



**House Education Committee  
House Bill 96  
Ohio Association of School Business Officials  
February 25, 2025**

Chair Fowler Arthur, Vice Chair Odioso, Ranking Member Robinson, and members of the House Education Committee, thank you for the opportunity to testify today on House Bill (HB) 96, the biennial budget. My name is Katie Johnson, and I serve as the Executive Director of the Ohio Association of School Business Officials (OASBO). Our organization represents public school district treasurer/CFOs and other school business officials from across Ohio, collectively serving over 1.6 million students. Our members are dedicated to the effective management of school finances and operations in support of high-quality education for all students.

Joining me together in representing our members and in answering questions are three OASBO Board Members – Kristine Blind from London City Schools, Jennifer Bruns from St. Henry Consolidated Schools, and Terrah Stacy from Springboro Community City Schools.

**State Funding Formula: Phase-in with Updated Base Cost Inputs**

We remain committed to the Fair School Funding Plan because it provides a fair, predictable and reliable means of meeting students' needs. This formula is about preparing our students for success and strengthening our communities. When our schools thrive, our communities thrive, our economy thrives, and Ohio thrives.

We appreciate that Governor DeWine chose to include the final two years of the phase-in as a part of his budget proposal (reaching 83% in fiscal year (FY) 26 and 100% in FY 27). The full implementation of this plan is essential to promoting funding equity across districts.

It is equally important that the funding formula remains responsive to real-time economic changes by regularly updating base cost inputs. Without regular updates to base cost inputs, the formula becomes imbalanced, shifting a greater financial burden onto local taxpayers and undermining the formula's goal of equitable funding distribution.

A direct result of this imbalance is the increasing number of districts forced onto school funding guarantees. Guarantees prevent districts from receiving less state aid than in previous years, due to increasing property values and income, static base cost inputs, declining enrollment, or a combination of these factors. While some argue that guarantees artificially inflate funding levels, the root problem lies in the asymmetry between updating local capacity measures and base cost inputs. Capacity inputs (property values and income) are regularly updated, while base costs (such as salaries and operational expenses) remain fixed, failing to account for inflation. This makes districts look wealthier than they are, reducing the state share of funding and shifting more costs



to local taxpayers. The real issue is not “phantom students,” but rather the structural funding imbalance that leads to more districts relying on guarantees.

***We respectfully request that the House:***

- ***Maintain the phase-in as proposed by Governor DeWine;***
- ***Amend HB 96 to use FY 24 data for formula inputs, as this represents the most current data reflecting educational costs;***
- ***Add a provision ensuring that updates to local capacity measures in future years will trigger updates for the inputs data; and***
- ***Maintain guarantees until the formula has been fully implemented, including updates to categorical funding based on the state-commissioned cost studies.***

### **Categorical Funding**

We appreciate the General Assembly prioritizing and funding the five studies on special education, gifted education, early childhood programs, economically disadvantaged students and English learners. Beyond the current budget, these cost studies will inform a structured approach to categorical funding necessary to ensure that funding accurately reflects student needs and actual service costs.

- ***However, in this budget cycle, we respectfully request that HB 96 be amended to update the special education funding categories to align with the actual costs of services, as outlined in recent cost studies, to ensure that districts have the resources needed in the future to support all students with disabilities. We also request that the House address structural funding issues in Disadvantaged Pupil Impact Aid (DPIA) to reverse the adverse impact of the Community Eligibility Provision (CEP).***

### **Educational Service Centers (ESCs): Strengthening Support Services**

Educational Service Centers serve as vital partners to our school districts, providing essential shared services that many districts could not maintain efficiently. These services include special education support, professional development, curriculum assistance, and technology integration – services that directly impact student achievement.

The current funding model for ESCs has not kept pace with service demands and operational costs. We support the adoption of a tiered funding formula that sets base funding levels using FY 24 operating costs as a baseline. This approach accounts for economies of scale, ensuring that ESCs of all sizes – from those serving our rural communities to those in urban areas – receive adequate and stable resources to continue serving their communities effectively.



- ***We respectfully request that HB 96 be amended with an updated ESC funding model with base funding levels at FY 24 to ensure they can adequately provide the support services our school districts and students need.***

### **Transportation: Establishing Long-term Solutions**

The complexity of pupil transportation in Ohio requires a comprehensive review and strategic planning approach. We believe it is essential to establish a Pupil Transportation Working Group to evaluate Ohio's transportation funding structure and make recommendations for systemic improvements.

