CLEVELAND METROPOLITAN SCHOOL DISTRICT

School Year 2024-2025 Budget & Five Year Forecast

May 14, 2024

School Year 2024-2025 Budget

Internal Budget Process

2020-2023

- Era of supplemental ARP/ESSER funding
- Biannual 5-year financial forecasts consistently reflect budget deficits beginning 2024-25
- Nov. 2022 forecast assumes elimination of 70% of ARP/ESSER non-personnel expenses; still shows $109M FY25 deficit

Nov. 2023

- 5-year forecast reflects $143M deficit for 2024-25 and negative cash balance of $168M by end of 2025-26
- State of OH places CMSD in "fiscal precaution"; orders Deficit Reduction Plan by 2/29/24

Dec. '23 – Jan. '24

- District leadership identifies, evaluates large cost drivers for potential inclusion in DEW plan
- Cost Center Managers submit preliminary, Round 1 budgets, identifying savings for plan inclusion

Feb. 2024

- Draft Deficit Reduction Plan presented to Board at 2/13/24 Work Session
- Board vote on Deficit Reduction Plan at 2/27/24 Business Meeting
- Approved plan sent to state on 2/29/24

Mar. – Apr. '24

- State accepted deficit reduction plan
- FY25 budget process continued to its conclusion, including final specification of reductions and conclusion of Central Office restructuring

Budget Timeline for County Budget Committee

Annual Budget

(by July 1)

