

May 2, 2025

Dear Chair Brenner, Vice Chair Blessing, Ranking Member Ingram, Senators Cutrona, Huffman, Koehler, and Smith:

I am writing on behalf of the Beavercreek City School District (BCSD) with deep concern regarding the House-passed substitute version of HB96 (Stewart) and the potential detrimental effects on our students and community. Recent proposals — especially those mandating county budget commissions to reduce local millage rates in districts maintaining cash reserves over 30 percent of the prior year's expenses — threaten our District's ability to deliver essential academic, social, and health services. They also jeopardize our prudent fiscal management and hinder long-range planning for communities like Beavercreek.

I proudly serve as the Superintendent of Beavercreek City School District. We are located in southwest Ohio, near the city of Dayton and next to Wright-Patterson Air Force Base. We serve approximately 8300 students across 11 school buildings. While we appreciate the additional funding provided for public education and the efforts of the House, we have significant concerns about several provisions that could negatively impact our district's fiscal stability and ability to serve our students effectively. As a district that receives the minimum state share of 10%, changes such as those proposed can be disastrous to our financial equilibrium.

Our district has unique demographic characteristics that present both opportunities and challenges:

- Approximately 32% of our students come from military-connected families due to our proximity to Wright-Patterson Air Force Base, creating a highly transient population requiring specialized support services
- 25% of our students are identified as gifted in at least one area, necessitating robust enrichment programming
- 17% of our students have disabilities requiring comprehensive intervention services
- Our district has seen steady enrollment growth of approximately 1.8% annually over the past five years

This diverse student population, combined with our responsibility to effectively serve as a cornerstone educational institution for Ohio's largest single-site employer (Wright-Patterson AFB), requires careful fiscal planning and stable resources to ensure all learners receive appropriate educational opportunities.

During my time leading BCSD, our district has worked tirelessly to manage spending and keep our district in a healthy financial position. Our intention has always been to provide students with the services they need while maintaining fiscal responsibility to limit the impact on our taxpayers. Under the House version of HB96, local budget commissions would be directed to reduce tax rates whenever a district's carryover balance exceeds 30 percent of prior-year expenditures. While presented as property tax relief, this approach would severely diminish our local planning capacity. BCSD is a growing school district - we anticipate nearly 600 additional students within the next 9 years. Recognizing the growth and our district's significant reliance on local funding, the district has been conservative in spending. This approach has enabled the district not to have to seek new operating funding from our taxpayers. This proposal will undermine our proactive planning and place additional burdens on our community.

Beavercreek City Schools is recognized by the State as a wealthy district. Due to this belief, the State does not serve as a strong partner for assisting in the funding of our schools. There is a significant State funding gap for Beavercreek City Schools, and because of this gap, we must rely heavily on our community to bridge the gap presented by the State. Below is our current reality:

State Funding Gap

- The statewide average calculated Base Cost for FY25 is \$8,242 per student, while for Beavercreek City Schools (BCS) it is \$8,120.
- BCS's calculated local capacity is \$7,994 per student, which would result in state funding of only \$126 per student.
- However, because state law mandates a minimum 10% state share, BCS receives \$812 per student.
- **The funding gap is substantial:** If BCS were fully funded by the state, we would receive \$61,541,399 ($\$8,120 \times$ student population). Instead, our 10% state share amounts to \$6,154,143 ($\$812 \times$ student population) – a **difference of \$55,382,256.**
- This reality means Beavercreek City Schools relies on our community for 67% of our funding through voter-approved levies.

Because of this gap, our community has acknowledged this significant deficit from the State and our citizens have supported our schools financially through operating levies, a permanent improvement levy, and the passage of bond issues over the years. Our citizens have been provided with the appropriate tools and vehicles to reduce our revenue, should they believe there is a problem with how the district is managing our expenditures. The vehicle to address this is going to the polls and voting down renewal levies, and/or bond issues that are placed on the ballot. Beavercreek City Schools currently has two operating levies, which are up for renewal in upcoming years, as well as a bond issue. Control should be maintained in the hands of our community, for they are the ones who have provided these funds in the first place. For the legislature to step in and create an arbitrary rule for all districts, it once again reiterates that they are painting all districts with the same brush stroke and not allowing the members of each community to decide what they want for the education of their children.

