Newark City 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 2027

NEWARK CITY SCHOOLS

A Community of Opportunity and Learning

Forecast Provided By
Newark City School District
Treasurer's Office
Julio Valladares, MBA, Treasurer/CFO

Updated May 16, 2023

NEWARK CITY SCHOOL DISTRICT
Licking County

Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Years Ended June 30, 2020, 2021, 2022
Forecasted Fiscal Year Ending June 30, 2023 through 2027

		Actual				Forecasted				
		Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022	Average Change	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027
	Revenues									
1.010	General Property Tax (Real Estate)	$19,402,937	$20,732,417	$21,638,620	5.6%	$21,457,132	$21,368,993	$21,349,676	$21,353,055	$21,356,434
1.020	Public Utility Personal Property Tax	1,442,645	1,507,178	1,628,242	6.3%	$1,694,982	$1,732,639	$1,737,595	$1,744,093	$1,750,589
1.030	Income Tax	10,059,140	9,897,328	11,479,422	7.2%	$12,817,037	$13,073,378	$13,334,845	$13,601,542	$13,873,573
1.035	Unrestricted State Grants-in-Aid	38,989,126	39,335,195	35,397,670	-4.6%	$35,421,857	$35,444,284	$35,452,521	$35,460,922	$35,469,492
1.040	Restricted State Grants-in-Aid	1	0	3,307,917	0.0%	$3,415,372	$3,415,372	$3,415,372	$3,415,372	$3,415,372
1.050	Property Tax Allocation	2,698,085	2,819,117	2,951,550	4.6%	$2,944,279	$3,351,577	$3,348,172	$3,348,622	$3,349,072
1.060	All Other Revenues	4,074,619	3,719,094	2,269,695	-23.8%	$2,880,902	$2,935,616	$2,614,477	$2,669,806	$2,727,453
1.070	*Total Revenues*	76,666,553	78,010,329	78,673,115	1.3%	80,631,561	81,321,859	81,252,658	81,593,412	81,941,985
	Other Financing Sources									
2.040	Operating Transfers-In	118,929	98,234	72,241	-21.9%	72,241	72,241	72,241	72,241	72,241
2.050	Advances-In	484,235	602,637	150,000	-25.3%	185,000	185,000	185,000	185,000	185,000
2.060	All Other Financing Sources	569,271	1,279,217	24,040	13.3%	$100,000	$100,000	$100,000	$100,000	$100,000
2.070	*Total Other Financing Sources*	1,172,435	1,980,088	246,281	-9.3%	357,241	357,241	357,241	357,241	357,241
2.080	*Total Revenues and Other Financing Sources*	77,838,988	79,990,417	78,919,396	0.7%	80,988,802	81,679,100	81,609,899	81,950,653	82,299,226
	Expenditures									
3.010	Personal Services	$40,754,963	$42,286,216	$44,735,336	4.8%	$47,456,210	$49,723,677	$50,610,772	$52,507,116	$54,476,811
3.020	Employees' Retirement/Insurance Benefits	15,855,140	16,052,171	17,268,974	4.4%	$18,678,840	$20,231,520	$21,532,797	$23,126,168	$24,857,410
3.030	Purchased Services	14,535,595	15,593,917	10,548,476	-12.5%	$10,128,817	$10,623,275	$12,546,321	$13,003,378	$13,478,447
3.040	Supplies and Materials	2,029,717	2,124,704	2,256,809	5.4%	2,369,649	2,488,131	3,612,538	3,793,165	3,982,823
3.050	Capital Outlay	-	-	-	0.0%	-	-	-	-	-
4.300	Other Objects	579,811	576,698	634,490	4.7%	$647,180	$660,124	$673,327	$686,793	$700,529
4.500	*Total Expenditures*	$73,755,226	76,633,706	75,444,085	1.2%	79,280,696	83,726,727	88,975,755	93,116,620	97,496,020
	Other Financing Uses									
5.010	Operating Transfers-Out	118,929	464,782	$72,241	103.2%	72,241	$72,241	$72,241	$72,241	$72,241
5.020	Advances-Out	1,502,637	-	185,000	0.0%	-	-	-	-	-
5.030	All Other Financing Uses	8,648	9,117	9,120	2.7%	$9,120	$9,120	$9,120	$9,120	$9,120
5.040	*Total Other Financing Uses*	1,630,214	473,899	266,361	-57.4%	81,361	81,361	81,361	81,361	81,361
5.050	*Total Expenditures and Other Financing Uses*	75,385,440	77,107,605	75,710,445	0.2%	79,362,057	83,808,088	89,057,116	93,197,981	97,577,381
6.010		2,453,548	2,882,812	3,208,950	14.4%	1,626,745	(2,128,988)	(7,447,217)	(11,247,328)	(15,278,155)
7.010	Cash Balance July 1 - Excluding Proposed Renewal/Replacement and New Levies	41,425,110	43,878,658	46,761,470	6.2%	49,970,420	51,597,165	49,468,177	42,020,960	30,773,632
7.020	*Cash Balance June 30*	43,878,658	46,761,470	49,970,420	6.7%	51,597,165	49,468,177	42,020,960	30,773,632	15,495,477
8.010	*Estimated Encumbrances June 30*	2,760,255	2,881,420	3,677,854	16.0%	3,677,854	3,677,854	3,677,854	3,677,854	3,677,854
	Reservation of Fund Balance									
9.030	Budget Reserve	934,406	934,406	934,406	0.0%	934,406	934,406	934,406	934,406	934,406
9.080	*Subtotal*	934,406	934,406	934,406	0.0%	934,406	934,406	934,406	934,406	934,406
10.010	*Fund Balance June 30 for Certification of Appropriations*	40,183,997	42,945,644	45,358,160	6.2%	46,984,905	44,855,917	37,408,700	26,161,372	10,883,217
12.010	*Fund Balance June 30 for Certification of Contracts, Salary Schedules and Other Obligations*	40,183,997	42,945,644	45,358,160	6.2%	46,984,905	44,855,917	37,408,700	26,161,372	10,883,217
15.010	*Unreserved Fund Balance June 30*	40,183,997	42,945,644	45,358,160	6.2%	46,984,905	44,855,917	37,408,700	26,161,372	10,883,217
	ADM Forecasts									
20.010	Kindergarten - October Count	571	460	563	1.5%	474	474	474	474	474
20.015	Grades 1-12 - October Count	6,009	6,057	5,545	-3.8%	5,513	5,513	5,513	5,513	5,513
True Days Cash Line 59		**212**	**221**	**241**	**10376**	**237**	**215**	**172**	**121**	**58**
True Days Unencumbered Cash Line 91		**195**	**203**	**219**	**9648**	**216**	**195**	**153**	**102**	**41**
Millage equivalent for deficit spending						**0.00**	**(2.15)**	**(7.47)**	**(11.28)**	**(15.31)**

