House Ways and Means Committee
House Bill 309
Ohio Association of School Business Officials

June 11, 2025

Chair Roemer, Vice Chair Thomas, Ranking Member Troy, and members of the Ohio House Ways and Means Committee, thank you for the opportunity to provide testimony on House Bill (HB) 309. My name is Katie Johnson, and I serve as Executive Director of the Ohio Association of School Business Officials (OASBO). Our organization represents the treasurer/CFOs and other school business officials who manage the finances and operations of Ohio's public school districts in support of high-quality education.

On behalf of our members, we respectfully ask this committee to carefully consider the proposed changes to county budget commission operations and their potential impact on school districts and the students we serve.

HB 309 would make significant changes to how county budget commissions operate, including modifications to membership, meeting procedures, levy adjustment processes, and fiscal oversight mechanisms. While OASBO appreciates the bill's intent to improve alignment between levies and revenue needs, several provisions would disrupt the highly coordinated systems that school districts rely on, creating unintended operational, legal, and financial consequences.

School District Finances and Budget Commission Operations

School district leaders understand the critical importance of the county budget commission (CBC) operations. Our districts rely on CBCs for essential functions annually, including tax budget review by January 20th, certification of Official Certificates of Estimated Resources by March 1st, levy rate determinations, and ongoing fiscal oversight throughout the year. These predictable timelines and processes are fundamental to districts' ability to manage appropriations, maintain legal compliance, and plan for both current operations and long-term financial stability.

At any given time, a school treasurer is operating the current fiscal year, planning tax collections 18 months in advance, and forecasting finances five years out. These cycles—fiscal year, tax year, and collection year—are misaligned, requiring districts to master cash flow, navigate timing gaps, and anticipate delayed revenues. The system works only because it is predictable.

For a more detailed illustration of this complexity, we have included as **Exhibit A** a resource titled "**School District Budget Timeline Summary**." This document visually outlines how Ohio school districts manage overlapping fiscal, tax, and collection years—often juggling the needs of three different fiscal years simultaneously. We encourage the committee to review this exhibit to better understand how even small disruptions in timing or process can have wide-reaching operational and legal implications.

The complexity of school district fiscal operations cannot be overstated. For example, in January 2025, while districts are paying staff and delivering services for FY25, they are simultaneously planning their tax budget for FY26, using property valuation data tied to a tax year that will not produce actual collections until 2026. Delays or disruptions to this timeline, such as those introduced by HB 309's hearing requirements, could derail statutory deadlines tied to appropriation authority and payroll obligations.

Under current law (ORC 5705.36), a district may only appropriate funds up to the level certified as "available resources" by the county budget commission. The current system provides the stable framework that enables districts to meet statutory requirements such as adopting tax budgets by January 15th, securing "412" certificates for appropriation measures, and maintaining the careful coordination between tax budgets, appropriation resolutions, and five-year forecasts that Ohio law requires.

Ohio school districts operate under a structured and transparent budgetary framework. We acknowledge that there may be opportunities to improve CBC operations, but we believe any changes should enhance rather than complicate the fiscal management processes that school districts depend upon for stable operations.

That said, we have the following concerns related to the provisions proposed in HB 309:

- **Mandatory County Budget Commission Hearings and Levy Reductions Based on 30% Carryover.** HB 309 requires a county budget commission hearing any time a taxing fund's estimated carryover exceeds 30% of estimated expenses and authorizes levy reductions to avoid "excessive" collections.

  This provision disregards the budgeting realities faced by school districts, including biennial levy cycles, cash flow timing (especially in property tax-dependent districts), and the need to plan for economic uncertainty. School districts may maintain higher year-end balances due to anticipated enrollment shifts, facility needs, or to avoid frequent ballot requests. Penalizing prudent fiscal planning undermines sound financial management.

- **Timing and Practicality of County Budget Commission Reviews.** School district budgets are developed on a fiscal year basis, with multiple legal deadlines including five-year forecast submissions by November 30th and again in the spring, and appropriations by October 1st. The budget and appropriation process operates on carefully coordinated statutory timelines, from tax budget adoption in January to appropriation measures by October 1st.

  Imposing a new annual review process during county budget commission hearings (including interpretation of five-year forecasts) may delay tax certifications, increase administrative burden, inject uncertainty into long-term fiscal planning, and create cascading effects throughout the fiscal year that impact everything from payroll to debt service payments.

  Delaying certification from the CBC has a cascading impact: late appropriations, uncertainty around payroll and staffing, potential cash flow issues, and delayed five-year forecast submissions. Even a 30-day delay could push temporary appropriations past the October 1 legal deadline and compromise compliance with ORC 5705.38 and 5705.412.

