



**ARCANUM-BUTLER
LOCAL SCHOOL DISTRICT**

**FIVE-YEAR FORECAST
ASSUMPTIONS**

PRESENTED NOVEMBER 14, 2024

Introduction

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

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

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

The five-year forecast includes historical data from fiscal years 2022 – 2024. The forecast also includes expected revenues, expenditures and fund balances of the General Fund of Arcanum Butler Schools for each of the fiscal years from 2025 to 2029.

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

Revenue Assumptions

Forecasted revenues are based on conservative projections and current information provided by the Ohio Department of Education & Workforce, Ohio Department of Taxation, and Darke County Auditor's Office. In FY24, 43.9% of all revenues were generated from local sources and 56.1% of all revenues were provided by state sources.

Revenue is generated from three main sources: taxes levied on property located within the district, taxes levied on income (using the same base as the state's income tax) within the district, and the State of Ohio school foundation program. These three sources account for over 95% of the district's revenue.

Line 1.010 - General Property Taxes (Real Estate)

General property tax collections are based on the effective tax rate and the valuation of the properties located within the school district. Arcanum-Butler Local School District has a voted tax rate of 23.6 mills (4.90 inside mills and 18.70 outside mills). However, due to Ohio House Bill 920 reduction factors, tax collections are based on an effective millage of 20 mills, currently the minimum millage for Ohio public school districts. This is otherwise known as the 20-mill floor. Property values are determined by the Darke County Auditor and the Ohio Department of Taxation. The total real estate valuation for the school district is currently \$185,498,660, which is an increase of \$46,347,150 (approx. 33%) from the 2022 tax duplicate. These values are adjusted using a reappraisal process conducted every six years with an update applied three years after each reappraisal. Property values are scheduled for an update in 2026, with collections starting in 2027.

General property tax collections increased by \$492,277 in FY24. In FY25, with the full year phase in of the 2023 reappraisal, property taxes are expected to increase by an additional \$330,617. No increase is assumed for FY26, FY27, FY28 or FY29.

While the increase in property taxes has been a boost to district revenues, the possibility exists for property taxes to decrease in the future. As part of the most recent biennium budget, the Joint Committee on Property Tax Review and Reform is studying the current property tax structure in Ohio, and is also exploring possible modifications to the current system.

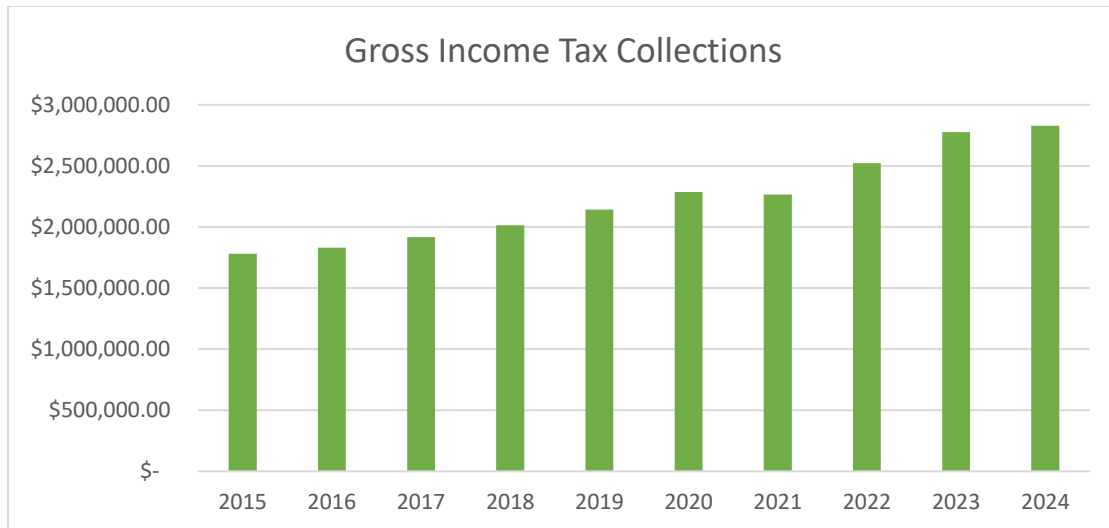
Line 1.020 - Tangible Personal Property Tax