- ***We respectfully request HB 96 be amended to establish a Pupil Transportation workgroup.***

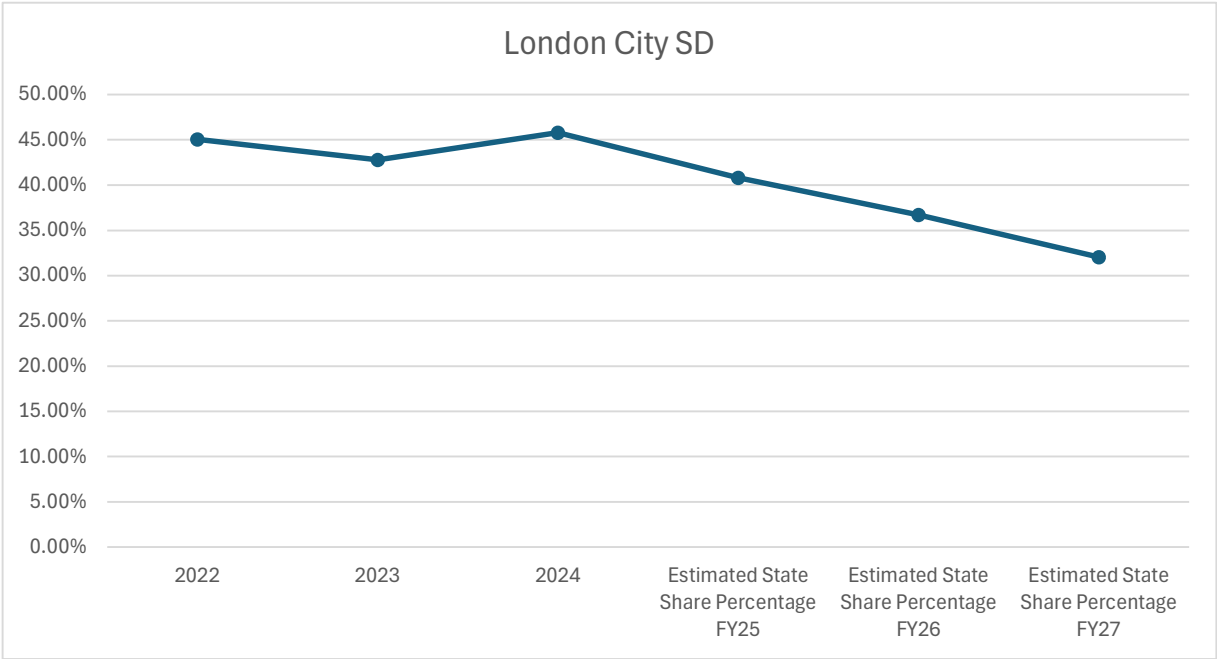
This biennial budget presents a crucial opportunity to strengthen and sustain Ohio's public education funding system. By completing the phase-in of the Fair School Funding Plan, regularly updating base cost inputs, strengthening ESC funding, and addressing gaps in categorical funding, we can ensure that every public school in Ohio has the resources necessary to provide a high-quality education for all students.

We urge this committee to prioritize these critical areas as you consider the state's budget. Thank you for your time and attention. We are happy to answer any questions you may have.

Instructions: Enter IRN for desired district to visualize state share change over time.

