



Cloverleaf Local Schools

8525 Friendsville Road
Lodi, Ohio 44254
Telephone: (330) 948-2500
Fax: (330) 948-1034

Daryl Kubilus, Jr.
Superintendent

Adam Lewis
Director of Curriculum and Instruction

Jim Hudson
Treasurer

Senate Education Committee

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Good evening Chair Brenner, Vice Chair Blessing, Ranking Member Ingram, and esteemed members of the Senate Education Committee, thank you for the opportunity to testify today on House Bill 96. My name is Daryl Kubilus, and I'm the superintendent of Cloverleaf Local Schools in Medina County.

For those who have traveled north on Interstate 71 through the Interstate 76/224 interchange, you've passed through Cloverleaf. We are a geographically expansive district, covering 119 square miles and serving approximately 2,500 students across five townships and five villages. Upon my appointment as superintendent 17 years ago, I inherited a district in fiscal watch. It was clear to me that we were living beyond our means, and immediate action was necessary to ensure our district's survival. Between 2008 and 2012, we made the difficult decision to cut \$7.4 million from our then \$28 million budget, which included a reduction of 78.5 positions. By January 2012, our situation had deteriorated to the point where we needed to borrow \$600,000 just to make our June payroll. As a result, the state placed us in fiscal emergency on January 18, 2012, only two days after we celebrated the opening of a brand new 120,000 sq. ft. elementary school, built with leveraged proceeds from our unique Medina County sales tax for school permanent improvements. Imagine the public's response as we opened a state-of-the-art facility that didn't cost our taxpayers a dime in property tax, while simultaneously being declared to be in fiscal emergency.

In 2014, after numerous failed levy attempts dictated by our fiscal oversight commission, I was informed by the commission president that we would need to make an additional \$1 million in cuts, coupled with a new levy request in the 9-mill range. Realizing the futility of continually increasing levies while slashing services to a point where families were leaving the district in record numbers, our Board of Education made two pivotal decisions. First, we recognized that a straightforward property tax levy stood little chance of approval. Instead, we proposed a combination levy—lowering the property tax request and introducing an earned income tax that would not impact the pensions or Social Security of senior citizens. Second, we made a bold commitment to our taxpayers: If they passed this levy, we would not seek additional revenue until at least 2020.

At the time, that 2020 promise was revolutionary for a district accustomed to appearing on the ballot multiple times each year. Feedback from residents was overwhelmingly positive; the idea of not asking

The Mission of the Cloverleaf Local Schools, a unified community committed to an interactive approach to life-long learning, guarantees all students an excellent education that prepares them for life's challenges by providing innovative instruction filled with engaging, experience-based learning opportunities, delivered by highly qualified educators in a safe, stimulating, and respectful environment.

for more funds until 2020 provided significant relief. Ultimately, that May 2014 levy passed, leading to our release from fiscal emergency, and I am proud to say we have not sought additional revenue from our taxpayers since then and, as you will hear in a minute, have extended that 2020 promise, while actually reducing property taxes for our community.

Today, Cloverleaf's financial landscape has dramatically improved. Following our 2014 levy victory, we benefited from unexpected financial developments, most notably the Nexus natural gas pipeline, which included a compressor station within our district. This additional revenue stream enabled us to construct a brand new \$70 million middle and high school without imposing any bond issue on our taxpayers. In fact, over the past 13 years, we have successfully built new K-12 facilities without requiring a single penny from our community.

Since that pivotal moment in 2014, we have adopted a motto of "promises made, promises kept" which has guided our actions.

- In 2020, we promised our taxpayers if they renewed a 5-year permanent improvement levy, we would roll back the levy from 2 mills to 1.39 mills. The levy passed, we kept our promise.

- In 2022, we promised our taxpayers if they renewed an earned income tax we would lower it by .25%. The levy passed, we kept our promise.

- In 2023, we promised our taxpayers a property tax rollback of .45 mills on renewal of that original 2014 levy that brought us out of fiscal emergency. The levy passed, we kept our promise.

- In that same 2023 levy campaign, we promised our taxpayers we would extend our 2020 promise to 2030 without the need to ask our taxpayers for additional revenue. We intend to keep that promise!

