

**New Riegel Local Schools  
 Five-Year Forecast May 2023 Assumptions  
 Prepared by Brad Radison, Treasurer 419-595-2256**

**1.01 General Property Tax**

- Real estate tax revenue is based on assessed valuation multiplied by our effective millage rate. For tax year 2022 (collected in 2023) our residential & agricultural effective millage rate is 22.393 mills. This effective millage rate is expected to continue.
- Changes made to the CAUV formula by the Ohio Department of Taxation and in the 2018-19 biennial budget (H.B. 49) decreased agricultural land values. Ag values declined by 17.7% in FY18 and an additional 16.8% in FY21.
- In this forecast, 2023, 2025 and 2026 are increased 1% for growth because they are in between years of a revaluation and triennial update. In FY 2024 (revaluation) residential values are forecasted to increase 8% and agricultural values are estimated to increase 3%. In FY 2027 (triennial update) residential values are estimated to increase 4% and agricultural values are estimated to increase 2%.

- History

	<u>Real Property Valuation</u>		
1998	18,177,670		
1999	18,567,890	2.1%	
2000	26,224,100	41.2%	revaluation year
2001	26,724,920	1.9%	
2002	26,968,260	.9%	
2003	28,891,320	7.1%	triennial update year
2004	29,559,640	2.3%	
2005	30,107,680	1.85%	
2006	29,842,590	(.9%)	revaluation year
2007	30,545,800	1.02%	
2008	30,903,910	1.17%	
2009	34,878,730	12.8%	triennial update year
2010	35,118,460	.7%	
2011	35,512,260	1.12%	
2012	38,767,280	9.17%	revaluation year
2013	38,982,890	.6%	
2014	39,260,320	.7%	
2015	52,924,180	34.8%	triennial update year
2016	52,809,940	(.22%)	
2017	53,055,450	.5%	
2018	48,068,470	(9.4%)	revaluation year
2019	48,387,980	.7%	
2020	49,018,050	1.3%	
2021	48,511,130	(1.0%)	triennial update year
2022	49,373,020	1.7%	

- Real estate tax is calculated and collected on a calendar year basis, while a school district's fiscal year is July 1 through June 30. It is estimated 60% will be collected as first half taxes and 40% will be collected second half.

## 1.02 Income Tax

- The district has a continuing .75% income tax which began January 1, 1990. On May 2, 2006, a .75% additional, 5-year income tax was approved by the voters of our district. A 5-year renewal of this tax was approved by voters on November 2, 2010, again on November 3, 2015 and again on November 3, 2020. The additional tax is now effective through December 31, 2026.
- FY20's income tax collection was \$775,159; an increase of 6.1% over FY19 net.
- FY21's income tax collection was \$809,428; an increase of 4.4% over FY20.
- Covid-19 delayed the filing deadline for 2019 income tax returns until July 31, 2020. This along with Covid-19 unemployment affected FY20's 1<sup>st</sup> quarter income tax settlement. The State of Ohio personal income tax filing deadline for 2020 was delayed to May 17, 2021 which may also affect the timing of collections.
- FY22's income tax collection was \$914,943; an increase of 13% over FY21.
- FY23's estimated income tax collection is \$914,600; which would be a decrease of 0.01% over FY 22. FY23 is calculated using actual data for Q1, Q2 and Q3 and estimated data for the remainder of the fiscal year.
- FY's 24 - 27 are forecasted with a 3% increase each year.

## 1.035 Unrestricted Grants in Aid (State Funding)

### Historical Data

- The following is a brief recap of formula ADM:

FY 02-03	441.43	FY 12-13	347.17
FY 03-04	401.76	FY 13-14	321.28
FY 04-05	394.83	FY 14-15	332.83
FY 05-06	382.16	FY 15-16	320.88
FY 06-07	357.58	FY 16-17	334.13
FY 07-08	350.86	FY 17-18	324.81
FY 08-09	338.71	FY 18-19	307.48
FY 09-10	352.19	FY 19-20	317.57
FY 10-11	363.51	FY 20-21	309.47
FY 11-12	349.13	FY 21-22	386.18
		FY 22-23	387.43

### State Funding FY20 & FY21

HB166 (Ohio's 2020-21 state budget) based the bulk of state funding for both years on FY19's total calculated funding. This means no calculation is used in determining state funding for FY20 and FY21. Whatever we received in state funding for FY19 would have been the amount we received in FY20 and FY21 regardless of any factors, such as enrollment. However, due to COVID FY20 state foundation was reduced by \$62,504 and FY21 state foundation was reduced by \$28,225.

