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# POLICY BRIEF

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# Capping school districts' reserves will hurt public schools, won't provide targeted tax relief


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To be effective, property tax relief policy must actually reach the taxpayers who need it, while protecting the schools, libraries, local governments, and other entities that rely on property tax revenue to pay for their vital public services. Many communities in Ohio have seen historic rises in property values coming out of the COVID-19 pandemic. While these value increases have not led to one-for-one increases in property taxes, some communities and some property owners across the state do need property tax assistance to better manage these unprecedented changes. A proposal by state legislators to tie school-district cash reserves to property tax reductions is neither effective nor responsible. It should be rejected.

With no ties between a school district's cash balance reserves and the property value situation within their jurisdiction, this policy uses arbitrary standards to offer uneven and unpredictable property tax refunds to one group of Ohioans, while ignoring the needs of a similarly situated group of Ohioans, all hinging on school district budgets regardless of how well they are managed.

Under the proposal — included in the House version of H.B. 96, the bill for the state operating budget — should a school district see their end-year cash balance exceed expenditures by 30% or more, the corresponding County Budget Commission will lower that district's property tax rates "so as to reduce collections by the amount of the excess carry-over balance."[1]

Where applied, the policy would result in a **one-time decrease** in property tax rates to the degree the district's rollover balance exceeds the cap. This makes this property tax assistance temporary: Once schools work their way below the cap, they will no longer have their rates lowered by the Commission.

In reality, school districts' rollover balances are neither the problem nor the solution. The House-passed budget uses some Ohioans' legitimate need for property tax relief as

[1] Bill Analysis of H.B. 96, As Passed by the House. "School district reductions for excess carry-over." Pg. 504. Ohio Legislative Service Commission. April 25, 2025.

cover for legislators to raid public schools' budgets to pay for decades of fiscally irresponsible income tax cuts.

This cap on school district cash reserves will impact the overwhelming majority of school districts. Of the 606 districts subject to the 30% cap, 481 of them would have the property tax rates they rely on slashed by their County Budget Commission. This means almost 80% of Ohio school districts will see their main revenue streams cut, regardless of whether there is a need for property tax relief within the district, regardless of the needs of the students within the district, and regardless of whether the voters in the district have approved increases in taxes that might result in temporary increases in rollover balances.

There is a variety of reasons a district might carry over a balance above the proposed cap, including best practices for stewarding public funds.[2] Supporters of the cap ignore this logic, insisting that school districts must be gaming the property tax system to pad their cash reserves.[3] If that were true, school districts subject to the cap would be the ones experiencing the greatest growth in property values and taxes. However, based on data from the Ohio Department of Education and Workforce and the Ohio Department of Taxation, whether one uses property values, taxes, or millage rate changes, **there is simply no link between a district's roll over balance and their property tax situation.**

As in many states, some properties in Ohio have seen historic rises in property values since the COVID-19 pandemic.[4] As counties rotate through their scheduled six-year appraisals, some areas have seen double-digit increases in countywide property value. These atypical increases in property values do not correspond to a one-for-one increase in property taxes thanks to the tax deduction factors of H.B. 920.[5] Some Ohioans need property tax relief, but using a district's rollover balance is a poor factor to determine where that aid is needed.

## Residential taxes in districts above the cap vs. those at or below it

This analysis looks at the change in Class I real value, tax revenue, and millage rates for each school district from 2020, the start of the COVID-19 pandemic, to 2023, the most

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[2] School officials across Ohio have offered several rationales for a high cash reserve. One reason is being "good stewards of public funds" and cost saving to prevent having to ask voters for an increase in revenue through a levy. Another reason is recurring disbursements of funds that make a district appear to have more cash on hand at one point but is spent down over time. A final reason is one-time payments from legal settlements or donations. Such districts include those in 13 northern Ohio counties set to receive payouts from the Nexus Gas Transmission Pipeline decision. If a district set to receive deferred tax revenue from the settlement is above the 30% cap, the state is essentially forcing the district to spend that money on a property tax cut.

[3] Ohio Republicans eye $4.2 billion in school savings for one-time property tax cuts. Anna Staver, Lauren Hancock. Cleveland.com. April 13, 2025.

[4] Standard and Poor's Case-Shiller National Home Price Index, a leading metric used to gauge home prices across the country, saw atypical increases in its index during the COVID-19 pandemic. In the years preceding the pandemic, annual increases to the index never exceeded 7%. However, 2021 and 2022 saw annual increases of 17.1% and 14.8%, respectively. See the Federal Reserve Bank of St. Louis data on the Case-Shiller Index here. Last updated: April 29, 2025. In Ohio, Class I property values statewide have increased 31.7%, from $220.1 million in 2020 to $289.9 million in 2023. For data on school district property values, tax revenue, and tax rates from 1986 through 2023, see the Ohio Department of Taxation Property Tax SD-1 Tables.

