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Senate Education Committee
House Bill 96
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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 Julie Erwin, and I serve as the Treasurer/CFO of New Philadelphia City School District in Tuscarawas County.

The New Philadelphia City School District serves an area of approximately 72 square miles and includes all of the City of New Philadelphia, the Village of Stone Creek and portions of nine townships. The District currently operates seven instructional buildings, an administration building, a transportation and maintenance building, and a preschool/sports complex. The District employs 141 non-certificated employees, 217 certificated full-time teaching personnel and 20 administrative employees who provide services to 2,978 students and other community members.

I appreciate the work of this committee and the General Assembly in supporting Ohio's public schools, and I respectfully offer the following comments on several provisions in House Bill 96.

Fair School Funding Plan: Preserve the Phase-In and Update Base Cost Inputs

Like many of my colleagues across the state, I remain strongly committed to the Fair School Funding Plan (FSFP). It is a student-centered, transparent, and predictable model that reflects the actual cost of educating students in our communities.

Replacing the FSFP phase-in with temporary "bridge funding" moves away from this progress and reintroduces uncertainty into a system we've worked hard to stabilize.

I urge the Senate to:

- Remove temporary "bridge funding" and maintain the phase-in as proposed by Governor DeWine;
- Update the base cost inputs to reflect current costs, such as staffing, class sizes, and services; and
- Maintain guarantees until full implementation of the FSFP is complete, including updated categorical funding.

Without updated base costs, districts like mine risk being penalized even as other formula inputs—such as property valuations or income data—are refreshed. This creates structural imbalance and shifts more of the funding burden onto local taxpayers.

For years, Ohio operated without a comprehensive and equitable school funding formula. The Fair School Funding Group—comprised of dedicated professionals with deep knowledge of the educational landscape—invested significant time and expertise to develop a formula that truly reflects the cost of educating students in today's environment.

Their efforts were grounded in thorough analysis and a shared goal: to ensure every school district has the resources necessary to meet the unique needs of its students and provide a high-quality education.

While the funding model may initially appear excessive on the surface, it is in fact a strategic and necessary investment. Our students deserve access to the best possible education—not only for their individual success but for the long-term prosperity of Ohio. Educated citizens are the foundation of a strong, thriving economy.

It is imperative that we continue to support and implement this funding framework—not just for today's learners, but for the future of our communities. By doing so, we are laying the groundwork for an economic future that is vibrant, competitive, and sustainable.

I urge you to reconsider your approach to the FSFP. If needed, adjustments such as a more balanced phase-in schedule could be explored to ensure equity and sustainability. However, abandoning or underfunding the plan would jeopardize the future of public education in Ohio and risk the long-term success of our state.

Cash Balance Cap

Under the House-passed version of House Bill 96, school districts with a carryover balance exceeding 30% of the prior year's expenditures could face property tax reductions. For many districts, this creates serious financial planning challenges.

Because Ohio collects property taxes in arrears, any reduction triggered by a June 30 fund balance would not impact collections until 18 months later—long after the budget for that fiscal year has been finalized.

Districts must maintain healthy cash balances in order to:

- Effectively manage levy cycles and avoid frequent ballot issues;
- Navigate cash flow gaps caused by the timing of tax collections and state payments;
- Support capital, maintenance, or strategic initiatives; and
- Preserve strong bond ratings and long-term financial stability.

Capping cash reserves would undermine sound financial planning and ultimately increase long-term costs for both school districts and local taxpayers.

In the New Philadelphia City School District, we do not have an abundance of cash reserves. In the near future, the District will likely need to seek voter approval for an operating levy to address ongoing cash flow needs. However, implementing a cash reserve cap places this process at significant risk.

If our community approves a levy, the resulting funds could be swept under this policy. Taxpayers will struggle to understand why the District appears to have over 30% in reserves one year and falls below that threshold the next. These fluctuations will lead to confusion and distrust—particularly among elderly residents living on fixed incomes who may be unable to adjust to inconsistent tax cycles.

Ultimately, this policy would inject unnecessary instability and uncertainty into an already complex school funding and tax collection system.

I respectfully urge you to remove any proposed cap on school district cash balances. Over time, this policy will affect nearly every district across the state. It penalizes districts for responsible fiscal management and places an undue burden on community members—especially those least able to bear it.

Five Year Forecast

Replacing the five-year forecast with a three-year projection would weaken our ability to plan ahead, monitor for emerging deficits, and communicate effectively with our communities. Years four and five of the forecast are often when deficits appear—particularly in districts dependent on levy renewals.

In the New Philadelphia City School District, the fourth and fifth year of the forecast tell the story. For example, the fourth and fifth years of the May 2025 five-year forecast reveal a critical turning point for New Philadelphia City Schools, one that highlights growing financial instability and the pressing need for action.

Personnel and benefit costs continue to rise—$24.5 million in salaries and $11.8 million in benefits by fiscal year 2029. Even with steady state and local revenue, the District can't keep up with cost growth without adjustments. These figures also do not account for unexpected increases in health care, special education mandates, or capital needs.

The District does not currently project revenue from new levies, though it anticipates the need to seek additional funding. The forecast shows a reliance on the community to fill the growing gap, yet the instability of revenue and new state policies (like potential cash balance caps) complicates how and when to go to the ballot. Waiting too long could leave the District in financial crisis before voters can act.

The fourth and fifth years of this forecast are not just numbers on a spreadsheet—they are a clear signal that without intervention, New Philadelphia City School District will face significant financial and operational distress. These years tell a story of urgency, one that calls for strategic leadership, community dialogue, and fiscal action now to avoid crisis later.

The deficit depicted in year four and five of the forecast has been complicated by the loss of the FSFP phase-in for fiscal year 2026. Any additional changes in property tax reform will further complicate our funding, especially when we were forecasting a completely different outlook prior to the new biennium budget.

I urge the Senate to reinstate the five-year forecast requirement to ensure long-term financial transparency.

Thank you for your consideration of these crucial next steps in supporting Ohio's educational excellence. Strong school districts provide strong communities. Please help us to move into a bright future for our students, staff and communities.

Sincerely,

Julie Erwin

Julie Erwin, CPA
Treasurer/CFO