STATEHOUSE REPORT

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Governor issues 67 vetoes on budget bill, including two CCAO veto requests

Last Monday night, Governor Mike DeWine signed House Bill 96, the state's operating budget for fiscal years 2026 and 2027. The Governor utilized his line-item veto authority to strike 67 items from the bill.

If the General Assembly wants to override any of the vetoes, the two chambers must do so by a 3/5 vote, starting in the House, before the expiration of the General Assembly in December 2026. It is unclear at this moment whether the General Assembly intends to return to Columbus to attempt veto overrides. If they do, each veto item must be addressed individually and in whole.

CCAO made three veto requests to the Governor's office last week. Two of these are among the 67 veto items.

- **Ashtabula County Lodging Tax** *(Item Number 64)* - HB 96 required Ashtabula County to repeal its 2% special lodging tax used to fund a convention center. CCAO requested the Governor veto this provision due to the troubling precedent of the state directing a county to repeal a locally-approved tax. The Governor agreed and vetoed the provision.

- **Eminent Domain and Recreation Trails** *(Item Number 37)* - HB 96 prohibited the use of eminent domain to obtain property for the construction of recreational trails. CCAO signed a letter with the County Engineers Association of Ohio and other groups to request the Governor veto this provision, which the Governor did.

Cuyahoga County and CCAO also requested the Governor veto language prescribing a revenue distribution formula from the county's sin tax revenue; unfortunately, the language remained in the bill.

The items below are other vetoes that may be of interest to counties, with the exception of property tax vetoes. Those are covered in a subsequent article.

H2Ohio Fund for Land/Conservation Easement Purchases *(Item Number 20)*
Vetoed a provision that would have prohibited the Department of Natural Resources (ODNR) from using H2Ohio funds to purchase land or conservation easements. These easements are typically used to preserve and restore wetlands, which act as natural capture points for excess sediments and nutrients from heavy rainfall. According to state data, the Department has completed or have ongoing investments in 183 wetland projects across the state.

Local Government Contracts for Emergency Services *(Item Number 21)*
Vetoed a provision that would require ODNR to reimburse local governments for emergency response services at South Bass Island State Park. The veto message notes that, without appropriation, ODNR would need to restrict services at other state parks. The Governor announced his intention to convene a stakeholder working group to make suggestions for how ODNR should best provide safety services to Ohio's 76 state parks.

While the composition of the working group has not been announced, CCAO intends to request a role due to the impact that state parks have on many county economies.

Household Sewage Treatment System Soil and Slope Inspection *(Item Number 23)*
Vetoed a provision that would have prohibited the Department of Health from requiring soil evaluators or soil scientists to assess soil type and slope for Household Treatment Sewage Systems (septic systems). CCAO's Legislative Platform calls for more oversight of these systems due to the negative impact they can have on water quality if not properly installed and managed.

Sugar Sweetened Beverages SNAP Waiver *(Item Number 35)*
Vetoed a provision that would have required the Department of Job and Family Services to request a waiver from the federal government to exclude sugar-sweetened beverages from purchase with SNAP benefits. Governor DeWine noted in his veto message and during his press conference that ODJFS intends to submit a waiver with the same intent as that vetoed language, but that the exact language in HB 96 was ambiguous and could have had unintended consequences.

Local Fiscal Emergency Receivership *(Item Number 36)*
Partially vetoed a provision that would have enabled a receiver for local governments in fiscal emergency to determine if the local government will file for bankruptcy. The partial veto is due to a conflict with existing law that requires a local government to get approval from the Department of Taxation before filing for bankruptcy.

According to a list maintained by the Auditor of State, there are currently no counties in fiscal emergency, fiscal watch, or fiscal caution.

Continuous Medicaid Enrollment for Children *(Item Number 38)*
Vetoed a provision that would repeal the requirement for the Department of Medicaid to ease the administrative burden for parents of children under the age of four years old in

Medicaid. This program was first added in the 135th General Assembly's operating budget.

Remove Duplicative Reporting System *(Item Number 48)*
Vetoed a requirement that the Office of Budget and Management create an IT system to track grants and collect financial status reports from grant recipients. The veto language notes that it would be duplicative of existing duties under the Auditor of State and data available under the Ohio Checkbook.

Election Integrity Unit *(Item Number 54)*
Partially vetoed a provision regarding the new Election Integrity Unit within the Secretary of State, specifically portions that limit the time a county prosecutor must decide if they will pursue cases. The Ohio Prosecuting Attorneys Association opposed this language since it reduced the discretion of the county prosecutor. CCAO did not take a position.

Sales Tax Exemptions *(Item Number 57)*
Vetoed the repeal of sales tax exemptions on newspaper subscriptions, material used to produce printed materials for sale, and motion pictures acquired by theaters. The Department of Taxation’s Tax Expenditure Report estimates that, over the biennium, these exemptions will cost the state the following:

- Newspaper Subscriptions: $22.6 million in each fiscal year.
- Material to Produce Printed Materials: $4.4 million in each fiscal year.
- Motion Pictures Acquired by Theaters: $6.8 million in SFY 2026 and $7.3 million in SFY 2027.

If the exemption repeals had stayed in the bill, state revenue would have increased by an estimated $33.8 million in SFY 2026 and $34.3 million in SFY 2027. The Legislative Service Commission (LSC) typically estimates the county sales tax effect as 25% of the effect on the state, which means the exemption repeals would have increased aggregate county sales tax revenue by an estimated $8.5 million in SFY 2026 and $8.6 million in SFY 2027.

