

Newark City School District – Licking County
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND
BALANCES FOR THE FISCAL YEARS ENDED JUNE 30, 2021, 2022 and 2023
ACTUAL
FORECASTED FISCAL YEARS ENDING JUNE 30, 2024
THROUGH 2028



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

Updated November 13, 2023

NEWARK CITY SCHOOL DISTRICT

Licking County

Schedule of Revenues, Expenditures and Changes in Fund Balances

For the Fiscal Years Ended June 30, 2021, 2022, 2023

Forecasted Fiscal Year Ending June 30, 2024 through 2028

	Actual				Average Change	Forecasted				
	Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023			Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027	Fiscal Year 2028
Revenues										
1.010 General Property Tax (Real Estate)	\$20,732,417	\$21,638,620	\$21,457,132	1.8%	\$21,382,903	\$21,331,220	\$21,334,612	\$21,338,005	\$21,341,399	
1.020 Public Utility Personal Property Tax	1,507,178	1,628,242	1,694,982	6.1%	\$1,859,625	\$1,863,950	\$1,870,431	\$1,876,910	\$1,883,389	
1.030 Income Tax	9,897,327	11,479,422	12,817,037	13.8%	\$13,073,378	\$13,085,341	\$13,347,048	\$13,613,989	\$13,886,269	
1.035 Unrestricted State Grants-in-Aid	39,534,103	34,510,168	35,203,307	-5.3%	\$39,398,032	\$40,726,277	\$40,734,499	\$40,742,885	\$40,751,438	
1.040 Restricted State Grants-in-Aid	0	3,307,917	3,666,943	0.0%	\$2,738,992	\$2,741,607	\$2,744,248	\$2,746,915	\$2,749,609	
1.050 Property Tax Allocation	2,819,117	2,951,550	2,946,162	2.3%	\$3,149,401	\$3,345,258	\$3,345,710	\$3,346,163	\$3,346,616	
1.060 All Other Revenues	3,520,186	3,157,197	3,413,976	-1.1%	\$3,497,453	\$3,206,570	\$3,293,723	\$3,384,839	\$3,480,114	
1.070 Total Revenues	78,010,328	78,673,115	81,199,539	2.0%	85,099,784	86,300,223	86,670,271	87,049,706	87,438,834	
Other Financing Sources										
2.040 Operating Transfers-In	98,235	72,241	188,512	67.2%	188,512	188,512	188,512	188,512	188,512	
2.050 Advances-In	602,638	150,000	150,000	-37.6%	185,000	185,000	185,000	185,000	185,000	
2.060 All Other Financing Sources	1,279,218	24,040	214,487	347.0%	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	
2.070 Total Other Financing Sources	1,980,091	246,281	552,999	18.5%	473,512	473,512	473,512	473,512	473,512	
2.080 Total Revenues and Other Financing Sources	79,990,419	78,919,396	81,752,538	1.1%	85,573,296	86,773,735	87,143,783	87,523,218	87,912,346	
Expenditures										
3.010 Personal Services	\$42,286,215	\$44,735,336	\$47,452,413	5.9%	\$50,226,214	\$51,673,318	\$54,222,910	\$56,897,718	\$59,704,056	
3.020 Employees' Retirement/Insurance Benefits	16,052,173	17,268,974	17,301,605	3.9%	\$19,050,695	\$20,321,031	\$21,890,929	\$23,593,587	\$25,441,790	
3.030 Purchased Services	15,593,917	10,548,476	9,926,883	-19.1%	\$10,409,949	\$12,396,107	\$12,998,427	\$13,630,634	\$14,294,219	
3.040 Supplies and Materials	2,124,706	2,256,809	2,491,472	8.3%	2,616,046	3,746,849	3,934,191	4,130,901	4,337,446	
3.050 Capital Outlay	-	-	-	0.0%	-	-	-	-	-	
4.300 Other Objects	576,897	634,490	666,958	7.6%	\$680,297	\$693,903	\$707,781	\$721,937	\$736,376	
4.500 Total Expenditures	\$76,633,708	75,444,085	77,839,331	0.8%	82,983,201	88,831,208	93,754,238	98,974,777	104,513,887	
Other Financing Uses										
5.010 Operating Transfers-Out	464,783	72,241	\$188,512	38.2%	2,785,196	\$188,512	\$188,512	\$188,512	\$188,512	
5.020 Advances-Out	0	185,000	526,340	0.0%	-	-	-	-	-	
5.030 All Other Financing Uses	9,117	9,120	6,755	-12.9%	\$6,755	\$6,755	\$6,755	\$6,755	\$6,755	
5.040 Total Other Financing Uses	473,900	266,361	721,607	63.6%	2,791,951	195,267	195,267	195,267	195,267	
5.050 Total Expenditures and Other Financing Uses	77,107,608	75,710,445	78,560,938	1.0%	85,775,152	89,026,475	93,949,505	99,170,044	104,709,154	
6.010	2,882,811	3,208,950	3,191,600	5.4%	(201,856)	(2,252,740)	(6,805,722)	(11,646,826)	(16,796,808)	
7.010 Cash Balance July 1 - Excluding Proposed Renewal/Replacement and New Levies	43,878,658	46,761,469	49,970,419	6.7%	53,162,019	52,960,163	50,707,423	43,901,701	32,254,875	
7.020 Cash Balance June 30	46,761,469	49,970,419	53,162,019	6.6%	52,960,163	50,707,423	43,901,701	32,254,875	15,458,067	
8.010 Estimated Encumbrances June 30	2,881,420	3,677,854	2,731,078	0.9%	2,731,078	2,731,078	2,731,078	2,731,078	2,731,078	
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	42,945,643	45,358,159	49,496,535	7.4%	49,294,679	47,041,939	40,236,217	28,589,391	11,792,583	
12.010 Fund Balance June 30 for Certification of Contracts, Salary Schedules and Other Obligations	42,945,643	45,358,159	49,496,535	7.4%	49,294,679	47,041,939	40,236,217	28,589,391	11,792,583	
15.010 Unreserved Fund Balance June 30	42,945,643	45,358,159	49,496,535	7.4%	49,294,679	47,041,939	40,236,217	28,589,391	11,792,583	
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	221	241	247	2476	225	208	171	119	54	
True Days Unencumbered Cash Line 91	203	219	230	2755	210	193	156	105	41	
Millage equivalent for deficit spending					(0.21)	(2.27)	(6.80)	(11.63)	(16.77)	

