Responses to Property Tax Chaos

Jill Bradford, Treasurer, Walnut Township LSD

Nicole Donovsky, Partner, Bricker Graydon Wyatt LLP

Rebecca Princehorn, Partner, Bricker Graydon Wyatt LLP

Be...

oasbo Annual Conference & Expo

Bricker Graydon Wyatt

Property Tax Reform and Impacts

Concerns, Options and Best Practices Going Forward

oasbo Annual Conference & Expo

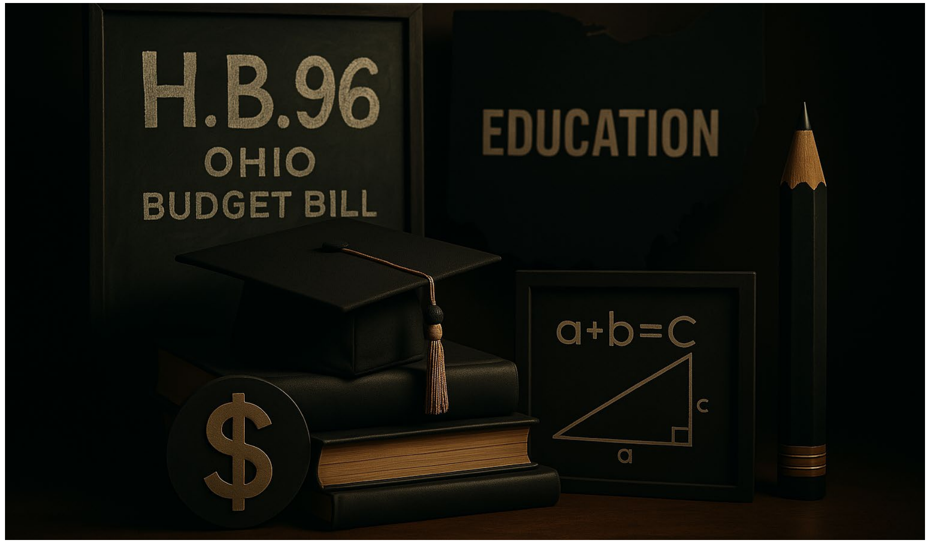
Bricker Graydon Wyatt

Recent Legislation Affecting Tax Levies

- Budget Bill – H.B. 96
- Bills signed by the Governor on December 19, 2025 (effective March 20, 2026)
  - H.B. 124 – County Auditor Control of Property Valuations
  - H.B. 129 – Calculation of the Floor, Limited Renewals of Emergency and Substitute Levies
  - H.B. 186 – Limitation on Floor Increases to Inflation on Voted Levies, Modification of Credits (Rollbacks), Sales Tax Holiday Changes
  - H.B. 309 – Expands Authority of County Budget Commissions
  - H.B. 335 – Limitation of Inside Millage Increases to Inflation

H.B. 96

- State’s Biennial Budget Bill
  - Limited a variety of school district levy options after January 1, 2026
  - The Governor vetoed many of these provisions through Veto #66
  - Veto #66 was overridden by the General Assembly on October 1, 2025



H.B. 96, Veto 66 Override

- Override eliminated the following property tax levy options which have not been restored by subsequent legislation
  - Schools only:
    - Cannot be on ballot with current expense levy if carryover balance exceeds prior year’s General Fund expenditures by 100% or more
    - Combined school district income tax and property tax levies
    - Renewal with an increase
  - Replacement levies - eliminated for all local governments

H.B. 96 "Piggyback" Homestead Exemption

- Allows qualifying homeowners to exempt some of the market value of their homes from local property taxes
- For TY 2025/CY 2026, base homestead exemption is $29,000
- Added a local option enabling counties to **double** the property tax savings for seniors, disabled residents, and surviving spouses who already qualify for the State's homestead exemption (*see* ORC § 319.304)
- **Shifts the cost of this additional tax reduction to local governments – no State reimbursement**
- Butler County is the most populous county to have adopted this piggyback so far

TY 2025/CY 2026 counties:

- Butler
- Erie
- Holmes
- Knox
- Lake
- Lorain
- Medina
- Miami
- Pickaway

Source: Cleveland.com

H.B. 96 “Piggyback” Rollback

- Standard owner-occupied rollback credit paid by the State has been 2.5% (now modified by HB 186)
- Counties given the option of giving **up to an additional 2.5%** tax exemption on “qualifying levies” (same qualifying levies as State-funded rollbacks) (*see* ORC §323.152(B)(3))
- **Shifts the cost of this additional tax reduction to local governments – no State reimbursement**
- County resolution has to be adopted by July 1st to apply to current tax year (same as the piggyback homestead exemption)

TY 2025/CY 2026 counties:

- Erie
- Lake
- Lorain
- Richland

Source: Cleveland.com

H.B. 124 – County Auditor Control of Property Valuations

- Gives County Auditors more control over property valuations
- Department of Taxation may appeal valuation if unreasonable or unlawful

H.B. 129 – Fixed-Sum Levies

- **Permits emergency and substitute levies to be renewed as fixed-sum levies**
  - Purpose: current expenses of the district
  - Limited to five-year terms
  - Cannot be increased or combined
  - Emergency levies can be renewed at any election in the final two years of collection
  - First renewal of substitute levy limited to elections in the last year of collection and the prior general election
  - Immediately count toward the 20-mill floor
  - Preserves rollbacks for those levies in place before September 29, 2013

- **Permits certain school district to propose new fixed sum levies in disaster or fiscal distress situations (cannot be renewed)**

H.B. 129 – Calculation of the Floor

- **Fixed-sum levies will be included in the calculation of the 20-mill or 2-mill floor immediately**
- Emergency and substitute levies will be included in the calculation of the 20-mill floor or 2-mill floor on this timeline (TY=Tax Year, CY=Collection Year):
  - TY 2026 (CY 2027) for districts in TY 2023 reappraisal/update counties
  - TY 2027 (CY 2028) for districts in TY 2024 reappraisal/update counties
  - TY 2028 (CY 2029) for districts in TY 2025 reappraisal/update counties
- Multi-county districts will be governed by whichever county comes first in the timeline, regardless of whether that county is the dominant county for property tax purposes or not

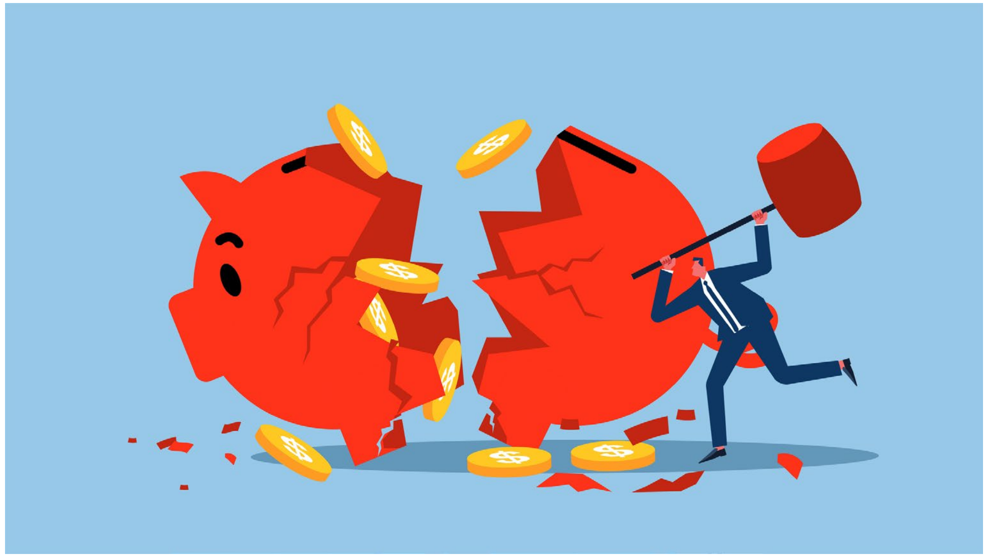
H.B. 129 – 20-Mill Floor Calculation

Common School Property Tax Levies and Their Treatment under Tax Reduction Factors and the 20-Mill Floor

Levy Type	Subject to Reduction Factors	Factored in 20-Mill Floor Calculation
Inside Millage – Current Expenses	No	Yes
Inside Millage – Permanent Improvements	No	No
Inside Millage – Bond	No	No
Outside Millage – Current Expenses	Yes	Yes
Outside Millage – Permanent Improvements	Yes	No
Outside Millage – Bond	No	No
Outside Millage – Fixed-Sum Levies	No	**Yes**