Introduction to the Five Year Forecast

A forecast is somewhat like a painting of the future based upon a snapshot of today. That snapshot, however, will be adjusted and the further into the future the forecast extends, the more likely it is that the projections will deviate from actual experience. A variety of events will ultimately impact the latter years of the forecast, such as state budgets (adopted every two years), tax levies (new/renewal/ replacement), salary increases, or businesses moving in or out of the district. 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 ODE 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.

Since the preparation of a meaningful five-year forecast is as much an art as it is a science and entails many intricacies, it is recommended that you contact the Treasurer/Chief Fiscal Officer or Board of Education (BOE) of the individual school district with any questions you may have. The Treasurer or CFO submits the forecast, but the BOE is recognized as the official owner.

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. 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.

May 2023 Updates:

<u>Revenues FY23</u>

The overview of revenues shows that we are substantially on target with original estimates at this point in the year. Total General Fund revenues (line 1.07) are estimated to be $80.6 million or1.018% higher than the November forecasted amount of $79.2 million. This indicates the November forecast was 98.2% accurate.

Line 1.01 and 1.02 - Property tax revenues represent a large source of revenues at 28.7% and are estimated to be $23.2 million, which is $0.4 million higher for FY23 than the original November estimate of $22.7 million. Our estimates are 98.1% accurate for FY23 and should mean future projections are on target as well.

Line 1.03 – Income tax collections rose over the FY22 levels but fell $146k below the November estimate, we are still accurate at 98.9%.

Line 1.035 and 1.04 - State Aid continues the implementation of the Fair School Funding Plan (FSFP), which has caused significant changes to the way our state revenues are calculated. This is the largest portion of our revenues at 48.2%. We are estimating our state aid to be $38.8 million, which is $0.2 million higher than the original estimate for FY23. We are pleased that we were able to be 99.5% accurate for FY23. We are currently on the formula and are expected to remain as a formula district for FY24 through FY27.

Line 1.06 - Other revenues are up $1.1million over original estimates, primarily due to new leases entered into by the district.

All areas of revenue are tracking as anticipated for FY23 based on our best information at this time.

Expenditures FY23

Total General Fund expenditures (line 4.5) are estimated to be $79.3 million for FY23, which is $1.2 million higher than the original estimate of $78.1 million in the November forecast, which is roughly 98.5% on target with original estimates. The expenditure line most significantly over projection are Personnel Services (line 3.010) due to additional staff.

All other areas of expenses are expected to remain on target with original projections for the year.

Unreserved Ending Cash Balance

With revenues increasing from estimates and expenditures increasing, our ending unreserved cash balance June 30, 2023, is anticipated to be roughly $10.9 million. The ending unreserved cash balance on Line 15.010 of the forecast is anticipated to be a positive accumulative balance through 2027 if assumptions we have made for property tax collections, state aid in future state budgets, and expenditure assumptions remain close to our estimates.

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 at the time of this forecast. The items below give a short description of the current issues and how they may affect our forecast long term:

I. State Foundation Funding - HB110, the current state budget, implements what has been referred to as the Fair School Funding Plan (FSFP) for FY22 and FY23. 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 is 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 are no longer paid separately as those payments are included with basic aid. A change in expenditures began in FY22, in that there are no longer deductions for students that attend elsewhere for open enrollment, community schools, STEM schools, and scholarship recipients, as these payments are 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 are based on the best information on the new HB110 formula as amended by HB583 that are available as of this forecast.

II. The District's $5.9 million emergency levy was renewed May 8, 2018 and will expire on December 31, 2029. The District's 1% income tax was made permanent as a result of voters positive support on May 3, 2022. The passage of the income tax was critical to the operations and financial health of the District in the long term.

III. HB110 direct pays costs associated with open enrollment, community and STEM schools, and for all scholarships including EdChoice Scholarships. These costs are no longer deducted from our state aid. However, there still are education option programs such as College Credit Plus which will continue to be deducted from state aid which will increase costs to the district. Expansion or creation of programs such as these can expose the district to new expenditures that are not currently in the forecast. We closely monitor any new threats to our state aid and increased costs as any new proposed laws are introduced in the legislature.

IV. The current proposed state budget for FY24-25, HB33 was introduced on February 15, 2023, and proposes to continue the implementation of the Fair School Funding Plan (FSFP). In the initial proposal of HB33, the base cost statewide factors are the area of most significance and remain at FY18 levels. Formula districts would benefit from the continued phase-in of the FSFP, while ensuring districts would not receive less than FY21 foundation funding. Certainty surrounding these and other significant funding components will not likely be known until late June 2023, after the filing of this forecast. We will be closely monitoring the progress of HB33 as it works its way through the legislative process.

V. The legislature has introduced House Bill 1 (HB1), which proposes to modify the law regarding property taxation and Ohio income tax rates. Proposed changes to existing law include applying a single income tax rate of 2.75%, eliminating the 10% property tax rollback reimbursement, revising the 2.5% owner-occupied property tax rollback to be a flat $125 credit, indexing the homestead exemption amounts to inflation, and reducing the property tax assessment percentage for Class I and II property from 35% to 31.5% to offset the 10% rollback which would be paid by local taxpayers. HB1 as currently written would increase the effective rates for local property owners through HB920 due to the reduction in the assessed valuation for Class I and II property. HB920, enacted in 1976, states that voted school district levies collect the amount of tax revenues stated on the ballot at the time of passage and no more. As property values grow, the "effective" millage rate on voted levies will decrease. If HB1 causes the assessed property values to decrease by changing the taxable values from 35% to 31.5%, this would cause "effective" millage rates to increase and would increase local taxpayers' property tax liability in nearly all cases. Taxpayers would, however, see a reduction in their tax liability on inside millage, which local governments are granted by the Ohio Constitution, and would also be a direct loss of revenue for our district. The House Ways and Means Committee had its fifth hearing in regard to HB1 on Mar. 28, 2023. As this bill is facing opposition from various entities due to significant implications to the taxable valuation of property statewide, it will remain an area of increased risk and uncertainty and will be closely monitored to determine what the outcome will be.

