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35353 Curtis Blvd · Eastlake, OH 44095 · Phone: (440) 946-5000 · Fax: (440) 946-4671

Senate Finance Committee HB 33 Testimony

Willoughby-Eastlake City Schools, Lake County
Nick Ciarniello, Treasurer/CFO

May 31, 2023

Chair Dolan, Vice Chair Cirino, Ranking Member Sykes, and members of the Senate Finance Committee, thank you for the opportunity to present testimony today on House Bill (HB) 33.

My name is Nick Ciarniello and I serve as the Treasurer/CFO for the Willoughby-Eastlake City School District in Lake County. The Willoughby-Eastlake City School District educates over 7,000 students across the cities of Willoughby Hills, Willoughby, Eastlake, and Willowick, as well as the villages of Lakeline, Timberlake and parts of Waite Hills.

The Willoughby Eastlake City Schools is funded 76% from local sources and 24% from State sources. The breakdown of the local sources is 66% being from property taxes, and 7% being from public utility personal property taxes, this represents 73% of the 76%. The local funds from the property taxes are a mix of inside mills, outside mills established in 1976 with the passage of HB 920, and five emergency levies that need to be renewed every 10 years. The State sources are 16.3% from the State funding formula and 7.3% from homestead and rollback credits, this represents the entire 24% from the State.

We fully support updating the cost inputs for the Fair School Funding Formula from 2018 to 2022. We would additionally support cost input 2022 in fiscal year 2024 and cost input 2023 in fiscal year 2025. This would ensure that the adjustment is keeping up with the actual costs. Willoughby-Eastlake is currently a guarantee district on the funding model in the amount of \$254,855.78. Updating the inputs to FY 2022 values results in our district operating on the formula. We are just one of many school districts that will no longer be on the guarantee should the cost inputs be updated.

We understand that there have been questions raised related to school district cash balances and the need to continue the phase-in with updated inputs. Every district has its own unique circumstances informing its cash management approach, but one thing we all have in common is that our cash balances are necessary to manage school district operations. Willoughby Eastlake has done a great job using the funds received from the pandemic to support our general fund cash balance and not add a lot of new costs. Some of the new costs that we did add and will need to support going forward is the move to 1 to 1 technology which would not have been possible without these funds. When the pandemic began in March 2020, the school district ended fiscal year 2020 with 19 days of cash on hand. The Government Finance Officer's Associate recommends no less than 60 days of cash in reserves, while others believe that number should be 90 days. Fast forward to fiscal year 2023 and we are estimating to end with 111 days of cash on hand. I mention this because we have been careful not to add staff and programming that we will not be able to

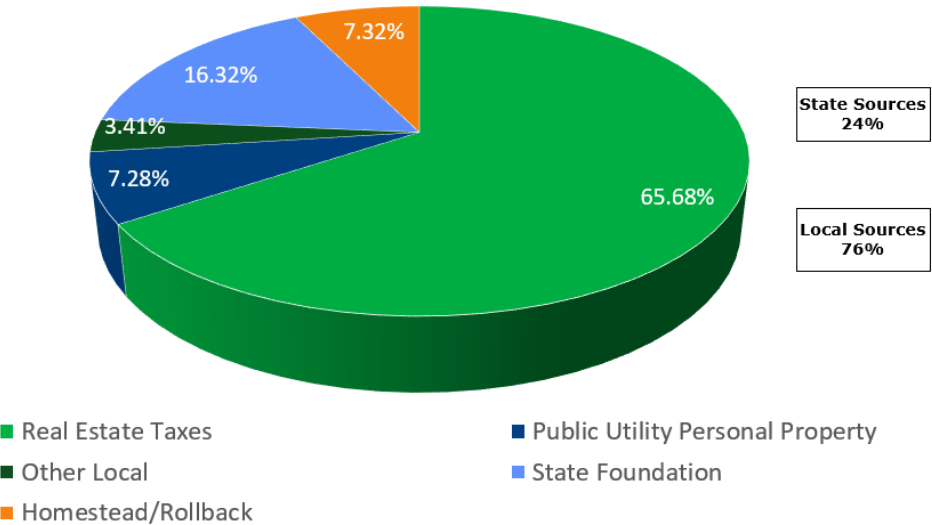
support once those funds expire. What has been called the “ESSER fiscal cliff” is coming, with the pandemic-related funds expiring and the reality setting in as to how do we fund those programs with the general fund being the most likely answer. The combination of adding those expenditures back to the general fund and the impact HB 920 has on our local levies, leaves our estimated fiscal year 2027 ending with 12 days of cash.

Our story is not unique, there will be many schools around the State who will be seeking new money levies to keep from cutting much needed programming for the students of Ohio. In a high inflationary environment, we are already seeing the adverse effects on school levy issues. The results from the May 2023 primary saw 72% of renewal levies passing and new money issues passing at a rate of one third. The passage rate for new money issues was the lowest since 2007 (Ohio School Board Association).

