# STATEHOUSE REPORT

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## CCAO adopts position to limit inside millage revenue growth

At its September meeting, the CCAO Board of Directors adopted a position to recommend the General Assembly limit revenue growth attributable to inside millage to 3% annually. The recommendation also requests the provision include an emergency clause, allowing it to take effect immediately upon signature.

Inside millage is not subject to tax reduction factors, meaning revenue from the millage grows with valuation changes. These automatic increases have often been referred to as "unvoted increases" because they occur without a separate vote of a subdivision's electorate. The other form of unvoted increase is when a school district is on the 20-mill floor.

Inside millage is limited to 10 mills per taxing district and is shared between the county, township, municipality, and school district located in the taxing district. There are some special districts that receive inside millage but these are rare.

Counties typically account for a third of inside millage, although it varies from county to county. Inside millage rates to the county government range from 0.20 mills (Columbiana County) to 4.90 mills (Pike County).

According to CCAO simulation data, if a 3% annual revenue growth limit had been enacted in 2012, counties would have received $275.9 million less from inside millage than actual figures over the period from TY 2012 to TY 2024. That amounts to a reduction of about 3.46%.

The number of counties that would experience the cap and the magnitude of capped revenue would have increased in the past five years as property valuations have grown at a greater than normal rate. The effect of the cap in TY 2023 alone would have been $86.0 million (or 31.12% of the total effect over the period).

A note on the CCAO simulation: Data limitations required the simulation to use aggregated figures. An actual cap would be applied at the tax bill level, so the magnitude of effect will vary from the estimates above.

The CCAO position in support of capping inside millage revenue at 3% annually is a sound fiscal policy that provides needed tax relief to Ohio residents. A cap maintains fiscal predictability for counties while protecting taxpayers from spikes on their tax bills.

CCAO supports including an emergency clause in whatever legislative vehicle the proposal is a part of to ensure the cap is applied to tax bills payable in 2026.

If you have questions concerning CCAO's position on limiting revenue growth from inside millage, please contact CCAO Research Analyst Nick Ciolli at nciolli@ccao.org.

## House Ways and Means Committee adopts substitute bills to align property tax measures with budget provisions

At its September 24 meeting, the House Ways and Means Committee held hearings on three property tax related bills. The focus of the hearing was to adopt substitute bills for each piece of legislation. The substitute bills largely aligned the bills with provisions passed in House Bill 96, the state operating budget, but some new changes were made as well.

House Bill 129 (Representative David Thomas) began as a bill to add elements to the school district 20-mill floor, prohibit school districts from shifting the purpose of inside millage if it would cause a tax increase, eliminate school district substitute levies, and make changes to school district emergency levies.

HB 129's substitute bill removed the provisions related to inside millage shifting, substitute levies, and emergency levies. The bill retains the provisions that add elements into the 20-mill floor calculation and gained a provision clarifying that if a district is on the 20-mill floor and passes a new levy, for the first year the levy is charged, the district will still be treated as though it were on the floor.

House Bill 186 (Representatives Jim Hoops and David Thomas) began as a bill that would limit tax increases attributable to the school district 20-mill floor to an inflationary measure and would provide a partial offset of the revenue loss to the school through an adjustment in the school funding formula. The funding formula adjustment was removed at an earlier hearing. The tax reduction would appear as a credit to the taxpayer.

HB 186's substitute bill applies the credit retroactively for school districts located in counties that underwent reappraisals or updates in TY 2023 and TY 2024. Applying the credit to districts in counties that underwent reappraisals or updates in those years makes the credit apply statewide. The substitute bill also makes technical changes the formula used to calculate the credit.

House Bill 309 (Representative David Thomas) began as a bill that would make a significant variety of changes to the authority and duties of the county budget commission (CBC).

HB 309's substitute bill's scope was narrowed, largely due to bulk of the bill's original provisions having been included in the operating budget. That said, some of the new provisions added through the substitute bill had been in the operating budget but were vetoed by the Governor. These provisions include the following:

- Prohibits the CBC from modifying voted levies in the first year of their collection, unless the levy is a renewal levy.
- Allows the CBC to reduce millage on any non-debt voted levy if it finds it is necessary to avoid unnecessary, excessive, or unneeded collections.
- Prohibits the CBC from reducing levies collected by majority-elected bodies to the point that it collects less revenue than the prior year, unless the reduction can be offset by reserve balance accounts, certain trust funds, or carryover amounts.
- Requires the Tax Commissioner to certify to county auditors the necessary rate adjustments to fixed-sum levies to ensure the collected sums remain steady.