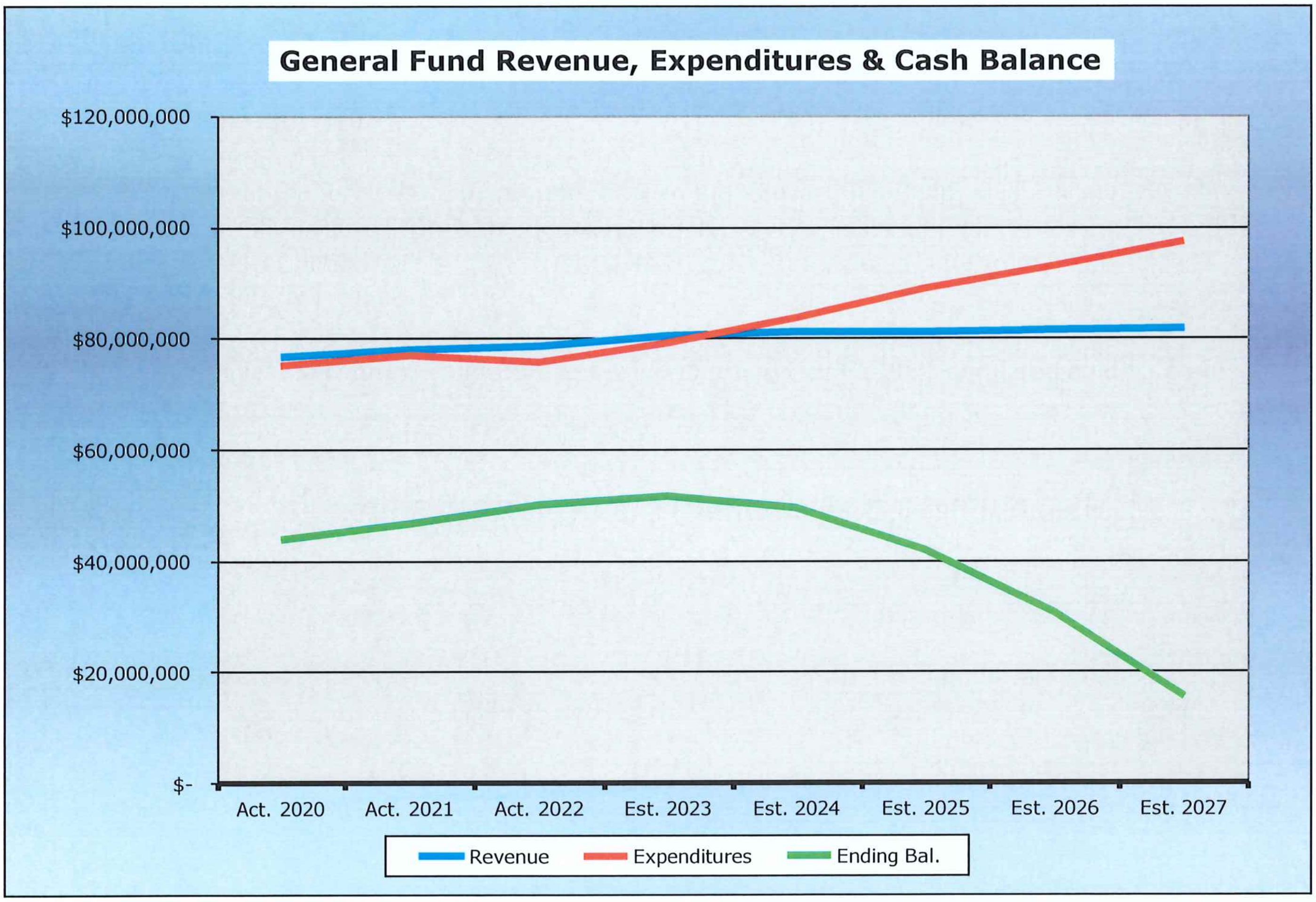
VI. Labor relations in our district have been amicable with all parties working for the best interest of students and realizing the resource challenges we face. We believe, as we move forward, our positive working relationship will continue and will only grow stronger.

VII. Rollback - HB59 eliminated the Rollback exemption on any future new or replacement levy. This means that should the District place a new levy on the ballot taxpayers will no longer receive the 12.5% reduction as they do on current levies. This could make passing any new levy more difficult. This will not affect the total collection for the school district but will shift the burden from the State of Ohio onto local taxpayers.