[5] For an explanation of the tax reduction factors included in H.B. 920, see testimony from the Ohio Legislative Service Commission on H.B. 920 to the House Ways and Means Committee from the 135th General Assembly. March 14, 2023.

recent data available from the Department of Taxation.[6] Table 1 looks at these factors for all 606 districts, categorizing each based on whether the district is above, at, or below the 30% cap on rollover balances as of Fiscal Year 2024.[7] This comparison shows how poorly targeted this so-called property tax relief is. Whether looking at changes in value, revenue, or millage rates, school districts with higher cash reserves have experienced similar property tax pressures as districts with lower balances.

**TABLE 1**

| | All Districts | Districts Above Cap | Districts At/Below Cap |
|---|---|---|---|
| **Number of Districts** | 606 | 481 | 125 |
| **Percent Change in Property Value (2020-23)** | 31.7% | 32.6% | 28.9% |
| **Percent Change in Property Tax Revenue (2020-23)** | 15.7% | 15.9% | 15.0% |
| **Percent Change in Average Millage Rate (2020-23)** | -8.6% | -8.7% | -7.9% |

Class I property comprises residential homes that are owned or rented, and agricultural property. Across the 606 school districts covered by the proposed cap, Class I Real value reached $289.9 billion in 2023, a growth of 31.7% since 2020 when the value was at $220.1 billion.

Comparing the 481 school districts with cash reserves exceeding their expenditures by 30% to the 125 districts with rollover balances at or below that cap, we find both similarly situated, even though one set of districts will receive drastically different treatment than the other. The 481 districts above the cap have seen their Class I property values increase by 32.6% from $169.3 billion to $224.6 billion. Property values in the 125 districts below the cap experienced an increase from $50.7 billion to $65.4 billion, a slightly lower growth rate of 28.9%. Two groups of districts, one similar experience of increasing property value, two vastly different treatments.

This story holds true for tax revenue, as well. The average increase in property tax revenue was almost equal across these groups of districts. Since 2020, all 606 districts saw their Class I tax revenue climb from $7.3 billion to $8.4 billion in 2023, a 15.7%

[6] See Footnote 3.

[7] See Cash Balances Report – Traditional School Districts for Fiscal Year 2024, from the Ohio Department of Education and Workforce. The cap on rollover balances does not apply to Joint Vocation School Districts and specifically exempts five other school districts with the Typology Code "0." Four of them are "island districts" located on Lake Erie, Kelley's Island LSD in Erie County and Middle Bass LSD, North Bass LSD, and Put-In-Bay LSD in Ottawa County. The fifth is Union County-College Corner Joint State School District in Preble and Butler Counties, a district located on the Ohio-Indiana border and ran jointly by both states. (The Union County in the name is for Union County, Indiana, not Union County, Ohio.)

increase. For the 481 districts above the 30% cap, they saw their Class I tax revenue increase by 15.9% from $5.6 billion to $6.4 billion. The 125 districts below the cap experienced tax revenue growth from $1.7 billion in 2020 to $2.0 billion in 2023 for an increase of 15.0%. Two groups, almost the same experience, two different experiences under the property tax proposal.

Finally, Class I millage rates. Since 2020, the average Class I millage rate for all 606 districts has decreased by 8.6% from 28.07 mills to 25.66 mills in 2023. This decrease is due to the H.B. 920 reduction factors, which prevent inflationary growth on property tax revenue by lowering millage rates in response to value increases. Both groups of school districts saw a similar decline in rates. The 481 districts above the 30% cap saw their millage rates decline by 8.7% from 27.89 mills in 2020 to 25.45 mills in 2023. The 125 districts below the 30% cap saw a 7.9% decline in their millage rates from 28.76 mill to 26.48 mills. This is perhaps the most interesting finding: **The 481 districts above this 30% cap have seen greater declines in their millages rates and have a lower average millage rate compared to the 125 districts below the cap.** Yet, it is the former group forced to lower their millage rates further and harm their budget, while Ohioans in the latter group with higher average millage rates are left out in the cold.

Whether looking at property value, revenue, or millage rates, the House's proposal for property tax relief is simply ineffective. The policy fails to target relief where it is needed. In the 125 school districts below the cap not a single resident will receive property tax relief, irrespective of need. These districts saw very similar changes to their property values, tax revenue, and millage rates compared to the 481 districts subject to the cap, but the latter will be the only group positioned to receive this "relief."