IRN 44255

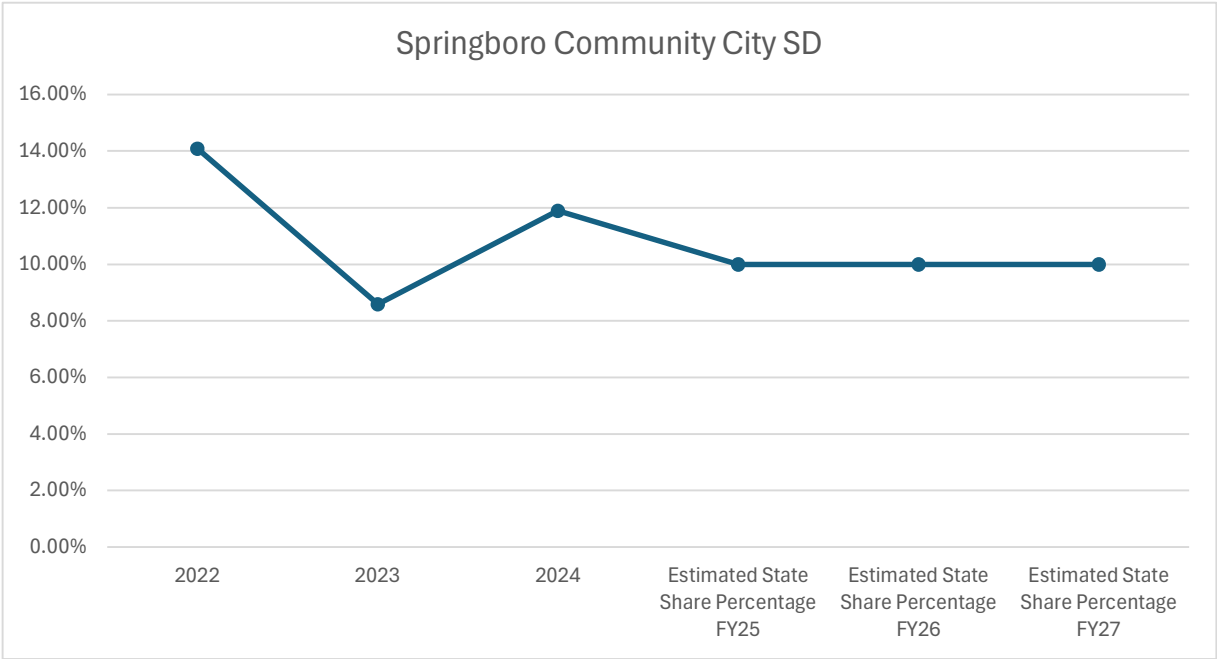
|                | 2022   | 2023  | 2024   | Estimated State Share Percentage FY25 | Estimated State Share Percentage FY26 | Estimated State Share Percentage FY27 |
|----------------|--------|-------|--------|---------------------------------------|---------------------------------------|---------------------------------------|
| London City SD | 45.05% | 42.8% | 45.78% | 40.8%                                 | 36.7%                                 | 32.0%                                 |



Instructions: Enter IRN for desired district to visualize state share change over time.

IRN 50427

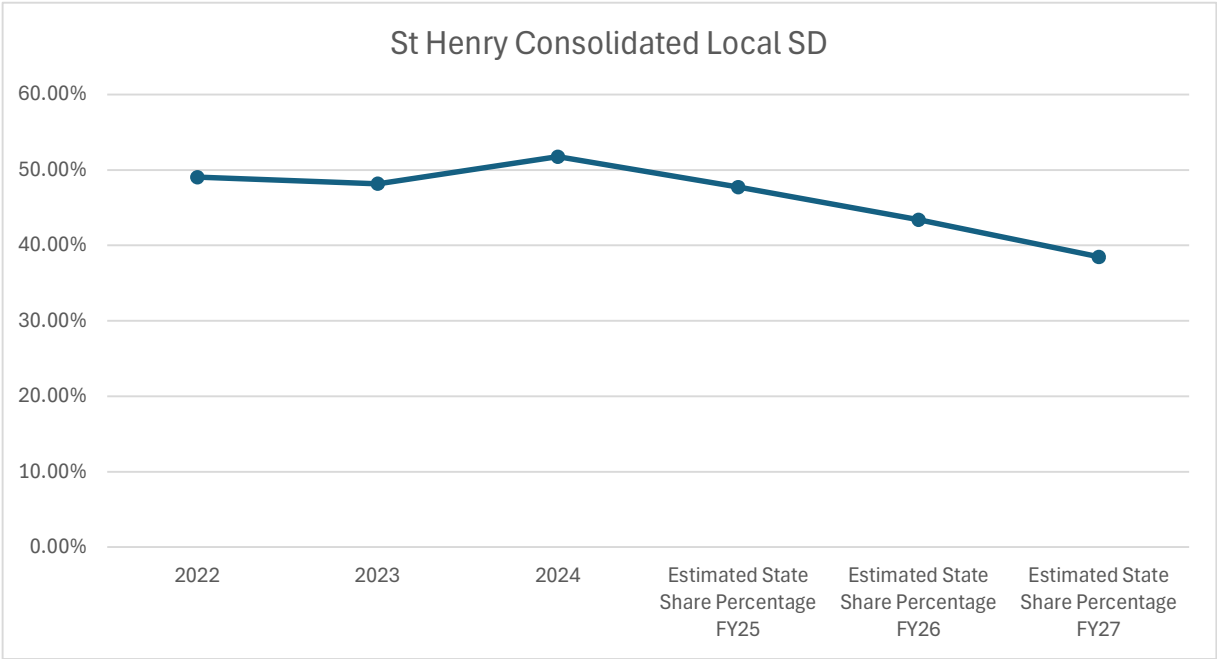
|                  | 2022   | 2023 | 2024   | Estimated State Share Percentage FY25 | Estimated State Share Percentage FY26 | Estimated State Share Percentage FY27 |
|------------------|--------|------|--------|---------------------------------------|---------------------------------------|---------------------------------------|
| Springboro Commu | 14.09% | 8.6% | 11.89% | 10.0%                                 | 10.0%                                 | 10.0%                                 |



