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OHIO LEGISLATIVE SERVICE COMMISSION

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H.B. 129
136th General Assembly

Fiscal Note & Local Impact Statement

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Version: As Reported by Senate Local Government

Primary Sponsor: Rep. D. Thomas

Local Impact Statement Procedure Required: Yes

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Highlights

- The bill modifies the school district 20-mill floor calculation, resulting in slower annual property tax revenue growth for an estimated 211 school districts in the bill's first three years beginning with tax year (TY) 2026.
- School district revenue losses statewide are estimated to be approximately \$162 million for TY 2026, \$223 million for TY 2027, and \$224 million for TY 2028.
- GRF expenditures from item 200903, Property Tax Reimbursement – Education, are estimated to be lowered by \$18 million for TY 2026, \$25 million for TY 2027, and \$25 million for TY 2028.
- The bill has no effect on state aid to school districts through the school funding formula as presently designed.

Detailed Analysis

Fixed-sum levies

The bill permits school districts to levy property taxes that generate a fixed sum of money under certain circumstances. These levies will be referred to as “fixed-sum levies” on the ballot language. A fixed-sum levy may be authorized if: (1) an emergency levy or substitute levy approved by voters before calendar year (CY) 2026 is renewed as a fixed-sum levy, or (2) a district that is in fiscal caution, fiscal watch, or fiscal emergency is impacted by a disaster declaration by the U.S. President or the Governor, and the tax is proposed during the disaster declaration or within two years after the disaster declaration expires or is rescinded. Fixed-sum levies authorized under the bill may be levied for no more than five years and may be further renewed.

If voters approve a fixed-sum levy authorized by the bill, it will immediately count towards their school district's 20-mill floor calculation.

The provision has an indeterminate effect on school district revenues but expands the levy options available to districts for raising property tax revenue to support their operations. Under current law, existing emergency levies and substitute emergency levies cannot be renewed on or after January 1, 2026.

Change in school district floor calculation

The bill changes the calculation of effective mills on outside (voter approved) fixed-rate levies of school districts and joint vocational school districts (JVSDs).¹ Under continuing law, effective tax rates on outside fixed-rate levies are set by calculating the percentage reductions required in order to levy the same amount of taxes for current expenses in the current year as in the prior year on carryover property.² However, these effective tax rates, when combined with inside general fund millage, cannot go below a floor: 20 mills for school districts and two mills for JVSDs.³ For districts that are at the floor, therefore, increases in taxable property value lead to commensurate increases in property tax revenue on carryover property from outside fixed-rate levies as the rates on those levies may not be reduced.

While current law only adds general inside millage to the millage of a school district's fixed-rate levies when determining if a district is below the 20-mill floor, the bill includes millage from other sources in the calculation. In addition to general inside millage and the millage of a school district's fixed-rate levies, the bill immediately includes millage from incremental growth levies, conversion levies, and the property tax portion of combined income tax and property tax levies in the 20-mill floor calculation. However, the bill continues to exclude an emergency levy or a substitute levy from the 20-mill floor calculation until the applicable territory undergoes its first reappraisal or triennial update starting in TY 2026.

The bill's effect on school districts that impose the aforementioned property tax levies is to increase the total millage that is evaluated for the 20-mill floor. School districts that are at the floor under current law, where an increase in taxable value spurs revenue growth on 20 mills of taxation, may no longer be at the floor under the bill if they utilize such levies. Consequently, their fixed-rate levy millage will be reduced, resulting in a loss of tax revenue that they would have otherwise received. The bill slows the growth of school district property tax receipts; it does not cause negative tax revenue growth for any school district.

¹ Millage can be "inside" or "outside." Inside mills are the first ten mills (1%), which taxing authorities are allowed to levy administratively without seeking voter approval. Outside mills, those in addition to the first ten mills, must be submitted for approval by voters.

² Carryover property is property taxed in the same class in both the current and prior tax years. The two classes of real property are Class 1 which includes residential and agricultural land and improvements, and Class 2 which includes all other real property. Separate effective tax rates are figured for each class.

³ An exception for school districts applies if the effective tax rate needed to reach the floor would be higher than the rate approved by voters. The effective rate cannot be raised above the voted rate. As of TY 2024, only ten school districts are under this exception.

The bill provides for similar calculations for JVSDs, adjusting the percentage reduction if necessary, so that taxes charged and payable for current expenses would be at the two-mill floor. Although JVSDs are permitted to have either emergency or substitute levies, tax rate abstracts published by the Department of Taxation do not show either type of levy used by JVSDs in TY 2024. Based on this, the bill appears to have no effect on JVSDs.