Tangible Personal Property Tax is collected on public utility property located within the district. Tangible Personal Property Tax is not subject to H.B. 920 reduction factors and is therefore collected at the full voted rate of 23.6 mills. Tangible Personal Property Taxes have steadily increased over the last several years. FY24 collections totaled \$279,891. Beginning with FY25, Tangible Personal Property Tax collections are expected to modestly increase at a rate of 3% each year of the forecast.

Line 1.030 - Income Tax

The school district receives income tax revenue based on an approved tax rate of 1.5%. This includes a 0.75% continuing income tax levy and a 0.75% five-year, limited income tax levy. The five-year limited income tax levy was recently renewed in November 2024. This levy has now been approved through December 31, 2030.

The FY24 income tax collections totaled \$2,827,905, an increase of 1.8% or \$50,832. After FY24, income tax revenue is expected to grow by 3.5% each year.



Line 1.035 - Unrestricted State Grants-In-Aid

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

FY24 unrestricted state funding increased by \$963,474, over 14%. FY25 unrestricted state funding is based on the November #1 foundation payment. The Fair School Funding Formula is set to be further phased-in in FY25.

No increase in state funding is assumed for FY26 - FY29. The State of Ohio will begin the biennium budget process in February 2025.

Casino tax funding is also recorded as unrestricted state grants-in-aid. FY25 casino tax revenues are estimated to total \$68,000.

Line 1.040 - Restricted State Grants-In-Aid

This line item is also a part of the foundation payment but is restricted in use. This line item includes funding for economically disadvantaged students (DPIA), career tech

education, gifted education, English learners, catastrophic cost and student wellness and success. In FY24, the district received one-time state funding of \$59,788 for high-quality instructional materials. Restricted funding elements will continue to be phased-in during FY25. FY25 estimates are based on the November #1 foundation payment. Also in FY25, the district will be receiving reimbursement for Science of Reading stipends. Like unrestricted state funding, no additional funding increase is assumed for FY26 - FY29.

Line 1.050 - Property Tax Allocation

Property Tax Allocation includes state reimbursements for homestead and rollback property tax deductions. The State of Ohio currently reimburses school districts for a 10% non-business rollback, a 2.5% owner-occupied reduction, and a homestead exemption for qualifying senior residences. FY24 homestead and rollback reimbursements equaled \$447,831, an increase of \$57,118 or 14.6%. Property tax allocations are estimated to increase by \$51,501 in FY25. No increase is assumed for FY26-FY29.

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

Line 1.060 - All Other Revenues

Other income is primarily comprised of investment revenue and special education tuition received from other school districts. With the rise of interest rates, investment revenue grew significantly in FY23 and FY24. FY22 investment revenue totaled \$68,608. FY23 investment revenue totaled \$296,023, and FY24 investment revenue totaled \$490,478. With decreasing interest rates, FY25 investment revenue is expected to equal \$425,000.

Line 2.040 – Operating Transfers-In

The district does not expect any transfers into the general fund throughout the forecast.

Line 2.050 – Advances-In

The district advanced federal programs a total of \$100,394 at the end of FY23. This amount was returned to the general fund at the beginning of FY24. The district does not plan to advance any funds for FY25 and beyond.

Expenditure Assumptions

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

Line 3.010 - Personal Services

Arcanum-Butler Local School District currently employs 126 regular employees and a number of substitute and supplemental employees. Estimates are based on current staffing levels and do not assume any future staff retirements.

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

Severance for these employees totaled \$49,714.45 in FY24. FY25 severance payments are estimated to total \$24,666. With at least five retirements expected following the 24-25 school year, severance payments are estimated to total \$58,837 in FY26.