H.B. 129 – Financial Impact

- LSC’s Final Fiscal Note & Local Impact Statement for HB 129 estimates:
  - Slower annual property tax revenue growth for an estimated **211** school district’s during the first three tax years beginning with tax year 2026 (collection year 2027)
  - School district revenue losses statewide estimated to be:
    - **$162** million for TY 2026
    - **$223** million for TY 2027
    - **$224** million for TY 2028

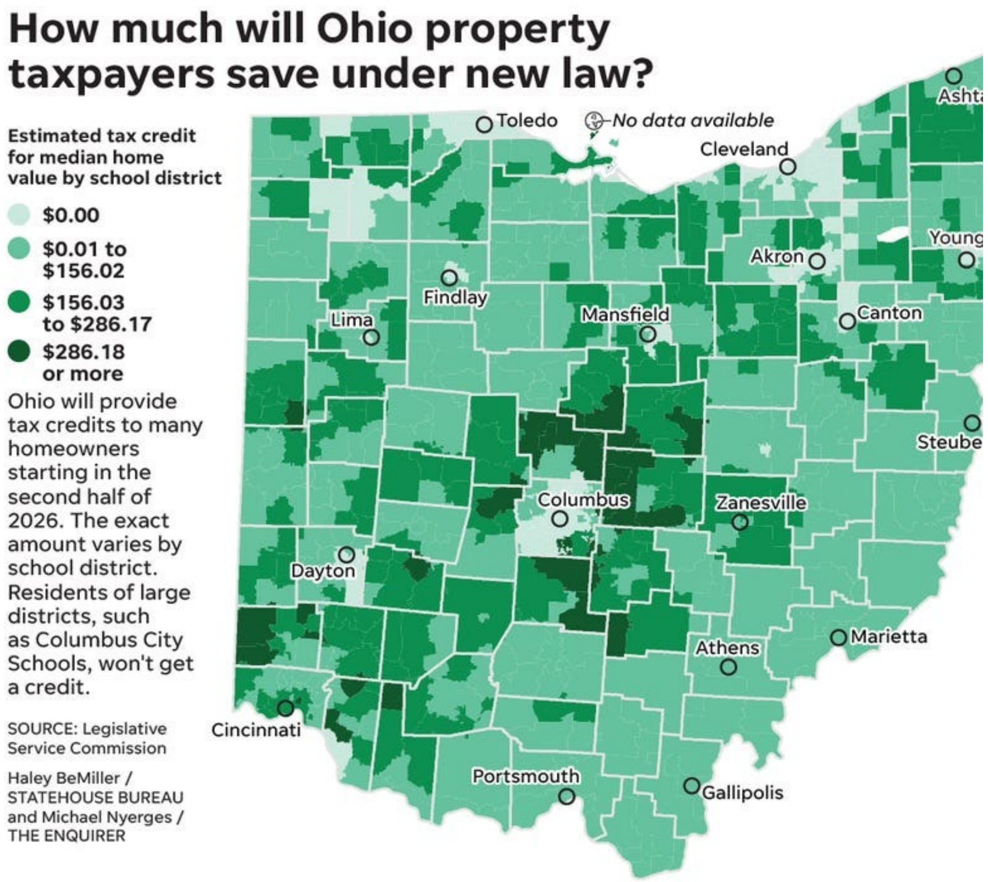


H.B. 186 – Limitation on Floor Increases

- **Only impacts property taxes from voted (outside) millage**
- Caps property tax growth on voted levies related to the 20-mill/2-mill floor to the rate of inflation to prevent spikes in tax bills (GDP deflator)
- Authorizes a property tax credit for eligible property located in a school district on the floor beginning in Tax Year 2025
- Authorizes a retroactive property tax credit for eligible property located in a school district on the floor in counties with sexennial reappraisals or triennial updates in Tax Years 2023 and 2024
- No credit if growth at the floor is less than inflation or if no longer at the floor
- No corresponding adjustment to State foundation formula to account for inflation revenue cap, although cap adjusted for voluntarily foregone revenue

House Bill 186 – Property Tax Credits

For individual homeowners, the tax credit payments are expected to be relatively modest.



