

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCES FOR THE FISCAL YEARS ENDED
JUNE 30, 2020, 2021 and 2022 ACTUAL
FORECASTED FISCAL YEARS ENDING
JUNE 30, 2023 THROUGH JUNE 30, 2027**



**Forecast Provided By
Southwest Licking Local School District
Treasurer's Office
Richard D. Jones, Treasurer
May 18, 2023**

Southwest Licking Local School District

Licking County

Schedule of Revenues, Expenditures and Changes in Fund Balances

For the Fiscal Years Ended June 30, 2020, 2021 and 2022 Actual;

Forecasted Fiscal Years Ending June 30, 2023 Through 2027

	Actual				Average Change	Forecasted				
	Fiscal Year	Fiscal Year	Fiscal Year			Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year
	2020	2021	2022			2023	2024	2025	2026	2027
Revenues										
1.010	General Property Tax (Real Estate)	16,081,224	17,720,654	19,182,757	9.2%	20,165,974	21,429,268	22,954,326	23,771,912	25,990,165
1.020	Public Utility Personal Property Tax	1,373,455	1,527,245	1,715,382	11.8%	1,953,418	2,005,651	2,043,266	2,142,088	2,227,070
1.030	Income Tax	6,718,362	6,829,009	7,748,085	7.6%	9,007,058	9,857,142	10,786,296	11,802,986	12,917,520
1.035	Unrestricted State Grants-in-Aid	16,750,049	17,350,312	15,620,391	-3.2%	16,184,669	16,247,106	16,256,907	16,266,872	16,277,004
1.040	Restricted State Grants-in-Aid	282,659	328,945	999,854	110.2%	1,096,877	1,096,877	1,096,877	1,096,877	1,096,877
1.045	Restricted Federal Grants In Aid	-	-	-	0.0%	-	-	-	-	-
1.050	Property Tax Allocation	2,256,391	2,435,886	2,614,208	7.6%	2,678,281	2,999,750	3,209,234	3,307,676	3,595,485
1.060	All Other Revenues	1,771,757	1,431,120	1,426,906	-9.8%	1,486,082	1,500,943	1,515,952	1,531,111	1,546,422
1.070	Total Revenues	45,233,897	47,623,171	49,307,583	4.4%	52,572,359	55,136,737	57,862,858	59,919,522	63,650,543
Other Financing Sources										
2.010	Proceeds from Sale of Notes	-	-	-	0.0%	-	-	-	-	-
2.020	State Emergency Loans and Advancements (Approved)	-	-	-	0.0%	-	-	-	-	-
2.040	Operating Transfers-In	511,681	498,703	553,386	4.2%	570,277	583,108	597,686	612,628	627,944
2.050	Advances-In	-	-	61,604	0.0%	-	-	-	-	-
2.060	All Other Financing Sources	189,433	411,577	197,028	32.6%	303,000	303,000	303,000	303,000	303,000
2.070	Total Other Financing Sources	701,114	910,280	812,018	9.5%	873,277	886,108	900,686	915,628	930,944
2.080	Total Revenues and Other Financing Sources	45,935,011	48,533,451	50,119,601	4.5%	53,445,636	56,022,845	58,763,544	60,835,150	64,581,487
Expenditures										
3.010	Personal Services	24,527,508	25,810,452	27,451,985	5.8%	28,643,216	31,009,626	33,270,722	35,643,835	38,154,001
3.020	Employees' Retirement/Insurance Benefits	9,983,981	10,550,185	10,763,973	3.8%	11,830,526	13,142,979	14,526,651	16,054,750	17,746,542
3.030	Purchased Services	6,213,267	6,509,674	3,927,000	-17.5%	7,673,052	6,557,863	6,953,277	7,375,214	7,825,675
3.040	Supplies and Materials	1,078,940	1,020,479	1,360,478	13.9%	1,789,721	1,841,710	1,895,242	1,950,362	2,007,119
3.050	Capital Outlay	4,588	20,562	22,201	178.1%	22,100	22,100	22,100	22,100	22,100
3.060	Intergovernmental	-	-	-	0.0%	-	-	-	-	-
Debt Service:										
4.010	Principal-All (Historical Only)	-	-	-	0.0%	-	-	-	-	-
4.020	Principal-Notes	-	-	-	0.0%	-	-	-	-	-
4.030	Principal-State Loans	-	-	-	0.0%	-	-	-	-	-
4.040	Principal-State Advancements	-	-	-	0.0%	-	-	-	-	-
4.050	Principal-HB 264 Loans	-	-	-	0.0%	-	-	-	-	-
4.055	Principal-Other	-	-	-	0.0%	-	-	-	-	-
4.060	Interest and Fiscal Charges	-	-	-	0.0%	-	-	-	-	-
4.300	Other Objects	529,062	559,798	603,292	6.8%	812,197	835,909	860,326	885,469	911,359
4.500	Total Expenditures	42,337,346	44,471,150	44,128,929	2.1%	50,770,812	53,410,187	57,528,318	61,931,730	66,666,796
Other Financing Uses										
5.010	Operating Transfers-Out	511,681	498,703	553,667	4.2%	570,277	583,108	597,686	612,628	627,944
5.020	Advances-Out	-	61,604	599	0.0%	-	-	-	-	-
5.030	All Other Financing Uses	-	-	-	0.0%	-	-	-	-	-
5.040	Total Other Financing Uses	511,681	560,307	554,266	4.2%	570,277	583,108	597,686	612,628	627,944
5.050	Total Expenditures and Other Financing Uses	42,849,027	45,031,457	44,683,195	2.2%	51,341,089	53,993,295	58,126,004	62,544,358	67,294,740
6.010	Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	3,085,984	3,501,994	5,436,406	34.4%	2,104,547	2,029,550	637,540	(1,709,208)	(2,713,253)
7.010	Cash Balance July 1 - Excluding Proposed Renewal/Replacement and New Levies	20,960,332	24,046,316	27,548,310	14.6%	32,984,716	35,089,263	37,118,813	37,756,353	36,047,145
7.020	Cash Balance June 30	24,046,316	27,548,310	32,984,716	17.1%	35,089,263	37,118,813	37,756,353	36,047,145	33,333,892
8.010	Estimated Encumbrances June 30	207,680	275,217	281,027	17.3%	-	-	-	-	-
Reservation of Fund Balance										
9.010	Textbooks and Instructional Materials	-	-	-	0.0%	-	-	-	-	-
9.020	Capital Improvements	-	-	-	0.0%	-	-	-	-	-
9.030	Budget Reserve	-	-	-	0.0%	-	-	-	-	-
9.040	DPIA	-	-	-	0.0%	-	-	-	-	-
9.045	Fiscal Stabilization	2,243,916	2,271,167	2,401,737	3.5%	2,475,231	2,643,768	2,771,987	2,908,293	3,011,126
9.050	Debt Service	-	-	-	0.0%	-	-	-	-	-
9.060	Property Tax Advances	-	-	-	0.0%	-	-	-	-	-
9.070	Bus Purchases	-	-	-	0.0%	-	-	-	-	-
9.080	Subtotal	2,243,916	2,271,167	2,401,737	3.5%	2,475,231	2,643,768	2,771,987	2,908,293	3,011,126
10.010	Fund Balance June 30 for Certification of Appropriations	21,594,720	25,001,926	30,301,952	18.5%	32,614,032	34,475,045	34,984,366	33,138,852	30,322,766
Revenue from Replacement/Renewal Levies										
11.010	Income Tax - Renewal	-	-	-	0.0%	-	-	-	-	-
11.020	Property Tax - Renewal or Replacement	-	-	-	0.0%	-	-	-	-	-
11.300	Cumulative Balance of Replacement/Renewal Levies	-	-	-	0.0%	-	-	-	-	-

Southwest Licking Local School District

Licking County

Schedule of Revenues, Expenditures and Changes in Fund Balances

For the Fiscal Years Ended June 30, 2020, 2021 and 2022 Actual;

Forecasted Fiscal Years Ending June 30, 2023 Through 2027

	Actual				Forecasted				
	Fiscal Year	Fiscal Year	Fiscal Year	Average	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year
	2020	2021	2022		Change	2023	2024	2025	2026
12.010 <i>Fund Balance June 30 for Certification of Contracts, Salary Schedules and Other Obligations</i>	21,594,720	25,001,926	30,301,952	18.5%	32,614,032	34,475,045	34,984,366	33,138,852	30,322,766
Revenue from New Levies									
13.010 Income Tax - New				0.0%	-	-	-	-	-
13.020 Property Tax - New				0.0%	-	-	-	-	-
13.030 Cumulative Balance of New Levies	-	-		0.0%	-	-	-	-	-
14.010 Revenue from Future State Advancements				0.0%	-	-	-	-	-
15.010 <i>Unreserved Fund Balance June 30</i>	21,594,720	25,001,926	30,301,952	18.5%	32,614,032	34,475,045	34,984,366	33,138,852	30,322,766

Southwest Licking Local School District – Licking County
Notes to the Five-Year Forecast
General Fund Only
May 18, 2023

Introduction to the Five-Year Forecast

The five-year forecast is viewed as a key management tool and must be updated periodically. In Ohio, most school districts understand how they will manage their finances in the current year. The five-year forecast encourages district management teams to examine future years' projections and identify when challenges will arise. This then helps district management to be proactive in meeting those challenges. School districts are encouraged to update their forecasts with Ohio Department of Education when events take place that will significantly change their forecast or, at a minimum, when required under statute.

