



**ARCANUM-BUTLER
LOCAL SCHOOL DISTRICT**

**FIVE-YEAR FORECAST
ASSUMPTIONS**

PRESENTED NOVEMBER 9, 2023

Introduction

Arcanum-Butler Local School District serves approximately 1,150 PK-12 students in a 60 square mile area encompassing the Village of Arcanum and the surrounding townships primarily including Twin, Van Buren and Butler Townships. The mission of Arcanum-Butler Local School District is to provide a caring and safe environment where students are challenged to become lifelong learners and productive citizens.

Ohio public school districts are required to submit a five-year forecast by the end of November and May of each year. The primary purposes of the forecast are:

- (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

The five-year forecast includes historical data from fiscal years 2021 – 2023. The forecast also includes expected revenues, expenditures and fund balances of the General Fund of Arcanum Butler Schools for each of the fiscal years from 2024 to 2028.

The five-year forecast of Arcanum Butler Local School District provides a look at the finances of the district at a single point in time. The forecast is a current estimate of the future based on current trends and historical data.

Revenue Assumptions

Forecasted revenues are based on conservative projections and current information provided by the Ohio Department of Education, Ohio Department of Taxation, and Darke County Auditor's Office. In FY23, 43% of all revenues were generated from local sources and 57% of all revenues were provided by state sources.

Revenue is generated from three main sources: taxes levied on property located within the district, taxes levied on income (using the same base as the state's income tax) within the district, and the State of Ohio school foundation program. These three sources account for over 94% of the district's revenue.

Line 1.010 - General Property Taxes (Real Estate)

General property tax collections are based on the effective tax rate and the valuation of the properties located within the school district. Arcanum-Butler Local School District has a voted tax rate of 23.6 mills (4.90 inside mills and 18.70 outside mills). However, due to Ohio House Bill 920 reduction factors, tax collections are based on an effective millage of 20 mills, currently the minimum millage for Ohio public school districts. This is otherwise known as the 20-mill floor. Property values are determined by the Darke County Auditor and the Ohio Department of Taxation. The total real estate valuation for the school district is currently \$139,151,150. These values are adjusted using a reappraisal process conducted every six years with an update applied three years after each reappraisal. Property values were last updated in tax year 2020 with collections beginning in 2021. As of the date of this forecast, total valuations for the 2023 reappraisal have not been released.

Future collections will be impacted by several unknown factors including: the release of the 2023 tax valuations and legislative changes to the valuation process and/or current millage floor limits. Due to the current undetermined factors, collections are expected to increase by 8% in FY24 and 5.5% in FY25. No increase is assumed for FY26, FY27 or FY28.

Line 1.020 - Tangible Personal Property Tax

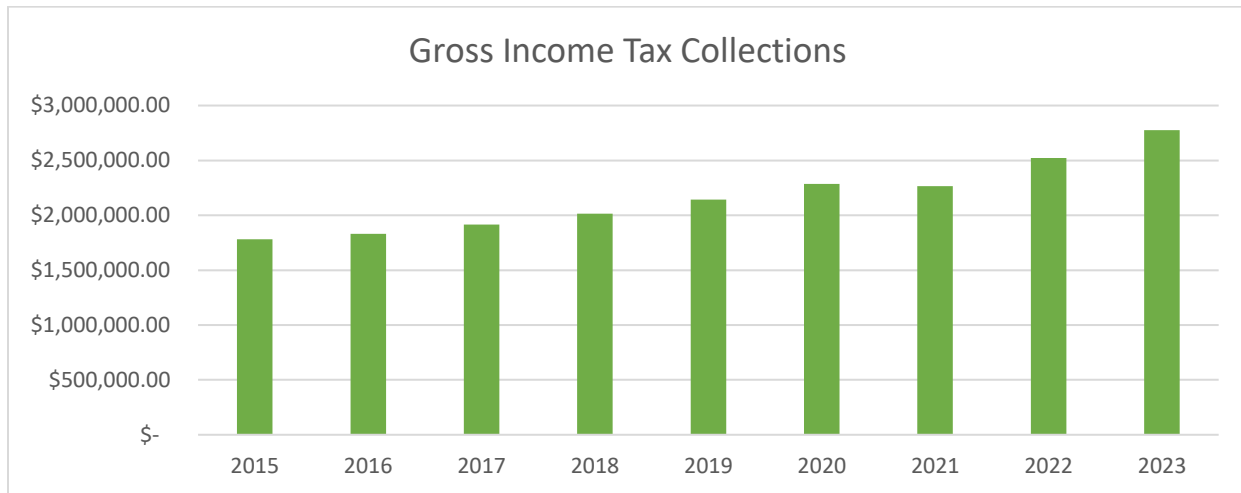
Tangible Personal Property Tax is collected on public utility property located within the district. Tangible Personal Property Tax is not subject to H.B. 920 reduction factors and is therefore collected at the full voted rate of 23.6 mills. Tangible Personal Property Taxes have steadily increased over the last several years. FY24 collections are estimated to be \$281,223. After FY24, Tangible Personal Property Tax collections are expected to modestly increase at a rate of 3% each year of the forecast.