Detailed Forecast Analysis

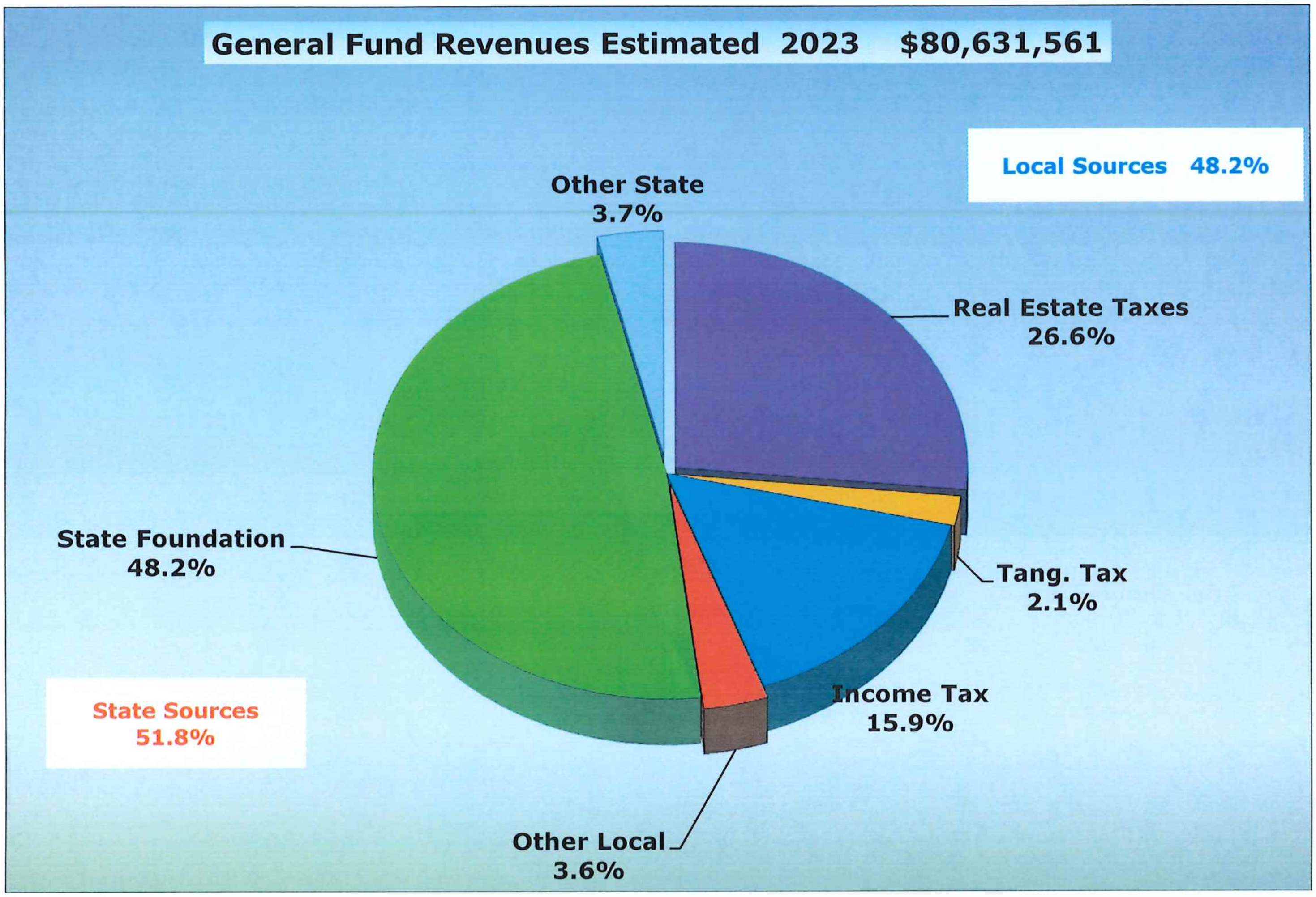
The major Lines of reference for the forecast are noted below in the headings to make it easier to relate the assumptions made for the forecast item and refer back to the forecast. It should be of assistance to the reader to review the assumptions noted below in understanding the overall financial forecast for our district. If you would like further information, please feel free to contact Julio Valladares, Treasurer/CFO of Newark City School District at 740-670-7010.

General Fund Revenue, Expenditures and Ending Cash Balance Actual FY20-22 and Estimated FY23-27



The graph captures in one snapshot the operating scenario facing the District over the next few years and reflects an operating deficit starting in fiscal year 2024.

Revenue Assumptions
Estimated General Fund Operation Revenue for FY23



Real Estate Value Assumptions – Line # 1.010
Property Values are established each year by the County Auditor based on new construction, demolitions, Board of Revision (BOR)/Board of Tax Appeals (BTA) activity and complete reappraisal or updated values. District values fell to a low of $768.9 million in 2015 but have rebounded to $996.7 million in 2022 due to reappraisal in 2017 and update in 2020. We believe values will continue to improve in the future.

A reappraisal update occurred in tax year 2020 for collection in FY21. The next complete reappraisal will be conducted in 2023 for collection in 2024. The new values as a result of all factors in 2020 for collection in FY21 has an overall increase in property values of $128.6 million (16.7%). Residential/agricultural values increased $123.6 million (20.5%), commercial/industrial values increased $2.4 million (1.2%) and PUPP values increased $2.6 million (6.0%). Real estate taxes make up 27.0% of the district's General Fund revenue. We will update values as more information is available. Based on current sale to property valuation ratios, we anticipate values will remain mostly steady for tax years 2021 through 2025, with an annual 0.28% (annual average) growth in new residential/agricultural, a 0.095% (annual average) growth in commercial/industrial values, and an 0.435% annual growth in PUPP values. The chart below reflects these assumptions.

Estimated Assessed Value (AV) by Collection Year

Classification	Actual TAX YEAR2022 COLLECT 2023	Estimated TAX YEAR2023 COLLECT 2024	Estimated TAX YEAR2024 COLLECT 2025	Estimated TAX YEAR 2025 COLLECT 2026	Estimated TAX YEAR 2026 COLLECT 2027
Res./Ag.	$736,292,470	$736,492,470	$736,692,470	$736,892,470	$737,092,470
Comm./Ind.	208,743,471	208,943,471	209,143,471	209,343,471	209,543,471
Public Utility (PUPP)	51,700,490	51,900,490	52,100,490	52,300,490	52,500,490
Total Assessed Value	$996,736,431	$997,336,431	$997,936,431	$998,536,431	$999,136,431

Estimated Real Estate Tax Line #1.010

Property tax levies are estimated to be collected at 97.5% of the annual amount. In general, 55% of the Res/Ag. and Comm./Ind. taxes are expected to be collected in February tax settlements and 45% collected in August tax settlements. Public Utility tax settlements (PUPP taxes) are estimated to be received 50% in February and 50% in August settlement from the Licking County Auditor and are included in Line 1.02 of the forecast noted below.

Source	FY23	FY24	FY25	FY26	FY27
General Property Taxes Line #1.010	$21,457,132	$21,368,993	$21,349,676	$21,353,055	$21,356,434

Estimated Tangible Personal Tax – Line#1.020

The amount on Line 1.020 is the public utilities personal property (PUPP) tax revenues from telephone, electric, and gas company tangible personal property. The values for PUPP are collected at our gross tax rates.

Source	FY23	FY24	FY25	FY26	FY27
Public Utility Personal Property	$1,694,982	$1,732,639	$1,737,595	$1,744,093	$1,750,589

School District Income Tax – Line 1.030

The District's income tax was renewed on May 3, 2022 to become permanent. We have seen a significant increase in the first two settlements for FY23. I have forecasted the remaining payments to only increase 2% from last year due to the possibility of a recession. The income tax has continued to show steady growth from year to year and we are estimating 2% annual growth for the remainder of the forecast.