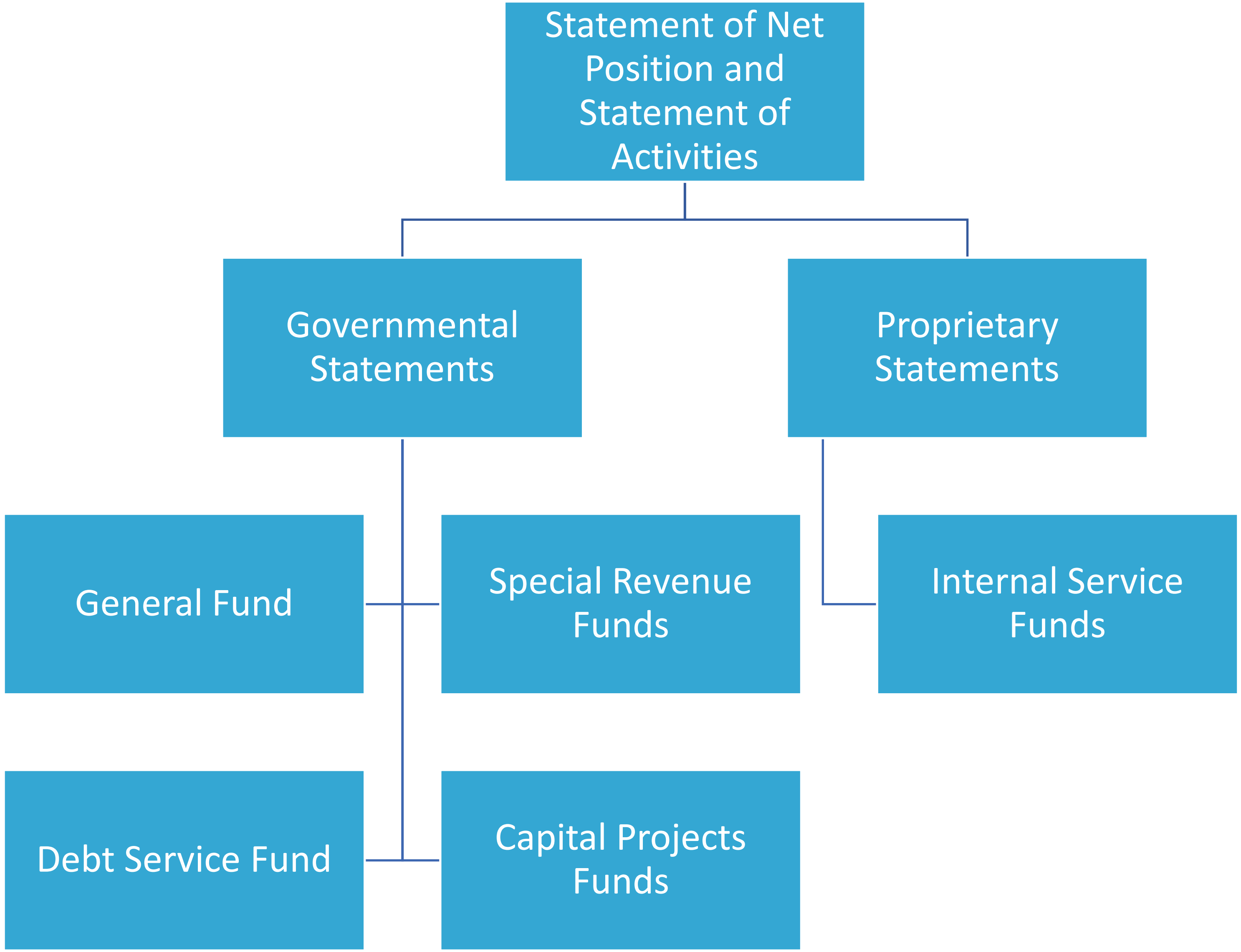
Tax Budget Request

(by December 31)

Tax Budget Approval

(by March or April)

Basis of Budget – Funds



The annual appropriation resolution includes all funds

Basis of Budget – Funds

Level of budgetary control is fund appropriation

EXHIBIT A
FISCAL YEAR 2025 ANNUAL APPROPRIATION MEASURE - ORIGINAL
5/15/2024

Fund	Fund Name	FY 2025 Planned Expenditures	Carryover Encumbrances From FY 2024	FY 2025 Total Proposed Appropriation
001	General	$ 724,802,295.00	$ 16,000,000.00	$ 740,802,295.00
002	Bond Retirement	$ 27,836,698.25	$ -	$ 27,836,698.25
003	Permanent Improvement	$ 14,800,000.00	$ 5,192,565.55	$ 19,992,565.55
006	Food Services	$ 28,000,000.00	$ 1,888,725.33	$ 29,888,725.33
007	Special Trust	$ 3,900,000.00	$ 1,644,770.24	$ 5,544,770.24
010	Classroom Facilities	$ 114,200,000.00	$ 4,847,997.37	$ 119,047,997.37
018	Public School Support	$ 300,000.00	$ 53,546.28	$ 353,546.28
019	Other Grants Fund	$ 727,356.34	$ -	$ 727,356.34
023	Liability Self-Insurance	$ 1,000,000.00	$ 12,758.59	$ 1,012,758.59
024	Employee Benefits Self-Insurance	$ 130,100,000.00	$ -	$ 130,100,000.00
034	Classroom Facilities Maintenance	$ 3,100,000.00	$ 1,838,643.24	$ 4,938,643.24
036	Partnering Community Schools	$ 6,200,000.00	$ -	$ 6,200,000.00
200	Student Managed Activity	$ 500,000.00	$ 85,938.55	$ 585,938.55
300	District Managed Student Activity	$ 150,000.00	$ 33,865.06	$ 183,865.06
401	Auxiliary Services (NPSS)	$ 3,600,000.00	$ 1,052,873.46	$ 4,652,873.46

Basis of Budget – Funds – Monitoring

Budgets are monitored in the General Fund Financial Report and Other Financial Information (Board Monthly Report)

Appropriations

Cleveland Metropolitan School District
All Funds Aggregated Budget Report
For the Period of July 1, 2023 to March 31, 2024