In addition, across Ohio, cities, townships, counties, including the state itself, are all able to maintain “Rainy Day” funds to ensure operations can continue in the face of unforeseen expenses or revenue changes. Public school districts also need the ability to be prepared. Beavercreek City Schools has taken a highly conservative approach to spending, recognizing both the growth facing our community and the funding cliff resulting from the drop-off of COVID-related ESSER and ARP funding streams. If this provision moves forward, Beavercreek City Schools will be penalized for careful planning and fiscal responsibility. In fact, I believe that districts will find themselves encouraged to take unnecessary steps to utilize these funds that they may have otherwise saved in order to not have it swept by the State, some of those concerns are as follows:

1. **Penalizing Fiscal Responsibility:** Districts that plan carefully and maintain responsible reserves are being targeted.
2. **Ignoring Local Context:** This approach disregards the unique circumstances and needs of each district.
3. **Misunderstanding Levy Cycles:** The natural cycle of levy funding creates higher reserves in early years by design, ensuring coverage through the levy's entire lifespan.

4. **Undermining Prudent Planning:** Cash reserves represent necessary preparation for uncertainties and reflect sound budgeting practices.
5. **Creating Perverse Incentives:** Districts may be encouraged to spend down reserves to meet arbitrary thresholds, potentially making financially unsound decisions.
6. **Accelerating Deficit Spending:** This policy would negatively impact our financial forecast, forcing districts into deficit spending sooner and necessitating more frequent levy requests.
7. **Damaging Bond Ratings:** Reduced cash reserves would harm our bond rating, resulting in higher interest rates, increased costs, and reduced project scope, ultimately delivering less value to our students and community.
8. **State Holds Schools to a Different Standard Than Themselves:** On January 17, 2023, the Ohio Office of Budget and Management transferred \$727 million into the Ohio Budget Stabilization Fund, otherwise known as the "rainy day" fund, bringing the cash balance to nearly \$3.5 billion. This funding reserve represents the largest balance for this fund in state history. "We are delivering on our promises to Ohioans with conservative management and sound budgeting," said Governor DeWine. Schools are the target for this rather than the State.

Additional Concerns

- **Partial Funding Formula Adjustments:** Although HB96 retains the Fair School Funding formula in law, the House proposal for FY26 and FY27 funding largely hinges on baseline FY25 amounts, plus only a partial "additional" allocation. This approach does not adequately recognize rising costs tied to enrollment of high-need student subgroups, inflation, or mandated services.
- **Special Education and DPIA Flexibility:** While it is encouraging that the sub-bill keeps allocations for special education, DPIA, and other earmarked categories, BCSD's continuing concerns about underfunding remain. Growth in populations requiring these services is outpacing any increases brought by the House proposal.
- **Impacts on Transportation and Infrastructure:** Reductions to transportation funding or changes to how transportation may be administered would significantly affect our students, particularly those who are economically disadvantaged or homeless. We cannot absorb extra service costs if our revenues are simultaneously restricted.

In further consideration of how this could impact BCSD, it is likely that the expectation to have less than a 30% carryover will result in 5-year forecasts that will show deficit spending. School districts showing deficit spending within their 5-year forecast are obligated to seek emergency levy operating funds from taxpayers, which are awarded in a stair-step method. The approval of those operating funds would put the district into a carry-over status of more than 30%, which would prompt the state to sweep the funds, and the district would again face a deficit-spending 5-year forecast. This cycle could continue in perpetuity. Further, as districts seek Bond funding for major projects such as implementing Master Facility Plans, their ability to acquire AAA Bond ratings might be impacted, as that rating classification signifies the highest credit quality and the lowest risk of default, and the carryover of cash funds is a cash management practice that can indirectly influence an issuer's financial stability and, therefore, its credit rating.

Our Request to the Senate

- **Remove the 30 Percent Carryover Language:** Discouraging responsible fiscal practices is counterproductive. Any reforms to property tax collections should account for the unique demographics and needs of school districts that rely heavily on these funds.
- **Preserve District Autonomy in Expenditure Decisions:** Imposing arbitrary budget caps (e.g., administrative spending or forced local millage reductions) hampers our ability to respond to student and community needs.

Beavercreek City Schools strives to meet the needs of the unique learners within our district. We make data-driven decisions and operate in a fiscally conservative manner to minimize tax burdens on our community. As one of only three cities in Ohio without an Income tax, and being over 6 times the size of the other two, all changes to property taxes are impactful to our community. The current proposal threatens the financial stability of our school district, undermines the important work happening within our classrooms each day, and usurps our ability to meet the unique needs of our students. On behalf of the Beavercreek City School District, I respectfully urge you to adopt provisions that honor local fiscal prudence, address the genuine needs of students, and recognize the economic realities facing our school district.

Mr. Paul Otten
Superintendent
Beavercreek City Schools
Paul.Otten@gocreek.org