H.B. 186 – Financial Impact

- Legislative Budget Office's Final Fiscal Note & Local Impact Statement for HB 186 estimates:
  - Tax credit costs estimated to be:
    - **$432** million for TY 2025
    - **$608** million for TY 2026
    - **$633** million for TY 2027

  - If property taxes collectively account for about $24 billion in revenue annually (ODT/OBM), $633 million is **2.6%** of total property tax revenue
  - Revenue guarantee payments are estimated to cost the State $360 million in FY 2027 & $105 million in FY 2028

H.B. 186 Tax Credit Mechanics

Bricker Graydon Wyatt

- Credits to be paid for by the state from cancellation of State expanded sales tax holiday in August 2026
- Taxpayers will get full payment of credits on second half tax bills for Collection Year 2026, thereafter on semi-annual tax bills handled by the county auditor
- Credits will be recalculated every three years when a county undergoes a sexennial reappraisal or triennial update
- Authorized state payments to school districts with retroactive credits as a temporary guarantee of same property tax revenue as received in Tax Year 2024

H.B. 186 – Sales Tax Holiday Changes

- Cancels expanded sales tax holiday in 2026 – return to three-day period
  - **2026 Dates**: August 7-9

25370468v1

H.B. 186 – Modification of Credits (Rollbacks)

- Tax Credit (Rollbacks) Changes – Phase-In for levies approved before November 2013 (State reimburses local governments)

Phase-In Schedule for Property Tax Credit Changes for Non-Agricultural Property			
Tax Year	Non-Business Credit Rate	Owner Occupancy Credit Rate	Total Credit Rate
TY 2025	10.00%	2.50%	12.50%
TY 2026	7.50%	5.70%	13.20%
TY 2027	5.00%	8.92%	13.92%
TY 2028	2.50%	12.15%	14.65%
TY 2029 Onwards	0%	15.38%	15.38%

H.B. 309 – Expands Authority of County Budget Commissions

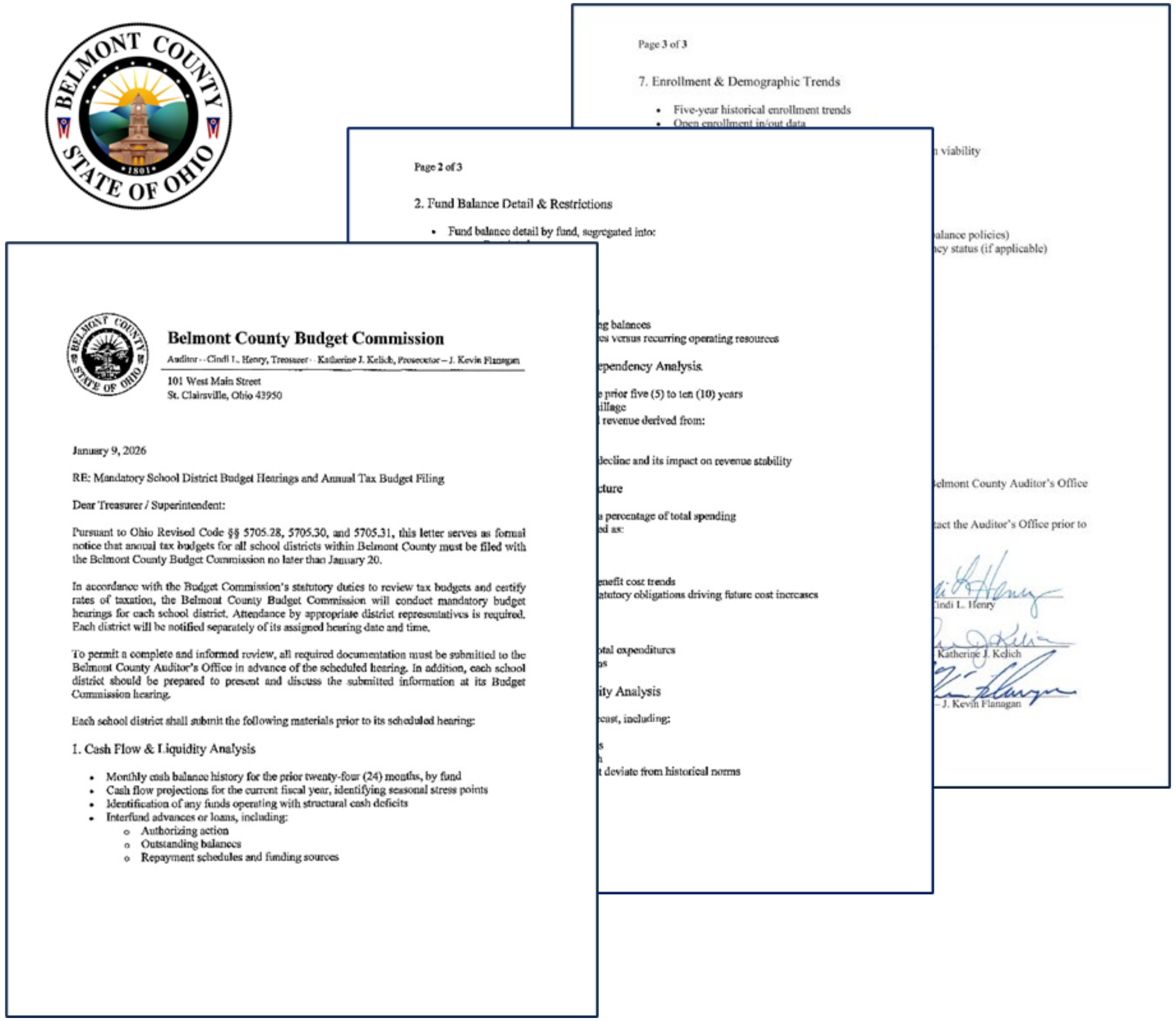
- Allows county budget commissions to reduce voter-approved levies deemed as "unnecessary" or "excessive" after a public hearing
- Levy cannot be reduced to an amount that would collect less than the preceding year unless there are reserve amounts, nonexpendable trust funds or carryover amounts to offset the reduction
- Restricts reductions for new levies during the first year after voter approval
- No school district can be reduced below the 20-mill floor unless it so requests (if so, safe harbor to prevent a loss of State foundation funding)