## State Funding FY22 & FY23

HB 110 (Ohio's 2022-23 state budget) includes the Fair School Funding Plan (FSFP) as the basis for the school-funding formula. The FSFP is a complete overhaul of school funding in Ohio. For FY 22 FSFP funding as of the June 2022 #2 payment is used in this forecast, with a total state funding of \$3,268,613. For FY23 I used amounts calculated using the phase-in percentage of 33.33%, as indicated in the FSFP. For FY22 and FY23 increase over prior year of \$269,839 and decrease of \$55,325 respectively. In order to fairly compare years, please see chart below.

In the FSFP parts of state funding are now restricted. These include gifted, disadvantaged pupil impact aid and wellness & success funding. As of now we will not be adding new expenditures in these categories but rather paying for existing ones.

In FY20 and FY21 Student Wellness and Success Funding was received and recorded in a separate fund. With the new budget this funding is now part of foundation funding and remains restricted.

Another very important change in the new funding formula is that students are now funded where they are educated instead of where they reside. Our incoming open enrolled students are being counted in our ADM and funded the same as a resident student. We will no longer be receiving funding or paying out for students leaving us through open enrollment or community school. This change will significantly change both our state and local revenue and purchased service expenditures.

Below is an apple-to-apple comparison of FY21 foundation to FY22 and FY23 foundation. FY23 is estimated based on the April #2 payment. The foundation formula for FY23 was finalized in the April #2 payment which decreased the overall amount we are receiving.

### **State Funding**

	FY21 June #2	FY22 June #2	FY23 Apr. #2
Foundation formula	2,305,801	2,974,565	2,906,964
Student Wellness (restricted)	58,361	206,327	213,104
Gifted (restricted)	0	38,620	46,732
Enrollment Growth	15,607	0	0
DPIA (restricted)	3,366	3,317	3,416
Preschool Special Ed	27,176	52,973	42,215
CTE (restricted)	1,914	1,070	856
Spec Ed Transportation	243	0	0
Open Enrollment - incoming	758,917	0	0
Open Enrollment - outgoing	-146,057	0	0
Community School	-40,558	0	0
difference on simulation	14,003	-8,259	0
	<b>2,998,774</b>	<b>3,268,613</b>	<b>3,213,288</b>
Increase over prior year		<b>269,839</b>	<b>-55,325</b>
plus casino		23,220	23,613
		3,291,833	3,236,901

For this forecast FY24, FY25, FY26 and FY27 state funding is increased by 2% each year.

### Casino Tax Revenue

Beginning in FY13 casino tax revenue is also reported in line 1.035. In FY19 \$19,355, in FY20 \$20,631, in FY21 \$15,900, in FY22 \$23,220 and in FY23 \$23,613 was received. COVID-19 temporarily closed Ohio casinos in the spring of 2020 so the August 2020 payment was reduced. Casino tax revenue is forecasted at \$23,200 per year for FY24 – FY27.

### **1.05 Property Tax Allocation**

- Property tax allocation is rollback and homestead tax received from the State. It is forecasted as 12.5% of our estimated real estate tax collections. It also includes the homestead exemption for all senior citizens in HB 119 which increases our property tax allocation and decreases our real estate tax collection.

### **1.06 All Other Revenues**

- All other revenue includes trailer tax, interest, rental, donations, sales of supplies for resale, catastrophic aid, special education local reimbursements and miscellaneous revenues
- In the new state funding model reimbursement of special education student excess costs for students residing in other districts will continue. We received \$69,971 in FY19, \$135,394 in FY20, \$151,800 in FY21, \$192,200 in FY22 and \$141,675 in FY23. It is expected to continue in FY24 – FY27 estimated at \$142,000 per year.
- In FY19, SF14 (tuition from court-placed students) was \$23,373, \$25,529 in FY20, \$10,520 in FY21, \$14,667 in FY22 and \$23,610 in FY23. It is expected to continue throughout the forecast at \$23,600 per year.
- Up until the new FY22 and FY23 budget incorporated the Fair School Funding Plan open enrollment – incoming students was a separate local revenue item. Starting in FY22 students are funded where they are educated so this takes open enrollment revenue out of line 1.06. These students are now counted in our ADM and funded the same as a resident student in foundation funding. In FY 19 there were 114.8 incoming open enrolled students generating \$691,289. In FY20 there were 134.3 generating \$808,450 and in FY21 there were 126.1 students generating \$759,158. In FY's 22-27 revenue generated by students coming to our district from other districts is part of state foundation funding.

