Ohio Legislative Service Commission

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Office of Research and Drafting

Legislative Budget Office

H.B. 309
136th General Assembly

Bill Analysis

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Version: As Passed by the House

Primary Sponsor: Rep. D. Thomas

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SUMMARY

County budget commissions

- Limits a requirement that county budget commissions (CBCs) approve all properly authorized voted property tax levies without modification to only the first five years of a levy's collection.
- Authorizes CBCs to reduce property tax levies, provided they are not otherwise required to approve them without modification, to avoid unnecessary or excessive collections.
- Defines "unnecessary collections" as those beyond the reasonably anticipated financial needs of the taxing authority for the specific purpose of the tax after accounting for current fund balances, projected expenditures, and other available funding sources.
- Defines "excessive collections" as those in an amount or a rate that exceeds what is required to provide services at a level that is consistent with statutory obligations.
- Limits CBC authority to reduce levies collected for the use of majority-elected taxing units below what the levies collected in the prior year or, for school districts, below 20-mills except by request of the school district.
- Provides that school districts will not lose state education funding when levying less than 20 mills of property tax for current operating expenses if doing so under an adjustment made by the CBC pursuant to a request authorized under current law.

Fixed-sum levies

- Requires the Tax Commissioner to annually adjust the rate of a fixed-sum levy so that it will continue to raise the sum approved by voters and to certify that adjustment to county auditors.

DETAILED ANALYSIS

County budget commissions

Every county has a county budget commission (CBC) consisting of the county auditor and treasurer and a county commissioner or the county prosecuting attorney. Historically, CBCs have been responsible for reviewing annual local government tax budgets, adjusting those budgets if property tax revenue was insufficient to fund them, and approving properly authorized property tax levies with limited options to adjust their rates.

The recently enacted state operating budget, H.B. 96, included provisions expanding the information required in tax budgets and granting CBCs authority to adjust local government revenue. Several of the latter budget provisions were vetoed, and the bill includes variations of those vetoed provisions.

CBC authority

Under current law, CBCs are required to annually approve certain types of property tax levies without modification upon a finding that the levies are properly authorized. Among that list of levies are all levies in excess of the ten-mill limitation, i.e., voted levies, unless a lower rate is requested by the political subdivision or taxing unit for which the levy is collected. A provision included in H.B. 96 would have limited the required approval without modification to the first year of a voted levy's collection and would not have treated renewal levies as being in their first year. That provision was vetoed.[1]

The bill requires approval without modification for the first five years of a voted levy's collection unless the levy is a renewal levy.[2] The bill also allows CBCs to annually adjust levy collections, for any levies that do not require approval without modification, to avoid unnecessary or excessive collections. It defines those terms as follows:

- "Unnecessary collections" are those beyond the reasonably anticipated financial needs of the taxing authority for the specific purpose of the tax after accounting for current fund balances, projected expenditures, and other available funding sources.
- "Excessive collections" are those in an amount or at a rate that exceeds what is required to provide services at a level that is consistent with the taxing authority's statutory obligations.

Before a CBC may reduce a levy to avoid unnecessary or excessive collections, it must provide an opportunity for the taxing authority of the taxing unit for which the levy is collected to present information it considers relevant to the questions of if and to what extent the levy should be reduced. The opportunity must come at a public hearing. If the CBC ultimately decides to adjust a levy there are two more restrictions, beyond the definitional limits of "unnecessary

[1] R.C. 5705.31(A) of H.B. 96 of the 136th General Assembly, As Enrolled; Governor's Statement of the Reasons for the Veto of Items in Amended Substitute House Bill 96 of the 136th General Assembly.

[2] R.C. 5705.31(A).

or excessive," for any reductions to levies collected for taxing authorities comprising primarily elected members. For majority-elected taxing authorities:

- A CBC may not reduce a levy such that it will collect less than what it collected in the preceding year unless there are funds available in reserve balance accounts, nonexpendable trust funds, or carryover amounts to offset the reduction. But CBCs must consider such amounts when deciding whether to impose a reduction;
- No school district levy may be reduced such that the school district levies less than 20 mills for current operating expenses unless the school district has requested the reduction to forgo increased revenue from inside millage or operation of the 20-mill floor.[3]

Similar, but broader, reduction authority was included in H.B. 96 but vetoed. The vetoed provisions would have allowed reductions to levies that did not require approval without modification to avoid "unnecessary, excessive, or unneeded collections" but without any definitional limits on those terms.[4]

School district safe harbor

Under current law, enacted in the budget, a taxing unit that estimates it will collect more revenue in the following fiscal year due to the operation of inside millage on increased valuations or due to operation of the 20-mill floor may forgo that increased revenue. To do so, the taxing unit must declare its intent to forgo the revenue in its tax budget; the CBC must honor such a request.[5]

Also under current law, school districts that levy less than 20 mills of property tax for current operating expenses risk losing state education funding. The budget included a safe harbor provision that would have prevented school districts levying less than the required 20 mills from losing state education funding if doing so pursuant to a request to forgo increased revenue. That safe harbor provision, however, was vetoed as part of veto Item Number 63. As a result, under current law, school districts may elect to forgo increased revenue on inside millage or due to operation of the 20-mill floor, and CBCs are required to honor those requests, but school districts may lose state funding as a result. The bill includes a safe harbor provision to prevent the loss of state education funds when a school district levies less than 20 mills for current operating expenses due to its election to forgo increased revenue.[6]

Fixed-sum levy adjustment

In addition to new CBC authority for rate adjustment, the bill makes a provision for adjustment of a fixed-sum levy, i.e., a levy that is levied at whatever rate each year generates a

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[3] R.C. 5705.32(A) and (C) and 5705.321; R.C. 5705.01, not in the bill.

[4] R.C. 5705.32(B) of H.B. 96 of the 136th General Assembly, As Enrolled; Governor's Statement of the Reasons for the Veto of Items in Amended Substitute House Bill 96 of the 136th General Assembly.

[5] R.C. 5705.29(E), not in the bill, 5705.31(D), and 5705.32(A).

[6] R.C. 3317.01(A); Governor's Statement of the Reasons for the Veto of Items in Amended Substitute House Bill 96 of the 136th General Assembly.

fixed sum of revenue. Under continuing law, these levies are given an initial estimated rate in the ballot language, but that rate is supposed to adjust each year to ensure the fixed sum is collected.

The bill requires the Tax Commissioner to annually adjust the rate of a fixed-sum levy, excluding a debt levy, such that it collects the same amount, even in years when property values change due to an appraisal or update. The Commissioner is required to certify each adjustment for the current tax year to each county auditor no later than September 1, which is the day by which the Commissioner is required, under continuing law, to certify tax reduction factor adjustments to county auditors.[7] Upon receipt of the Commissioner's adjustments, the county auditor is required to adjust the rates of fixed-sum levies accordingly, after computing any adjustment for tangible personal property tax replacement payments made by the state for such a levy, as required under continuing law.[8] Under current law, the county auditor is required to adjust the rate of fixed-sum levies.[9] A similar provision was included in the budget, but was vetoed by the Governor.[10]

HISTORY

Action	Date
Introduced	05-27-25
Reported, H. Ways & Means	10-08-25
Passed House (77-19)	10-08-25

ANHB0309PH-136/ts

[7] R.C. 319.301(D)(2).

[8] R.C. 5705.60.

[9] R.C. 5705.34, not in the bill.

[10] Governor's Statement of the Reasons for the Veto of Items in Amended Substitute H.B. 96 of the 136th General Assembly.