Instructions: Enter IRN for desired district to visualize state share change over time.

IRN 48587

|                    | 2022   | 2023  | 2024   | Estimated State Share Percentage FY25 | Estimated State Share Percentage FY26 | Estimated State Share Percentage FY27 |
|--------------------|--------|-------|--------|---------------------------------------|---------------------------------------|---------------------------------------|
| St Henry Consolida | 49.04% | 48.2% | 51.78% | 47.7%                                 | 43.4%                                 | 38.5%                                 |



## SCHOOL FUNDING FAQ

During deliberations about the state budget, there is a great deal of discussion happening around the Fair School Funding Plan and property taxes, with media coverage growing daily. The decisions made in this budget cycle will have a lasting impact on Ohio's public schools. Now more than ever, it's crucial for school leaders to share the facts. Below is a statewide perspective—strengthen the message by adding your district's story.

### Cash Balances

**Question:** Do the majority of school districts carry cash balances of 150-200% of their expenses?

**Answer:** The data drawn from the Ohio Department of Education and Workforce Five-Year Forecasts show a different story.<sup>1</sup>

- **The Data:** Over **1/3 of school districts (35.5%)** have smaller cash balances in FY2024 than they did in FY2019.
- Only **48 school districts (7.8%)** have cash balances exceeding 100% of their expenses.
- Just **10 school districts (1.6%)** have cash balances of over 150%, including two island districts—Middle Bass and North Bass.

**Key Points: Stability for Education:** Healthy cash balances ensure stability for educational programming, particularly during periods of fiscal uncertainty or economic downturns.

1. **Levy Cycles:** The cyclical nature of levy approvals necessitates the buildup of reserves to sustain operations between levy renewals.
2. **Prudent Financial Management:** These reserves reflect conservative budgeting practices and the need to prepare for uncertainties, such as revenue growth limitations imposed by HB 920's tax reduction factors.
3. **Stimulus Funds:** Temporary increases in cash balances were driven by one-time federal stimulus dollars, not ongoing revenue.

This shows that school districts manage their finances responsibly, maintaining cash balances to support educational stability while minimizing the need for frequent local taxpayer contributions.

### School Spending

**Question:** Are school districts mismanaging expenses?

**Answer:** The data shows that school districts are managing resources responsibly. Salary increases have remained at or below inflation rates, and overall spending has not kept pace with annual inflation.<sup>2</sup>