- **Local Control and Voter-Approved Levies.** The bill expands CBC authority to modify levies based on projected carryover levels, which may infringe on the local board of education's exclusive authority to determine budgetary needs and levy requests under ORC 5705.38 and 5705.412. Of particular concern is the potential impact on voter-approved levies, where communities have specifically chosen to fund their schools at certain levels.

HB 309 grants broad discretion to CBCs to reduce levies without a clearly defined standard for determining what constitutes "excessive collections." The lack of an objective formula or evidentiary threshold raises concerns. While the bill includes certain procedural safeguards, such as a hearing requirement, the ambiguity around when and how a levy should be adjusted could result in inconsistent application across counties and potential legal challenges.

- **Burden of Proof in Appeals Process.** HB 309 places the burden of proof on school districts to demonstrate the need for additional revenue when challenging any levy reductions made by CBCs before the Board of Tax Appeals. This shifts the burden to districts to justify funding levels already approved by local voters. In effect, the bill asks district leaders to defend their community's choices to an external body, potentially overriding the will of the electorate without a clear legal or fiscal threshold.

- **Increased Administrative Complexity and Uncertainty.** HB 309 introduces several new requirements and processes that could significantly increase administrative burden and create uncertainty for school districts:

  The bill allows statutory members to appoint designees to serve on CBCs. While this may provide flexibility, it could also create inconsistency in CBC expertise and institutional knowledge, potentially leading to less informed decision-making that affects school districts and other local governments.

  The bill expands hearing requirements for situations where fund balances exceed 30% of estimated expenses. While fiscal oversight is important, these additional procedural requirements could delay critical budget decisions and create uncertainty in district financial planning.

Recommendations and Conclusion

The intricate coordination required between tax budgets, Certificates of Estimated Resources, appropriations, and ongoing amendments depends on consistent, predictable county budget commission operations. Disrupting these foundational processes could lead to compliance challenges, operational disruptions, and unintended fiscal consequences.

We respectfully request the committee to:

1. **Preserve local control and school board discretion** in determining appropriate fiscal reserves based on unique district circumstances, consistent with existing statutory authority under ORC 5705.38 and 5705.412.

2. **Ensure predictability** by protecting statutory timelines for appropriations, payroll obligations, and five-year forecasts.

3. **Respect board-adopted financial plans**, including strategic and capital planning reflected in five-year forecasts.

4. **Avoid ambiguous standards** by removing or clarifying the 30% threshold to prevent inconsistent or inequitable application.

The proposed modifications to CBC operations introduce significant uncertainty into processes that school districts rely upon for financial stability. This uncertainty could ultimately impact our ability to provide consistent, high-quality educational services to Ohio's students and may undermine the process by which communities choose to fund their schools.

We respectfully urge the committee to consider the potential unintended consequences of these changes on school district operations and the students we serve. The current authority under Ohio law is provided to address concerns.

Thank you for your consideration. We are happy to address your questions.

Respectfully submitted,

Katie Johnson

Katie Johnson, Executive Director, OASBO

<u>Exhibit A</u>

House Bill 309 – OASBO Testimony

School District Budget Timeline Summary

Understanding the Interplay Between Fiscal Year, Tax Year, and Collection Year

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The Challenge: School districts must juggle three different calendar cycles that don't align:

- **Fiscal Year** (July-June): When districts operate and spend money
- **Tax Year** (January-December): When property taxes are assessed
- **Collection Year** (Scattered dates): When tax money actually arrives

The Result: Districts are always planning 1-2 years ahead while managing current operations, creating a complex web of overlapping deadlines and dependencies.

At any given moment, treasurers are simultaneously operating one fiscal year, budgeting for the next, and planning taxes for the year after that.

The Three Critical Cycles (*Think of them as three spinning wheels that don't line up*)

Fiscal Year: July 1 - June 30

- **What it is**: The district's "business year" - like a company's fiscal year
- **Why it matters**: All spending, budgets, and financial reports follow this schedule
- **Key point**: *This is when districts actually operate schools and pay bills*

Tax Year: January 1 - December 31

- **What it is**: The calendar year used for property tax assessments
- **Why it matters**: Property values and tax calculations are based on this cycle
- **Key point**: *One fiscal year spans parts of TWO different tax years*

Collection Year: Scattered Throughout the Year

- **Real Property Taxes**: February 15 and August 10
- **Personal Property Taxes**: June 30 and October 31
- **Key point**: *Money doesn't arrive when you budget for it - it comes in lump sums*

The Problem: Imagine trying to plan your household budget using your work year (July-June), your tax assessment (January-December), and your paychecks arriving on random dates. That's what school districts face.