Source	FY23	FY24	FY25	FY26	FY27
SDIT Collection 1% made permanent 5/3/	$11,479,422	$12,817,037	$13,073,378	$13,334,845	$13,601,542
Adjustments	$1,337,615	$256,341	$261,467	$266,697	$272,031
Total to Line #1.030	$12,817,037	$13,073,378	$13,334,845	$13,601,542	$13,873,573

State Foundation Revenue Estimates – Lines #1.035 and 1.040

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. We have projected FY23 funding based on the April #2 foundation settlement and adjustments from FY22s.

Our district is currently a formula district in FY23 and is expected to be for 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. It 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 Per Pupil
C. Personal Income of District Residents Per Pupil
D. Historical Funding - CAPS and Guarantees from prior funding formulas "Funding Bases" for guarantees

<u>Base Cost Approach - Unrestricted Basic Aid Foundation Funding</u>

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. Newer more up to date statewide average costs will not update for FY23 and remains frozen at FY18 levels, while other factors impacting a districts local capacity will update for FY23. Base costs per pupil includes 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)

<u>State Share Percentage – Unrestricted Basic Aid Foundation Funding</u>

Once the base cost is calculated, which is currently at a statewide average of $7,350.77 per pupil in FY22, the FSFP calculates a state share percentage (SSP) calculation. The state share percentage in concept will be higher for districts will 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 districts 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 item 1 through 3 above added together the total is then multiplied by a Local Share Multiplier Index 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.

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:

<u>Unrestricted Categorical State Aid</u>

1. <u>Targeted Assistance/Capacity Aid</u> – 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. <u>Special Education Additional Aid</u> – 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 district's calculation to be used toward the state appropriation for Catastrophic Cost reimbursement.
3. <u>Transportation Aid</u> – 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. In general, districts whose state share percentage is less than 33.33% will see a benefit from the increase to 33.33% funding.

<u>Restricted Categorical State Aid</u>

1. <u>Disadvantage Pupil Impact Aid (DPIA)</u> - Formerly Economically Disadvantaged Funding 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 33.34% in FY23.
2. <u>English Learners</u> – Based on funded categories based on time student enrolled in schools and multiplied by a weighted amount per pupil.
3. <u>Gifted Funds</u> – Based on average daily membership multiplied by a weighted amount per pupil.
4. <u>Career-Technical Education Funds</u> – Based on career technical average daily membership and five (5) weighted funding categories students enrolled in.
5. <u>Student Wellness and Success Funds</u> – 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, rather it will include a general phase-in percentage for most components in the amount of 16.67% in FY22 and 33.33% in FY23. DPIA funding was phased in 0% in FY22 but has now been included in the overall phase in at 33.33% in FY23. Transportation categorical funds will not be subject to 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 less 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 full 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 a guarantee in FY22 and in general the same number will occur in FY23, since state average costs were frozen at FY18 in the Base Cost calculations, while property values and Federal Adjusted Gross Income will be allowed to update and increase for FY23, which should push 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 a Special Revenue Fund 467. HB110 the new state budget essentially eliminated these funds by merging them into state aid and wrapped 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 Budget Projections beyond FY23
Our funding status for FY24-27 will depend on two (2) new state budgets. The current proposed state budget for FY24-25, HB33, was introduced on February 15, 2023, and continues the implementation of the FSFP, with the following changes.

<u>Unrestricted Basic Aid Foundation Funding</u>

a) The statewide average base cost per pupil will remain at FY18 levels in FY24-25.
a) Increases the general phase-in percentage from 33.33% in FY23 to 50% in FY24 and 67% in FY25.
b) Extends payment of the temporary transitional aid and the formula transition supplement to ensure districts are guaranteed to be funded at FY21 levels, at a minimum through FY25.

<u>Unrestricted Categorical State Aid</u>

a) <u>Transportation Aid</u> - Increases the minimum state share percentage from 33.33% in FY23 to 37.5% in FY24 and 41.67% in FY25.

<u>Restricted Categorical State Aid</u>

a) <u>Disadvantage Pupil Impact Aid (DPIA)</u> - Increases phase-in percentage from 33.33% in FY23 to 50% in FY24 and 67% in FY25.
b) <u>Gifted Funds</u> - Increases per pupil funding for the gifted professional development component from $14 in FY23 to $21 in FY24 and $28 in FY25.
c) <u>Student Wellness and Success Funds</u>
    a. Expenditures for either physical or mental health-based initiatives, or a combination of both, must comprise at least 50% of these funds.
    b. Any SWSF funds received between FY20-23 must be expended by June 30, 2025, or the funds must be returned to the ODE.
    c. School resource officer funding will be allocated on a per building basis. Funds are able to support existing SROs.

Additionally, there are two other funding components in HB33 which provide additional support for districts. The first is the sports gaming profits education fund, which is projected to appropriate $30 million in each year of the biennium, of which $15 million is targeted toward eliminating or reducing pay to participate fees. The second component is information technology support for schools and districts, which is projected to appropriate

$14.3 million over the course of the biennium for cybersecurity and building connectivity. We are still awaiting concrete information on how the funds will be allocated to schools.

With these still unknown changes to the state funding for FY24-25, we will continue to project our unrestricted and categorical state funding to be in line with the FY23 funding levels through the remainder of the forecast. The state budget for FY26-27 is unknown; however, we believe that our state funding estimates are reasonable, and we will adjust the forecast in the future when we have authoritative data to work with.