H.B. 309 Best Practices

- Best Practices
  - Document needs and trends in both operating and permanent improvement
    - Alternate R.C. 5705.412 option as appropriate
    - Use staff for permanent improvement work (substantiate by work order)
  - Use options to segregate funds for specific purposes
    - General Fund reservation for permanent improvement purposes in the next three years
    - Capital Projects Fund (USAS 070) for a ten year period
    - Termination Benefits Fund (USAS 035) for severance payments
    - Education Foundation Fund (USAS 029) for staff development, etc.
  - Provide Budget Commission with detailed information beyond Forecast
  - Attend Budget Commission hearing with Superintendent and Board Members to ensure adequate responses to questions about numbers, community support and board decision-making

Belmont County CBC Example

- Jan. 9, 2026 CBC letter required each of the 7 school districts in the County to submit voluminous records by Jan. 20 & have a public hearing to justify their taxes (**7 business day response time**)
- **Approx. 44 types/categories of data <u>required</u>**
- **<u>Plus</u>** a written narrative addressing:
  - Current financial condition
  - Identified risks & uncertainties
  - Long-term financial sustainability
- By comparison, dwarfs the scale of a rating presentation



Page 3 of 3

7. Enrollment & Demographic Trends

- Five-year historical enrollment trends

Page 2 of 3

2. Fund Balance Detail & Restrictions

- Fund balance detail by fund, segregated into:

Belmont County Budget Commission

Auditor – Cindi L. Henry, Treasurer – Katherine J. Kelich, Prosecutor – J. Kevin Flanagan

101 West Main Street
St. Clairsville, Ohio 43950

January 9, 2026

RE: Mandatory School District Budget Hearings and Annual Tax Budget Filing

Dear Treasurer / Superintendent:

Pursuant to Ohio Revised Code §§ 5705.28, 5705.30, and 5705.31, this letter serves as formal notice that annual tax budgets for all school districts within Belmont County must be filed with the Belmont County Budget Commission no later than January 20.

In accordance with the Budget Commission's statutory duties to review tax budgets and certify rates of taxation, the Belmont County Budget Commission will conduct mandatory budget hearings for each school district. Attendance by appropriate district representatives is required. Each district will be notified separately of its assigned hearing date and time.

