Cedar Cliff Local Schools

May 14, 2025

Chair Brenner, Vice Chair Blessing, Ranking Member Ingram, and members of the Senate Education Committee, thank you for the opportunity to submit testimony on House Bill 96. My name is Brian Masser, and I serve as the Superintendent of the Cedar Cliff Local School District in Greene County.

Cedar Cliff is a small, rural school district serving fewer than 600 students from the communities of Cedarville and Clifton. Because of our size, any one-size-fits-all legislation has a disproportionate impact on the district. House Bill 96 in particular would make it incredibly challenging for a district our size to navigate any unexpected expenses and maintain financial stability.

To begin, I would ask the General Assembly to acknowledge two realities:

- 1) House Bill 96 is a response to a rather anomalous situation: historically unprecedented increases in property values; and
- 2) Instability in and debate over the school funding model over the past thirty years.

Acknowledging these two realities is important to understanding *why* many districts have accumulated and maintained larger than normal cash balances over the past few years. Conceptually, school districts should operate as close to neutral as possible, but the historical instability of the school funding model has conditioned school leaders to maintain this financial neutrality by growing a cash balance when it is possible in order to navigate financial turbulence later and avoid having to levy funds from the community. In short, school districts are trying to avoid the very same phenomena as the legislature: unnecessary taxes.

While perhaps well-intentioned, I believe House Bill 96 has several, significant unintended implications:

First, and most importantly, it disenfranchises the will of local voters. Locally passed millage represents a community's desire to fund the school system beyond the state minimum, whether for operations, permanent improvements, capital projects, or other purposes. What is desired in one community might not be desired in another, and the beauty of our system of governance is that local voters get to make this decision based upon their preferences at the ballot box. House Bill 96 would usurp this right by subverting the funding level previously determined by local voters. While nobody likes increased taxes, it is the local community's role – not the state legislature's – to determine the appropriate local level of funding. To do otherwise is to abandon a fundamental tenet of local control.

Over the past year, Cedar Cliff has held a public Board of Education meeting to openly discuss its cash balance and financial planning, established a long-term maintenance/permanent improvement cycle, and engaged in strategic planning with community stakeholders, including facilities master planning with an architectural firm. All of this work with stakeholders will be rendered ineffectual if the financial rug is pulled out from under the District/community by the provisions of House Bill 96.

Second, the cash balance cap solution proposed by House Bill 96 would exacerbate the very problem it seeks to resolve. Districts are subject to the same inflationary expense increases as businesses, but because they cannot "raise their prices" to offset these increases, revenues will always eventually lag behind expenses. Practically speaking, this means that a healthy cash balance in a given fiscal year will almost always reach a natural equilibrium within a few years when expenses intersect revenues, at which point districts must levy local funds. Districts seek to delay this inevitability as long as possible by growing their cash balance when unexpected funding becomes available, such as the recent increase in property values. By limiting the cash balance safety valve, districts will be forced into more frequent levy cycles, or resort to extreme reductions in force and unsafe/productive student-to-teacher ratios, neither of which will be well received by communities.

At Cedar Cliff, taking away the cash balance safety valve would be the difference between not needing a levy during the lifecycle of the current five-year-forecast and having to go on the ballot within the next five years. It is worth noting that these more frequent levy cycles would be self-defeating since the 30% cash balance cap would always knock districts back down to the state minimum, regardless of when expenditures intersect and surpass revenues. In many cases, restoring tax collections the following year would not be adequate to recover from the deficit, so a new levy would be required. This cycle would continue indefinitely.

Finally, the cash balance cap does not represent sound financial planning wisdom. Nearly every financial advisor will recommend that individuals save at least 20% of their income each year. While *minimum* savings levels are recommended – usually 3-6 months – financial advisors will always recommend that individuals continue to save at least 20%, even after this minimum threshold has been met. Following this conventional advice, districts would exceed the 30% cash balance cap of House Bill 96 in less than two years. The Ohio Standards for School Treasurers asks them to "provide fiscal leadership in the management of tangible and intangible assets and support services." How can treasurers be expected to provide leadership in this area if they are not allowed to adhere to the accepted basic principles of financial planning?

For small districts the size of Cedar Cliff, the impact of the proposed cash balance cap is heightened. For example, replacing the roof or HVAC system on Cedar Cliff's lone K-12 building would cost the same as these very same replacements on a single building in a district ten times our size. However, doing so will have a disproportionate impact on Cedar Cliff since our 30% cash cap would be significantly smaller than that of larger districts.

School leaders are open to change – including non-property-tax-based funding models – and share the same goal of reducing tax burdens as the legislature. Like all taxpayers, I also don't like that increased property values have yielded higher taxes. But, rash solutions that disenfranchise local voters and upend careful financial planning are not the answer. To this end, I would urge the General Assembly to hit pause and maintain its own Fair School Funding Model until a more sustainable model to replace it is conceived after careful deliberation and consultation with experts in the field.

Respectfully Submitted,

Brian R. Masser

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Superintendent, Cedar Cliff Local School District