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 because 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-year financial forecast by November 30, 2023, and May 31, 2024, for the fiscal year 2024 (July 1, 2023, to June 30, 2024). The five-year forecast includes three years of actual and five years of projected general fund revenues and expenditures. The fiscal year 2024 (July 1, 2023-June 30, 2024) 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 November 2023 filing.

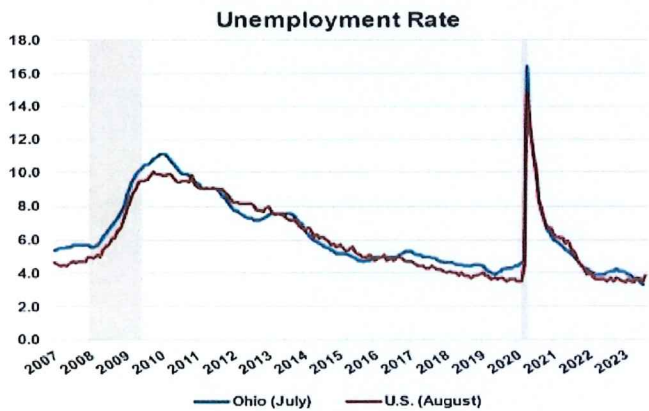
Economic Outlook

This five-year forecast is submitted during the multiyear economic recovery following the 2020 COVID-19 Pandemic. The recovery began in the fall of 2020 and remains robust through this forecast date. Many supply chain concerns have lessened as manufacturing has caught up. However, persistently 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 the current annualized rate of 3.4% in August 2023. Costs in FY23 were notably impacted in areas such as capital and durable goods, diesel fuel for buses, electric, natural gas, and building materials for facility maintenance and repair. Increased inflation affecting district costs is expected to continue in FY24. However, the Federal Reserve is projecting inflation to be closer to their target rate of 2% sometime in calendar

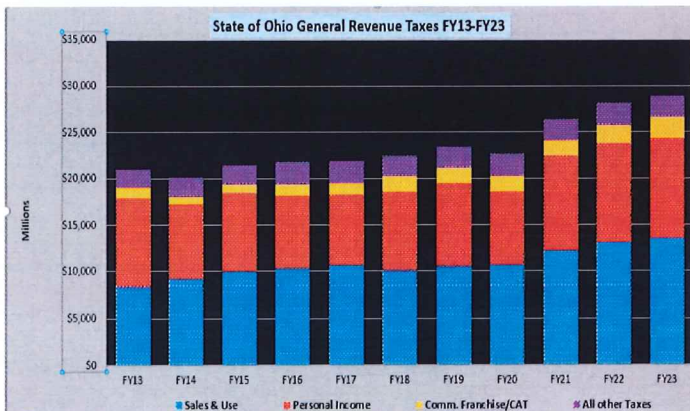
2024. It remains to be seen if the cumulative cost increases over the past two years are transitory in goods and services or will last over several years, which could adversely impact our forecast.

The Federal Reserve Bank has made fighting inflation its number one concern. Interest rates are expected to increase again before December 2023, which may result in increased unemployment. Still, many economists anticipate a “full employment recession” in the first half 2024. In the history of our country, there has never been a full employment recession. However, the possibility of one underscores why this is a very unique time in our economic history.

As noted in the graphs below, the state of Ohio has enjoyed economic growth over the past three years, and the state’s Rainy Day Fund is at \$3.7 Billion, which is a record high. School funding cuts made in FY20 have been fully restored, and a new state funding formula is in the third year of a projected five-year phase-in. While increased inflation impacting district costs is expected to continue over the next few years, the state’s economy has grown, and many school districts received new funding in HB33 for FY24 and FY25. The ongoing growth in Ohio’s economy should enable the state to continue the phase-in of the new funding formula even if a cyclical recession occurs. Regardless, the state is well-positioned to continue state aid payments to Ohio’s school districts.



Source: Bureau of Labor Statistics through FRED



Source: Ohio Office of Budget and Management

While all school districts are being aided by three (3) rounds of federal Elementary and Secondary Schools Emergency Relief Funds (ESSER), which began in the fiscal year 2020, the most recent allocation of ESSER funds must be spent or encumbered by September 30, 2024. Any ongoing costs are absorbed back into the district General Fund. ESSER funds positively impacted school resources.