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% Gross Casino Revenue 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 FY23 were $62.87 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	$32,643,379	$32,643,379	$32,643,379	$32,643,379	$32,643,379
Additional Aid Items	1,799,071	1,799,071	1,799,071	1,799,071	1,799,071
Basic Aid-Unrestricted Subtotal	$34,442,450	$34,442,450	$34,442,450	$34,442,450	$34,442,450
Ohio Casino Commission/ Medicaid	979,407	1,001,834	1,010,071	1,018,472	1,027,042
Total Unrestricted State Line # 1.035	$35,421,857	$35,444,284	$35,452,521	$35,460,922	$35,469,492

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. Using current April funding factors, we have estimated revenues for these new restricted funding lines. The amount of DPIA was limited to 0% phase in growth for FY22 and 33.3% 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
DPIA	$1,941,100	$1,941,100	$1,941,100	$1,941,100	$1,941,100
Career Tech	53,584	53,584	53,584	53,584	53,584
Gifted	331,284	331,284	331,284	331,284	331,284
English Learners	18,815	18,815	18,815	18,815	18,815
Student Wellness	1,070,589	1,070,589	1,070,589	1,070,589	1,070,589
Catastrophic Aid	0	0	0	0	0
Total Restricted State Line #1.040	$3,415,372	$3,415,372	$3,415,372	$3,415,372	$3,415,372

Summary of State Foundation Revenues – Line# 1.035 and 1.040

Source	FY23	FY24	FY25	FY26	FY27
Unrestricted Line # 1.035	$35,421,857	$35,444,284	$35,452,521	$35,460,922	$35,469,492
Restricted Line # 1.040	3,415,372	3,415,372	3,415,372	3,415,372	3,415,372
Total State Foundation Revenue	$38,837,229	$38,859,656	$38,867,893	$38,876,294	$38,884,864

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 the 10% rollback on Class II (commercial and industrial) property.

Homestead Exemptions are also 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 over age 65 years of age or older or who are disabled regardless of income. Effective September 29, 2013, HB59 changes the requirement for Homestead Exemptions. Individual taxpayers who do not currently have their Homestead Exemption approved or those who did 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 currently 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, increase the taxes collected locally on taxpayers.

Summary of State Tax Reimbursement – Line #1.050

Source	FY23	FY24	FY25	FY26	FY27
Rollback and Homestead	$2,944,279	$3,351,577	$3,348,172	$3,348,622	$3,349,072

Other Local Revenues – Line #1.060

Revenues from all other local sources are based on historical growth patterns. This revenue largely consists of interest, tuition from other districts, student fees and rentals. HB110, the new state budget, stopped paying open enrollment as an increase to other revenue for the district. This is projected below as zeros to help show the difference between projected FY23-FY27 Line 1.06 revenues and historical FY20 through FY22 revenues on the five-year forecast. Open enrolled students are counted in the enrolled student base at the school district they are being educated, and state aid will follow the students. Open enrolled student revenues will be included in Line 1.035 as basic state aid. We anticipate modest increases in interest and rentals for the life of the forecast.

Source	FY23	FY24	FY25	FY26	FY27
Tuition SF-14 & SF-14H	$529,548	$529,548	$529,548	$529,548	$529,548
Interest	800,000	840,000	882,000	926,100	972,405
Student Fees and PTP Fees	80,000	80,000	80,000	80,000	80,000
Open Enrollment	0	0	0	0	0
Rentals, Donations, Miscellaneous	1,471,354	1,486,068	1,122,929	1,134,158	1,145,500
Total Other Local Revenue Line #1.060	$2,880,902	$2,935,616	$2,614,477	$2,669,806	$2,727,453

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

There is no short-term borrowing planned in the forecast at this time.

Transfers In / Return of Advances – Line #2.040 & Line #2.050

The transfers in include only transferring to the school supply fund. We have included the annual advance return from the Permanent Improvement fund during the life of the forecast.

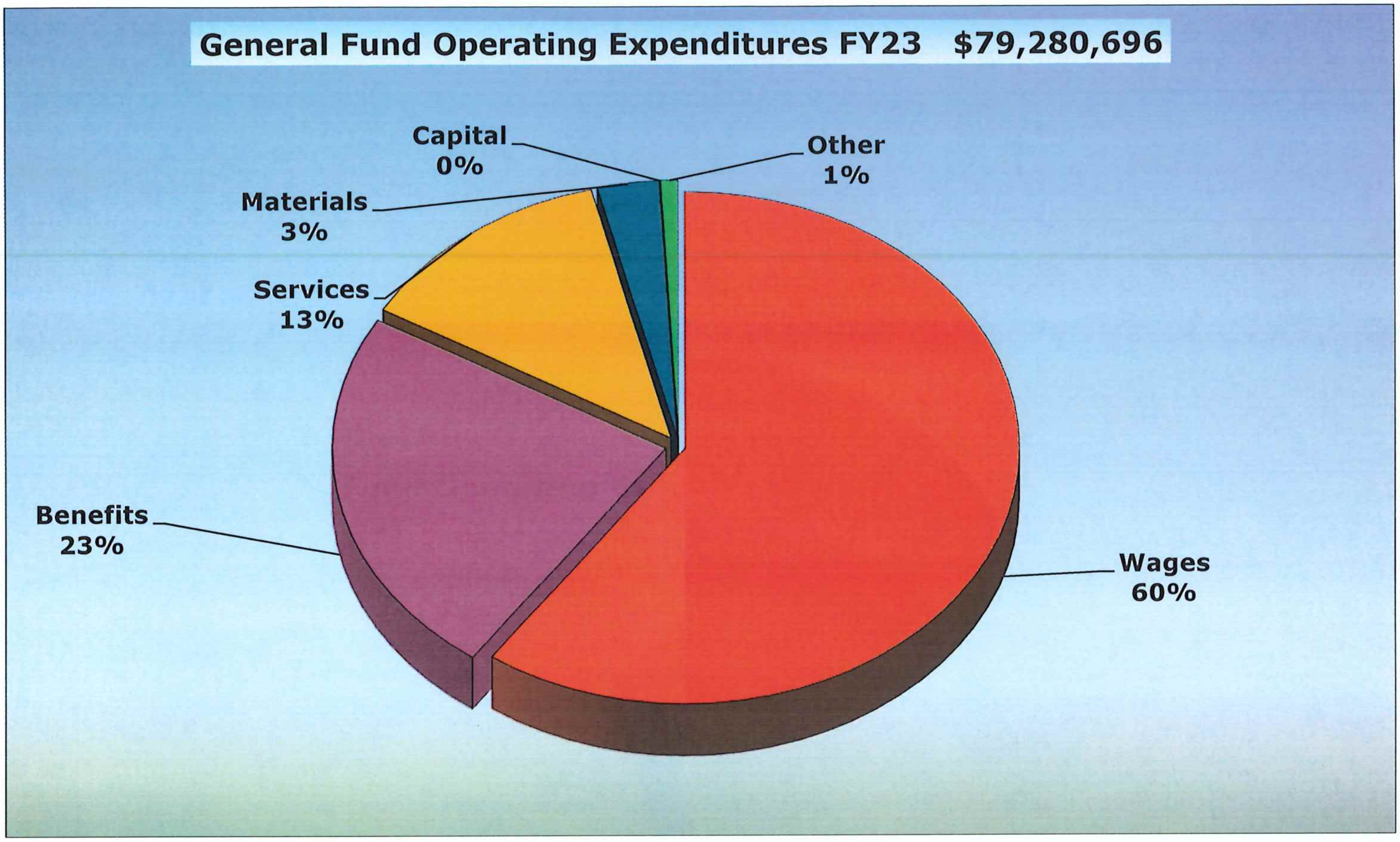
Source	FY23	FY24	FY25	FY26	FY27
Transfers In - Line 2.040	$72,241	$72,241	$72,241	$72,241	$72,241
Advance Returns - Line 2.050	185,000	185,000	185,000	185,000	185,000
Total Transfer & Advances In	$257,241	$257,241	$257,241	$257,241	$257,241

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

The anticipated refunds in this line items are flat and moderate during the remaining years of the forecast.