- Just last week, we promised our taxpayers if they renewed our 2 mill permanent improvement levy, we would lower the collection – again – this time to 1.07 mills. It passed by a 30% margin. We will keep this promise as well!

Since 2014, we have worked tirelessly to maintain a healthy cash balance dedicated to upholding our long-term funding promises. I am proud of our financial stewardship and long-term planning. As evidenced by the support of the Cloverleaf community at the ballot box the last 12 years, it seems our constituents value it as well. However, I am deeply concerned that HB96's cash carryover provision may undermine our prudent efforts, as well as the trusting relationship our school district has with our community.

Cash Balance Cap

Under the House-passed version of HB 96, districts with a carryover balance above 30% of the prior year's expenditures would face property tax reductions. For Cloverleaf, that would amount to a \$24 million cut in one year. For school districts in Medina County alone, that total would be close to \$100 million.

I have heard some characterize school district cash balances as a "rainy day fund." I must respectfully disagree with this perspective. A "rainy day fund" implies savings for unforeseen emergencies, whereas school districts, including Cloverleaf, typically leverage cash carryover balances as a strategic component of their levy cycles. At the beginning of a levy cycle, districts spend less than they receive;

thereby, they build reserves to draw upon later as costs rise while revenues stay stagnant. This planning is crucial for maintaining financial stability without having to return to voters for new revenue until absolutely necessary. In fact, according to our November 2024 5-year forecast, Cloverleaf anticipates entering a period of deficit spending next year for the first time since our 2014 levy passage. This deficit does **not** indicate a financial crisis or a “rainy day”; rather, it reflects diligent planning to ensure we can fulfill our commitment to our residents. We will now begin to utilize our long-saved 11.4-month cash carryover balance to avoid the need for new levies until at least 2030. What some have decried as school districts hoarding money, I contend, is responsible financial management, endorsed by our taxpayers.

There are several problems with the 30% cash balance cap:

1. **It Inhibits Long-term Financial Planning-** As I already alluded, deficit spending is a natural part of a school district’s levy cycle. A 30% cap greatly limits school district long-term financial planning. This will inevitably lead to more frequent ballot appearances, but for smaller amounts, burdening both the districts and our communities.
2. **It Leads to Levy Fatigue-** Since HB 920 in 1976, school districts have appeared on the ballot over 20,000 times with the average district effective millage increasing a mere 2 mills in those 49 years. HB 96, in its current form, will greatly increase ballot frequency. Such levy fatigue only serves to divide school districts from the communities they serve.
3. **It Leads to Uneven Tax Reductions-** While the proposed tax reductions may present an appealing narrative for the legislature, it is essential to recognize that not all school districts maintain 30% carryover balances. Consequently, certain taxpayers would not benefit from these proposed reductions.
4. **Reducing Taxation Without Representation?** If a proposal were introduced to enable the legislature to impose taxes for schools without local voter consent, it would rightly prompt an outcry of “taxation without representation.” Thus, it raises the question: Why is it acceptable to retract funding—consecrated by local ballot measures—for schools based on legislative judgments? This process effectively undermines the commitment our local taxpayers made to their school districts.
5. **This Discussion Deserves More Time-** Understandably, as property values rise statewide, the discussion surrounding property tax reductions is pertinent. However, addressing property tax increases through the 30% cash balance cap as a one-time cost-saving measure has highly detrimental long-term effects for school districts. The timing of attaching such critical legislation to the budget bill, while expedient, lacks the thorough scrutiny this matter truly deserves.

In summary, HB 96 would penalize Cloverleaf Local Schools for its conservative financial stewardship and, most devastating of all, likely force us to break a sacred promise to our taxpayers to stay off the ballot for new levies until 2030 -- minimally, that's 16 years without a school property tax increase for Cloverleaf constituents. If I'm proud of anything, it's how we educate our kids and how we keep our promises to our voters. HB 96 puts both those things in jeopardy.

I respectfully urge the Senate to eliminate any cash balance cap provisions from HB 96.

Chair Brenner 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.