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:

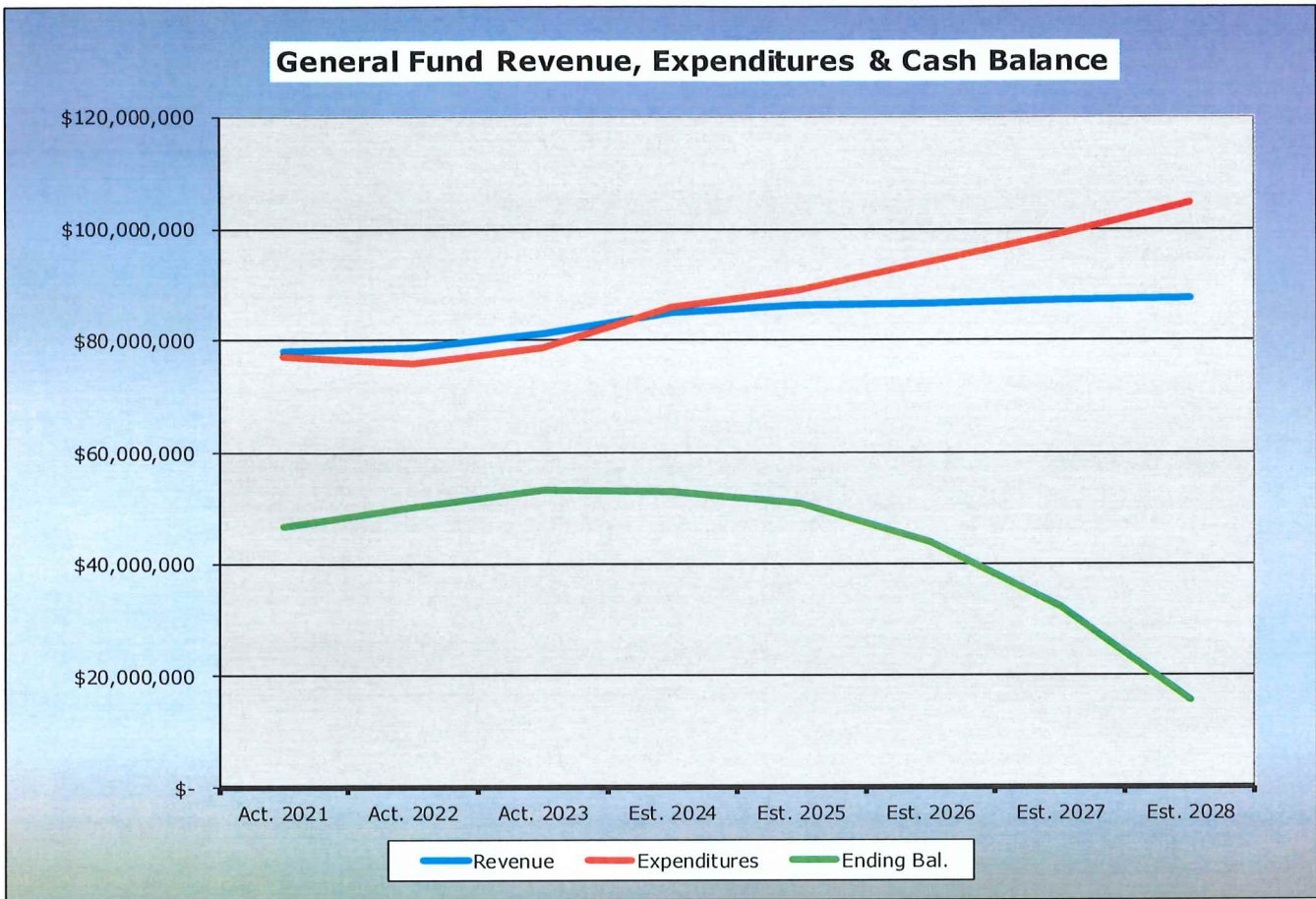
A five year financial forecast has risks and uncertainty not only due to economic uncertainties noted above but also due to state legislative changes that will occur in the spring of 2025 and 2027 due to deliberation of the next two (2) state biennium budgets for FY26-27 and FY27-28, both of which affect 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 – HB33, the current state budget, continues to phase-in what has been referred to as the Fair School Funding Plan(FSFP) for FY24 and FY25. FY24 reflects 50% of the implementation cost at year three of a six-year phase-in plan, which increases by 16.66% each year. FY25 will result in 66.66% funding of (FSFP), however, the final two years of the phase-in are not guaranteed. 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. We have used the most recent simulations published by the Department of Education and Workforce for our forecasted revenues in FY24 and FY25.
- 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. HB33 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. 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.
- V. 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