	Board Appropriations 9/26/2023	Workday Appropriations	YTD Expenditures
001FD_L General Fund	$724,605,007	$740,636,944	$491,864,035
002FD_L Bond Retirement	28,586,698	28,401,980	19,750,785
003FD_L Permanent Improvement	17,488,671	17,497,178	6,969,852
006FD_L Food Services	27,913,440	36,878,085	17,956,440
007FD_T Special Trust	5,036,928	10,715,560	5,133,308
010FD_L Classroom Facilities	123,412,358	123,412,358	13,144,460
018FD_L Public School Support	327,595	998,705	109,112
019FD_L Other Grants	727,356	727,356	727,356
023FD_L Liability Self-Insurance	1,054,069	1,013,851	128,659
024FD_L Employee Benefits Self-Insurance	138,307,053	130,132,648	98,370,685
034FD_L Classroom Facilities Maintenance	4,602,750	4,622,885	1,610,593
036FD_L Partnering Community School	6,200,000	6,356,673	5,410,009
200FD_L Student Managed Student Activity	604,093	1,040,007	238,541
300FD_L District Managed Student Activity	189,150	366,088	188,860
401FD_A Auxiliary Services (NPSS)	5,765,125	10,243,615	4,144,548
439FD_B Public School Preschool	2,297,793	2,513,952	1,444,476
451FD_B Data Communications for School Buildings	0	0	0
461FD_L Vocational Education Enhancement	0	8,257	14,443
499FD_B Miscellaneous State Grants	52,232	301,421	265,042
*507FD_G Elementary and Secondary School	197,916,932	130,413,692	136,905,524
508FD_G Governors Emergency Education Relief	1,408,203	305,190	1,406,002

Revenue and Cash

Cleveland Metropolitan School District
All Funds Aggregated Financial Report
For the Period of July 1, 2023 to March 31, 2024

	Beginning Cash Balances 7/1/2023	YTD Receipts	YTD Expenditures	Ending Cash Balances 3/31/2024
001FD_L General Fund	$109,516,971	$628,587,513	$491,864,035	$246,240,449
002FD_L Bond Retirement	63,470,715	29,982,109	19,750,785	73,702,039
003FD_L Permanent Improvement	28,917,415	3,881,152	6,969,852	25,828,715
006FD_L Food Services	6,304,842	15,824,274	17,956,440	4,172,676
007FD_T Special Trust	3,019,814	4,530,873	5,133,308	2,417,379
010FD_L Classroom Facilities	49,456,822	14,028,179	13,144,460	50,340,541
018FD_L Public School Support	1,023,284	194,138	109,112	1,108,311
019FD_L Other Grants	0	0	727,356	-727,356
023FD_L Liability Self-Insurance	1,054,069	0	128,659	925,411
024FD_L Employee Benefits Self-Insurance	29,498,715	106,996,591	98,370,685	38,124,621
034FD_L Classroom Facilities Maintenance	7,147,804	2,313,597	1,610,593	7,850,808
036FD_L Partnering Community School	0	7,315,141	5,410,009	1,905,132
200FD_L Student Managed Student Activity	589,358	319,335	238,541	670,153
300FD_L District Managed Student Activity	177,312	156,711	188,860	145,163
401FD_A Auxiliary Services (NPSS)	1,869,079	4,090,251	4,144,548	1,814,781
439FD_B Public School Preschool	58,143	1,842,725	1,444,476	456,392
451FD_B Data Communications for School Buildings	76,500	3,919	0	80,419
461FD_L Vocational Education Enhancement	2,876	0	14,443	-11,567
499FD_B Miscellaneous State Grants	1,621,833	102,491	265,042	1,459,283
*507FD_G Elementary and Secondary School	45,718,610	38,544,532	136,905,524	-52,642,382
508FD_G Governors Emergency Education Relief	351,479	1,054,523	1,406,002	0

Basis of Budget – Funds – Deficit Reduction Plan

General Fund Financial Report and Other Financial Information (Board Monthly Report)

Date: May 3, 2024

Subject: Status of Deficit Reduction Plan – March 2024 Report

From: Kevin Stockdale, Chief Financial Officer

Background

On November 21, 2023, the Board of Education adopted a Five Year Forecast projecting cash deficits beginning in fiscal year 2024-2025 resulting from the expiration of federal grant funds (ARP/ESSER) provided in response to the COVID-19 pandemic. As a result, the Ohio Department of Education and Workforce (DEW) placed the district in fiscal precaution on November 29, 2023. In compliance with DEW's fiscal precaution process, the Board of Education adopted a Deficit Reduction Plan (DRP) on February 27, 2024 that reduced planned operating expenses and provided for positive cash balances in fiscal years 2024-2025 and 2025-2026. In addition to the information provided in the monthly General Fund Financial Report and Other Financial Information, the following updates are specific to the DRP. Unless otherwise noted, savings will continue from year to year.