In a financial forecast, the numbers only tell a small part of the story. For the numbers to be meaningful, the reader must review and consider the Assumptions to the Financial Forecast before drawing conclusions or using the data as a basis for other calculations. The assumptions are especially important to understanding the rationale of the numbers, particularly when a significant increase or decrease is reflected.

Here are at least three purposes or objectives of the five-year forecast:

- (1) To engage the local board of education and the community in long range planning and discussions of financial issues facing the school district
- (2) To serve as a basis for determining the school district's ability to sign the certificate required by O.R.C. §5705.412, commonly known as the "412 certificate"
- (3) To provide a method for the Department of Education and Auditor of State to identify school districts with potential financial problems

O.R.C. §5705.391 and O.A.C. 3301-92-04 require a Board of Education (BOE) to file a five (5) year financial forecast by November 30, 2022, and May 31, 2023, for the fiscal year 2023 (July 1, 2022, to June 30, 2023). The five-year forecast includes three years of actual and five years of projected general fund revenues and expenditures. The fiscal year 2023 (July 1, 2022-June 30, 2023) is the first year of the five-year forecast and is considered the baseline year. Our forecast is updated to reflect the most current economic data available for the May 2023 filing.

Economic Outlook

This five-year forecast is being filed during a two-year economic recovery following the COVID-19 Pandemic, which began in early 2020. The effects of the pandemic have lessened, but several supply chain concerns and high inflation continues to impact our state, country, and broader globalized economy. Inflation in June 2022 hit a 40-year high of 9.1% before falling to 8.3% in August. Costs in FY22 were notably impacted in areas such as diesel fuel for buses, electric and natural gas, and building materials for facility maintenance and repair. Increased inflation affecting district costs is expected to continue in FY23; it remains to be seen if these costs are transitory or will last over the next few years, which could significantly impact our forecast and adversely affect state and local funding.

The Federal Reserve Bank has made fighting inflation its number one concern. It is expected that interest rate increases will result in increased unemployment, and many economists anticipate an economic recession during calendar year 2023. If that occurs, the recession will happen as the state legislature considers the next biennium budget for FY24 and FY25. Despite the solid economic recovery, the state of Ohio has enjoyed over the past two years, as noted below in the graphs, a recession may impact funding for primary and secondary education.

While all school districts are being aided by three (3) rounds of federal Elementary and Secondary Schools Emergency Relief Funds (ESSER) which began in fiscal year 2020, the most recent allocation of ESSER funds must be spent or encumbered by September 30, 2024.

Data and assumptions noted in this forecast are based on the best and most reliable data available to us as of the date of this forecast.

Forecast Risks and Uncertainty:

A five-year financial forecast has risks and uncertainty not only due to economic uncertainties noted above but also due to state legislative changes that will occur in the spring of 2023 and 2025 due to deliberation of the next two (2) state biennium budgets for FY24-25 and FY26-27, both of which affect this five-year forecast. We have estimated revenues and expenses based on the best data available to us and the laws in effect at this time. The items below give a short description of the current issues and how they may affect our forecast long term:

- I. Property tax collections are the largest single revenue source for the school system. The housing market in our district is stable and growing. We project continued growth in appraised values every three (3) years and new construction growth with continued modest increases in local taxes. Total local revenues which are predominately local taxes equate to 62% of the district's resources. Our property tax collections in the August 2022 and March 2023 settlements showed average collection trends. We believe there is a low risk that local collections would fall below projections in the forecast.
- II. Licking County experienced a triennial update in the 2020 tax year to be collected in 2021. Fairfield County had a triennial update in 2022 tax year to be collected in 2023. The 2020 triennial update in Licking County increased overall assessed values by \$170.7 million or an increase of 22.6%. The 2022 triennial update in Fairfield County increased overall assess values by \$12.9 million or an increase of 1.4%.

A reappraisal in Licking County will occur in tax year 2023 for collection in 2024. We anticipate value increases for Class I and II property of \$143.2 million for an overall increase of 15.6% including the adjustment for lower Current Agricultural Use Values (CAUV) authorized by HB49. A reappraisal in Fairfield County will occur in tax year 2025 for collection in 2026. We expect a value increase for Class I and II property of \$24.7 million for an overall increase of 2.1%. There is however always a minor risk that the district could sustain a reduction in values in the next appraisal update but we do not anticipate that at this time.

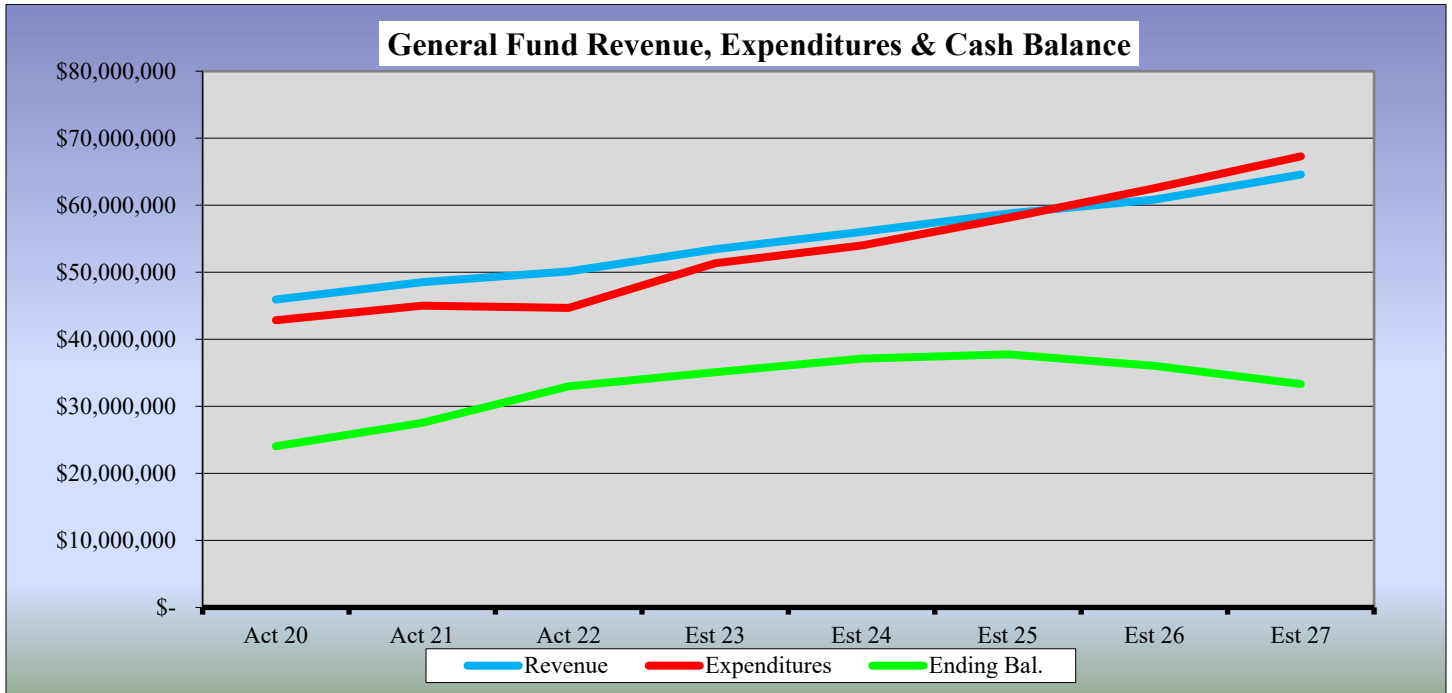
- III. The state budget represented 38% of district revenues, which means it is a significant area of risk to the revenue. The future risk comes in FY24 and beyond if the state economy stalls due to the record high inflation we are witnessing at this time or the Fair School Funding Plan is not funded in future state budgets due to an economic recession. Two future State Biennium Budgets are covering the period from FY24-25, and FY26-27 in this forecast. Future uncertainty in the state foundation funding formula and the state's economy makes this area an elevated risk to district funding long range through FY27. We have projected our state funding to be in line with the FY23 funding levels through FY27 which we feel is conservative and should be close to whatever the state approves for the FY24-FY27 biennium budgets. We will adjust the forecast in future years as we have data to help guide this decision.