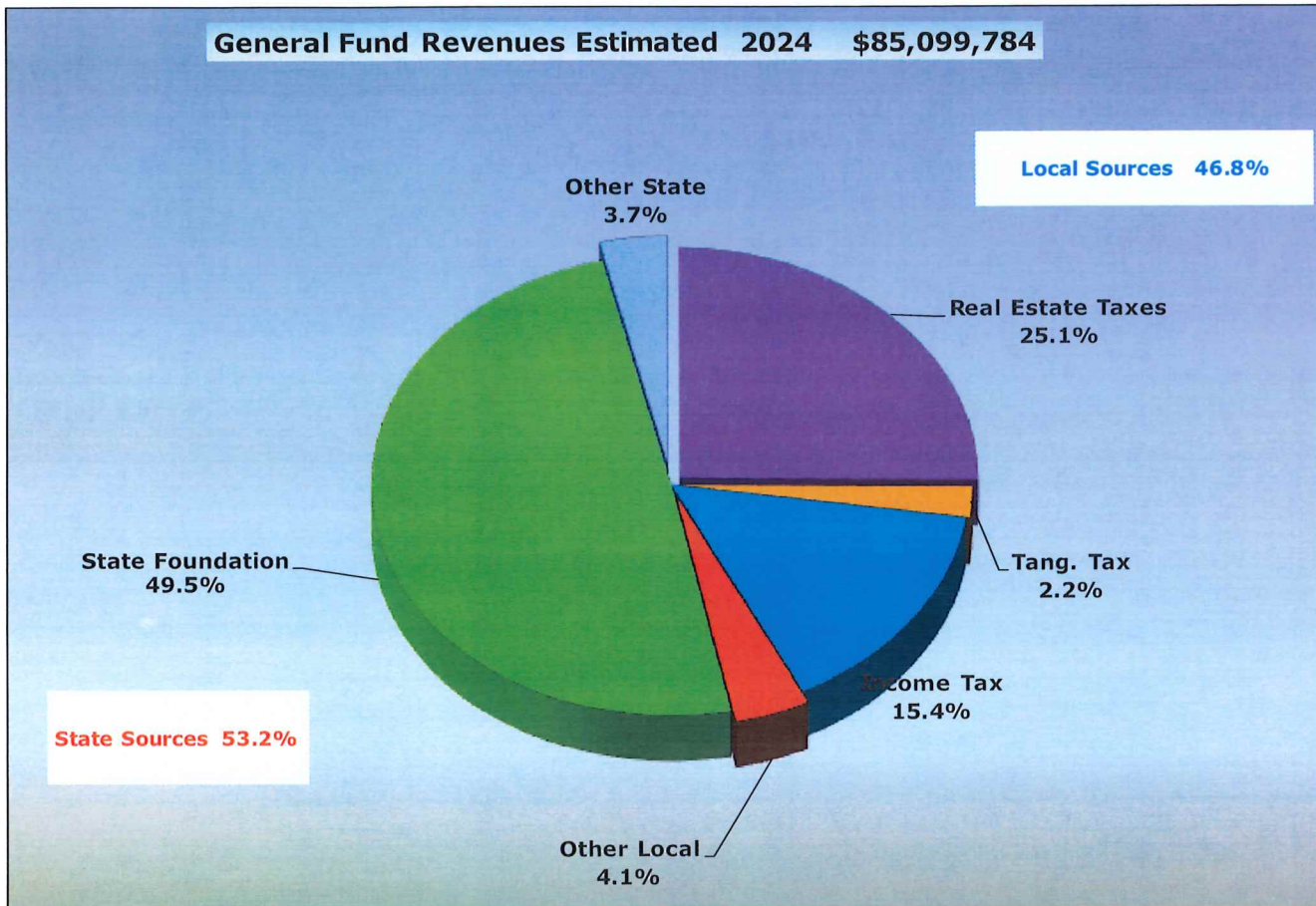
The major Lines of reference for the forecast are noted below in the headings to make it easier to relate the assumptions made for the forecast item and refer back to the forecast. It should be of assistance to the reader to review the assumptions noted below in understanding the overall financial forecast 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 FY21-23 and Estimated FY24-28



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 FY24



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 \$993.0 million in 2021 due to reappraisal in 2017 and update in 2020. We believe values will continue to improve in the future.

A reappraisal update will occur in tax year 2023 for collection in FY24. We have not included estimates for the reappraisal in this forecast. 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 2025 through 2028, 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

	Estimated	Estimated	Estimated	Estimated	Estimated
	TAX YEAR2023	TAX YEAR2024	TAX YEAR 2025	TAX YEAR 2026	TAX YEAR 2027
Classification	COLLECT 2024	COLLECT 2025	COLLECT 2026	COLLECT 2027	COLLECT 2028
Res./Ag.	\$736,492,470	\$736,692,470	\$736,892,470	\$737,092,470	\$737,292,470
Comm./Ind.	208,943,471	209,143,471	209,343,471	209,543,471	209,743,471
Public Utility (PUPP)	55,719,550	55,919,550	56,119,550	56,319,550	56,519,550
Total Assessed Value	<u>\$1,001,155,491</u>	<u>\$1,001,755,491</u>	<u>\$1,002,355,491</u>	<u>\$1,002,955,491</u>	<u>\$1,003,555,491</u>

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	FY24	FY25	FY26	FY27	FY28
General Property Taxes Line #1.010	<u>\$21,382,903</u>	<u>\$21,331,220</u>	<u>\$21,334,612</u>	<u>\$21,338,005</u>	<u>\$21,341,399</u>

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	FY24	FY25	FY26	FY27	FY28
Public Utility Personal Property	<u>\$1,859,625</u>	<u>\$1,863,950</u>	<u>\$1,870,431</u>	<u>\$1,876,910</u>	<u>\$1,883,389</u>