Source	FY23	FY24	FY25	FY26	FY27
Refunds & Sale of Assets/BWC Refund	$100,000	$100,000	$100,000	$100,000	$100,000

Expenditures Assumptions



Wages – Line #3.010

The model reflects annual base wage increases for all staff in current negotiated agreements for FY22-FY24 with both unions, teachers (NEA) and classified staff (OAPSE), with increases of 3.0%, 2.5% and 2.0% respectively. The FY24 increase reflects the expiration of the federal ESSER funds with staff returning to the general fund and the recently OAPSE approved incentives for employees the next two years. The FY25 – FY27 projections also include a base increase of 2.0% and all the additional variables as in FY23.

Source	FY23	FY24	FY25	FY26	FY27
Base Wages	$ 44,735,336	$ 46,798,969	$ 48,748,677	$ 50,610,772	$ 52,507,116
Increases/ Performance Pay	1,118,383	949,124	994,474	1,012,215	1,050,142
Steps & Training	1,118,383	894,707	935,979	974,974	1,012,215
Replacement/Growth Staff	(173,133)	105,877	(68,358)	(90,845)	(92,662)
Supplemental Costs	0	0	0	0	0
Student Wellness & ESSER & Incentives	657,241	975,000	0	0	0
Total Wages Line #3.010	$47,456,210	$49,723,677	$50,610,772	$52,507,116	$54,476,811

Fringe Benefits Estimates Line 3.02

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. 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.

A) STRS/SERS

As required by law the BOE pays 14% of all employee wages to State Teachers Retirement System (STRS) or School Employees Retirement System (SERS). The cost in this line item will increase as wages increases.

B) Insurance

Insurance costs are increasing at a rate of 9.2% for FY23 and are estimated at 9.5%, 9.8%, 9.8%and 9.8% for FY24 through FY27 respectively which is a the trend of many other organizations.

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 0.76% of wages FY23 – FY27. Unemployment is expected to remain at a very low level. The district is a direct reimbursement employer which means unemployment costs are only incurred and due if we have employees who are eligible and draw unemployment.

D) Medicare

Medicare will continue to increase at the rate of increases in 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.

Summary of Fringe Benefits – Line #3.020

Source	FY23	FY24	FY25	FY26	FY27
STRS/SERS	$6,733,341	$7,054,913	$7,183,005	$7,452,218	$7,731,767
Insurance's	10,828,793	12,002,498	13,173,274	14,456,987	15,866,359
Workers Comp/Unemployment	360,922	377,928	384,581	398,803	413,576
Medicare	671,407	711,804	707,560	733,783	761,331
Other/Tuition	84,377	84,377	84,377	84,377	84,377
Total Fringe Benefits Line #3.020	$18,678,840	$20,231,520	$21,532,797	$23,126,168	$24,857,410

Purchased Services – Line #3.030

HB110, the new state budget, began impacting Purchased Services in FY22 as the Ohio Department of Education began 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 FY21 costs on the five year forecast. College Credit Pus, 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.

This category includes payments for contracted services, utilities, property insurance, special education transportation, legal fees, rentals, facility improvements and IT professional services. We have moved $1.8M of these expenses to ESSER federal funding through FY24 with a return to the general fund in FY25. We are projecting modest inflationary increases in this area for FY24-FY27.

Source	FY23	FY24	FY25	FY26	FY27
STRS/SERS	$6,733,341	$7,054,913	$7,183,005	$7,452,218	$7,731,767
Insurance's	10,828,793	12,002,498	13,173,274	14,456,987	15,866,359
Workers Comp/Unemployment	360,922	377,928	384,581	398,803	413,576
Medicare	671,407	711,804	707,560	733,783	761,331
Other/Tuition	84,377	84,377	84,377	84,377	84,377
Total Fringe Benefits Line #3.020	$18,678,840	$20,231,520	$21,532,797	$23,126,168	$24,857,410

Supplies and Materials – Line #3.040

Supplies and materials are expenses for items such as classroom supplies, textbooks, computer supplies, maintenance supplies, custodial supplies, curriculum material, office supplies, bus parts and fuel. We have moved $1M of these expenses to ESSER federal funding through FY24 with a return to the general fund in FY25.

Source	FY23	FY24	FY25	FY26	FY27
Supplies	$1,250,720	$1,313,256	$2,378,919	$2,497,865	$2,622,758
Building & Transportation	1,118,929	1,174,875	1,233,619	1,295,300	1,360,065
Total Supplies Line #3.040	$2,369,649	$2,488,131	$3,612,538	$3,793,165	$3,982,823

Equipment – Line # 3.050

We have not forecast any capital purchases from the general fund for the life of the forecast.

Other Expenses – Line #4.300

The category of Other Expenses consists primarily of the County deductions for city county services and Auditor & Treasurer fees for local property tax collection service, which will fluctuate with real estate revenue collections.

Source	FY23	FY24	FY25	FY26	FY27
County Auditor & Treasurer Fees	$300,190	$306,194	$312,318	$318,564	$324,935
Audit Fees/Liability Ins/Other	346,990	353,930	361,009	368,229	375,594
Total Other Expenses Line #4.300	$647,180	$660,124	$673,327	$686,793	$700,529

Other Financing Uses – Lines # 5.010, 5.020 & 5.030

This account group covers fund to fund transfers and end of year short term loans from the General Fund to other funds. The advance of $1.5M in FY20 was to the Permanent Improvement fund which will be paid back over the next 10 years.