Core Values

EQUITY & INCLUSION

STUDENT & COMMUNITY FOCUSED

GROWTH & LEARNING

CARE & WELL-BEING

EXCELLENCE & ACHIEVEMENT

CMSD Strategic Priorities

- **SP1 Safe & Supportive Culture**: Establish a values-based organizational culture that ensures physical and emotional safety, promotes equity and excellence, and fosters authentic belonging and relationships for all scholars and adults.

- **SP2 A Strong & Engaging Instructional Core:** Increase scholar engagement in rigorous and engaging learning by deeply and consistently implementing high quality instructional materials and practices.

- **SP3 Educator Learning**: Establish professional learning experiences and opportunities that empower each CMSD educator to model our values and improve their craft, with emphasis on opportunities related to instruction and instructional leadership.

- **SP4 Coherent Central System:** Strengthen central office processes to ensure financial sustainability, increase responsiveness to schools, and promote equity, clarity, and coherence.

- **SP5 Engaged Community:** Establish and maintain strong partnerships with scholars, families, staff, and other community members (including residents, civic leaders, local businesses, and nonprofits) that foster authentic engagement aligned to CMSD's mission, values, and strategic plan.

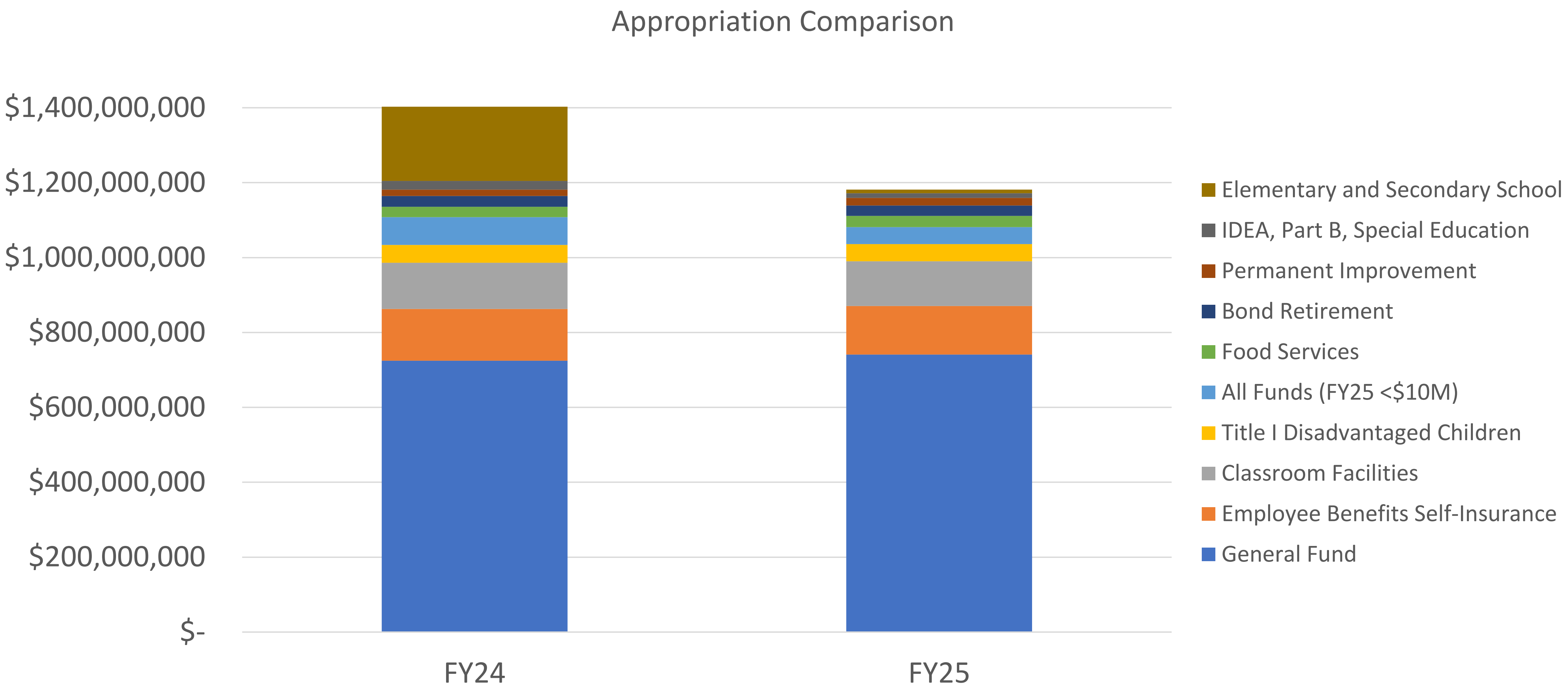
Student-Based Budgeting

- Beginning in 2013, CMSD developed a system of Student-Based Budgeting allowing principals to allocated resources to individual school needs
- Funds are allocated to schools based on student demographics, with funding weights determined by a cross-functional team