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 2% increase in the July payment and have forecast the remaining payments to increase 2% from last year. 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	FY24	FY25	FY26	FY27	FY28
SDIT Collection 1% made permanent 5/3/	\$12,817,037	\$13,073,378	\$13,085,341	\$13,347,048	\$13,613,989
Adjustments	<u>\$256,341</u>	<u>\$11,963</u>	<u>\$261,707</u>	<u>\$266,941</u>	<u>\$272,280</u>
Total to Line #1.030	<u>\$13,073,378</u>	<u>\$13,085,341</u>	<u>\$13,347,048</u>	<u>\$13,613,989</u>	<u>\$13,886,269</u>

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

HB33, the current state budget, continued the Fair School Funding Plan for FY24 and FY25. We have projected FY24 funding based on the October 2023 foundation settlement and funding factors.

Our district is currently a formula district in FY24 and is expected to continue on the formula in FY25-FY28 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, then HB110, as amended by HB583 for FY22 and FY23, with continuation of this formula in HB33 for FY24 and FY25. The current formula introduced 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 FY24 through FY28 compared to real data in FY21 through FY23 on Lines 1.035, 1.04, 1.06, and 3.03 of the forecasts.

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.

Base Cost Approach - Unrestricted Basic Aid Foundation Funding

The new funding formula uses FY22 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 FY24 and FY25 and remain frozen at FY22 levels, while other factors impacting a districts local capacity will update for FY24. 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)

State Share Percentage – Unrestricted Basic Aid Foundation Funding

Once the base cost is calculated, which is currently at a statewide average of \$8,242.19 per pupil in FY24, 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. HB33 increased the minimum state share from 5% in FY23 to 10% for FY24 and FY25. 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:

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 district's 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. In general, districts whose state share percentage is less than 33.33% will see a benefit from the increase to 33.33% funding.

Restricted Categorical State Aid

1. Disadvantage Pupil Impact Aid (DPIA) - 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 50% for FY24 and 66.67% in FY25.
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 and Success Funds – 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 FY24 and FY25 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 and has now extended the plan in HB33 for FY24 and FY25. The FSFP does not include caps on funding, rather it will include a general phase-in percentage for most components in the amount of 50% in FY24 and 66.67% in FY25.

The funding formula 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 FY24 and FY25 than they received in FY21.

Future State Budget Projections beyond FY25

Our funding status for the FY26-28 will depend on unknown two (2) new state budgets. There is no guarantee that the current Fair School Funding Plan in HB33 will be funded or continued beyond FY25; therefore, our state funding estimates are reasonable, and we will adjust the forecast when we have authoritative data to work with. For this reason, funding is held constant in the forecast for FY26 through FY28.

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.

The casino revenue has recovered from the pandemic from closing the casinos in 2020. Total funding in FY21 was 73.83 million or \$42.18 per pupil. In FY22, the funding was increased to \$109.39 million for schools or \$62.86 per pupil, and in FY23, the funding totaled \$113.1 million or \$64.90 per pupil. We expect the Casino revenues to have resumed their historical growth rate and are assuming a 2% annual growth rate for the remainder of the forecast.

Source	FY24	FY25	FY26	FY27	FY28
Basic Aid-Unrestricted	\$36,918,386	\$38,247,386	\$38,247,386	\$38,247,386	\$38,247,386
Additional Aid Items	<u>1,736,812</u>	<u>1,736,812</u>	<u>1,736,812</u>	<u>1,736,812</u>	<u>1,736,812</u>
Basic Aid-Unrestricted Subtotal	\$38,655,198	\$39,984,198	\$39,984,198	\$39,984,198	\$39,984,198
Ohio Casino Commission/ Medicaid/ Crec	<u>742,834</u>	<u>742,079</u>	<u>750,301</u>	<u>758,687</u>	<u>767,240</u>
Total Unrestricted State Line # 1.035	<u>\$39,398,032</u>	<u>\$40,726,277</u>	<u>\$40,734,499</u>	<u>\$40,742,885</u>	<u>\$40,751,438</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. 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	FY24	FY25	FY26	FY27	FY28
DPIA	\$884,470	\$884,470	\$884,470	\$884,470	\$884,470
Career Tech	57,281	57,281	57,281	57,281	57,281
Gifted	345,139	345,139	345,139	345,139	345,139
English Learners	18,380	18,380	18,380	18,380	18,380
Student Wellness	1,172,262	1,172,262	1,172,262	1,172,262	1,172,262
Catastrophic Aid	<u>261,460</u>	<u>264,075</u>	<u>266,716</u>	<u>269,383</u>	<u>272,077</u>
Total Restricted State Line #1.040	<u>\$2,738,992</u>	<u>\$2,741,607</u>	<u>\$2,744,248</u>	<u>\$2,746,915</u>	<u>\$2,749,609</u>

Summary of State Foundation Revenues – Line# 1.035 and 1.040

Source	FY24	FY25	FY26	FY27	FY28
Unrestricted Line # 1.035	\$39,398,032	\$40,726,277	\$40,734,499	\$40,742,885	\$40,751,438
Restricted Line # 1.040	<u>2,738,992</u>	<u>2,741,607</u>	<u>2,744,248</u>	<u>2,746,915</u>	<u>2,749,609</u>
Total State Foundation Revenue	<u>\$42,137,024</u>	<u>\$43,467,884</u>	<u>\$43,478,747</u>	<u>\$43,489,800</u>	<u>\$43,501,047</u>