### **3.01 Personal Services**

- FY23 is forecasted based on actual contracts and estimated substitute and extra wages.
- FY's 24-25 are calculated with certified employees 4.5% overall increase each year which includes a negotiated base salary increase of 3% and step and column increases estimated at 1.5%. Non-certified and administrative employees are projected with a 3% overall increase. FY's 26-27 are calculated with certified employees 3.0% overall increase each year which includes a negotiated base salary increase of 1.5% and step and column increase estimated at 1.5%. Non-certified employees are projected with a 2% overall increase. Administrative employees are projected with a 3% overall increase. The same staff & staffing levels as FY23 are used for all years of the forecast.

- Taken into consideration is that a portion of a special education aide (\$10,000), a remedial reading teacher (\$28,000) an elementary specialist (\$67,000), a psychologist (\$8,000) and an elementary counselor (\$63,500) are paid out of federal grants. These amounts are for FY23.

### **3.02 Employees' Retirement /Insurance Benefits**

- Retirement is calculated as 14% of salaries.
- Regarding health insurance, we purchase a high deductible medical plan from Anthem and self-insure between those high deductibles and the low deductibles experienced by our employees.
- Dental and Vision services are wholly self-insured for the 1<sup>st</sup> Half of FY23. After that we are switching to Delta Dental for our Dental and Vision services starting January 2023.
- For this forecast, it is assumed the same employees will take the same types of coverage of insurance as in October 2022.
- Anthem premiums are estimated to increase 6% each year for FY's 23 - 27. Changes to medical insurance offerings in the negotiated agreement caused the board cost to be reduced.
- FY's 23 – 27 self-funded medical claims are estimated to increase 10% each year. These claims increased 15% in FY18 and increased 21% in FY19. FY20 was an abnormality because of Covid-19 and decreased 12.3%. In FY21 these claims increased 8% and in FY22 the claims increased by 23%.
- FY's 26 – 27 dental expenses are estimated to increase 3% each year. Changes to dental insurance offerings in the negotiated agreement caused the board cost to be reduced.
- FY 27 vision expenses are estimated to increase 3%. Changes to vision insurance offerings in the negotiated agreement caused the board cost to be reduced.

### **3.03 Purchased Services**

- Expense amounts listed are calculated based on history, researched predictions, and/or a 3% increase each year.
- In the past a significant item reported in this line was outgoing open enrollment. As stated earlier, beginning in FY22 open enrollment students no longer generate local revenue and also no longer create an expense. In FY's 23-27 students leaving our district to other districts are incorporated in foundation funding by having those outgoing students no longer counted in our ADM.
- Also, in the past a significant item reported in this line was community school deduction. Now funded the same way as outgoing open enrollment, student attending community schools are not counted in our ADM and do not generate an expense.
- Special education costs such as handicapped preschool, OT, PT, speech, vision and psychology services are paid out of IDEA Part B when applicable, with the balance being

charged to the general fund. The fluidity of special education student counts and the high cost of services are difficult to forecast, making this line item an important one to monitor.

- Our agricultural vocational education satellite program teacher is shared with Hopewell Loudon Schools. Funding of the program from Vanguard-Sentinel is based on the fulltime equivalent enrollment (FTE) in the program. In FY22 we were billed for a FY21 final of \$6,128. We will not be billed in the spring of FY22 because our combined FTE with Hopewell is enough not to pay excess costs at this time. Our annual forecasted cost is \$6,400 + a 3% increase per year FY23 and thereafter.
- For the last several years our district contracted technology services from North Central Ohio Educational Service Center (NCOESC). Our total cost \$102,427 in FY19 and \$103,003 in FY20. Beginning in FY21 our technology coordinator was hired as an employee so this expense is no longer a purchased service. We still contract with the Northern Ohio Educational Computer Association (NOECA) for as-needed technology services.
- We contract with the Northern Buckeye Education Council for online Gradpoint courses. Our cost is based on the number of students enrolled in online classes. Our cost in FY19 was \$3,380 and \$4,100 in FY20. In FY21 we used this Education Council for our Blue Jacket Academy which allowed remote learning due to COVID-19. It cost us \$8,060 in FY21 and \$4,280 in FY 22. It is expected to continue at \$5,300 - \$5,900 for FY23-27.
- Beginning in FY16 our district participates in the College Credit Plus Program. This program allows high school students to attend and earn credit in college classes. FY19's expense was \$32,621, in FY20 it was \$26,593 in FY21 it was \$44,385 and in FY22 it was \$45,984. FY23 – FY27 is estimated at \$48,000 - \$54,000 per year.