Source	FY23	FY24	FY25	FY26	FY27
Operating Transfers Out Line #5.010	$72,241	$72,241	$72,241	$72,241	$72,241
Advances Out Line #5.020	0	0	0	0	0
Total	$72,241	$72,241	$72,241	$72,241	$72,241

Source	FY23	FY24	FY25	FY26	FY27
All Other Financing Uses - Line #5.030	$9,120	$9,120	$9,120	$9,120	$9,120

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. They are expected to remain constant.

Source	FY23	FY24	FY25	FY26	FY27
Estimated Encumbrances	$3,677,854	$3,677,854	$3,677,854	$3,677,854	$3,677,854

Reservation of Fund Balances –Line# 9.080

Historic trends indicate that the district has spent the required 3% on both capital improvements and textbook and instructional materials, the district will not have to place any additional funds into these two set-aside accounts. The district will continue to monitor the set-aside responsibilities to ensure compliance in this area.

Budgetary Reserve – SB345 effective April 10, 2001 eliminates the requirement for school districts to make contributions to the budget reserve. As such no provisions for additional contributions to the reserve have been budgeted in the forecast. Under SB345, the Board of Education has a few options to consider regarding the funds already accumulated in the reserve. The current accumulation in the budget reserve is $934,406.

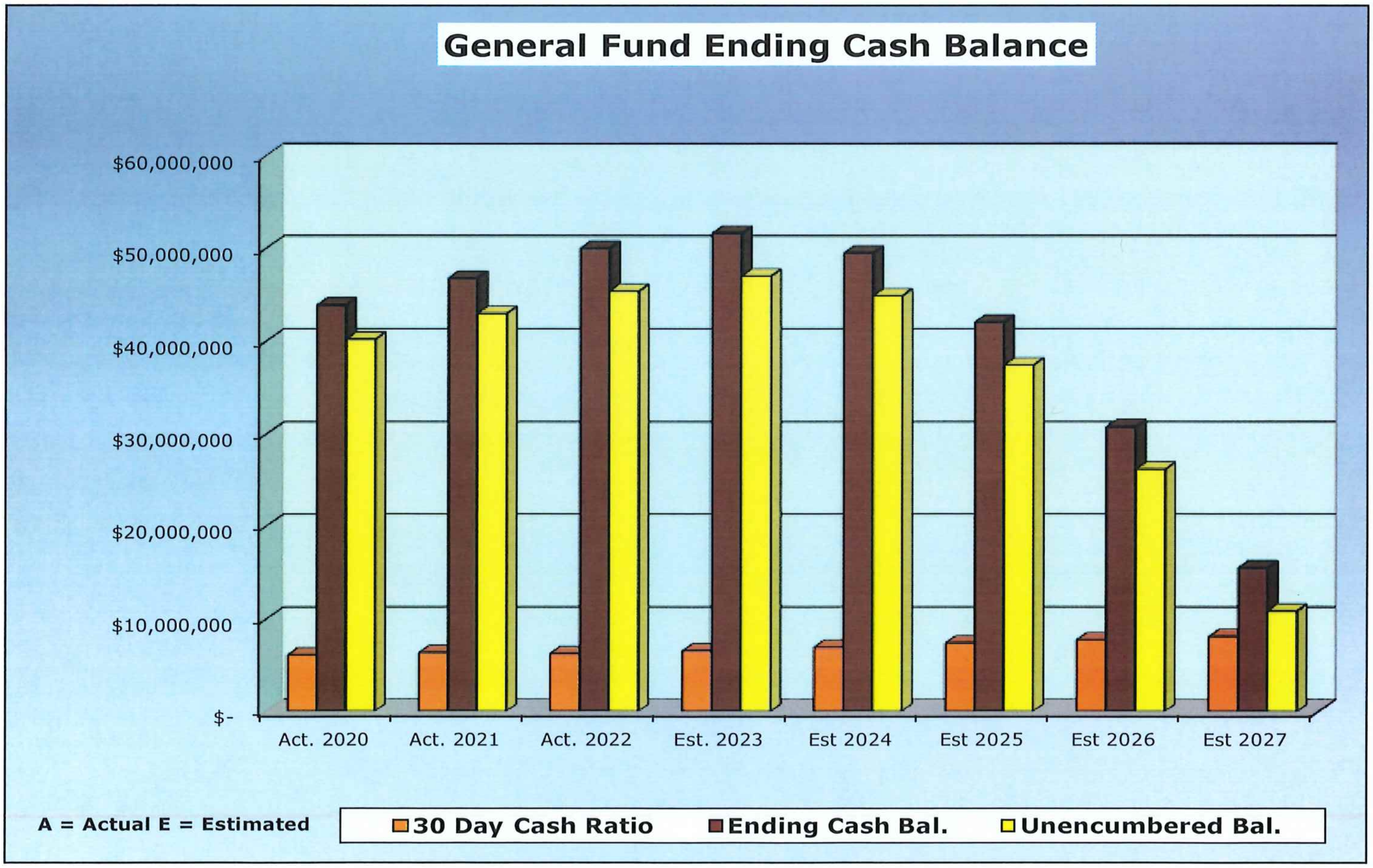
Source	FY23	FY24	FY25	FY26	FY27
Budget Reserve - Line 9.030	$934,406	$934,406	$934,406	$934,406	$934,406
Total Reservations of Balance- Line#9.08	$934,406	$934,406	$934,406	$934,406	$934,406

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 an alternative "412" certificate can be issued pursuant to HB153 effective September 30, 2011. 30 days or one month of operating cash or about $6 million is a responsible minimum ending operating cash balance according to GFOA.

Source	FY23	FY24	FY25	FY26	FY27
Ending Unreserved Cash Balance	$ 46,984,905	$ 44,855,917	$ 37,408,700	$ 26,161,372	$ 10,883,217

General Fund Ending Cash and Ending Unreserved Cash Balances

The graph below captures in one snapshot the operating scenario facing Newark City School District over the next few years. The main challenge is, beginning in FY24, annual expenditure will begin to exceed stagnant revenues, creating a decline in available balances that will need to beaddressed.



True Days Cash

The graph below captures the "True Days Cash" balance for our district. The graph does not include the revenue from renewal levies. This measure is essential to the long-term success and stability of the District.