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	FY24	FY25	FY26	FY27	FY28
Rollback and Homestead	<u>\$3,149,401</u>	<u>\$3,345,258</u>	<u>\$3,345,710</u>	<u>\$3,346,163</u>	<u>\$3,346,616</u>

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 FY24-FY28 Line 1.06 revenues and historical FY20 through FY23 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	FY24	FY25	FY26	FY27	FY28
Tuition SF-14 & SF-14H	\$502,881	\$502,881	\$502,881	\$502,881	\$502,881
Interest	1,472,472	1,546,096	1,623,401	1,704,571	1,789,800
Student Fees and PTP Fees	172,793	172,793	172,793	172,793	172,793
Open Enrollment	0	0	0	0	0
Rentals, Donations, Miscellaneous	<u>1,349,307</u>	<u>984,800</u>	<u>994,648</u>	<u>1,004,594</u>	<u>1,014,640</u>
Total Other Local Revenue Line #1.060	<u>\$3,497,453</u>	<u>\$3,206,570</u>	<u>\$3,293,723</u>	<u>\$3,384,839</u>	<u>\$3,480,114</u>

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.

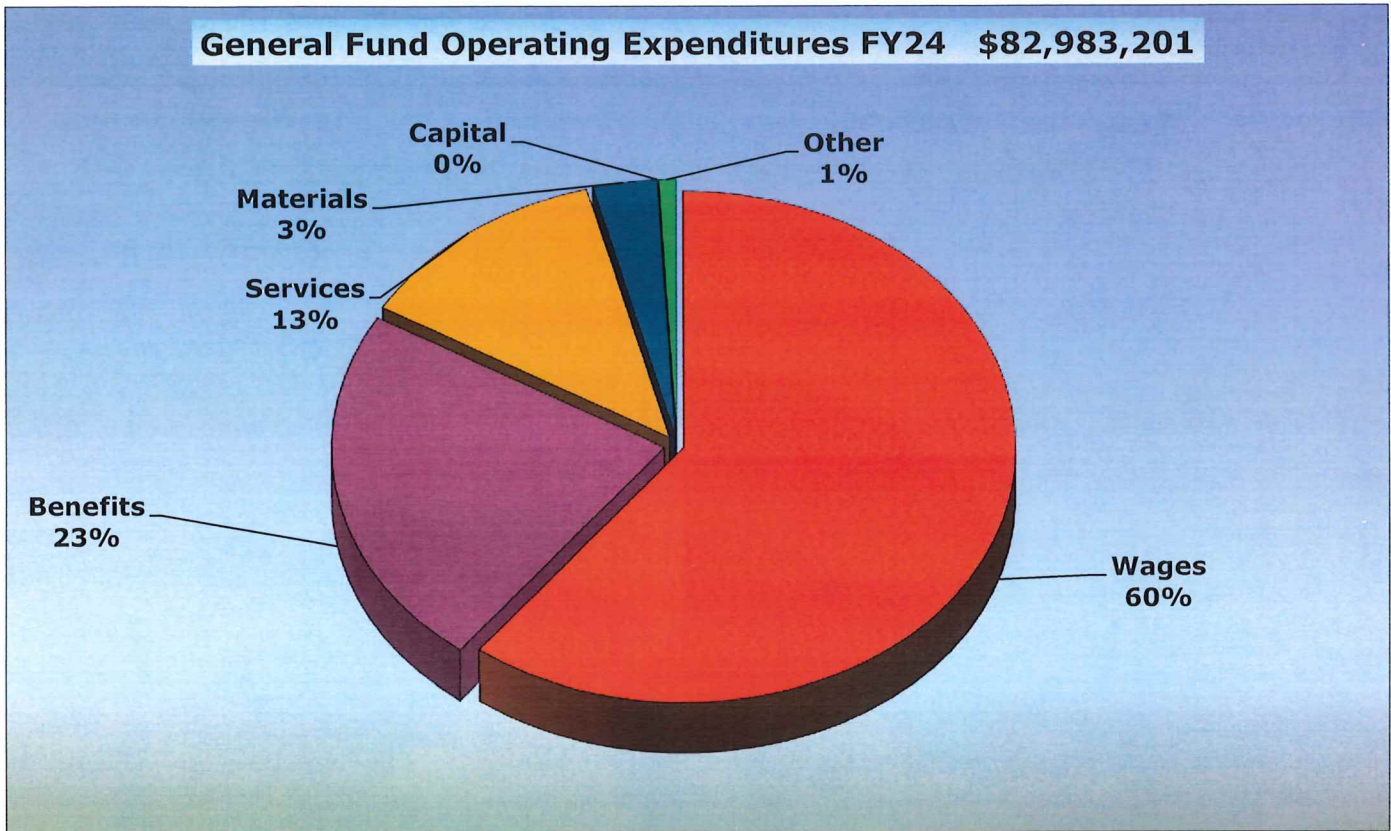
Source	FY24	FY25	FY26	FY27	FY28
Transfers In - Line 2.040	\$188,512	\$188,512	\$188,512	\$188,512	\$188,512
Advance Returns - Line 2.050	<u>185,000</u>	<u>185,000</u>	<u>185,000</u>	<u>185,000</u>	<u>185,000</u>
Total Transfer & Advances In	<u>\$373,512</u>	<u>\$373,512</u>	<u>\$373,512</u>	<u>\$373,512</u>	<u>\$373,512</u>

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

We have significant other financing sources this year due to BWC refunds and anticipate minimal other revenue during the remaining years of the forecast.