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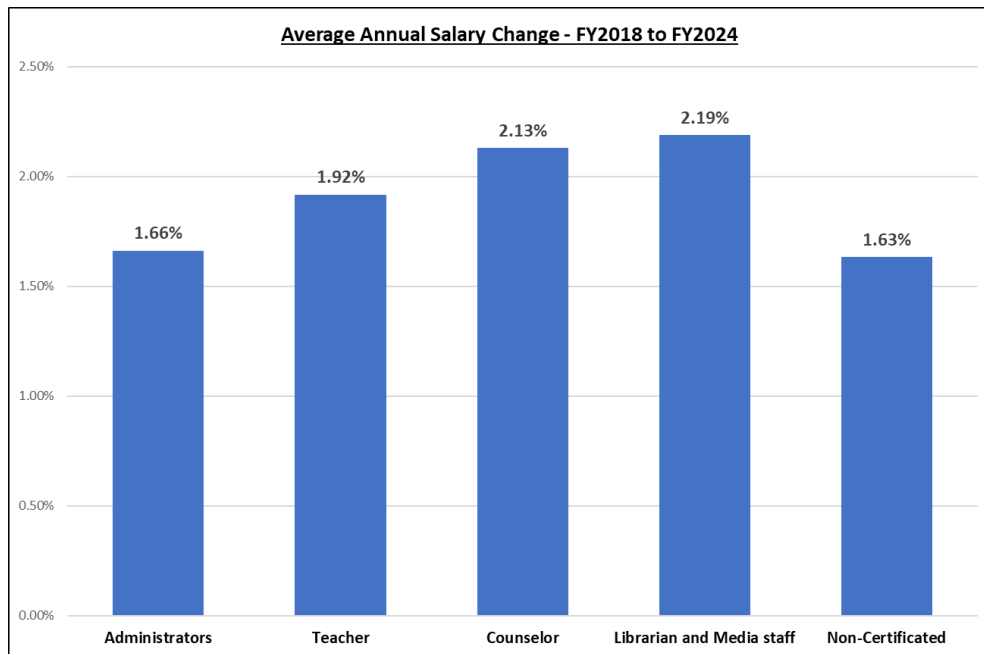
<sup>1</sup> Ohio Department of Education and Workforce (ODEW), Ohio K-12 school district forecast data, November 2024.

<sup>2</sup> ODEW expenditure data, Ohio K-12 school districts submissions

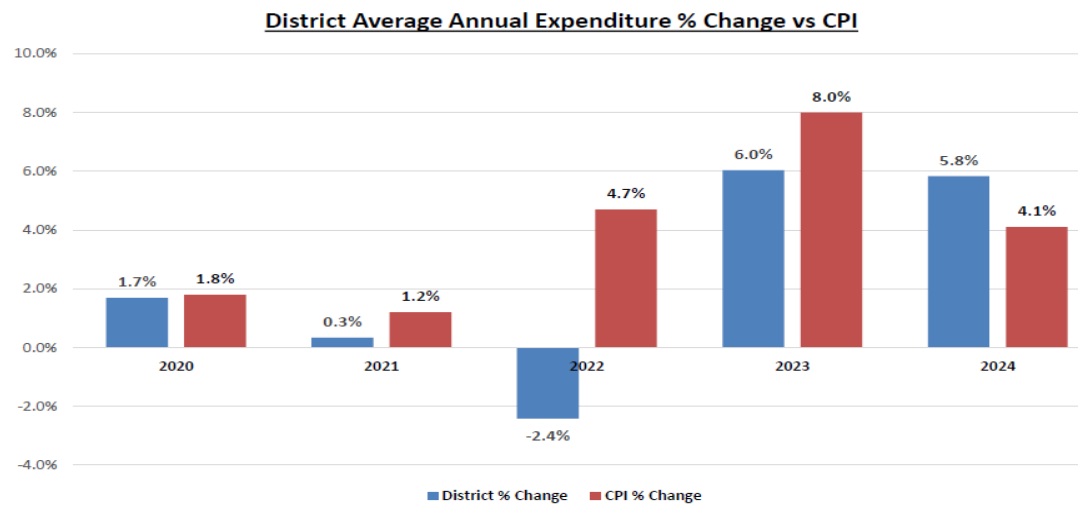
Rather than engaging in excessive spending, districts have carefully managed budgets to sustain essential programs despite rising costs in key areas such as:

- Building maintenance and utilities,
- Transportation,
- Educational materials and technology, and
- Special education services.

This demonstrates that districts are prioritizing fiscal responsibility while continuing to meet the needs of their students and communities.



*(Actual spending data from districts, submitted to DEW)*



Average Annual Change 2019 to 2024      District      CPI  
2.3%      4.0%



**Question:** Has education spending exceeded inflation over the past 25 years?

**Answer:** Public school spending roughly doubled **from FY00-FY10**, coinciding with the years that state policymakers were making concerted efforts to increase K-12 education funding following the Ohio Supreme Court's *DeRolph* decision which ruled the funding system unconstitutional.<sup>3</sup>

Overall, total revenues and expenditures from FY2000 to FY2022, both in total and on a per pupil basis, have increased by **less than 1% annually beyond inflation**.