- IV. HB110, the current state budget implements that has been referred to as the Fair School Funding Plan (FSFP) for FY22 and FY23. The full release of the new Fair School Funding Plan formula calculations was delayed until March 2022. The FSFP has many significant changes to the way foundation revenues are calculated for school districts and how expenses are charged off. State foundation basic aid will be calculated on a base cost methodology with funding paid to the district where a student is enrolled to be educated. Beginning in FY22, a district's open enrollment payments will no longer be paid separately as those payments are included with basic aid. A change in expenditures beginning in FY22 will also occur, in that there will no longer be deductions for students that attend elsewhere for open enrollment, community schools, STEM schools, and scholarship recipients, as these payments will be paid directly to those districts from the state. The initial impact of these changes on the forecast will be noticed in that the actual historical costs for FY20 through FY21 reflect different trends on Lines 1.035, 1.04, 1.06, and 3.03 beginning in FY22. In June 2022, the legislature passed HB583 to resolve issues and possible unintended consequences in the new funding formula. Some of these changes impacted FY22 and future years' funding. Our state aid projections have been based on the best information on the new HB110 formula as amended by HB583 that are available as of this forecast.
- V. HB110 direct pays costs associated with open enrollment, community and STEM schools, and for all scholarships including EdChoice Scholarships. These costs will no longer be deducted from our state aid. However, there still are education option programs such as College Credit Plus which continue to be deducted from state aid which will increase costs to the district. Expansion or creation of programs that are not directly paid by the state of Ohio can exposes the district to new expenditures that are not currently in the forecast. We are monitoring closely any new threats to our state aid and increased costs as any new proposed laws are introduced in the legislature.
- VI. Labor relations in our district have been amicable with all parties working for the best interest of students and realizing the extreme resource challenges today. We believe as we move forward our positive working relationship will continue and will only grow stronger.

The significant lines of reference for the forecast are noted below in the headings to make it easier to relate the assumptions made for the forecast item and refer back to the forecast. It should be of assistance to the reader to review the assumptions noted below in understanding the overall financial forecast for our district. If you would like further information, please feel free to contact Richard D. Jones, Treasurer.

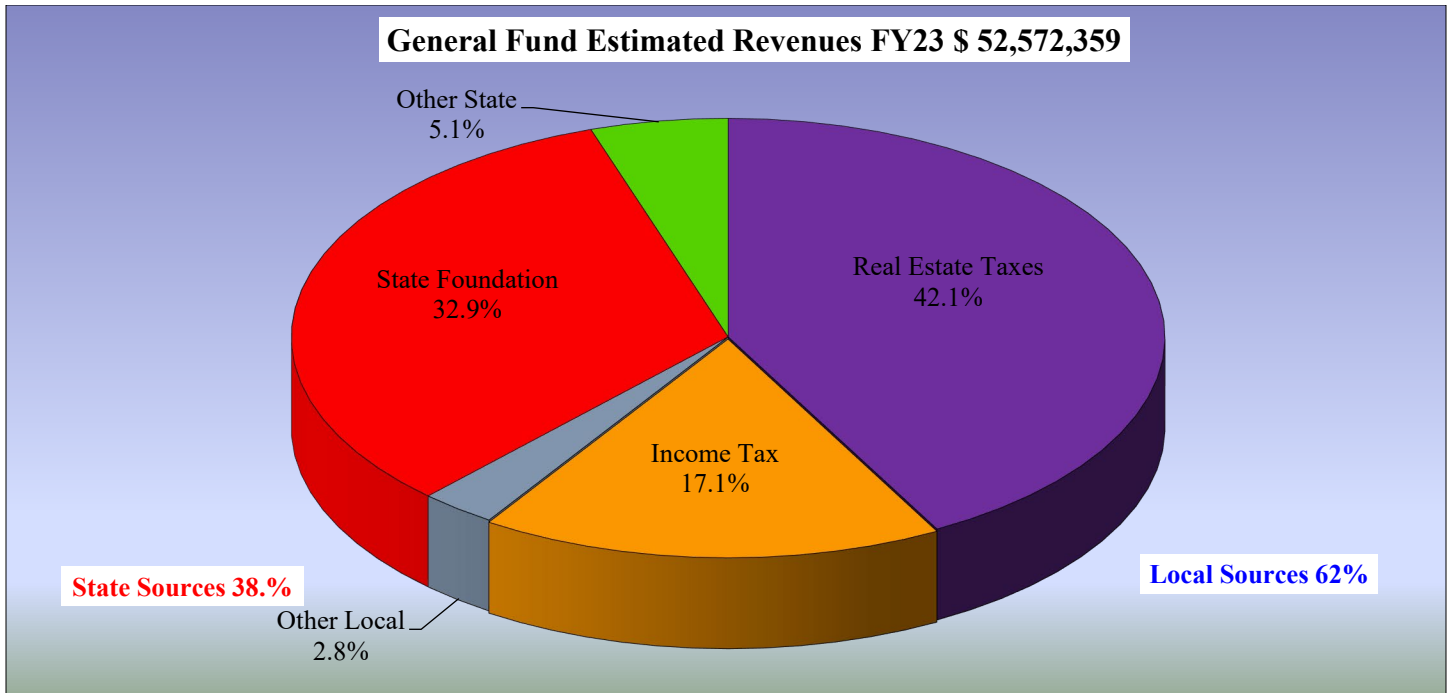
General Fund Revenue, Expenditure and Ending Cash Balance

The following graph shows in summary the forecasted revenue, expenses and ending balance of the district's General Fund for the period FY23-27, with actual data provided for FY20-22.



Revenue Assumptions

Estimated General Fund Operating Revenue for FY23



Real Estate Value Assumptions – Line # 1.010

Property Values are established each year by the County Auditors in Licking and Fairfield counties based on new construction and complete reappraisal or updated values. There was a triennial update completed in 2020 for the collection in 2021 in Licking County and a triennial update in 2022 for the collection in 2023 in Fairfield County. Class I, the residential/agricultural values, increased 22.98% or \$139.5 million due to the Licking County triennial update led by an improving housing market. There was a significant increase in the Class II commercial/industrial values of 29.37% or \$28.8 million.

ESTIMATED ASSESSED VALUE (AV) BY COLLECTION YEARS

<u>Source</u>	Actual TAX YEAR 2022	Estimated TAX YEAR 2023	Estimated TAX YEAR 2024	Estimated TAX YEAR 2025	Estimated TAX YEAR 2026	Estimated TAX YEAR 2027
Classification	<u>COLLECT 2023</u>	<u>COLLECT 2024</u>	<u>COLLECT 2025</u>	<u>COLLECT 2026</u>	<u>COLLECT 2027</u>	
Res./Ag.	\$801,986,440	\$922,807,903	\$941,828,587	\$984,476,235	\$1,136,728,192	
Comm./Ind.	\$117,759,242	\$140,152,222	\$150,907,366	\$158,735,534	\$188,920,524	
Public Utility Personal Property (PUPP)	<u>\$68,388,240</u>	<u>\$68,831,314</u>	<u>\$72,296,695</u>	<u>\$75,936,544</u>	<u>\$79,759,645</u>	
Total Assessed Value	<u>\$988,133,922</u>	<u>\$1,131,791,439</u>	<u>\$1,165,032,648</u>	<u>\$1,219,148,313</u>	<u>\$1,405,408,361</u>	

Estimated Real Estate Tax - Line # 1.010

<u>Source</u>	<u>FY23</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>
General Property Taxes	<u>\$20,165,974</u>	<u>\$21,429,268</u>	<u>\$22,954,326</u>	<u>\$23,771,912</u>	<u>\$25,990,165</u>

Estimated Real Estate Tax Collection

Property tax levies are estimated to be collected at 96.61% of the annual amount. This allows a 3.39% delinquency factor. In general, 55.08% of the Res/Ag and Comm/Ind property taxes are expected to be collected in the February tax settlement and 44.92% collected in the August tax settlement. Public Utility tax settlements (PUPP taxes) are estimated to be received 50% in February and 50% in August settlement from the County Auditor and are noted in Line #1.02 totals below.

New Tax Levies – Line # 13.030

No new levies are modeled in this forecast.

Estimated Public Utility Personal Tax – Line # 1.020

As noted earlier, the phase out of TPP taxes as noted earlier began in FY06 with HB66, which was adopted in June 2005. The amounts below are public utility tangible personal property (PUPP) tax payments from public utilities. The values for PUPP are noted on the table above under P.U. Personal, which was \$68.4 million in assessed values in 2022 and is collected at the district’s gross voted millage rate. Collections are typically 50% in March and 50% in August, along with the real estate settlements from the county auditor.