## A look at the 125 districts below the 30% cap

In fiscal year 2024, 125 school districts — about 1 in 5 — saw their rollover balances exceed their expenditures by less than 30%. The House-passed version of the budget would spare these districts from state-imposed rate cuts executed by the County Budget Commission, but it also means residents of these districts will not be positioned to receive property tax assistance. These 125 districts are a diverse assortment from across the state and together they experienced similar changes to property values to that of the 481 districts above the cap, but residents in each separate district experienced different levels of property tax increases individually. The one commonality is that none of the residents in these districts who need property tax relief will receive it from this arbitrary 30% cap on rollover balances.

These 125 school districts include districts in all eight typology types subject to the 30% cap.[8] They includes large urban school districts like Cleveland Metropolitan Schools and Cincinnati CSD, who saw Class I real property tax revenue increases of 5.4% and 20% from 2020 to 2023, respectively. The 30% cap proposal would leave both Cincinnati and

[8] For more information on the Typology used to create a standardized category of the diverse assortment of school districts across Ohio, see this explainer from the Ohio Department of Education and Workforce.

Cleveland residents without any property tax assistance. This failure would not be limited to large urban districts; it would include districts across the state.

The proposal does not provide property tax assistance to many rural school districts who have experienced some of the largest property tax revenue growth in the state.[9] Districts like Scioto Valley LSD in Pike County and Clinton Massie LSD in Clinton County both saw their Class I tax revenue increase by over 32%, more than double the 15.7% increase in property tax revenue statewide.[10] But there are also rural districts like Monroeville LSD in Huron County, who saw their Class I revenue grow by a meager 3.2%. Residents in none of these three districts would receive property tax support under the House budget.

The same is true for suburban districts with little to very little student poverty as well.[11] Stow Munroe Falls CSD in Summit County saw their Class I revenue grow by over 34% since 2020. Kings LSD in Warren County saw their revenue increase by 29.6% in the same period. They would be in the same boat as Ottawa Hills in Lucas County and Richmond Heights in Cuyahoga County, two districts with Class I revenue growth of less than 2%. No relief for anyone in these four districts.

Across the state, this proposal would fail to offer tangible property tax relief to those who need it. It ignores residents in over 20% of the state's school districts below this arbitrary 30% cap on rollover balances. To the residents in districts it does reach, by targeting cash balances — a metric with no causal relationship to those with the most need for relief — a reduction in millage rates across the board means those who can afford to pay their fair share will get an unneeded tax break. There are Ohioans in every district, above or below this cap, who could benefit from property tax assistance. The opposite is also true: There are residents who can afford and should pay a higher property tax bill in all 606 of these districts. An arbitrary cap on cash reserves fails to strike any appropriate balance.

As the Senate takes up the operating budget, this arbitrary cap on cash reserves must be removed. No cap on rollover balances, regardless of where it is set, can be categorized as property tax relief. To be effective, property tax relief must be targeted to those with the most need while protecting local entities that need the revenue to operate. The property tax Circuit Breaker is a policy that does just that. The Circuit Breaker would offer a refundable income tax credit to most Ohioans with property tax bills that consume 5% or more of their income.[12] This proposal has already been introduced in the Senate as

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[9] Type 1 districts, defined as "Rural – High Student Poverty & Small Student Population" include Scioto Valley LSD and Monroeville LSD. Type 2 districts are defined as "Rural – Average Student Poverty & Very Small Student Population" such as Clinton Massie LSD.

[10] Note that the property tax revenue increases are measured as the percent change in district's Class I revenue from 2020 to 2023. There are several reasons for these increases in revenue: passage by the voters of a levy to raise additional revenue; new development that has expanded the tax base in the district; the six-year reappraisal of property values in the county the district is in. While a district's tax revenue may increase by a certain average percentage, that does not mean a property taxpayer is seeing a one-for-one increase in their property tax bill. A combined nation of the above factors can result in taxpayers paying lower effective rates on their property taxes.

[11] Type 5 districts, defined as "Suburban – Low Student Poverty & Average Student Population" include Stow Munroe Falls CSD, Kings LSD, and Richmond Heights LSD. Type 6 districts are described as "Suburban– Very Low Student Poverty & Large Student Population" and include Ottawa Hills LSD.

[12] For more on how a property tax Circuit Breaker would operate, see "Ohio needs a property tax circuit breaker." Zach Schiller. Policy Matters Ohio. January 10, 2024.

bipartisan legislation by Senators Louis Blessing and Hearcel Craig.[13] Instead of further income tax cuts, the state must prioritize spending on the programs that support long-term economic prosperity: schools, childcare, and the health of Ohioans. Some Ohioans also need targeted property tax assistance to weather this atypical inflationary rise in values. The Senate has the perfect opportunity to do so by replacing the arbitrary cap on rollover balances with the Circuit Breaker.

[13] Senate Bill 22, 136th General Assembly. January 22, 2025.