Critical Timeline Events (*The "Must Do" Dates*)

Notice how January is the busiest month - while running the current fiscal year, districts must also plan the next year's taxes.

Date	What Happens	Why It Matters
By January 15	Tax Budget Adoption by the Board of Education	*Plan taxes for fiscal year starting 18 months later*
By January 20	Tax Budget Filing with the County	*County begins reviewing your tax plans*
By March 1	County Approval	*County tells you how much money is available to spend*
By April 1	Tax Rate Lock-In	*Tax rates set in stone for next year's collections*
By May 30	Forecast Update	*Update 5-year predictions before new fiscal year*
July 1	New Fiscal Year Starts	*Begin spending under temporary budget*
By October 1	Final Budget Approval	*Lock in permanent spending plan for the year*
By November 30	Forecast Filed	*Submit forecasts to the Ohio Department of Education and Workforce*

Remember: The January tax budget you're adopting is for money you won't see until the *following* calendar year.

Key Complexities and Challenges (*Why This Is So Hard*)

Problem #1: The "Timing Mismatch"

- **The Issue**: Fiscal year (July-June) cuts across two tax years (Jan-Dec)
- **Real Impact**: FY25 includes January-June 2025 AND July-December 2024 taxes
- **Why It Matters**: You're always working with taxes from two different assessment periods

Problem #2: The "Collection Lag"

- **The Issue**: You plan for money in January, but don't get it until the next calendar year
- **Real Impact**: April 2025 tax rates → money arrives in 2026
- **Why It Matters**: Cash flow planning becomes extremely complex

Problem #3: The "18-Month Planning Window"

- **The Issue**: Tax budgets due 18 months before the current fiscal year ends
- **Real Impact**: Planning FY26 in January 2025, but FY26 doesn't end until June 2026
- **Why It Matters**: You're essentially predicting the future without a crystal ball

Problem #4: The "Dependency Chain"

- **The Issue**: Can't spend money until the county says you have it
- **Real Impact**: Your budget depends on county calculations you can't control
- **Why It Matters**: Budget flexibility is limited by external approvals

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Revenue Recognition and Cash Flow

Available Resources Include:

- Taxes scheduled to be settled during the fiscal year
- Other revenues in process of collection or on hand
- Certain amounts that may be borrowed in anticipation of future tax collections
- Unencumbered balances from the preceding year

Settlement Schedule Impact:

- **February 15**: Real property tax settlement provides mid-fiscal year revenue
- **June 30**: Personal property tax settlement occurs at fiscal year end
- **August 10**: Real property tax settlement provides early fiscal year revenue
- **October 31**: Personal property tax settlement supports fall operations

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Legal and Compliance Requirements (*The Rules You Must Follow*)

The Golden Rule: Cannot Spend What You Don't Have

- **Legal Requirement**: Total spending cannot exceed certified available resources (ORC 5705.36)
- **Consequences**: Spending beyond appropriations = illegal and potential dereliction of duty
- **Protection**: "412" certificates required for major spending decisions

County Budget Commission's Role

- **What They Do**: Act as the "financial referee" between districts and taxpayers
- **Key Powers**:
  - Certify how much money is available to spend (by March 1)
  - Can waive tax budget requirements (with alternative reporting)
  - Provide official amounts and rates for tax collection

Five-Year Forecast: Your Financial Crystal Ball

- **What It Is**: 3 years of history + 5 years of predictions = 8 years total
- **Submission Dates**: November 30 and April 1-May 31
- **Integration Requirement**: Must align with appropriation decisions and budget planning
- **State Oversight**: Department of Education and Workforce (DEW) reviews for potential deficit situations

Think of it as: The county is like a bank that approves your credit limit, and the DEW is like a financial advisor checking that you won't go bankrupt.