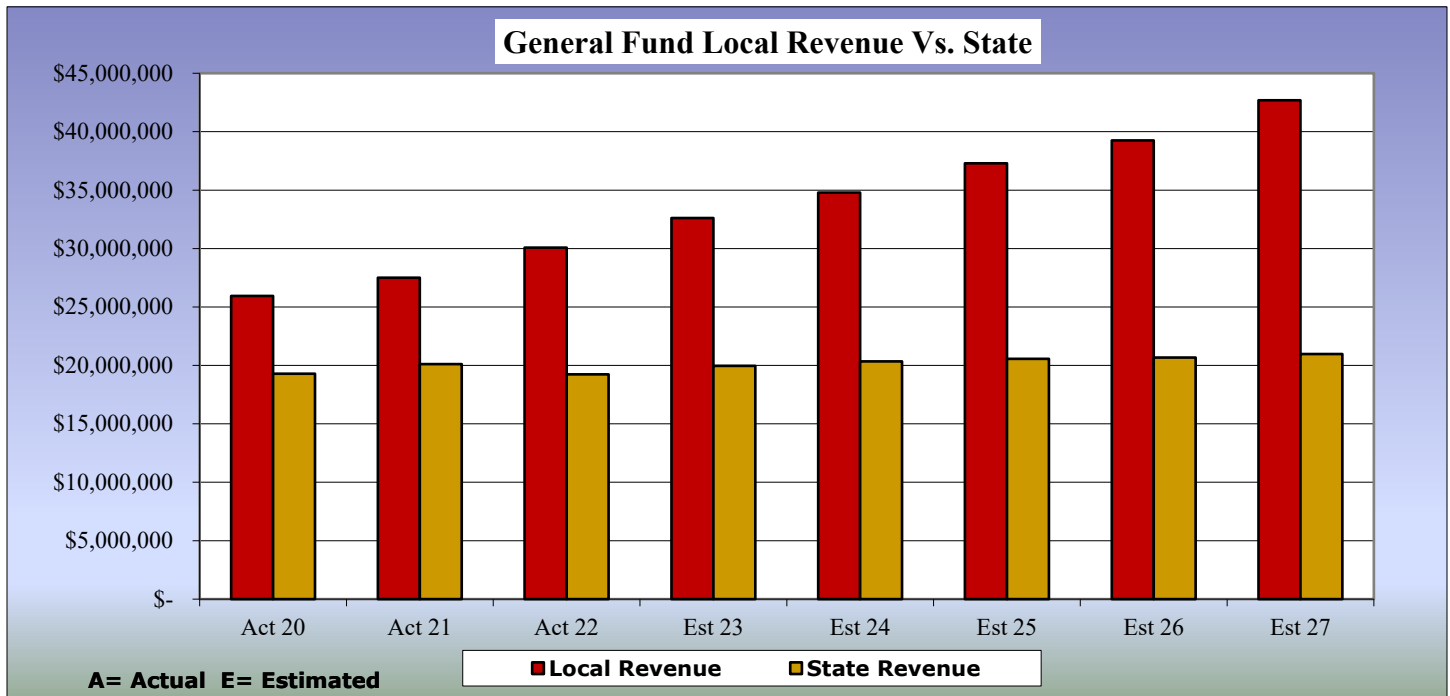
<u>Source</u>	<u>FY23</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>
Public Utility Personal Property	<u>\$1,953,418</u>	<u>\$2,005,651</u>	<u>\$2,043,266</u>	<u>\$2,142,088</u>	<u>\$2,227,070</u>

School District Income Tax – Line # 1.030

The district had a .75% continuous income tax that has been effective since 1991. The income tax produced \$9.0 million in FY23. We project a 9.4% increase each year in FY24-27.

<u>Source</u>	<u>FY23</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>
School District Income Tax	<u>\$7,748,085</u>	<u>\$9,007,058</u>	<u>\$9,857,142</u>	<u>\$10,786,296</u>	<u>\$11,802,986</u>
Adjustments	<u>\$1,258,973</u>	<u>\$850,084</u>	<u>\$929,154</u>	<u>\$1,016,690</u>	<u>\$1,114,534</u>
Total to Line	<u>\$9,007,058</u>	<u>\$9,857,142</u>	<u>\$10,786,296</u>	<u>\$11,802,986</u>	<u>\$12,917,520</u>

Comparison of Local and State Revenue



State Foundation Revenue Estimates – Lines # 1.035, 1.040 and 1.045

Current State Funding Model per HB110 through June 30, 2023

A) Unrestricted State Foundation Revenue – Line # 1.035

The full release of the new Fair School Funding Plan formula occurred in March 2022 and was amended in HB583, passed in June 2022. Complete calculations of the new formula were not available for nearly all of the last fiscal year. We have projected FY23 funding based on the September 2022 foundation settlement and funding factors.

Our district is currently a formula district in FY23 and is expected to continue as a formula district in FY24-FY27 on the new Fair School Funding Plan (FSFP). The state foundation funding formula has gone through many changes in recent years. The most recent funding formula began in FY14 and was dropped in FY19 after six (6) years, followed by no foundation formula for two (2) years in FY20 and FY21, and now HB110, as amended by HB583, implements the newest and possibly the most complicated funding formula in recent years for FY22 and FY23. The current formula introduces many changes to how state foundation is calculated and expenses deducted from state funding which will potentially make the actual five-year forecast look different with estimates FY23 through FY27 compared to actual data FY20 through FY21 on Lines 1.035, 1.04, 1.06 and 3.03 of the forecast.

Overview of Key Factors that Influence State Basic Aid in the Fair School Funding Plan

- A. Student Population and Demographics
- B. Property Valuation
- C. Personal Income of District Residents
- D. Historical Funding- CAPS and Guarantees from prior funding formulas

Base Cost Approach- Unrestricted Basic Aid Foundation Funding

The new funding formula uses FY18 statewide average district costs and developed a base cost approach that includes minimum service levels and student teacher ratios to calculate a unique base cost for each district that includes base funding for five (5) areas:

- 1. Teacher Base Cost (4 subcomponents)
- 2. Student Support (7 subcomponents-including a restricted Student Wellness component)
- 3. District Leadership & Accountability (7 subcomponents)
- 4. Building Leadership & Operations (3 subcomponents)
- 5. Athletic Co-curricular (contingent on participation)

State Share Percentage – Unrestricted Basic Aid Foundation Funding

Once the base cost is calculated, which is estimated to be as high as \$7,351.71 per pupil in FY23, the FSFP calculates a state share percentage (SSP) calculation. The state share percentage in concept will be higher for districts with less capacity (lower local wealth) and be a lower state share percentage for districts with more capacity (higher local wealth). The higher the district's ability to raise taxes based on local wealth the lower the state share percentage. The state share percentage will be based on 60% property valuation of the district, 20% on federally adjusted gross income and 20% on federal median income, as follows:

- 1. 60% based on most recent three (3) year average assessed values or the most recent year, whichever is lower divided by base students enrolled.
- 2. 20% based on most recent three (3) year average federal adjusted gross income of district residents or the most recent year, whichever is lower divided by base students enrolled
- 3. 20% based on most recent year federal median income of district residents multiplied by number of returns in that year divided by base students enrolled
- 4. When the weighted values are calculated and Items 1 through 3 above added together, the total is then multiplied by a Local Share Multiplier Index from ranging from 0% for low wealth districts to a maximum of 2.5% for wealthy districts.

When the unrestricted base cost is determined and multiplied by the state share percentage, the resulting amount is multiplied by the current year enrolled students (including open enrolled students being educated in each district), and finally multiplied by the local share multiplier index for each district. The result is the local per pupil capacity amount of the base per pupil funding amount. The balance of this amount is the state share to pay.

Categorical State Aid

In addition to the base state foundation funding calculated above, the FSFP also has unrestricted categorical funding and new restricted funding beginning in FY22, some of which will have the state share percentage applied to these calculations as noted below:

Unrestricted Categorical State Aid

1. Targeted Assistance/Capacity Aid – Provides additional funding based on a wealth measure using 60% weighted on property value and 40% on income. Uses current year enrolled average daily membership (ADM). Also, will provide supplemental targeted assistance to lower wealth districts whose enrolled ADM is less than 88% of their total FY19 ADM.
2. Special Education Additional Aid – Based on six (6) weighted funding categories of disability and moved to a weighted funding amount and not a specific amount. An amount of 10% will be reduced from all districts' calculation to be used toward the state appropriation for Catastrophic Cost reimbursement.
3. Transportation Aid – Funding based on all resident students who ride including preschool students and those living within 1 mile of school. Provides supplemental transportation for low density districts. Increases state minimum share to 29.17% in FY22 and 33.33% in FY23.