HB 186 will receive its sixth hearing next week and is marked for further amendments and a possible vote. Additionally, House Bill 335 (Representative David Thomas), a bill that eliminates inside millage, will receive its second hearing next week and is also marked for amendments.

It is possible that the changes to one of those bills, most likely HB 335, will modify inside millage. See the article above for information about CCAO's position on inside millage changes.

Members with questions about these bills or other property tax items should contact CCAO Research Analyst Nick Ciolli at nciolli@ccao.org.

## CCAO publishes County Advisory Bulletins on state operating budget and county official compensation

This week, CCAO published two County Advisory Bulletins (CABs), both pertaining to the state operating budget.

First, CAB 2025-12, State Operating Budget provides an analysis of county-related provisions in House Bill 96, the state operating budget for SFY 2026 and SFY 2027. Due to the size of the CAB, provisions are categorized by CCAO Standing Committee.

If you have questions about a budget provision, please contact the Policy Team at policy@ccao.org.

Second, CAB 2025-14, County Official Pay Tables provides updated pay tables for county officials (elected row officers, judges, and boards of elections members) after the annual 5% compensation increase included in HB 96.

Full details are available in the CAB, but key points to know are that the 5% annual raise will only be available to elected row officers when their next elected term begins. Judges and boards of elections members will receive the pay raise when the raises become effective on January 1, 2026. Officials who cannot receive the compensation increase until their next term begins will continue to receive the prior 1.75% annual increase established in the prior pay bill.

If you have questions about the county official compensation changes, please contact CCAO Research Analyst Nick Ciolli at nciolli@ccao.org.

# Legislative Activity

## Introduction of Bills

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

- House Bill 466 (Representatives Beth Lear and Kevin Ritter): To require certain subdivisions to obtain the approval of the body that created the subdivision before levying a property tax.
- House Bill 470 (Representative Terrance Upchurch): To create an automatic voter registration system.
- Senate Bill 270 (Senators Nate Manning and Paula Hicks-Hudson): To modify provisions relating to commitment of delinquent children to the department of youth services.

## Upcoming Committee Hearings

The following committees are currently scheduled to meet and discuss bills that may be of interest to counties. Other committees will likely meet as well, but as of press time for Statehouse Report, they have not released agendas. Please note that these schedules are subject to change.

If you would like to offer testimony on any bill, please visit the committee page and contact the committee chair's office for instructions on how to submit testimony.

**Wednesday, October 1**

**House Local Government (9:00 a.m.)**

- House Bill 137 (Representative Brian Lorenz): To authorize a taxing authority to decline to submit a requested library levy or general health district levy to voters.
  - Second hearing, proponent testimony
  - **POSSIBLE AMENDMENTS**
- House Bill 361 (Representatives Brian Lorenz and Tex Fischer): Regarding building inspections, local regulations, and zoning
  - First hearing, sponsor testimony

- House Bill 397 (Representatives Kellie Deeter and Mark Johnson): To expand the allowable uses of profits from jail commissary funds.
    - First hearing, sponsor testimony
- House Bill 412 (Representative D.J. Swearingen): To allow a village to contract with the county prosecutor for legal services.
    - First hearing, sponsor testimony

**House Development (9:00 a.m.)**
- House Bill 147 (Representative Brian Lorenz): To require the Tax Credit Authority to grant a sales and use tax exemption to construction contractors for certain projects.
    - Second hearing, proponent testimony
- House Bill 307 (Representatives Dontavious Jarrells and Monica Robb Blasdel): To establish a program regarding lead service line replacement.
    - Second hearing, proponent testimony

**Senate Transportation (10:30 a.m.)**
- Senate Bill 180 (Senator Terry Johnson): To prohibit the purchase of small unmanned aircraft systems manufactured or assembled by a covered foreign entity.
    - Second hearing, proponent testimony

**House Ways and Means (11:30 a.m.)**
- House Bill 186 (Representatives Jim Hoops and David Thomas): To authorize a reduction in school district property taxes affected by a millage floor that would limit increases in such taxes according to inflation and to require a corresponding adjustment in the school funding formula.
    - Sixth hearing, all testimony
    - **POSSIBLE AMENDMENTS**
    - **POSSIBLE VOTE**
- House Bill 335 (Representative David Thomas): To modify the law governing county budget commissions, property taxation, county sales taxation, and alternative apportionment formulas for local government and public library funds.
    - Second hearing, all testimony
    - **POSSIBLE SUBSTITUTE BILL**