Senate Finance Committee
House Bill 96
Ohio Association of School Business Officials

June 4, 2025

Chair Cirino, Vice Chair Chavez, Ranking Member Hicks-Hudson, and members of the Senate Finance Committee, thank you for the opportunity to testify today on Substitute House Bill (HB) 96. My name is Katie Johnson, and I serve as the Executive Director of the Ohio Association of School Business Officials (OASBO).

Our organization represents public school district treasurer/CFOs and other school business officials from around the state who are dedicated to the effective management of school finances and operations in support of high-quality education.

Joining me today in representing our members and available to answer questions is OASBO Board Member Kristine Blind (London City Schools, Madison County).

We are still reviewing and analyzing the changes made in substitute bill and may have additional items to share as we continue our review. Our initial feedback is as follows:

State Funding Formula

OASBO remains committed to the Fair School Funding Plan as a fair, predictable, and reliable method of meeting student needs. We are grateful that Governor DeWine and the Senate have chosen to include the final two years of the phase-in in their respective budget proposals.

We also appreciate the Senate's decision to maintain guarantees. These protections are critical while the formula is still being implemented, including updates to categorical components based on the state-commissioned cost studies.

However, the integrity of the formula raises concerns if local share components (such as property valuations and income data) are updated without corresponding updates to base cost inputs. This results in an imbalanced formula, decreases the state share (currently at just 38%), and shifts even more of the burden to local taxpayers. Many districts are forced onto the guarantee not because of inefficiencies, but because of this imbalance.

We recognize the fiscal constraints facing the state. ***If a full update of all formula inputs is not possible in this biennium, we respectfully request that the implementation of updated valuation and income data be delayed until base cost inputs can also be updated***. This would help preserve equity and predictability, and protect communities from disproportionate property tax increases.

We also urge the Senate to consider investing in the inputs instead of proceeding with the proposed income tax cut, which would further limit future state capacity to fund education.

Limits on Local Taxing Authority and Voter-Approved Levies

Ohio's school funding model is built on a state-local partnership, yet the balance has shifted significantly. ***Currently, local taxpayers bear 62% of the cost of educating students***, despite Ohio's constitutional commitment to shared state responsibility for funding public education. This imbalance places an increasingly heavy burden on local communities.

Given this existing disparity, we have significant concerns about provisions in the substitute bill that further restrict local taxing authority:

- ***Eliminating replacement, emergency, and substitute levies***, which have been essential tools for meeting local needs;
- ***Prohibiting districts from placing current expense levies on the ballot*** if their general fund carryover exceeds 100% of expenditures—regardless of their long-term obligations; and
- ***Requiring a two-thirds board vote to place any levy on the ballot***, creating unnecessary barriers to governance.

These proposals override the authority of elected school boards and voters. They rewrite the rules midstream, limiting the ability of communities to renew or adjust their own funding mechanisms. ***We urge the committee to reject these restrictions and maintain local authority to determine the types, timing, and purposes of school district levies.***

Expanded Authority of County Budget Commissions: Undermining Voter Intent

The substitute bill expands the authority of county budget commissions (CBCs) in ways that raise concerns about voter-approved levies and introduce significant operational risks:

- Allowing CBCs to reduce millage on any levy aside from debt levies—based on subjective terms like "excessive" or "unneeded"—creates uncertainty around the reliability of voter-approved revenue.
- Removing statutory protections that prohibited CBCs from evaluating certain balances sets a concerning precedent.

These changes weaken local fiscal autonomy and inject uncertainty into multiyear planning. Voters approve levies with the expectation that the revenue will be used as presented—not subject to retroactive reduction by a separate body.

Inclusion of Emergency and Substitute Levies in the 20-Mill Floor

When communities vote for school levies, they do so with specific expectations about how those funds will be used and how tax calculations will work. Requiring emergency and substitute levies to count toward the 20-mill floor fundamentally alters the framework in place for over 45 years.

- These levies were deliberately created outside the HB 920 reduction structure. Reclassifying them contradicts legislative intent and raises constitutional concerns.
- Such a retroactive reclassification creates operational uncertainty and financial instability, leaving them unable to sustain financial commitments and programming.

Remove the Cash Balance Cap Provision and Reinstate the Five-Year Forecast

While we appreciate the increase from 30% to 50% and the allowance for capital project set-asides, the cash balance cap provision raises significant concerns:

Cash balances are not excess. They are essential to managing:

- Cash flow timing between tax settlements and state payments;
- Multi-year levy cycles;
- Unforeseen economic conditions;
- Bond ratings and capital projects; and
- Contractual obligations and long-term planning.

Voters approve levies expecting their districts to be prudent. A cap discourages that prudence, forces premature levy attempts, and contributes to voter fatigue.

At the same time, the bill proposes to replace the five-year forecast with a three-year projection. The five-year forecast is not a compliance exercise; it is a planning tool. It helps boards and administrators:

- Monitor long-term trends;
- Prepare for upcoming levies;
- Identify early signs of fiscal distress; and
- Maintain transparency and accountability to their communities.

We strongly urge the Senate to maintain the five-year forecast requirement and reject the cap, which will destabilize school funding across the state.

Remove the Restriction on Pension Payments

Substitute HB 96 prohibits school district boards from paying employee pension contributions to STRS on behalf of superintendents or to SERS on behalf of treasurers. At a time when Ohio faces critical shortages in educational leadership, this provision works against our efforts to attract and retain qualified professionals in these demanding roles.

School superintendent and treasurer positions require specialized expertise, carry significant responsibility, and often involve challenging working conditions. These roles are essential to student success, yet districts across Ohio struggle to fill vacant positions with qualified candidates. This provision undermines local control and hampers boards' ability to make strategic decisions about attracting the strongest possible leadership for their communities.

Conclusion

Substitute HB 96 includes many promising investments, particularly in completing the Fair School Funding Plan. However, it also contains significant policy changes that would reduce transparency, limit local control, and weaken the stability of Ohio's school finance system.

We respectfully urge the committee to:

1. Update the base cost components in the formula, or if that is not feasible, delay the implementation of updated valuation and income data until base cost inputs can also be updated;
2. Remove the expanded budget commission powers;
3. Reject the inclusion of emergency and substitute levies in the 20-mill floor calculation;
4. Reinstate the five-year forecast as a critical tool for transparency and accountability; and
5. Eliminate or significantly revise the 50% cash balance provision to account for responsible long-term financial management.
6. Remove the restriction on paying employee contributions to STRS and SERS.

Thank you for your time and attention. We are happy to answer any questions you may have.