Source	FY24	FY25	FY26	FY27	FY28
<u>Refunds & Sale of Assets/Worker's Comp</u>	<u>\$100,000</u>	<u>\$100,000</u>	<u>\$100,000</u>	<u>\$100,000</u>	<u>\$100,000</u>

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 – FY28 projections also includes a base increase of 2.0% and all the additional variables as in FY24.

Source	FY24	FY25	FY26	FY27	FY28
Base Wages	\$ 47,452,413	\$ 49,251,214	\$ 51,673,318	\$ 54,222,910	\$ 56,897,718
Increases/ Performance Pay	949,048	1,506,786	1,550,200	1,626,687	1,706,932
Steps & Training	949,048	949,048	985,024	1,033,466	1,084,458
Replacement/Growth Staff	(99,295)	(33,730)	14,368	14,655	14,948
Supplemental Costs	0	0	0	0	0
Student Wellness & ESSER & Incentives	975,000	0	0	0	0
Total Wages Line #3.010	\$50,226,214	\$51,673,318	\$54,222,910	\$56,897,718	\$59,704,056

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 9.5% for FY24 and are estimated at 9.8% for FY25 through FY28 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	FY24	FY25	FY26	FY27	FY28
STRS/SERS	\$7,126,576	\$7,332,767	\$7,694,554	\$8,074,126	\$8,472,363
Insurance's	10,703,247	11,749,467	12,902,064	14,167,638	15,557,263
Workers Comp/Unemployment	381,697	392,550	411,672	431,733	452,780
Medicare	715,865	722,937	759,329	796,780	836,074
Other/Tuition	<u>123,310</u>	<u>123,310</u>	<u>123,310</u>	<u>123,310</u>	<u>123,310</u>
Total Fringe Benefits Line #3.020	<u>\$19,050,695</u>	<u>\$20,321,031</u>	<u>\$21,890,929</u>	<u>\$23,593,587</u>	<u>\$25,441,790</u>

Purchased Services – Line #3.030

HB110, the previous state budget, impacted Purchased Services beginning 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 FY24-FY28 Line 3.03 costs and historical FY21

through FY23 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.

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 FY25-FY28.

Source	FY24	FY25	FY26	FY27	FY28
Tuition & EdChoice	\$1,491,017	\$1,565,568	\$1,643,846	\$1,726,038	\$1,812,340
Community School	0	0	0	0	0
Open Enrollment	0	0	0	0	0
Legal & Prof Dev Travel	335,304	368,834	372,522	376,247	380,009
Professional & Technical Services	2,422,608	3,995,286	4,195,050	4,404,803	4,625,043
Building & Equipment Repairs	132,566	136,543	140,639	144,858	149,204
Special Education	1,754,362	1,842,080	1,934,184	2,030,893	2,132,438
Utilities	1,807,965	1,898,363	1,993,281	2,092,945	2,197,592
Purchased Services, Rentals & Misc	<u>\$2,466,127</u>	<u>\$2,589,433</u>	<u>\$2,718,905</u>	<u>\$2,854,850</u>	<u>\$2,997,593</u>
Total Purchased Services Line #3.030	<u>\$10,409,949</u>	<u>\$12,396,107</u>	<u>\$12,998,427</u>	<u>\$13,630,634</u>	<u>\$14,294,219</u>

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	FY24	FY25	FY26	FY27	FY28
Supplies	\$1,190,231	\$2,249,743	\$2,362,230	\$2,480,342	\$2,604,359
Building & Transportation	<u>1,425,815</u>	<u>1,497,106</u>	<u>1,571,961</u>	<u>1,650,559</u>	<u>1,733,087</u>
Total Supplies Line #3.040	<u>\$2,616,046</u>	<u>\$3,746,849</u>	<u>\$3,934,191</u>	<u>\$4,130,901</u>	<u>\$4,337,446</u>

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	FY24	FY25	FY26	FY27	FY28
County Auditor & Treasurer Fees	\$302,897	\$308,955	\$315,134	\$321,437	\$327,866
Audit Fees/Liability Ins/Other	<u>377,400</u>	<u>384,948</u>	<u>392,647</u>	<u>400,500</u>	<u>408,510</u>
Total Other Expenses Line #4.300	<u>\$680,297</u>	<u>\$693,903</u>	<u>\$707,781</u>	<u>\$721,937</u>	<u>\$736,376</u>

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 transfer of \$2.5M in FY24 is for the 070 capital projects fund.