To permit a complete and informed review, all required documentation must be submitted to the Belmont County Auditor's Office in advance of the scheduled hearing. In addition, each school district should be prepared to present and discuss the submitted information at its Budget Commission hearing.

Each school district shall submit the following materials prior to its scheduled hearing:

1. Cash Flow & Liquidity Analysis

- Monthly cash balance history for the prior twenty-four (24) months, by fund
- Cash flow projections for the current fiscal year, identifying seasonal stress points
- Identification of any funds operating with structural cash deficits
- Interfund advances or loans, including:
  - Authorizing action
  - Outstanding balances
  - Repayment schedules and funding sources

Belmont County CBC Letter – Information Requested

1. Cash Flow & Liquidity Analysis
    - Monthly cash balance history for the prior twenty-four (24) months, by fund
    - Cash flow projections for the current fiscal year, identifying seasonal stress points
    - Identification of any funds operating with structural cash deficits
    - Interfund advances or loans, including:
        - Authorizing action
        - Outstanding balances
        - Repayment schedules & funding sources
2. Fund Balance Detail & Restrictions
    - Fund balance by detail by fund, segregated into:
        - Restricted
        - Committed
        - Assigned
        - Unassigned
    - Explanation of:
        - Large carryover balances
        - Unusually low or declining balances
    - Identification of one-time balances versus recurring operating resources
3. Levy Performance & Revenue Dependency Analysis
    - Historical levy collections for the prior five (5) to ten (10) years
    - Effective millage versus voted millage
    - Percentage of total General Fund revenue derived from:
        - Property taxes
        - State foundation aid
    - Analysis of valuation growth or decline and its impact on revenue stability
4. Expenditure Drivers & Cost Structure
    - Major expenditure categories as a percentage of total spending
    - Staffing levels (FTEs), categorized as: (a) Instructional, (b) Administrative, and (c) Support
    - Health insurance, pension, and benefit cost trends
    - Identification of contractual or statutory obligations driving future cost increases
5. Debt & Long-Term Obligations
    - Debt service as a percentage of total expenditures
    - Future bond or note issuance plans
6. Forecast Assumptions & Sensitivity Analysis
    - Key assumptions used in the forecast, including:
        - Enrollment trends
        - State funding assumptions
        - Property valuation growth
    - Identification of assumptions that deviate from historical norms
7. Enrollment & Demographic Trends
    - Five-year historical enrollment trends
    - Open enrollment in/out data
    - Charter school and voucher impacts
    - Demographic or population changes affecting long-term viability
8. Corrective Actions & Fiscal Controls
    - Cost containment measures already implemented
    - Prior reductions or staffing changes
    - Board-adopted financial policies (e.g., minimum fund balance policies)
    - History of fiscal caution, fiscal watch, or fiscal emergency status (if applicable)
9. Capital & Maintenance Planning
    - Permanent Improvement Fund activity & balances
    - Deferred maintenance inventory with estimated costs
    - Planned capital projects and identified funding sources
    - Use of inside millage for capital purposes, if applicable
10. Management Narrative – a written narrative from district administration addressing:
    - Current financial condition
    - Identified risks & uncertainties
    - Long-term financial sustainability

H.B. 335 – Limitation of Inside Millage Increases Due to Inflation

- Initially eliminated inside millage entirely, but was revised to cap growth of inside millage revenue to the rate of inflation (GDP deflator)
  - Effectively creates reduction factors for inside millage
  - New construction and expiration of abatements excluded

H.B. 335 - County Budget Commission

- Permits County Budget Commissions to adjust inside millage during sexennial reappraisals and triennial updates
  - Adjusted rate applies until next reappraisal or update
  - County Budget Commission prohibited from reallocating reduced inside millage to any other local government
  - Safe harbor for voluntary inside millage reductions – not used as future baseline
- First applied to TY2026/CY 2027 for counties that have a reappraisal in 2026

H.B. 335 – Deflationary "Revenue Stability"

- Provides potential for "revenue stability" (LSC description) in a deflationary environment (*see* RC 5705.316(E))
- In a reappraisal or update year, **if tax revenues decrease for an inside millage levy**, county auditor required to calculate by September what the millage rate would need to be to collect the same amount of taxes as the prior year (still capped by 10-mill limitation)
- Subdivision may then adopt legislation by November 1 of that reappraisal or update year requesting that the levy be levied up to the rate certified; required to include information demonstrating need for the higher rate
- County budget commission may then approve, partially approve, or deny the request based on its evaluation of the subdivision's need for the rate increase
- Approved inside millage rate applies until the next reappraisal or update