Line 1.030 - Income Tax

The school district receives income tax revenue based on an approved tax rate of 1.5%. This includes a 0.75% continuing income tax levy and a 0.75% five-year, limited income tax levy. The five-year levy was most recently renewed in November 2019 and will

expire December 31, 2025 unless renewed by voters prior to this date. The first opportunity to renew this levy will be during the November 2024 general election.

The FY22 income tax collections totaled \$2,515,147. FY23 income tax collections totaled \$2,777,073, an increase of \$261,926. Through the first two quarterly payments in FY24, income tax payments are up by 0.43%. However, with tax withholdings continuing to grow by over 7%, income tax revenue is still projected to grow by 3% for FY24. After FY24, income tax revenue is still expected to grow by 3% each year.



Line 1.035 - Unrestricted State Grants-In-Aid

State funding (including both unrestricted and restricted grants-in-aid) is determined by the State of Ohio. The state government undergoes a budget process every two years in which the school funding levels are established for the following two years. The current biennium budget was approved in June 2023 and included the continued phase-in of the Fair School Funding Plan.

FY24 state funding is based on the October #2 foundation payment, which includes the updated values for the new biennium budget. The latest biennium budget results in a significant funding increase for the Arcanum-Butler Local School District. Unrestricted state funding is estimated to grow by \$809,524 (nearly 12%) in FY24. The funding formula will continue to be phased-in during FY25. As a result, unrestricted state funding is expected to grow by an additional \$148,843 in FY25

The forecast assumes the full implementation of the Fair School Funding formula. The formula was initially planned to be implemented over six years. FY26 and FY27 will be the final two years of the original six-year implementation schedule.

No state funding increase is estimated for FY28.

Casino tax funding is also recorded as unrestricted state grants-in-aid. FY24 casino tax revenues are estimated to total \$68,813.

Line 1.040 - Restricted State Grants-In-Aid

This line item is also a part of the foundation payment but is restricted in use. This line item includes funding for economically disadvantaged students (DPIA), career tech education, gifted education, English learners, catastrophic cost and student wellness and success. FY24 estimates are based on the October # 2 foundation payment. FY24 funding is estimated to increase by \$16,840.32, for a total of \$393,613. Like unrestricted state funding, restricted funding elements will continue to be phased-in over the current biennium budget (FY24 and FY25) and the next biennium budget (FY26 and FY27). No additional funding increase is assumed for FY28.

Line 1.050 - Property Tax Allocation

Property Tax Allocation includes state reimbursements for homestead and rollback property tax deductions. The State of Ohio currently reimburses school districts for a 10% non-business rollback, a 2.5% owner-occupied reduction, and a homestead exemption for qualifying senior residences. FY23 homestead and rollback reimbursements equaled \$390,713, an increase of \$1,336 or 0.34%. Like the general property tax, property tax allocations are expected to increase by 8% in FY24 and 5.5% in FY25. No increase is assumed for FY26, FY27 or FY28.

Note: under Ohio law, any new tax levy approved after August 2013 is not eligible for the 10% rollback reimbursement. While this change does not impact existing levies, the elimination of the rollback program will make the passage of a future property tax levy more difficult as the burden is shifted from the State of Ohio to local taxpayers.

Line 1.060 - All Other Revenues

Other income is primarily comprised of investment revenue and special education reimbursement received from other school districts. With the rise of interest rates, investment revenue grew significantly in FY23. FY22 investment revenue totaled \$68,608. FY23 investment revenue totaled \$296,023. FY24 investment revenue is expected to exceed \$360,000.

Prior to the implementation of direct funding under the Fair School Funding plan, open enrollment was also included in other revenue. Beginning in FY22, net open enrollment revenue was included with unrestricted-grants-in-aid.

Line 2.040 – Operating Transfers-In

The district transferred \$661,732 from fund 070 to the general fund in FY22. This one-time transfer is a reimbursement of remaining dollars that were transferred out in FY19 for the construction of the athletic/ag facility.

Line 2.050 – Advances-In

The district advanced federal programs a total of \$100,394 at the end of FY23. This amount was returned to the general fund at the beginning of FY24.

Expenditure Assumptions

The board of education, administration and staff are committed to providing a quality education to Arcanum students, while remaining fiscally responsible. This section is an overview of the expenditures of the district. As a service provider, the majority of expenses (over 73%) arise from employee salary and benefits.

Line 3.010 - Personal Services

Arcanum-Butler Local School District currently employs 123 regular employees and a number of substitute and supplemental employees. Estimates are based on current staffing levels and do not assume any future staff retirements.

The district is in year two of a three-year employee agreement with the Arcanum-Butler Classroom Teachers Association. Under the current agreement, staff members receive a 2% base increase each year. This increase is also applied to classified staff members.

The district paid \$60,915 of employee severance in FY23. Three employees retired following the 2022-2023 school year. Severance for these employees totaled \$49,714.45. With three retirements following the 2022-2023 school year, severance is estimated to total \$53,733 in FY24.

