

Good evening and thank you for having me,

My name is Hugh Garside, Treasurer of South Western City Schools, Ohio's fifth largest school system and today I am joined by our board president Mr. Chris Boso.

It is with great concern that I stand before you today to address a provision in House Bill 96 that, if enacted, would have severe repercussions for our district and, by extension, for the education of our 21,000 students.

The proposed 30% cap on carryover funds would compel South Western City Schools to relinquish approximately \$150 million—funds that represent 10 months of meticulously accumulated contingency reserves. These reserves are the fruit of nearly two decades of prudent financial management, allowing us to navigate economic fluctuations without resorting to new operating levies since 2009.

This approach not only respects the will of our community, who voted in 2009 to support our schools with the understanding that we would manage these funds wisely, but also demonstrates our commitment to fiscal responsibility in the process.

These contingency funds serve as a vital buffer against unforeseen expenses. In recent years, we have faced significant inflationary pressures, with costs for goods, services, and building maintenance rising substantially across our 33 facilities. Our reserves enable us to absorb these costs -such as this year in deficit spending due to outdated cost sets with funding-which then allows us to refrain from immediately passing burdens on to taxpayers through new levies or drastically cutting essential programs and services.

Moreover, maintaining a healthy reserve is crucial for preserving our district's bond rating. Credit rating agencies evaluate our financial health, including our reserve levels, when determining our bond rating. A forced reduction in our reserves may well lead to a downgrade, resulting in higher interest rates on future borrowing, which would ultimately cost taxpayers more in the long term.

While I understand the intent behind the provision is to afford property tax relief, I must emphasize that this cap does not achieve that goal. Instead, it shifts the financial burden from the state to local districts and local taxpayers-forcing us to return to the ballot for new levies sooner than anticipated.

This would not only increase the tax burden on our community but also introduce instability into our budgeting process, making it challenging to plan for the future needs of our students. Such instability could lead to reductions in educational programs or deferred maintenance on our facilities, directly impacting the quality of education our students receive.

Financial experts, such as the Government Finance Officers Association, recommend that governmental entities, including school districts, maintain reserves commensurate with their risk exposure. For a district of our size and complexity, operating in an environment of fluctuating state funding and economic uncertainty, maintaining a reserve level above 30%

is not only prudent but ethically necessary to ensure the continuity of services and educational quality our children deserve.

Additionally, the proposed 30% financial carryover cap also directly conflicts with the fiscal stability standards outlined in the Ohio Auditor of State's 16 Financial Health Indicators (FHIs) for school districts, introduced just this past Fall 2024. These indicators assess various aspects of a district's financial health. Imposing a rigid cap on carryover balances would severely weaken districts' ability to meet these benchmarks. Ironically, districts that have built strong reserves through prudent financial management -such as ours-may well be penalized under this bill, despite aligning with the fiscal health practices promoted by the state.

Enacting this legislation would almost certainly push many well-managed districts into financial distress according to the very metrics the State of Ohio now uses to judge our fiscal health.

At this time, I would also like to address the notion that our district has been overly reliant on savings rather than running a balanced budget.

This is simply not the case. We have consistently balanced our budget through careful spending and revenue management. However, like any organization, there are years when expenses exceed revenues, particularly during periods of high inflation or when state allocations do not keep pace with rising costs. Our reserves allow us to bridge these gaps without resorting to measures that would harm our students, such as layoffs or program cuts.

Furthermore, this cap undermines local control and the democratic process. Our community entrusted us with these funds, expecting that we would use them responsibly to benefit our schools. By imposing this cap, the state is overriding that local trust and the local decision-making process.

Our students and their families rely on us to provide a stable and high-quality education. By maintaining our reserves, we ensure that we can continue to meet their needs, even in challenging times.

In conclusion, I implore you as a 31-year school business official with years of experience in my lifetime in this field, to reconsider this provision and remove the 30% cap on carryover funds. Doing so will allow school districts like South Western to continue providing high-quality education, maintain financial stability, and honor the commitments made to communities. Thank you for your attention to this critical matter.