Restricted Categorical State Aid

1. Disadvantage Pupil Impact Aid (DPIA) - Formerly Economically Disadvantaged Funding, DPIA is based on number and concentration of economically disadvantaged students compared to state average and multiplied by \$422 per pupil. Phase-in increases are limited to 0% for FY22 and 14% in FY23. There is no legislation indicating the percentage increase for FY24 and beyond for DPIA.
2. English Learners – Based on funded categories based on time student enrolled in schools and multiplied by a weighted amount per pupil.
3. Gifted Funds –Based on average daily membership multiplied by a weighted amount per pupil.
4. Career-Technical Education Funds – Based on career technical average daily membership and five (5) weighted funding categories students enrolled in.
5. Student Wellness & Success Funding – These funds in FY20 and FY21 were accounted for in Fund 467 but are now restricted funds to be accounted for in the General Fund as part of the foundation formula.

State Funding Phase-In FY22 and FY23 and Guarantees

While the FSFP was presented as a six (6) year phase-in plan, the state legislature approved the first two (2) years of the funding plan in HB110, which was amended by HB583 in June 2022. The FSFP does not include caps on funding; instead, it will consist of a general phase-in percentage for most components of 16.67% in FY22 and 33.33% in FY23. DPIA funding will be phased in at 0% in FY22 and 14% in FY23. Transportation categorical funds will not be subject to a phase-in.

HB110 includes three (3) guarantees: 1) “Formula Transition Aid”; 2) Supplemental Targeted Assistance, and 3) Formula Transition Supplement. The three (3) guarantees in both temporary and permanent law ensure that no district will get fewer funds in FY22 and FY23 than they received in FY21. The guarantee level of funding for FY22 is a calculated funding guarantee level based on total state funding cuts from May 2020 restored, net of transfers and deductions, plus Student Wellness and Success funds (based on FY21 SWSF amounts), enrollment growth supplement funds paid in FY21 and special education preschool and special education transportation additional aid items. It is estimated that nearly 420 districts are on one form of guarantee in FY22. In general, the same number will occur in FY23 since state average costs were frozen at FY18 in the Base Cost calculations. In contrast, property values and Federal Adjusted Gross Income will be allowed to update and increase for FY23, pushing districts toward one of the three (3) guarantees.

Student Wellness and Success Funds (SWSF) - (Restricted Fund 467)

In FY20 and FY21, HB166 provided Student Wellness and Success Funds (SWSF) to be deposited in Special Revenue Fund 467. HB110, the new state budget, essentially eliminated these funds by merging them into state aid and wrapped them into the expanded funding and mission of DPIA funds noted above and on Line 1.04 below, with only a smaller portion devoted to SWSF. Any remaining funds in Special Revenue Fund 467 from FY20 and FY21 will be required to be used for the restricted purposes governing these funds until entirely spent.

Future State Budgets

Our funding status for the FY24-27 will depend on two (2) new state budgets which are unknown. There is no guarantee that the current Fair School Funding Plan in HB110 will be funded or continued beyond FY23. For this reason, funding is held constant FY23 through FY27.

Casino Revenue

On November 3, 2009 Ohio voters passed the Ohio casino ballot issue. This issue allowed for the opening of four (4) casinos one each in Cleveland, Toledo, Columbus and Cincinnati. Thirty-three percent (33%) of the gross casino revenue will be collected as a tax. School districts will receive 34% of the 33% GCR that will be paid into a student fund at the state level. These funds will be distributed to school districts on the 31st of January and August each year which began for the first time on January 31, 2013.

Casino revenue fell slightly in FY21 due to COVID-19 and Casinos closing for a little over two months. We have increased the amount in FY22 back to pre-pandemic FY20 levels as Casino revenues appear to have dipped largely due to their closure and not in response to the economic downturn. Prior to COVID-19 closure, casino revenues were growing modestly as the economy improved. Original projections for FY23-27 estimated a .4% decline in pupils to 1,778,441 and GCR increasing to \$106.35 million or \$59.80 per pupil, actual payments in FY22 were \$62.82 per pupil. FY22 Casino revenues have resumed their historical growth rate and assume a 2% annual growth rate for the forecast period.

Source	FY23	FY24	FY25	FY26	FY27
Basic Aid-Unrestricted	\$15,079,740	\$15,132,537	\$15,132,537	\$15,132,537	\$15,132,537
Additional Aid Items *	\$795,673	\$795,673	\$795,673	\$795,673	\$795,673
Basic Aid-Unrestricted Subtotal	\$15,875,413	\$15,928,210	\$15,928,210	\$15,928,210	\$15,928,210
Ohio Casino Commission ODT	<u>\$309,256</u>	<u>\$318,896</u>	<u>\$328,697</u>	<u>\$338,662</u>	<u>\$348,794</u>
Total Unrestricted State Aid	<u>\$16,184,669</u>	<u>\$16,247,106</u>	<u>\$16,256,907</u>	<u>\$16,266,872</u>	<u>\$16,277,004</u>

B) Restricted State Revenues – Line # 1.040

HB110 has continued Disadvantaged Pupil Impact Aid (formerly Economic Disadvantaged funding) and Career Technical funding. In addition, there have been new restricted funds added as noted above under “Restricted Categorical Aid” for Gifted, English Learners (ESL) and Student Wellness. The district has elected to also post Catastrophic Aid for special education as restricted revenues. The amount of DPIA is limited to 0% phase in growth for FY22 and 14% in FY23. We have flat-lined funding at FY23 levels for FY24-FY27 due to uncertainty on continued funding of the current funding formula.

Source	FY23	FY24	FY25	FY26	FY27
Disadvantaged Pupil Impact Aid (DPIA)	\$152,035	\$152,035	\$152,035	\$152,035	\$152,035
Career Tech	115,297	115,297	115,297	115,297	115,297
ESL	74,377	74,377	74,377	74,377	74,377
Gifted	223,055	223,055	223,055	223,055	223,055
Student Wellness	532,113	532,113	532,113	532,113	532,113
Catastrophic & 1/2 Mil Equalization	0	0	0	0	0
Total Restricted State Revenues	<u>\$1,096,877</u>	<u>\$1,096,877</u>	<u>\$1,096,877</u>	<u>\$1,096,877</u>	<u>\$1,096,877</u>

C) Restricted Federal Grants in Aid – Line # 1.045

There is no restricted federal funding projected in this forecast.

<u>Summary of State Foundation Revenues</u>	<u>FY 23</u>	<u>FY 24</u>	<u>FY 25</u>	<u>FY 26</u>	<u>FY 27</u>
Unrestricted Line # 1.035	\$16,184,669	\$16,247,106	\$16,256,907	\$16,266,872	\$16,277,004
Restricted Line # 1.040	\$1,096,877	\$1,096,877	\$1,096,877	\$1,096,877	\$1,096,877
Rest. Fed. Grants - SFSF & Ed Jobs Line #1	\$0	\$0	\$0	\$0	\$0
Total State Foundation Revenue	<u>\$17,281,546</u>	<u>\$17,343,983</u>	<u>\$17,353,784</u>	<u>\$17,363,749</u>	<u>\$17,373,881</u>

State Taxes Reimbursement/Property Tax Allocation – Line # 1.050

a) Rollback and Homestead Reimbursement

Rollback funds are reimbursements paid to the district from Ohio for tax credits given owner occupied residences equaling 12.5% of the gross property taxes charged residential taxpayers on tax levies passed prior to September 29, 2013. HB59 eliminated the 10% and 2.5% rollback on new levies approved after September 29, 2013 which is the effective date of HB59. HB66, the FY06-07 budget bill, previously eliminated 10% rollback on Class II (commercial and industrial) property.

Homestead Exemptions are credits paid to the district from the state of Ohio for qualified elderly and disabled. In 2007, HB119 expanded the Homestead Exemption for all seniors 65 years of age or older or who are disabled regardless of income. Effective September 29, 2013, HB59 changed the requirement for Homestead Exemptions. Individual taxpayers who do not currently have their Homestead Exemption approved or those who do not get a new application approved for tax year 2013, and who become eligible thereafter will only receive a Homestead Exemption if they meet the income qualifications. Taxpayers who had their Homestead Exemption as of September 29, 2013 will not lose it going forward and will not have to meet the new income qualification. This will generally reduce homestead reimbursements to the district over time, and as with the rollback reimbursements above, the state is increasing the tax burden on our local taxpayers.

b) Tangible Personal Property Reimbursements – Fixed Rate

The district does not receive TPP Fixed Rate reimbursements.

Summary of State Tax Reimbursement – Line # 1.050

<u>Source</u>	<u>FY 23</u>	<u>FY 24</u>	<u>FY 25</u>	<u>FY 26</u>	<u>FY 27</u>
Rollback and Homestead	<u>\$2,678,281</u>	<u>\$2,999,750</u>	<u>\$3,209,234</u>	<u>\$3,307,676</u>	<u>\$3,595,485</u>

Other Local Revenues – Line # 1.060

All other local revenue encompasses any type of revenue that does not fit into the above lines. The main sources of revenue in this area have been open enrollment, tuition for court placed students, interest, student fees, Medicaid payments and general rental fees.