Best Practices for Managing the Timeline (*Survival Strategies*)

Strategy #1: Start Early and Plan Continuously

- **January Focus**: Use January as your "heavy planning month" - embrace the chaos
- **Conservative Estimates**: When in doubt, estimate low on revenue and high on expenses
- **Monthly Monitoring**: Check revenue vs. projections every month, not just quarterly

Strategy #2: Build Strong County Relationships

- **Regular Communication**: Stay in touch with county auditor and budget commission staff
- **Understand Their Timeline**: Know when they need information from you
- **Request Amendments Early**: Don't wait until year-end to adjust estimates

Strategy #3: Integrate All Planning Documents

- **Alignment is Key**: Tax budget → Five-year forecast → Appropriations → State reports
- **Document Changes**: When one changes, update them all
- **Tell a Consistent Story**: All documents should paint the same financial picture

Strategy #4: Master Cash Flow Timing (typical timing)

- **Know Collection Dates**: February 15, June 30, August 10, October 31
- **Plan Around Gaps**: Identify months when cash might be tight
- **Emergency Planning**: Have contingency plans for delayed collections

Tip: Create a master calendar that shows ALL deadlines for ALL fiscal years. Color-code by fiscal year so you can see the overlaps visually.

Real-World Timeline Complexity: FY25 vs. FY26 Comparison

To illustrate the true complexity of managing multiple overlapping cycles, consider this real-world comparison showing how districts must simultaneously manage planning for multiple fiscal years:

January 2025: The Perfect Storm of Overlapping Cycles

Date	FY25 Activity	FY26 Activity	Multi-Year Impact
Jan 15, 2025	*FY25 in progress* (6 months into fiscal year)	**Tax budget adoption by board of education for FY26** (18 months in advance)	Planning 1.5 years ahead while operating current year
Jan 20, 2025	*Revenue collections ongoing*	**Tax budget filed with County Auditor**	Certification process begins for TY2025 taxes
Mar 1, 2025	*Mid-year budget monitoring*	**Official Certificate issued by County for FY26**	Determines spending limits 4 months before FY26 starts

Date	FY25 Activity	FY26 Activity	Multi-Year Impact
Apr 1, 2025	*3 months remaining in FY25*	**Tax rates certified by County for TY2025**	Sets rates for collections that occur in CY2026

The Cascade Effect: The Never-Ending Planning Cycle

Think of it like this: Every January 15th, you're adding another layer to an already complex cake:

- **January 15, 2024**: Plan taxes for FY25 (starts July 2024)
- **January 15, 2025**: Plan taxes for FY26 (starts July 2025) ← *FY25 still running!*
- **January 15, 2026**: Plan taxes for FY27 (starts July 2026) ← *FY26 still running!*

What This Means in Practice: On any given day, treasurers are juggling:

1. **OPERATING** → Running today's schools and paying today's bills
2. **BUDGETING** → Planning next year's appropriations
3. **PROJECTING** → Estimating taxes for the year after next
4. **FORECASTING** → Predicting finances 5 years out

Real-World Example: In January 2025, while students are in class and teachers are being paid (FY25 operations), the treasurer is planning tax collections that won't happen until 2026.

Key Insights from the Multi-Year Comparison

1. **Continuous Planning Cycle**: There is never a "break" in the planning process - each month involves activities for multiple fiscal years simultaneously
2. **Extended Lead Times**: Tax budgets are prepared 18 months before the end of the fiscal year they fund, requiring extensive forecasting
3. **Revenue Lag**: Property taxes are collected in arrears, so the tax rates certified in April 2025 for TY2025 won't be collected until CY2026, during FY26 operations
4. **Overlapping Responsibilities**: In January 2025, treasurers are:
    - Monitoring FY25 mid-year performance
    - Planning FY26 tax budget

- Beginning preliminary thinking about FY27
- Updating five-year forecasts that extend to FY30

5. **Certificate Dependencies**: The March 1st Certificate of Estimated Resources for FY26 is based on the January tax budget, but appropriations can't be finalized until July 1st or later

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Conclusion (*The Big Picture*)

Key Takeaways:

1. **Multiple Timelines**: You're always managing 3-4 fiscal years simultaneously
2. **External Dependencies**: Your budget depends on county and state decisions outside your control
3. **Long Lead Times**: Planning happens 12-18 months before money is actually available
4. **Legal Precision**: Small mistakes can have big legal and financial consequences
5. **Cash Flow Complexity**: Money arrives in chunks that don't align with spending needs

Remember: This complexity exists for good reasons - to ensure taxpayer money is spent wisely, to provide oversight and accountability, and to prevent financial emergencies. The challenge is mastering the system while keeping the focus on educating students.

Recent Legislative Example: The importance of understanding these timing relationships is highlighted by recent legislative proposals like House Bill 309, which would modify county budget commission operations. potentially disrupting:

- The January tax budget adoption process by the board of education
- March certification of estimated resources by the county
- Five-year forecast submissions to DEW and reviews
- Appropriation timing and legal compliance
- Long-term financial planning stability

This demonstrates why any changes to the budget process must consider the interconnected nature of all three cycles and their carefully coordinated timing requirements.