#### **Legal Fees**

- In FY20 our legal expense was \$18,665. Our legal expense in FY21 was \$7,965 and \$7,336 in FY22. It is forecasted to be \$7,000 - \$8,000 in FY's 23 – 27.

#### **3.04 Supplies & Materials**

- Most expenses are estimated based on a 3% increase from the prior year.

#### **3.05 Capital Outlay**

- \$65,000 - \$73,000 is budgeted for computer equipment purchases in FY's 23-27.
- A new bus was purchased in FY21 in cooperation with the Ohio School Bus Purchasing Grant Program. Our local share of the bus purchase paid out of the general fund was \$52,648.

#### **4.30 Other Objects**

- Other object expenses are estimated based on a 3% increase or researched predictions. State examiner costs in FY23 was \$21,000. State examiner costs are forecasted in FY's 25 and 27 to be \$23,000 - \$25,000 each. A significant expense listed in this category is auditor/treasurer fees expense.

#### **5.01 Transfers Out**

- Transfers out include an annual \$85,000 transfer to the permanent improvement fund (in accordance with HB 412/345 set-aside requirements) and a \$23,200 annual transfer out to the

PI fund from casino tax revenue received. Due to Covid-19 the casino transfer was reduced to \$15,900 in FY 21.

- Starting in FY17, there are annual transfers to the Bond Retirement-Series 2017 Fund to pay for outstanding bonds issued by the district through Certificates of Participation (COPs). In FY21 the Series 2017 bonds were refunded and Series 2020 bonds were issued reducing our annual transfer.
  - FY 17                      \$ 30,635
  - FY 18                      \$205,350
  - FY 19                      \$228,400
  - FY 20                      \$226,200
  - FY 21                      \$190,747
  - FY 22                      \$204,925
  - FY 23                      \$201,200
  - FY 24                      \$202,500
  - FY 25                      \$198,900
  - FY 26                      \$205,000
  - FY 27                      \$205,800
- Proceeds from the COPs were used to pay for the remedial building repairs.
- Transfers to the severance fund are based on employee retirement eligibility.
- Due to the COVID-19 school closure \$8,500 was transferred to the cafeteria fund in FY20.
- A transfer to the principal's fund is made annually from an air-space lease payment we receive from Sprint who recently purchased the space from Watch Communications, except in FY21 when it was deemed not needed.

#### **9.01 through 9.07 Reserves**

- Set-aside transfers to fund our self-insured health care liability funds are made monthly. In FY21 and FY22, \$8,400 was transferred monthly and these transfers continued until September of 2022. After Sept. 2022 we are only transferring \$4,800 for the medical self-insured portion as we switched to Delta Dental for our Dental and Vision services in January 2023. In FY's 23-27, the set-aside balance should remain approximately \$80,000.

#### **6.01 and 12.01 Excess of Revenues & Cash Balance**

- If the above assumptions hold true, in FY's 23 – 27 the following operating surpluses (deficits) and cash balances are forecasted:
  - FY 23                      (\$ 73,400)
  - FY 24                      (\$ 268,300)
  - FY 25                      (\$ 383,700)
  - FY 26                      (\$ 463,100)
  - FY 27                      (\$ 826,100)

In FY27, \$258,100 of the income tax revenue is moved from Lin #1.03 to Line #11.01. This represents proceeds from our 5-year, 0.75% income tax which will expire on 12/31/2026. This tax renewal will be placed on the ballot in November 2025.

Pending renewal of the 5-year, 0.75% income tax the following deficit will hold true for FY27:

- FY 27 (\$ 568,000)
- Cash balance at year end before set-aside (without renewal of the income tax):

		Cash Days
○ FY 23	\$3,287,275	199.5
○ FY 24	\$3,018,975	176.2
○ FY 25	\$2,635,275	147.8
○ FY 26	\$2,172,175	118.3
○ FY 27	\$1,346,075	70.8

Pending renewal of the 5-year, 0.75% income tax the following cash balance and cash days will hold true for FY27:

○ FY 27	\$1,604,175	84.4
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It is recommended by the Ohio Department of Education that districts have at least two to three months (60 to 90 days) of available operating cash.

**Final Note**

- The accuracy of this forecast is dependent on the assumptions made. The fluidity of revenues and expenses and the actions of our state legislators greatly impact our financial health. Also, past the current biennium it is extremely difficult to estimate state revenue. Our district closely watches the state legislature as it takes action on school funding issues.

Our five-year forecast and these forecast notes include only summary information. If an interested party would like to view and discuss the detailed calculations, please contact Brad Radison, Treasurer at 419-595-2256 ext. 142.