U.S. Census Data shows a 9.2% decline in Ohio's population of school aged children from FY00 – FY22.

However, Ohio Department of Education and Workforce (DEW) data showcases **a significant increase in both the number and percentage of higher cost pupils** including students with disabilities, economically disadvantaged pupils, and English learners — **resulting in higher expenditures per pupil**.

Over that same timeframe, Ohio fell from 35th to **45th among the 50 states** in U.S. Census Data ratings of the percentage of public school **operating revenue coming from state sources**.

**Question:** Has the number of administrators and administrative spending exceeded the rate of inflation?

**Answer:** While the average administrator's salary has gone up every year since FY14, **administrator salaries have increased slower than the rate of inflation**.<sup>4</sup>

The average full-time equivalent (FTE) number of administrators per school district has been increasing almost every year since FY14.

The average administrator's salary has been increasing almost every year since FY16. However, it has **gone up 21.3% since FY15** while the **Consumer Price Index (CPI) has increased 30.8%** since then.

The pupil to administrator ratio (average number of pupils per administrator) has been decreasing almost every year since FY13. This is a combination of more administrators and fewer pupils.

The administrator expenditure per pupil has been increasing every year since FY06. This is a combination of more administrators, increased salaries and fewer pupils.

## Property Taxes

**Question:** With the increases in property values across the state, do we need major changes to our property tax system?

**Answer:** The historic increases in property valuations we are currently seeing are an anomaly.

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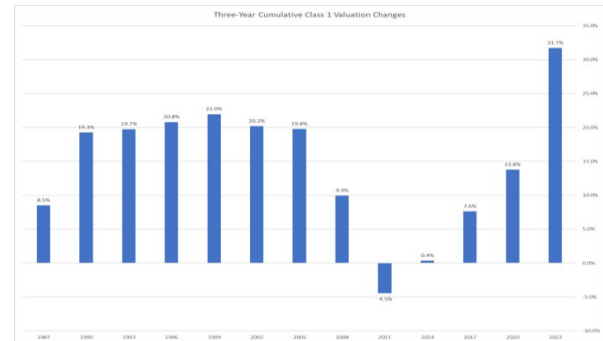
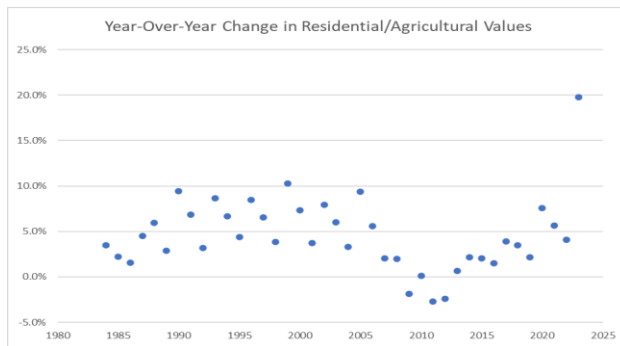
<sup>3</sup> Ohio Education Policy Institute. (2025). [OEPI Review and Summary of Ohio Auditor of State Longitudinal School Finance Study](#).

<sup>4</sup> Ohio Education Policy Institute, (2025) [OEPI Analysis of Cupp Report Administrator Data](#).

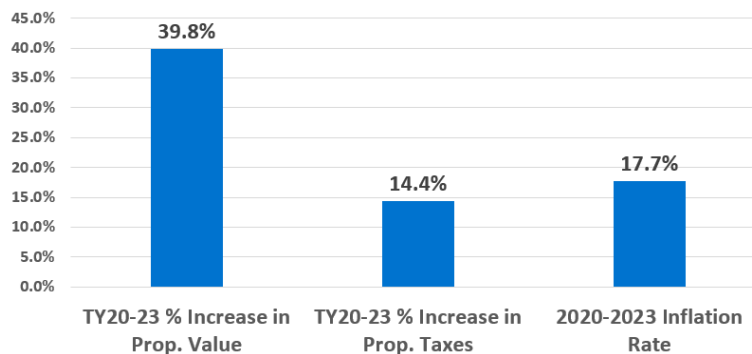
Any discussion on property taxes should begin by acknowledging that:

- **Property taxes** are high because valuations are high.
- **Valuations** are high because home prices are high.
- **Home prices** are high because of **financialization of housing** (i.e., private equity firms buying up all property), **supply issues** (i.e., underbuilding since the great recession), and the **erosion of the property tax base** (i.e., use of abatements, TIFs, CRAs, etc.).