Local school district revenue effects from 20-mill floor

The slower annual property tax growth resulting from the bill will curtail school district revenues by approximately \$162 million in TY 2026, \$223 million in TY 2027, and \$224 million in TY 2028. The magnitude of these losses will increase more slowly over time as fewer districts are able to collect additional revenues from rising taxable property values.

The bill adds existing emergency and substitute levies to millage floors beginning in TY 2026 in any county where a district undergoes a reappraisal or triennial update. Based on these conditions, and using data updated with the November 2025 general election results, it is estimated that 103 school districts will be affected by the 20-mill floor calculation changes in TY 2026, 166 districts in TY 2027, and 186 districts in TY 2028. In total, 211 unique school districts are expected to be affected over the first three years after the bill is in effect.⁴

Under the current law, school districts are no longer authorized to renew existing or approve new emergency and substitute levies. However, H.B. 129 allows school districts to renew their emergency or substitute levies as fixed-sum levies under certain conditions. Accordingly, under the bill, some emergency and substitute levies may be further renewed and reclassified as fixed-sum levies at future elections. If such a levy renewal is approved, the number of school districts affected by the bill could be higher than LBO's estimate cited above, resulting in larger potential revenue impact. Since school districts could further renew these levies, the number of affected districts and revenue growth over time are uncertain, though they are generally expected to decline.⁵ Since real property taxes are paid in arrears, the revenue effects will be realized by school districts in CY 2027, CY 2028, and CY 2029, respectively.

The amount of loss experienced by each school district depends on how close to the 20-mill floor the district is, the district's emergency, substitute, incremental growth, and conversion tax rates; the property tax rate portion of the district's combined income tax and property tax levies; and the change in the district's real property values over time. School districts without any of these levies will not incur losses from the bill. Revenues of districts that are well above the 20-mill floor under current law will also be unaffected by the bill. Some districts whose gross millage is less than 20 mills will also be unaffected by the bill if consideration of the additional levies does not put the district over the 20-mill floor.

⁴ An increasing number of school districts will incur a fiscal effect from the bill as all 88 counties undergo reappraisal or triennial update during TY 2026-TY 2028. However, some of the school districts affected at the outset of that three-year period will potentially return to the 20-mill floor when their emergency and substitute levies expire. As a result, the actual number of affected school districts in TY 2028 is expected to be lower than 211.

⁵ Approximately 53 school districts have a substitute levy or incremental growth levy that does not expire.

Levy-level data is publicly available from the Department of Taxation. However, none of the levies for the latest available tax year (TY 2024) are labeled as conversion⁶ or combined income tax and property tax levies. LBO therefore presumes that none of these levies are currently in effect in any school district. These estimates additionally assume no change in levied millage rates across years.

GRF spending reductions

Property taxes are largely paid by property owners, but a small portion is reimbursed by the state for property tax rollbacks and the homestead exemption. Slower growth in school district revenues implies lesser rollbacks on qualifying levies, including the 10% nonbusiness tax reduction and the 2.5% tax reduction for owner-occupied homes. Also, lower school district effective tax rates imply smaller homestead exemption reductions, the amounts of which are based on local tax rates as well as the amounts of taxable value exempted. The associated losses to local taxing authorities for these policies are fully reimbursed by the state GRF. As a result, the bill's estimated school district revenue losses correspond to approximately \$18 million, \$25 million, and \$25 million in reduced GRF reimbursement payments in TY 2026, TY 2027, and TY 2028, respectively.

The bill would reduce expenditures from appropriation item 200903, Property Tax Reimbursement – Education. Given the relationship between the tax year and fiscal year, the bill reduces estimated GRF expenditures by \$9 million in FY 2027, \$21 million in FY 2028, and \$25 million in FY 2029.

Impact to the school funding formula

While the bill affects property tax revenues to school districts, it has no effect on the state's current formula for funding public schools. This is because the amount of state aid that a school district receives depends not on the district's local tax revenues, but on measures of the district's capacity to raise those revenues. These measures include the taxable value of the property in the district and, for traditional districts, measures of its residents' incomes. However, the current school funding formula is effective only through FY 2027. The formula for FY 2028 and beyond will be calculated in ways yet to be determined.

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⁶ A conversion levy repeals the effective millage in excess of 20 mills and re-levies it as a single fixed-sum levy for current expenses. After 2014, school districts may not levy new conversion levies, but previously adopted conversion levies (if any) may be renewed.