Source	FY24	FY25	FY26	FY27	FY28
Operating Transfers Out Line #5.010	\$2,785,196	\$188,512	\$188,512	\$188,512	\$188,512
Advances Out Line #5.020	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$2,785,196</u>	<u>\$188,512</u>	<u>\$188,512</u>	<u>\$188,512</u>	<u>\$188,512</u>

Source	FY24	FY25	FY26	FY27	FY28
All Other Financing Uses - Line #5.030	<u>\$6,755</u>	<u>\$6,755</u>	<u>\$6,755</u>	<u>\$6,755</u>	<u>\$6,755</u>

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	FY24	FY25	FY26	FY27	FY28
Estimated Encumbrances	<u>\$2,731,078</u>	<u>\$2,731,078</u>	<u>\$2,731,078</u>	<u>\$2,731,078</u>	<u>\$2,731,078</u>

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	FY24	FY25	FY26	FY27	FY28
Budget Reserve - Line 9.030	<u>\$934,406</u>	<u>\$934,406</u>	<u>\$934,406</u>	<u>\$934,406</u>	<u>\$934,406</u>
Total Reservations of Balance- Line#9.08	<u>\$934,406</u>	<u>\$934,406</u>	<u>\$934,406</u>	<u>\$934,406</u>	<u>\$934,406</u>

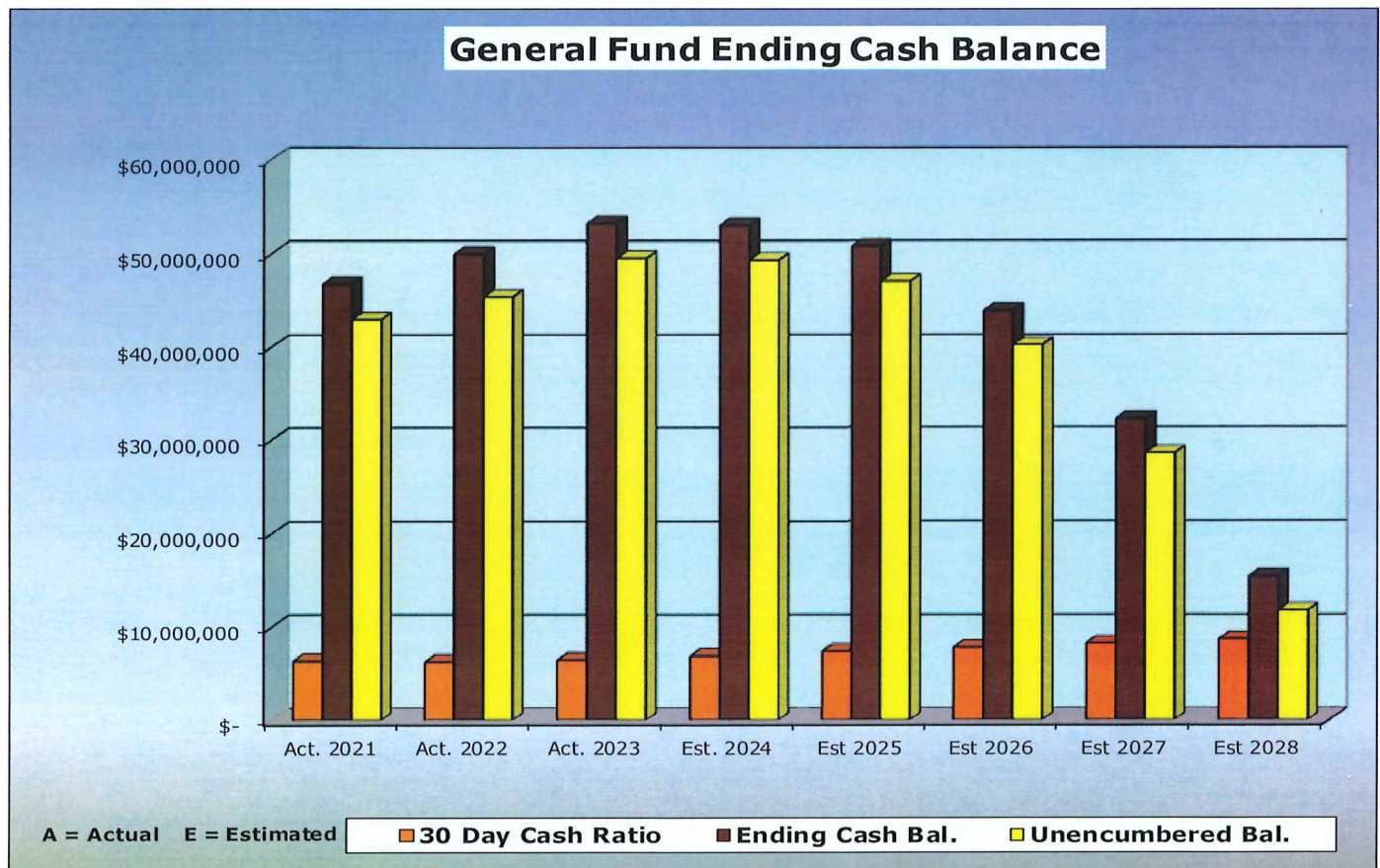
Ending Unencumbered Cash Balance “The Bottom-line” – Line#15.010

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	FY24	FY25	FY26	FY27	FY28
Ending Unreserved Cash Balance	\$ 49,294,679	\$ 47,041,939	\$ 40,236,217	\$ 28,589,391	\$ 11,792,583

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 expenditures begin to exceed stagnant revenues, creating a decline in available balances that will need to be addressed.



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.