HB110, the new state budget, will stop paying open enrollment as an increase to other revenue for the district. Open enrolled students will be counted in the enrolled student base at the school district they are being educated at and state aid will follow the students. Open enrolled student revenues will be included in Line 1.035 as state basic aid. In FY21 and FY22, interest income fell due to fed rate reductions due to the pandemic. However, the Federal Reserve has aggressively increased short term interest rate to combat inflation which will result in additional interest income in FY23 and beyond until the rates are adjusted back down. Rentals are expected to return to pre-pandemic levels over time. All other revenues are expected to continue on historical trends.

Source	FY23	FY24	FY25	FY26	FY27
Fees (1635, 1690, 1740, 1790, 1810)	\$363,887	\$367,526	\$371,201	\$374,913	\$378,662
Interest (1410)	\$300,000	\$303,000	\$306,030	\$309,090	\$312,181
Medicaid / Erate (4120)	\$158,803	\$160,391	\$161,995	\$163,615	\$165,251
Tuitions (1211, 1221, 1223, 1232)	\$518,000	\$523,180	\$528,412	\$533,696	\$539,033
Other Income and rentals	\$145,392	\$146,846	\$148,314	\$149,797	\$151,295
Total Other Local Revenue	<u>\$1,486,082</u>	<u>\$1,500,943</u>	<u>\$1,515,952</u>	<u>\$1,531,111</u>	<u>\$1,546,422</u>

Short-Term Borrowing – Lines # 2.010 & Line # 2.020

There is no short-term borrowing planned for in this forecast at this time from any sources.

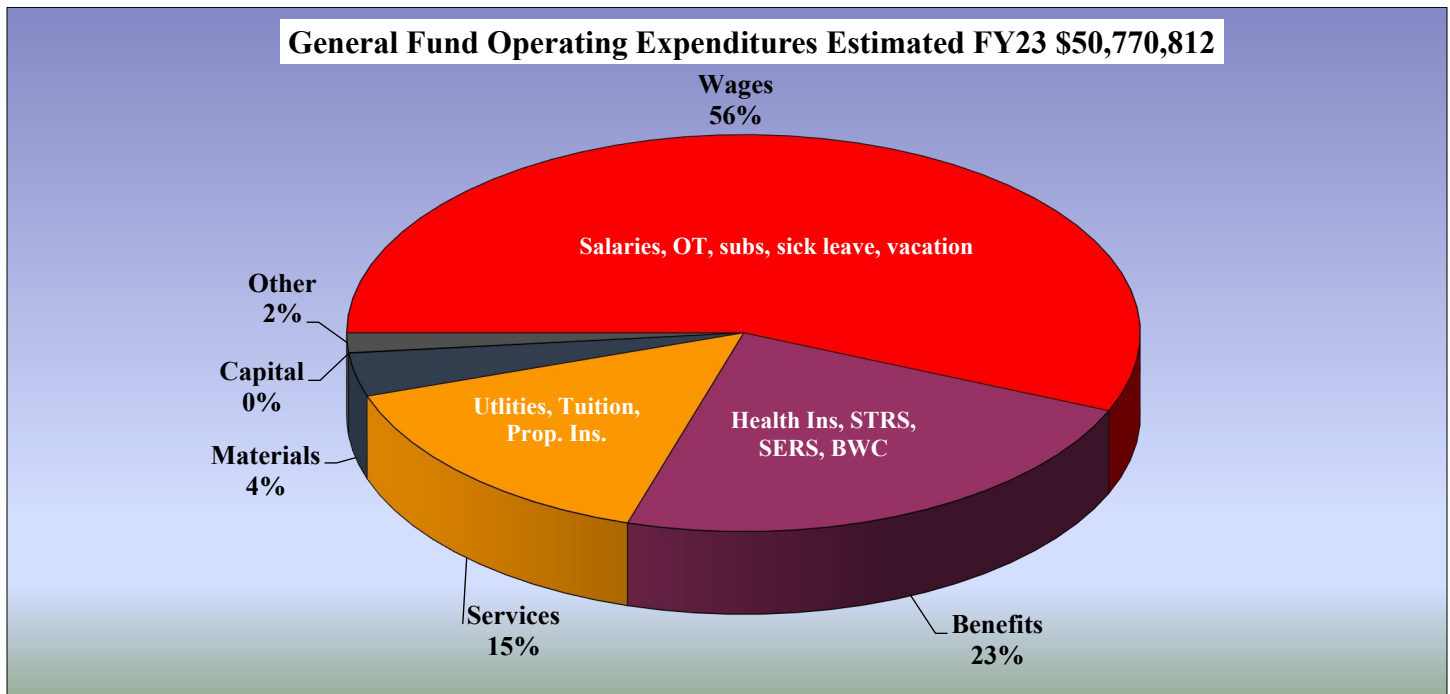
All Other Financial Sources – Line # 2.010 through Line # 2.060 & Line # 14.010

There is no short-term borrowing planned for in this forecast at this time. The other area in these lines is Refund of Prior year expenses which are for refunds that the district has received and is anticipating a similar amount each year.

Source	FY23	FY24	FY25	FY26	FY27
Transfers In - Line 2.040	\$570,277	\$583,108	\$597,686	\$612,628	\$627,944
Advance Returns - Line 2.050	\$0	\$0	\$0	\$0	\$0
Total Transfer & Advances In	<u>\$570,277</u>	<u>\$583,108</u>	<u>\$597,686</u>	<u>\$612,628</u>	<u>\$627,944</u>

Expenditures Assumptions

Estimated General Fund Operating Expenditures for FY23:



Wages – Line # 3.010

The district is expecting an overall increase of 4.52% for FY23 including both steps raises and other adjustments. Additionally, the district is projecting a 2.25% increase for FY24 and a 2.50% increase FY25-FY27 for raises. The district also has step increases of 2.5% each year of the forecast. There is also an increase each year for Substitute and Supplement wages from FY23 through FY27 consistent with the estimated raises. The district is also including additional staff to support the enrollment growth.

<u>Source</u>	<u>FY23</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>
Base Wages	27,273,911	27,887,574	30,306,701	32,593,272	34,987,672
Steps	-	697,189	757,668	814,832	874,692
One-time payment in lieu of base salary inc.	-	-	-	-	-
Growth	-	1,024,748	771,236	764,736	783,867
Substitutes	618,225	632,135	647,938	664,137	680,740
Supplementals	751,080	767,979	787,179	806,858	827,030
Staff Reductions	-	-	-	-	-
Total Wages	<u>28,643,216</u>	<u>31,009,626</u>	<u>33,270,722</u>	<u>35,643,835</u>	<u>38,154,001</u>

Fringe Benefits – Line # 3.020

This area of the forecast captures all costs associated with benefits and retirement costs, with all except health insurance being directly related to the wages paid.

A) STRS/SERS

The district pays 14% of each dollar paid in wages to either the State Teachers Retirement System or the School Employees Retirement System as required by Ohio law.

B) Insurance

The district in planning for a 6.1% increase in FY23, 11% increase in FY24 and 10% each year for FY25-27.

The Further Consolidated Appropriations Act of 2020, included a full repeal of three taxes originally imposed by the Affordable Care Act (ACA): the 40% Excise Tax on employer-sponsored coverage (a.k.a. “Cadillac Tax”), the Health Insurance Industry Fee (a.k.a. the Health Insurer Tax), and the Medical Device Tax. These added costs are no longer an uncertainty factor for our health care costs in the forecast.

C) Workers Compensation & Unemployment Compensation

Workers Compensation is expected to remain at about .29% of wages FY23-FY27 which is in line with our recent trend. Unemployment Compensation has been negligible.

D) Medicare

Medicare will continue to increase at the rate of increase of wages. Contributions are 1.45% for all new employees to the district on or after April 1, 1986. These amounts are growing at the general growth rate of wages.