- Some schools receive supplements for a unique school model or because they cannot meet baseline services
- **Protected the instructional core by holding the $348 million funding pool constant from school year 2023-2024 to 2024-2025**
- Individual school budgets vary by year based on projected enrollment
- Protections are in place (gain/loss cap) to prevent dramatic swings in annual funding

Central Office Budgets

- Central office budgets are those that are controlled by a chief, rather than a principal
- Some central office spending occurs in schools (special education, nutrition, and arts) or directly serves students (transportation)
- Large areas of the deficit reduction plan came from central office budgets:
  - Central Office Reductions
  - Out of School Time
  - District Operations (Equipment, Supplies, and Services)
  - Summer School
  - Health Insurance Funding
- It **does not** include savings from the alignment of school calendars.
- Exceeded the goal of reducing central office positions by 10% - actual reduction of 12.6%

Budget Comparison



Five Year Forecast

Administrative Context

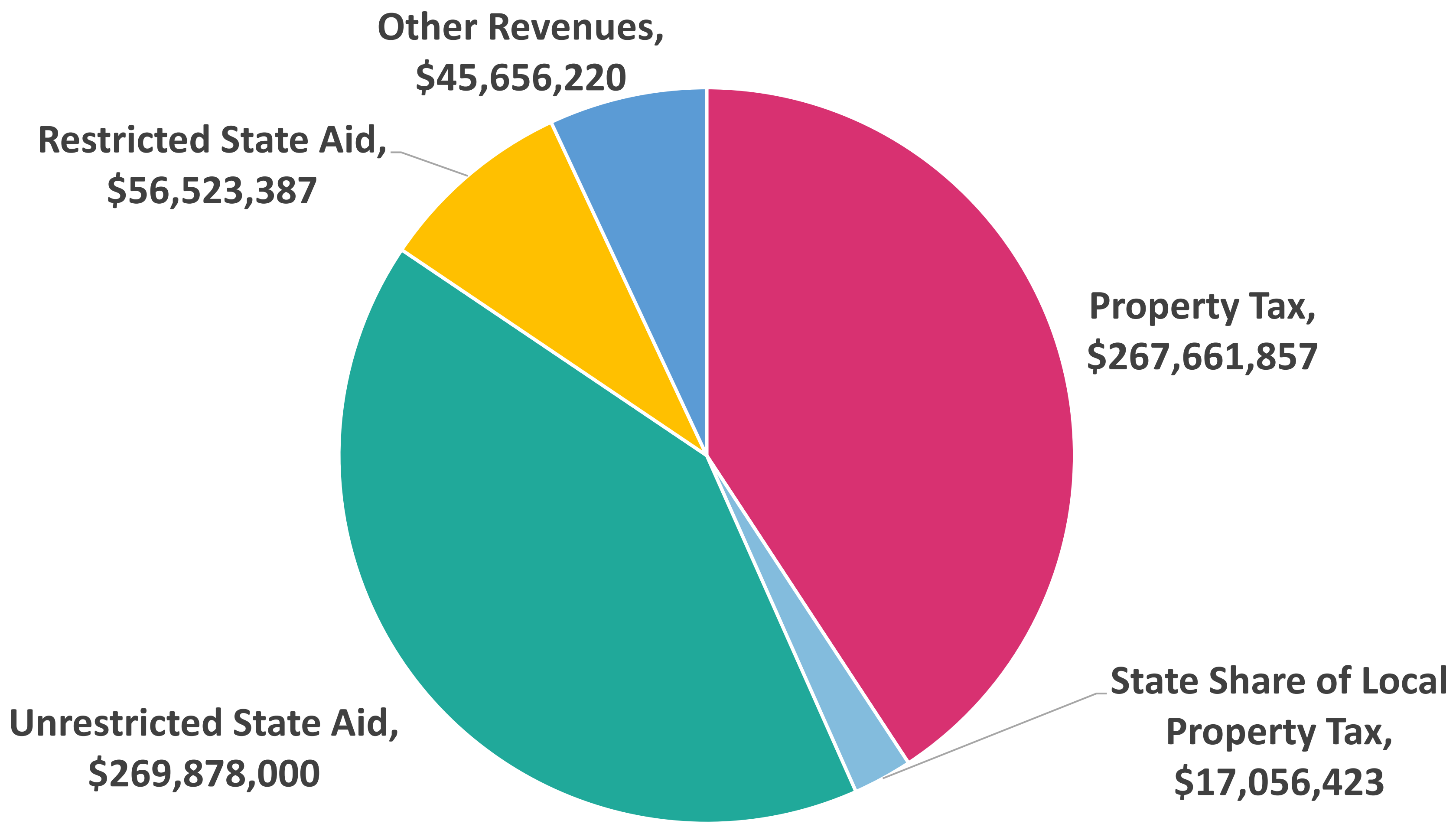
- Limited to the general fund
- Must conform to specific categories (revenues, expenditures, and cash balances), document assumptions, be adopted by the Board, and be submitted in the Educational Management Information System (EMIS)
- Submissions are required at least twice annually to the Department of Education and Workforce (DEW)
- Reviewed and accepted by DEW
- DEW may require remedial action plans in cases of projected cash deficit in the current or next two fiscal years