H.B. 335/H.B. 96/H.B. 309 - "No Man's Land"

- Taxing unit has revenue increase above last year, but below inflation:
  - R.C. 5705.29(E) requires a "declaration of intent" to collect the additional revenue or to forgo all or a portion of it
  - May be disallowed by the budget commission under H.B. 309 if "unnecessary" or "excessive"

Reappraisal Schedule Rebalancing

- Ohio Department of Taxation can grant one-year extensions for reappraisals
- The following counties are changing reappraisal years as follows:
  - **2028**: Lucas
  - **2030**: Clinton, Delaware, Franklin, Geauga, Hamilton, Jackson, Mahoning, Mercer, Morrow and Pike
  - **2031**: Crawford, Cuyahoga, Lake, Muskingum and Stark

25370468v1

Practical Implications of Property Tax Chaos

oasbo Annual Conference & Expo

Bricker Graydon Wyatt

I. The Big Picture: Why This Feels So Disruptive

- Property taxes remain the **largest and most stable local revenue source** for most districts, yet:
  - Legislative changes, budget commission actions, valuation disputes, and tax relief proposals have introduced **significant unpredictability**
  - Districts are being asked to plan long term operations with **short term clarity gaps**
- The issue is no longer just “how much revenue,” but **how reliable that revenue is from year to year**

II. Uncertainty Around Raises & Long-Term Sustainability

- **Compensation planning is destabilized**
  - Boards hesitate to commit to raises when levy growth, rollback changes, or tax credits may reduce collections
  - Multi-year forecasts are harder to defend when assumptions can change mid cycle
- **Structural imbalance risks**
  - Even modest reductions or delayed collections can push districts toward:
    - Hiring freezes
    - Increased use of one time funds
    - Erosion of reserves
- The result: districts become **more conservative than they want to be**, even when enrollment and needs are stable

III. Programmatic Impacts: What Gets Deferred or Cut

- **Discretionary but high-value programs are most vulnerable**
  - Electives, enrichment, extracurriculars
  - Intervention and support services not tied to categorical funding
- **Innovation slows**
  - New academic programs, technology pilots, and student supports are postponed because districts cannot rely on future revenue streams
- **Equity concerns**
  - Programs designed to close gaps are often the first to be “paused,” even though student needs continue to grow

IV. Labor Relations & Collective Bargaining

Bricker Graydon Wyatt

- **Negotiations are more strained and defensive**
  - Districts struggle to credibly project revenues over a contract term
  - Uncertainty weakens the ability to offer:
    - Predictable step increases
    - Longevity commitments
    - Benefit enhancements
- **Trust issues**
  - Employees may perceive caution as unwillingness rather than fiscal necessity
  - Boards face criticism for being “overly cautious” when they are reacting to real instability
- Increased reliance on:
  - Reopeners
  - Shorter contract terms
  - Contingent language tied to revenue performance

V. Impact on Capital Projects & Long-Term Investments

- **Delay or downsizing of facilities projects**
  - Uncertainty affects bonding decisions and voter confidence
  - Districts hesitate to leverage future revenues they can't confidently predict
- **Maintenance deferral**
  - Routine but critical infrastructure work is postponed, increasing long-term costs
- **Mismatch with community growth**
  - Fast-growing districts may lack the confidence to move forward with projects needed to serve students now

VI. Practical Takeaway for Boards and Administrators

Bricker Graydon Wyatt

- Property tax instability doesn't just affect budgets—it affects:
  - Workforce morale
  - Program quality
  - Strategic planning
  - Community trust
- The challenge for district leadership is balancing:
  - **Fiscal restraint** with
  - **Operational reality** and
  - **Educational mission**

In short, uncertainty itself has become the problem—and districts are spending more time managing risk than advancing priorities.

Key Contacts

Rebecca Princehorn
Partner
Bricker Graydon Wyatt
rprincehorn@bricker.com

Jill Bradford
Treasurer
Walnut Township Local Schools
jbradford@walnuttsd.org

Nicole Donovsky
Partner
Bricker Graydon Wyatt
ndonovsky@bricker.com