The two charts below illustrate the incredible nature of the property valuation increases we are experiencing due to a combination of factors including but not limited to Ohio's strong economy, the lack of housing, and the population growth in certain areas.<sup>5</sup>



**Understanding the Impact of Valuation Increases:** Increases in valuation do not lead directly to increases in property taxes due to the tax reduction factors (HB920), as shown in the chart below.<sup>6</sup>



<sup>5</sup> Joint Committee on Property Tax Review and Reform. (2025). Mike Sobul testimony, in Final report: Joint Committee on Property Tax Review and Reform.

<sup>6</sup> Ohio Education Policy Institute.



## Addressing the Burden on Vulnerable Residents:

The education community recognizes the challenges these historic valuation increases create for some of our most vulnerable residents. School leaders across Ohio strongly support **targeted, means-tested property tax relief** that enables residents to stay in their homes while ensuring fiscal stability for schools.

Possible solutions include:

1. **A Circuit Breaker:** Provides across-the-board tax relief by offering property tax credits to individuals meeting specific income and home valuation thresholds.
2. **Expanding the Homestead Exemption:** Building on HB 274 (enacted December 2024), which created an enhanced property tax credit for long-term homeowners.

The [final report](#) of the Joint Property Tax Review and Reform Committee from the 135th General Assembly outlines a range of property tax recommendations. School leaders must understand and clarify these proposals to ensure accurate discussions with stakeholders and to advocate effectively for sustainable solutions.

## Tax Burden

**Question:** Is the Fair School Funding Plan unsustainable, representing an extraordinary cost to taxpayers?

**Answer:** Ohio's constitution requires that funding for public education be a partnership between the state and local communities. **When the state does not fund its share of education, the cost is shifted to local communities to make up for this difference.** The FSFP represents a significant shift in Ohio's school funding approach, transitioning from residual budgeting to a needs-based model grounded in the actual costs of educating students.

In the most recent state budget, the inputs for capacity (property values and income) were updated annually, but the base cost inputs (expenses) were only updated in the first year of the biennium. This uneven approach has led to significant funding disparities.<sup>7</sup>

- FY24: When all inputs—base cost and the local capacity—were updated, the **base cost funding split** was 43% state / 57% local, getting closer to the 50-50 partnership.
- FY25: Only the capacity inputs were updated, while base cost inputs remained unchanged. This made districts appear wealthier, reducing their state funding. Consequently, the **state's share of base cost funding** dropped to 39%, **leaving local communities to bear a larger burden.**

This imbalance shifts a greater financial burden onto local taxpayers, as the state's contribution decreases without accounting for increases in the actual costs to educate students.

**When capacity inputs (property valuations and income data) are updated, but not the cost inputs (expenses), this results in inequitable funding that puts the burden on local communities and diminishes the state's role in supporting education, increasing the number of districts on a guarantee.**

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<sup>7</sup> Ohio Education Policy Institute, (2025) [FY24 vs. FY25 State Foundation Funding Comparison](#),

## Guarantees

**Question:** What are the reasons school districts are on funding guarantees?

**Answer:** School funding guarantees prevent districts from receiving less state money than in previous years. Districts can end up on funding guarantees due to declining enrollment, increased local wealth (property values, income), static base cost inputs, or a combination of these factors.

When districts lose students but keep prior funding levels, their per-pupil amounts increase above formula calculations. **However, the core issue is the asymmetry between the updating the base cost inputs and updating of the capacity inputs.**

- **Capacity inputs** (property values and income) are regularly **updated**
- **Base costs** (teacher pay, operations) **remain the same** and do not reflect increases from inflation
- **Result:** Districts look wealthier on paper than reality because the formula updates the calculation of their wealth but not their expenses (the base cost inputs). This imbalance reduces the state share of funding to school districts, forcing local taxpayers to cover more costs.

The core issue isn't "phantom students" but rather the imbalance that results in a decrease in state funding, which places more districts on a guarantee, thus shifting the burden to local taxpayers.<sup>8</sup>

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<sup>8</sup> Ohio Education Policy Institute, (2025), [Factors Impacting the Transitional Aid Guarantee](#).