<u>Source</u>	<u>FY23</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>
A) STRS/SERS	\$4,368,352	\$4,729,723	\$5,068,722	\$5,424,518	\$5,800,860
B) Insurance's	\$6,628,769	\$7,538,675	\$8,544,005	\$9,675,017	\$10,946,791
C) Workers Comp/Unemployment	\$85,546	\$92,418	\$98,975	\$105,856	\$113,135
D) Medicare	\$415,336	\$449,640	\$482,426	\$516,836	\$553,233
Other/Tuition/Social Security	<u>\$332,523</u>	<u>\$332,523</u>	<u>\$332,523</u>	<u>\$332,523</u>	<u>\$332,523</u>
Total Fringe Benefits	<u>\$11,830,526</u>	<u>\$13,142,979</u>	<u>\$14,526,651</u>	<u>\$16,054,750</u>	<u>\$17,746,542</u>

Purchased Services – Line # 3.030

HB110, the new state budget, will impact Purchased Services beginning in FY22 as the Ohio Department of Education will begin to direct pay these costs to the educating districts for open enrollment, community and STEM schools, and for scholarships granted students to be educated elsewhere, as opposed to deducting these amounts from our state foundation funding and shown below as expenses. We have continued to show these amounts below as zeros to help reflect the difference between projected FY23-FY27 Line 3.03 costs and historical FY20 through FY22 costs on the five-year forecast. College Credit Plus, excess costs and other tuition costs will continue to draw funds away from the district, which will continue in this area and have been adjusted based on historical trend.

Bases services which include but not limited too are legal fees, management fees, health services and ESC service are receiving a 5% increase each year of the forecast.

Also included in purchase services are the repairs and maintenance for the district and the utility costs. The district is expecting 5% increases in FY23-FY27 for repairs, maintenance projects and utilities.

<u>Source</u>	<u>FY23</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>
Base Services	\$669,786	\$703,275	\$738,439	\$775,361	\$814,129
Excess Cost & Special Ed Payments	\$828,673	\$870,107	\$913,612	\$959,293	\$1,007,258
Open Enrollment Deduction (477)	\$0	\$0	\$0	\$0	\$0
Community School Deductions (478)	\$0	\$0	\$0	\$0	\$0
Other Tuition Including Ed Scholarship (471)	\$334,877	\$351,621	\$369,202	\$387,662	\$407,045
Professional Support (41x)	\$4,282,915	\$2,936,837	\$3,083,679	\$3,237,863	\$3,399,756
Building Maintenance Repairs (423)	\$329,148	\$345,605	\$362,885	\$381,029	\$400,080
Utilities (422,441,449,451,452,453)	\$1,227,653	\$1,350,418	\$1,485,460	\$1,634,006	\$1,797,407
Budget Reserves or (Reductions)	\$0	\$0	\$0	\$0	\$0
Total Purchased Services	<u>\$7,673,052</u>	<u>\$6,557,863</u>	<u>\$6,953,277</u>	<u>\$7,375,214</u>	<u>\$7,825,675</u>

Supplies and Materials – Line # 3.040

Expenses which include curricular supplies, testing supplies, copy paper, maintenance, custodial supplies and materials, bus fuel, etc.

<u>Source</u>	<u>FY23</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>
Supplies	\$873,616	\$899,824	\$926,819	\$954,624	\$983,263
Textbooks (52x)	\$85,135	\$85,986	\$86,846	\$87,714	\$88,591
Building Maintenance	\$272,250	\$280,418	\$288,831	\$297,496	\$306,421
Transportation	<u>\$558,720</u>	<u>\$575,482</u>	<u>\$592,746</u>	<u>\$610,528</u>	<u>\$628,844</u>
Total Supplies	<u>\$1,789,721</u>	<u>\$1,841,710</u>	<u>\$1,895,242</u>	<u>\$1,950,362</u>	<u>\$2,007,119</u>

Equipment – Line # 3.050

The District does not anticipate costs increasing significantly in this line because the Permanent Improvement Fund pays most capital outlay.

<u>Source</u>	<u>FY23</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>
Capital Outlay	\$22,100	\$22,100	\$22,100	\$22,100	\$22,100
Replacement Bus Purchases	\$0	\$0	\$0	\$0	\$0
Budget Reserve	\$0	\$0	\$0	\$0	\$0
Total Equipment	<u>\$22,100</u>	<u>\$22,100</u>	<u>\$22,100</u>	<u>\$22,100</u>	<u>\$22,100</u>

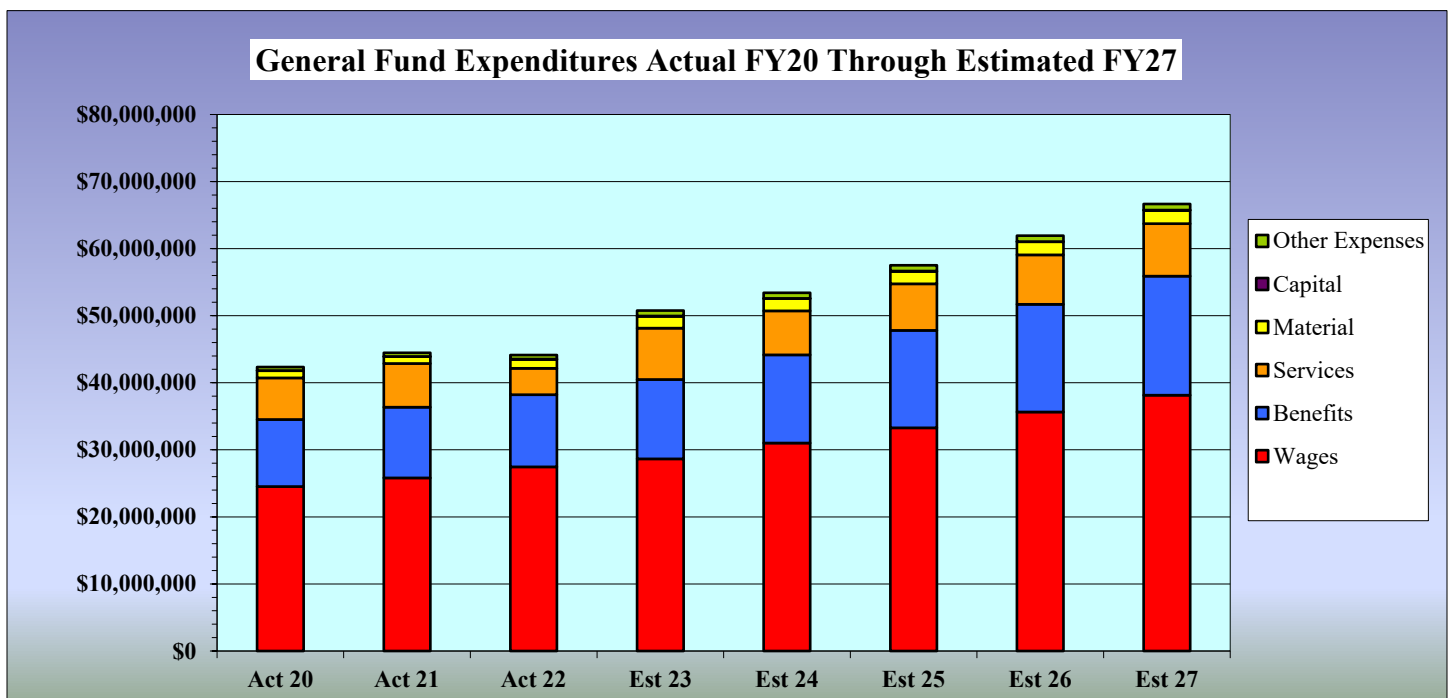
Other Expenses – Line # 4.300

The category of Other Expenses consists primarily of Auditor & Treasurer fees, our annual audit and other miscellaneous expenses. A rate of 3% increase is projected for Auditor and Treasurer fees.

Source	FY23	FY24	FY25	FY26	FY27
County Auditor / Treasurer & Income Tax F	\$461,516	\$475,361	\$489,622	\$504,311	\$519,440
County ESC	\$32,689	\$33,016	\$33,346	\$33,679	\$34,016
Other expenses	\$317,992	\$327,532	\$337,358	\$347,479	\$357,903
Increased A & T Fees for New Levies	\$0	\$0	\$0	\$0	\$0
Total Other Expenses	<u>\$812,197</u>	<u>\$835,909</u>	<u>\$860,326</u>	<u>\$885,469</u>	<u>\$911,359</u>

Total Expenditure Categories Actual FY20 through FY22 and Estimated FY23 through FY27

The graph below shows a quick overview of actual and estimated expenses by proportion to total in the General Fund.



Transfers Out/Advances Out – Line # 5.010

This account group covers fund to fund transfer and end of year short term loans from the General Fund to other funds until they have received reimbursements and can repay the General Fund.

Source	FY23	FY24	FY25	FY26	FY27
Operating Transfers Out Line #5.010	\$570,277	\$583,108	\$597,686	\$612,628	\$627,944
Advances Out Line #5.020	\$0	\$0	\$0	\$0	\$0
Total Transfer & Advances Out	<u>\$570,277</u>	<u>\$583,108</u>	<u>\$597,686</u>	<u>\$612,628</u>	<u>\$627,944</u>

All Other Financing Uses – Line # 5.030

These are contingency dollars, if needed, throughout the school year.