ESSER II and ARP ESSER allowed the district to maintain continuity of services by absorbing the salaries of four staff positions that may have otherwise been eliminated. All ESSER funds were liquidated by the end of FY24. After FY24, the salaries of these four positions have been moved back into the general fund. This is one factor contributing to increased expenses in FY25.

Also, in FY25, to accommodate increasing enrollment, the district added two and half new certified positions, including: HS Health/Special Education, 4th Grade and a half HS Science Teacher. The district also plans to add two more positions (5th grade and 6th grade) for FY26.

Line 3.020 - Employees' Retirement/Insurance Benefits

The district pays 90% of health care premiums for the high deductible health plan (HDHP) and 80% of premiums for a PPO insurance plan. Insurance premiums rose 9.5% in CY24 and will increase by 8% in CY25. An estimated 9% premium increase is assumed in subsequent years.

The district contributes 50% of the HDHP deductible to employee health savings accounts. In FY24, this equaled \$164,000. These contributions are made in two separate payments, January and September.

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

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

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

The school district, per the negotiated agreement, will continue to provide tuition reimbursement which is expected to cost the district \$40,000 per year.

Line 3.030 - Purchased Services

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

Purchased services have increased by an average of 3.8% over the last four years. Beginning in FY25, a 3.5% increase is applied to each year of the forecast.

Line 3.040 - Supplies and Materials

This line contains expenditures for office supplies, classroom supplies, library books and textbooks, as well as fuel and maintenance supplies.

Diesel fuel costs totaled \$96,476 in FY23 and \$79,139 in FY24. Diesel fuel costs are expected to total \$90,000 in FY25.

In FY25, the district purchased new Math curriculum at a cost of \$122,335, and will also be purchasing high quality instructional materials (HQIM) at an estimated cost of \$35,000

Other supply costs are estimated to increase by 3.5% each year of the forecast.

Line 3.050 - Capital Outlay

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

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

In FY24, the district purchased two new copiers at an estimated cost of \$17,158, updated exterior digital signage at a cost of \$47,110, purchased a 2015 Chevrolet Express Van for \$18,500 and updated audio system in the cafetorium at a cost of \$45,252. The district also began work related to the Booster Stadium renovation. In FY24, the district purchased a new scoreboard, moved the preschool playground and renovated the locker rooms.

In FY25, the district purchased a 2024 Ford Transit van at a cost of \$85,365. The district is planning to spend \$1,150,500 towards the Booster Stadium renovation. This includes additional parking lots, scoreboards, relocating field events and the installation of a new

walking bridge at the entrance of the stadium. In FY26, a total of \$1,500,000 is estimated to be spent towards the project.

After FY26, \$50,000 of annual capital outlay is forecasted for each year with a new school bus scheduled to be purchased in FY27.

Line 4.050 and 4.060 - Debt Service

In FY15, the school entered into a 15-year fixed rate (2.875%) lease with GNB Banking Center for \$1,500,000. The balance of the lease (\$652,380) was transferred to Fund 070 in March 2024. All principal and interest payments will be made from Fund 070 after FY24.

Line 4.300 - Other Expenditures

Other expenditures include auditor and treasurer fees, county board of education deductions and annual audit cost. The most significant cost in other expenditures is the amount paid to the Darke County ESC for occupational therapy and physical therapy. In FY25, this cost is estimated to be \$174,186. Property, fleet and liability insurance at an annual cost of \$55,271 is also recorded as an Other Expenditure.

Line 5.010 and 5.020 - Operating Transfers/Advances-Out

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

In FY24, the district transferred \$652,380 to Fund 070 for the purpose of repaying the lease that entered into in 2015.

Line 6.010 - Excess of Revenues over (under) Expenditures

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

Line 8.010 - Estimated Encumbrances

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

Line 12.010 - Unreserved Fund Balance

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

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