ESSER II and ARP ESSER have allowed the district to maintain continuity of services by absorbing the salaries of four staff positions that may have otherwise been eliminated. ESSER funds are required to be liquidated by September 2024. At the end of the ESSER period, these salaries will be moved back into the general fund. This is one factor contributing to increased expenses in FY25.

Line 3.020 - Employees' Retirement/Insurance Benefits

Under the current employee agreement, the district pays 90% of health care premiums for the high deductible health plan (HDHP) and 80% of premiums for a PPO insurance plan. Insurance premiums rose 10% in CY22 and increased 6% in CY23. Medical premiums are scheduled to increase by 9.5% in CY24. An estimated 9% premium increase is assumed in subsequent years.

As part of the agreement with ABCTA, the HSA contributions have been reduced from 75% of the deductible to 50% of the deductible. This accounts for a savings of approximately \$83,000 each year. Beginning in FY23, these contributions are now made in two separate payments, January and September. As a result of this change, only the January payment was made in FY23. A full-year of HSA contributions will be paid in FY24.

In addition to medical insurance, the district also offers dental, vision, and life insurance.

The district pays the state minimum of 14% of all wages to STRS and SERS for employee retirement. These retirement benefits, as well as the other fringe benefits

such as Medicare tax, are largely salary driven and correlate with the increase in the personal services line.

The school district, per the negotiated agreement, will continue to provide tuition reimbursement which is expected to cost the district \$35,000 per year.

Line 3.030 - Purchased Services

This line accounts for a wide variety of services that include ESC services, special education services received at other school districts, cost for preschool students to attend Anthony Wayne Preschool, virtual learning curriculum, utilities, property maintenance, bus maintenance, athletic trainer services, legal fees, and snow removal.

Prior to FY22, purchased services included adjustments for students open enrolled to other school districts and students enrolled in community schools. However, with the Fair School Funding Plan, students are now directly funded. As a result of this shift in funding mechanics, purchased services decreased by \$236,896 in FY22.

In FY24, in addition to routine expenses, the district has replaced flooring in the kitchen and made improvements to the baseball/softball fields. After FY24, a 3.5% increase is applied for each remaining year of the forecast.

Line 3.040 - Supplies and Materials

This line contains expenditures for office supplies, classroom supplies, library books and textbooks, as well as fuel and maintenance supplies. With increased cost of diesel fuel and the return to normal operations, fuel costs totaled \$84,028 in FY22 and \$96,476 in FY23 compared to \$37,706 in FY21. Diesel fuel costs are expected to total \$100,000 in FY24. Other supply costs are estimated to increase by 3.5% each year of the forecast.

Line 3.050 - Capital Outlay

The district installed a new HVAC system in the fieldhouse at a cost of \$232,181 in FY22 and FY23. Also, in FY23, the district has replaced various sidewalks at a cost of \$25,150 and built press boxes at the baseball/softball field for a cost of \$48,580.

As part of the State of Ohio School Bus Purchase grant, the district purchased three buses in FY23, at a total cost of \$298,663. With the grant paying for \$135,000 of the bus purchases, the general fund paid for the remaining portion of \$163,693.

In FY24, the district has partnered with the Village of Arcanum to install a new traffic light and crossing lights at an estimated cost of \$100,000, purchased two new copiers at an estimated cost of \$17,158, updated exterior digital signage at a cost of \$47,110, and updated audio system in the cafetorium at a cost of \$45,252.

After FY25, \$100,000 of annual capital outlay is forecasted for each year. In FY26, the district is also planning to purchase a new school bus.

Line 4.050 and 4.060 - Debt Service

In FY15, the school entered into a 15-year fixed rate (2.875%) lease with GNB Banking Center for \$1,500,000. This principal and interest cost of this lease totals \$123,237 a year. The final payment for the lease is scheduled for January 2030.

Line 4.300 - Other Expenditures

Other expenditures include auditor and treasurer fees, county board of education deductions and annual audit cost. With federal grants expected to remain over \$750,000 in each year of the forecast, the district expects an audit expense of \$18,500 each year. Property, fleet and liability insurance is also recorded as an Other Expenditure.

Line 5.010 and 5.020 - Operating Transfers/Advances-Out

The district transfers \$70,000 from the general fund during each year of the forecast. This transfer will go to support the Arcanum Early Learning Center, which the district believes is an invaluable asset to our school.

Line 6.010 - Excess of Revenues over (under) Expenditures

Line 2.080 minus 5.050. This line can be used to get a good sense of a school district's fiscal health. (ODE Website)

Line 8.010 - Estimated Encumbrances

This line indicates obligations from the previous year that have not yet been paid in full. This line is estimated at \$500,000 for each year of the forecast.

Line 12.010 - Unreserved Fund Balance

This line must not go below \$0 or the District would be unable to sign a 412 certificate for qualifying contracts, including multi-year employee agreements.

For additional information or questions, please email the Treasurer/CFO at matt_huffman@arcanum-butler.k12.oh.us.