Source	FY23	FY24	FY25	FY26	FY27
All Other Financing Uses - Line #5.030	\$0	\$0	\$0	\$0	\$0

Encumbrances – Line # 8.010

These are outstanding purchase orders that have not been approved for payment as the goods were not received in the fiscal year in which they were ordered.

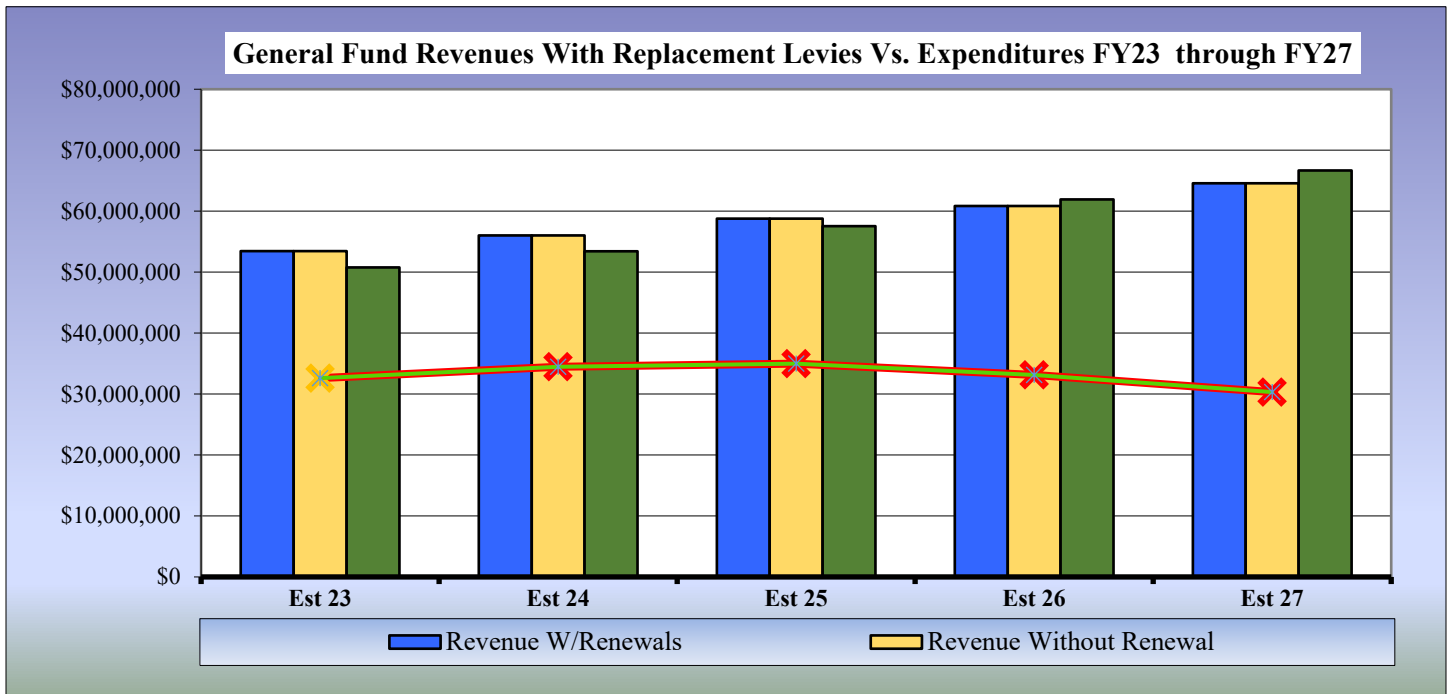
	FY23	FY24	FY25	FY26	FY27
Estimated Encumbrances	\$0	\$0	\$0	\$0	\$0

Ending Unencumbered Cash Balance “The Bottom-line”– Line # 15.010

This amount must not go below \$-0- or the district General Fund will violate all Ohio Budgetary Laws. Any multi-year contract which is knowingly signed which results in a negative unencumbered cash balance is a violation of 5705.412, ORC punishable by personal liability of \$10,000, unless the new alternative 412 certificate can be issued pursuant to HB153 effective after September 30, 2011.

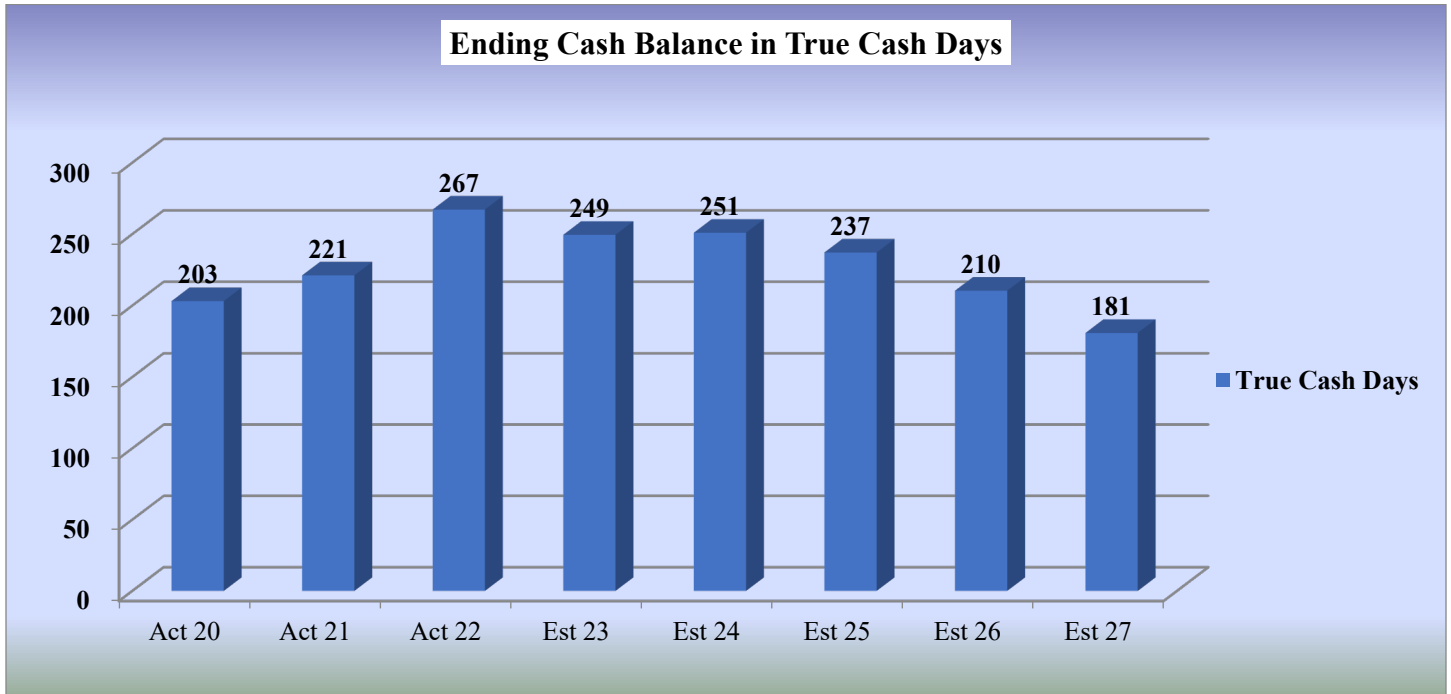
	FY23	FY24	FY25	FY26	FY27
Ending Unencumbered Cash Balance	\$35,089,263	\$37,118,813	\$37,756,353	\$36,047,145	\$33,333,892

The chart below shows that the district is deficit spending beginning in FY26.



True Cash Days Ending Balance

Another way to look at ending cash is to state it in ‘True Cash Days’. In other words, how many days could the district operate at year-end if no additional revenues were received? This is the Current Years Ending Cash Balance divided by (Current Years Expenditures/365 days) = the number of days the district could operate without additional resources or a severe resource interruption. The government finance officers association recommends that no less than two (2) months or 60 days of cash is on hand at year-end but could be more depending on each district's complexity and risk factors for revenue collection. This is calculated, including transfers, as this is a predictable funding source for other funds such as capital, athletics, and severance reserves.



Conclusion

Southwest Licking Local School District receives 38% of its funding for the district from state dollars which is very beneficial to the overall operations for the education of our students.

The District administration is grateful for the changes in the current state budget HB110 as it has reduced the amount that was deducted for programs that were not within the district's control. However, future state budgets funding will need to be watched since, the full amount of the Fair School Funding Plan was not totally implemented with this budget and there is no guarantee for future increases in state budgets for FY24-FY27.

District administrations appreciate the supportive Southwest Licking community and are actively planning for the future needs of our students while keeping an eye on the financial stability of the district. The administration is mindful that there are many risks and uncertainties that will need to be considered in future planning.

As you read through the notes and review the forecast, remember that the forecast is based on the information that is known at the time that it is prepared.