

SB313 Testimony, June 3, 2020

Chairman Dolan, Vice Chair Burke, Ranking Member Sykes and Members of the Ohio Senate Finance Committee, I would like to thank you for the invitation to talk with you about Senate Bill 313 and explain why we support this important bill. My name is Dave Gibson and I am the Superintendent at Felicity Franklin Local Schools. Our Treasurer, Christy Laubach, has joined me as well.

For those of you who are not familiar with our district, Felicity Franklin Local Schools is a small rural school district of 750 students in Clermont County. 56% of our students are economically disadvantaged. We transport students over 64 square miles on a daily basis during a typical school day.

We are so proud of what our small school district has accomplished over the past 6 years. With the help of a Straight A grant, we implemented a Blended Learning Program in 2017. Through this grant, we were able to provide all students in grades 5-12 with their own computer devices, which helped our students tremendously to continue their education during this unprecedented time of remote learning due to Covid-19. We have repurposed one teacher to a Family Consumer Science classroom, and another to our Agriculture Education Program, which is our pride and joy of the community. Our FFA chapter is a top 10 chapter in the nation!

In addition to being proud of academic achievements, we are proud that we have achieved all of this during a time when financially, times are tough and uncertain. Our district is currently on the funding guarantee program and since 2016, we have forecasted the district would begin deficit spending in year three of that year's forecast. Each year, district administration and the Board of Education have worked diligently to implement cost saving initiatives to offset future deficits. Cumulatively since 2016, we have saved over 1.8 million dollars.

Our district property tax income is derived from 50% residential, 30% agricultural, 5% commercial and currently 15% public utility. Public utility values have been a very volatile source of revenue for us since 2017, shortly after a hydroelectric plant began operation. This plant has a transmission line that carries electricity 2.2 miles into our school district to what is known as a switching station or sub-station. In 2017, our public utility valuation increased \$17 million, which generated almost \$250,000 to our school system beginning in FY18. Due to the way school funding works, we know that as local revenue increases, state funding decreases. We were prepared for that, but were not prepared for the news that was given to us in July of 2018, merely days before we closed the year for FY18. Our administrative team received an email from the Ohio Department of Education informing us that due to language in ORC §3317.028, the Felicity-Franklin Local School District had experienced an increase in public utility values that exceeded 10% of total values. As a result, our FY18 funding was recalculated, using the 2017 values. The impact to our district due to ORC §3317.028 was a \$400,000 deduction from our FY19 state aid.

After this news, the district began voicing our concerns to our local representatives. Our hope was to change ORC §3317.028 to remove the negative impact when public utility values increase by more than 10% in any year. Every legislator and ODE representative that we spoke to regarding this law seemed certain that this negative adjustment relating to the recalculation was an un-intended consequence when the law was created. In fact, from our understanding, the law was created to help districts in a time when public utility companies were beginning to devalue and close their doors. It was not intended to hurt small, rural, economically disadvantaged schools like ours that receive 70% of their funds from the state. By way of comparison, the \$400,000 revenue reduction was almost 10% of our cash balance on hand, which was alarming and extremely disappointing to our district and our school community.

Some good news came in May of 2019, when we heard that the negative impact was removed from ORC §3317.028 as part of the new biennial budget. Although this did not give the district back any of the \$400,000 in state funding that we lost, we were very excited that legislators understood the impact and would ensure that this didn't happen again to us or any other school district.

Also included in the new biennial budget was language that would credit back those schools with negative 028 adjustments, but only for those schools who had sharp increases between years 2017 and 2018. We once again reported to our Board of Education that Felicity Franklin missed the chance to re-coupe our \$400,000 by one year. Our sharp increase in revenue occurred between tax years 2016 and 2017, not 2017 and 2018.

Just when we thought the bad news was over, and we had made the necessary adjustments to our revenue, expenditures, and cash balance, we learned from the Clermont County Auditor's office that this same hydroelectric plant had appealed their tax values with the Department of Taxation and had won the appeal. The appeal reduced their values from nearly the beginning of their operations, which covered 2017, 2018, and 2019. As a result, the Felicity Franklin Local Schools is now required to return almost \$500,000 in additional funds to the company. The county is currently working to develop a pay-back plan for these funds. It is our understanding that the company has refused to waive interest charges, which increases the loss further. This comes at a time when we just found out that we will receive a state funding loss of more than \$100,000 for the last two months of the current fiscal year due to the pandemic.

The loss to our district over the past few years has been staggering, amounting to more than \$1,000,000, when the state funding reductions are combined with the tax refund we currently owe to the company. To say that we support SB313 is an understatement. Passage of SB313 would provide critical support to our financial outcome, and ultimately to the students and community we serve. Hopefully after hearing our testimony you will gain more of an understanding of how the bill will help us continue to provide all the great educational opportunities that our small, rural school so urgently needs. Thank you so much for your time and allowing us to testify on behalf of SB313 today. We are very grateful for your support.