Data Center Tax Exemptions *(Item Number 58)*
Vetoed a provision that would prohibit the Tax Credit Authority from entering into new computer data center sales and use tax exemption agreements. LSC estimates that state revenue from removing the authority for these exemption agreements going forward would increase by up to $20 million in SFY 2027, which corresponds to an increase of roughly $5 million for counties in SFY 2027.

Property tax measures among Governor vetoes: what was and was not struck from the bill

Property tax reform was a central issue in the budget and, as the bill progressed, more provisions intended to address property tax issues were added. This culminated in the Conference Committee report which added several reform provisions that had been debated in separate bills throughout the first six months of the 136th General Assembly.

Among the 67 veto items that Governor DeWine issued this week were four involving property tax provisions. Since the veto items are not limited to a singular bill provision, this article is intended to help clarify what the Governor did and did not remove from the bill before signing it into law. The veto message language regarding these items follow and themselves are followed by two tables: Table 1 contains general property tax provisions and Table 2 contains property tax provisions that involve the county budget commission.

Property Tax: County Budget Commission Authority and Procedure *(Item Number 55)*
Vetoed the authority for county budget commissions to unilaterally reduce a levy passed by voters for a school district or taxing authority. A taxing unit can still request the CBC reduce the millage of a levy for a single year or multiple years, but the CBC cannot make the decision on its own.

Cash Balance Carry-Over *(Item Number 63)*
Vetoed a provision that would require county budget commissions to reduce rates on school district current expense levies if a district's carry-over balance is more than 40% of its general fund expenditures.

20-Mill Floor Calculation *(Item Number 65)*
Vetoed a provision that would include emergency tax levies, substitute tax levies, incremental growth levies, conversion levies, and the property tax portion of combined levies in the calculation of a school district's 20-mill floor.

School District Property Tax Levy Restrictions *(Item Number 66)*
Vetoed a provision eliminating the authority for school districts to levy certain types of property tax levies. Included in this veto is the elimination of replacement tax levies, a levy type that other local governments can use as well.

Table 1. General Property Tax Reforms in HB 96 and Governor Action

HB 96 Provision	Governor Action
Requires ballot language to refer to “market value” instead of “county auditor’s appraised value”	**VETOED**
Eliminates the authority for taxing entities to levy replacement tax levies beginning on January 1, 2026	**UNCLEAR** ***(see below)***
Eliminates school district fixed-sum emergency levies, substitute emergency levies, and combined income tax & fixed-sum property tax levies	**VETOED**
Eliminates authority for any school district levies (other than renewals) if district carry over exceeds 100%	**VETOED**
Adds additional elements to the calculation of a school district’s 20-mill floor	**VETOED**
Creates a statewide screening system to ensure proper compliance with the eligibility requirements for homestead exemptions and the 2.5% owner occupancy credit	**NO ACTION, REMAINS IN BILL**
Creates permissive county homestead exemptions and owner occupancy credits	**NO ACTION, REMAINS IN BILL**

The authority for political subdivisions to utilize replacement levies is found in R.C. 5705.192, which HB 96 repeals. In Governor DeWine's actual veto strikes, he removed "5705.192" from the title of the bill and vetoed provisions that referred to the repeal of R.C. 5705.192. However, he did not veto language at the back of the bill that repeals R.C. 5705.192.

Since HB 96 delays the effective date for the repeal of replacement tax levy authority to January 1, 2026, entities can put replacement levies on the ballot for November regardless of the status of the Governor's intended veto.

Table 2. County Budget Commission Reforms in HB 96 and Governor Action	
HB 96 Provision	**Governor Action**
Makes a county commissioner, as selected by the board of county commissioners, the county prosecutor's designated alternate on the CBC	**NO ACTION, REMAINS IN BILL**
Requires the CBC to reduce millage on school district property taxes if the district has a carryover of greater than 40%	**VETOED**
Allows the CBC to reduce millage on any voted tax levy, except for debt levies	**VETOED**
Allows taxing entities to request the CBC reduce the millage on a voted tax levy	**NO ACTION, REMAINS IN BILL**
Requires each CBC to have at least one public meeting per year to describe the concept and function of inside millage	**NO ACTION, REMAINS IN BILL**

Legislative Activity

Bill Signings

The following bill(s) that may be of interest to counties were signed by the Governor this week. Since all three were signed on July 1, they will take effect on September 29.

- Senate Bill 6 (Senator Kristina Roegner): To make changes to the law relating to building inspections.
- Senate Bill 138 (Senator Terry Johnson): To modify various laws regarding boards of alcohol, drug addiction, and mental health services and to impose penalties for not registering recovery housing residences.
- Senate Bill 147 (Senator Bill Reineke): To make changes to the laws governing the transfer and disposal of solid waste and construction and demolition debris and to provide for new procedures governing a county's withdrawal from a joint solid waste management district.

Introduction of Bills

The following bill(s) that may be of interest to counties were introduced this week:

- House Bill 387 (Representatives Mark Sigrist and Jack Daniels): To authorize a municipal corporation or township to allow Sunday sales of intoxicating liquor without local option election approval.
- House Bill 389 (Representatives Joe Miller and David Thomas): To eliminate the additional registration fee applicable to hybrid motor vehicles.
- House Bill 391 (Representatives Jack Daniels and Heidi Workman): To require tax rates to be expressed as a percentage of true value on tax bills and ballot language.