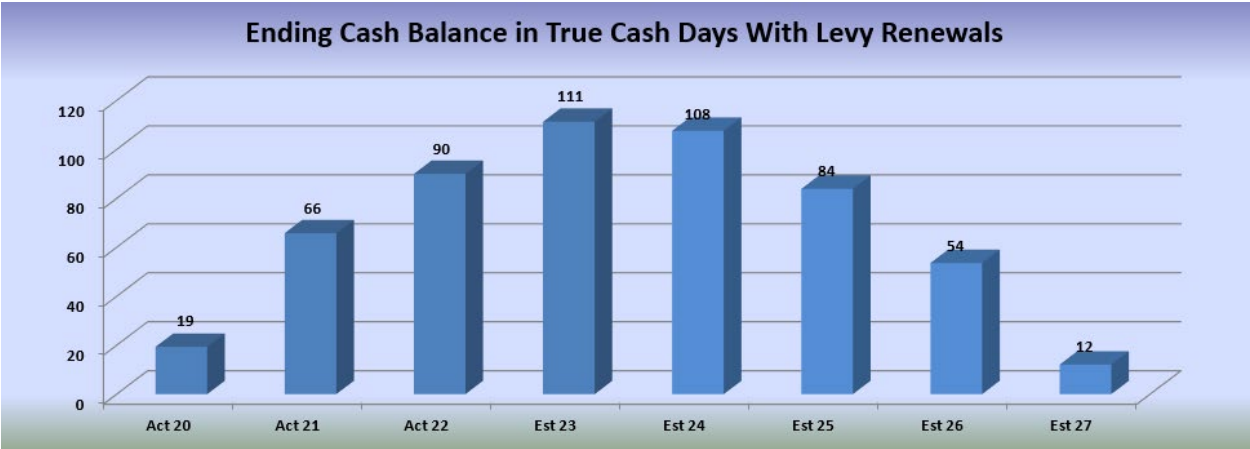
I have also attached materials to my testimony that show the make-up of funding from Willoughby Eastlake, the ending cash for Willoughby Eastlake year over year, and an example of a levy boom and bust cycle caused by HB 920.

Chair Dolan and members of the committee, thank you for your time and attention. I would be happy to answer any questions you may have at this time.

General Fund Est. Revenues FY23

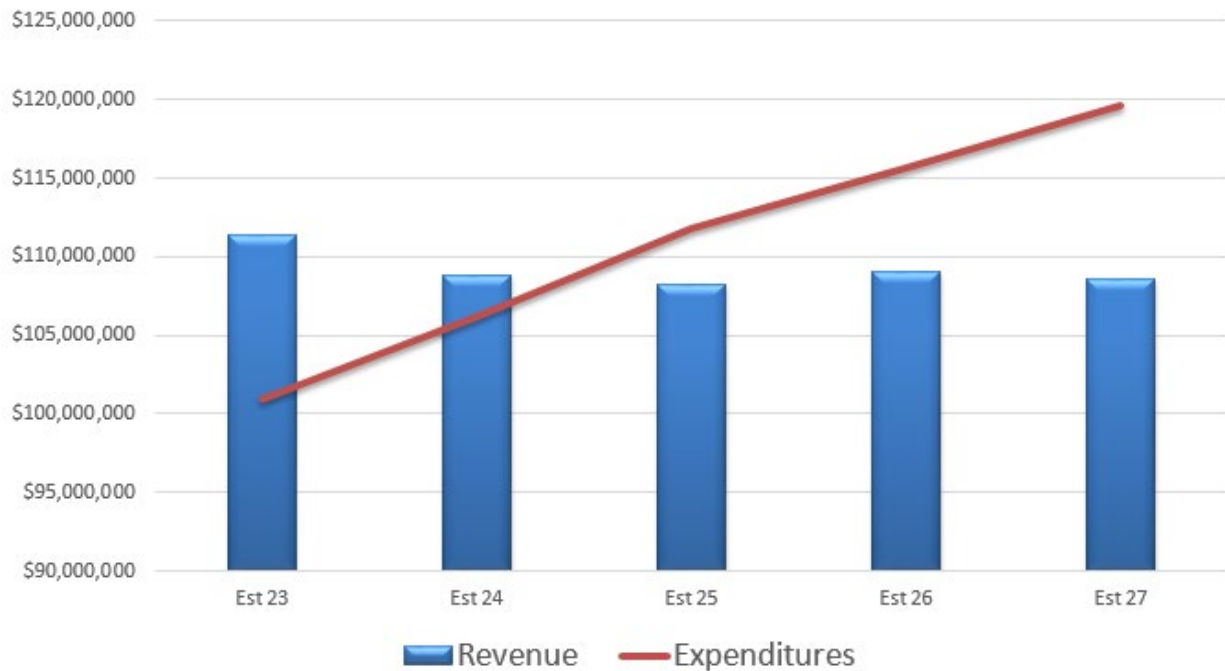


This represents a breakdown of the Willoughby-Eastlake revenues received in fiscal year 2023.



This represents the amount of cash in terms of days that Willoughby-Eastlake could operate without any addition funds coming in. This has three years of actual data and five years of estimates.

Revenue vs Expenditures



This illustrates how revenues are relatively flat year over year primarily due to growth on levies being very little as a result of HB 920. However, expenditures increase due to salary increases, cost of healthcare, utility costs and upkeep of our buildings. This will likely result in a new money issue that would bring in an infusion of cash and cycle would repeat itself.