the Senate will include the amendment in its omnibus amendment, which will be adopted next week.

Next Generation 9-1-1

The Senate maintained the executive budget proposal language that repeals the provision of law that would, beginning October 1, 2025, lower the Next Generation 9-1-1 (NG 9-1-1) access fee from $0.40 to $0.25. The Senate also maintained the increased user fee from the current level of $0.40 per month to $0.60 per month included in the House.

While the Senate did not increase the fee, counties will see more revenue due to a change in the distribution of revenue from the user fee to provide additional funding to counties. We are thankful that the Senate maintained the current user fee and support the increased percentage funding to counties.

A comparison of the distribution in current law to the Senate version can be found below.

Distribution of NG 9-1-1 Fee Revenue, Current Law and Senate Substitute Bill		
Entity	Current Law	Senate Sub Bill
Counties	72%	81.33%
State NG 9-1-1 Program	25%	16.67%
State 9-1-1 Office	2%	1.33%
Department of Taxation	1%	0.67%

Child Care

The Senate maintained the House's proposal to set initial eligibility for publicly funded child care at 145% of the federal poverty level (FPL), which is current law. The Executive version increased that initial eligibility to 160% FPL. The Child Care Choice Voucher program, retained by the Senate at $100 million in each fiscal year, will provide publicly funded child care to families up to 200% FPL.

The Senate removed language creating and funding the Child Care Cred Program, which would allow the cost of child care to be split between the employee, employer, and Department of Children and Youth. Under the House proposed program, costs would be split: 40% by the employee, 40% by the employer, and 20% by the Department of Children and Youth.

The Senate substitute bill maintained $3.2 million in SFY 2026 for the new Child Care Provider Recruitment and Mentorship Grant Program to help increase the number of licensed child care providers in Ohio and to assist recruited entities and individuals.

County Jails

The Senate substitute bill maintained the reappropriation the $75 million for jail construction grants contained in HB 33 using the same funding formula utilized in that bill, and did not include any new funding for county jail projects.

The Governor's proposal included $154.9 million over the biennium for county jail projects derived from an excise tax on adult-use marijuana. The Senate maintained the removal of this appropriation from the House version and directed the revenue from the tax to the state general revenue fund.

The Senate removed language added by the House that requires the Department of Medicaid to submit an 1115 Waiver to allow for Medicaid coverage of a 30-day supply of medication, behavioral health, mental health, and substance abuse treatments for the incarcerated population.

We were disappointed to see the waiver removed in the Senate version and will work to have the waiver restored in conference committee. The waiver has been a longstanding priority for CCAO and will lessen the financial impact of healthcare in county jails on the county's general revenue fund budget.

Substitute Bill makes other changes that will impact county operations

In addition to CCAO's priorities, the Senate substitute bill makes a wide array of other changes that will impact counties. A few of these that directly affect county elected officials are listed below. We encourage you to visit our Bill Tracker to review other changes.

If you have any questions about the budget, please contact policy@ccao.org.

County Provisions

County Coroner Recodification

The bill recodifies the county coroner as an official appointed by the board of county commissioners rather than one elected by the county electorate. The general duties of the coroner are not changed. The only other statutory change made that affects the coroner is that the authority for the coroner to fill a county commissioner seat on an acting basis if two commissioners are incapacitated is removed and reassigned to the county auditor.

County Elected Official Compensation Increase

The bill increases county elected official compensation by 5% each year through 2029. The auditor and the off-year commissioner would first receive this increase when their new terms begin in 2027. The other elected officials would receive it in 2029 when their new terms begin.

Additionally, the bill allows for an ongoing compensation increase beginning in 2030 equal to the lesser of inflation or 3%.

Commissioner Oversight of Bonuses

The bill limits the size of cash awards that county agencies can give to employees per calendar year for outstanding performance (a "bonus") to 10% of their annual compensation. The board of county commissioners may, by written policy, authorize greater percentages.