- Sources: Ohio Revised Code 5705.391 and Ohio Administrative Code 3301-92-04

Historical Context

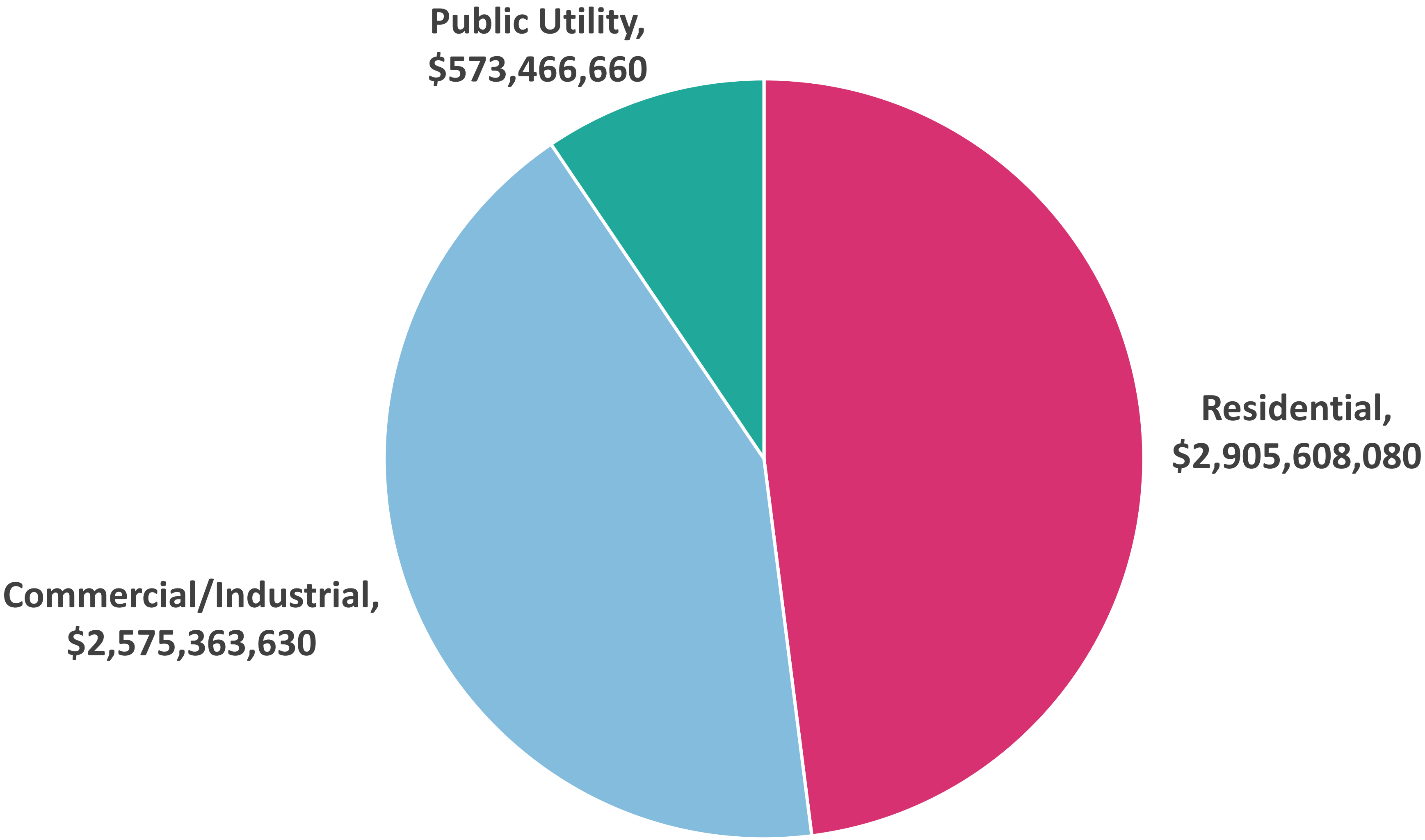
- Five Year Forecasts have consistently shown deficits in school year 2024-2025 since May 2020
- Deficits caused by expenses outpacing revenue, especially with the loss of Federal COVID relief funds (commonly known as ARP/ESSER)
- November 2023 Five Year Forecast showed a deficit in school year 2024-2025, causing the Department of Education to require the submission of a deficit reduction plan
- The Board approved a deficit reduction plan on February 27, 2024

Assumptions – Revenue – 2024 Forecast



Source: Five Year Forecast, Line 1.070

Assumptions – Revenue – 2023 Assessed Property Values



Source: [Cuyahoga County Fiscal GIS Hub]

Assumptions – Revenue – 2024 Reappraisal Process

Tax year 2024 is a full reappraisal year in Cuyahoga County

Timeline from the Cuyahoga County Fiscal Officer:

- July 2023 – April 2024 Field review and valuation of properties
- April 2024 – June 2024 Public Informational Sessions about Sexennial Reappraisal
- July 2024 Proposed Value Notices sent to property owners
- July 2024 – August 2024 Informal Review filing window through Appraisal Department
- November 2024 Valuation adjustment from Informal Review
- December 2024 Tax bills available
- January 2025 – March 2025 Tax complaint filing window for Board of Revision

Assumptions – Revenue – House Bill 920

What is House Bill 920?

In 1976, the Ohio General Assembly passed House Bill (HB) 920, which **reduces the taxes charged by a voted levy to offset inflationary increases in the value of real property**. This is called the property tax reduction factor or HB 920 factor. The reduction factor applies to both Class I and Class II real property. This means the amount of outside millage taxes collected on property will not exceed the amount collected at the property's value in the first year the taxes were collected. **Although property values may increase while the levy is in effect, the amount of taxes collected on those properties does not increase**. The reduced rate at which taxes are collected is termed the "effective" millage.

Source: [Ohio School Boards Association]

Assumptions – Revenue – House Bill 920

Assumptions – Revenue – Property Taxes

- Current property valuation updated with preliminary internal estimates for reappraisal

	2018 Reappraisal Actual	2021 Reevaluation Actual	2024 Reappraisal ***Estimate***
Residential	7.8%	23.5%	32.0%
Commercial/Industrial	12.4%	4.6%	10.0%
Public Utility	5.1%	4.8%	4.0%

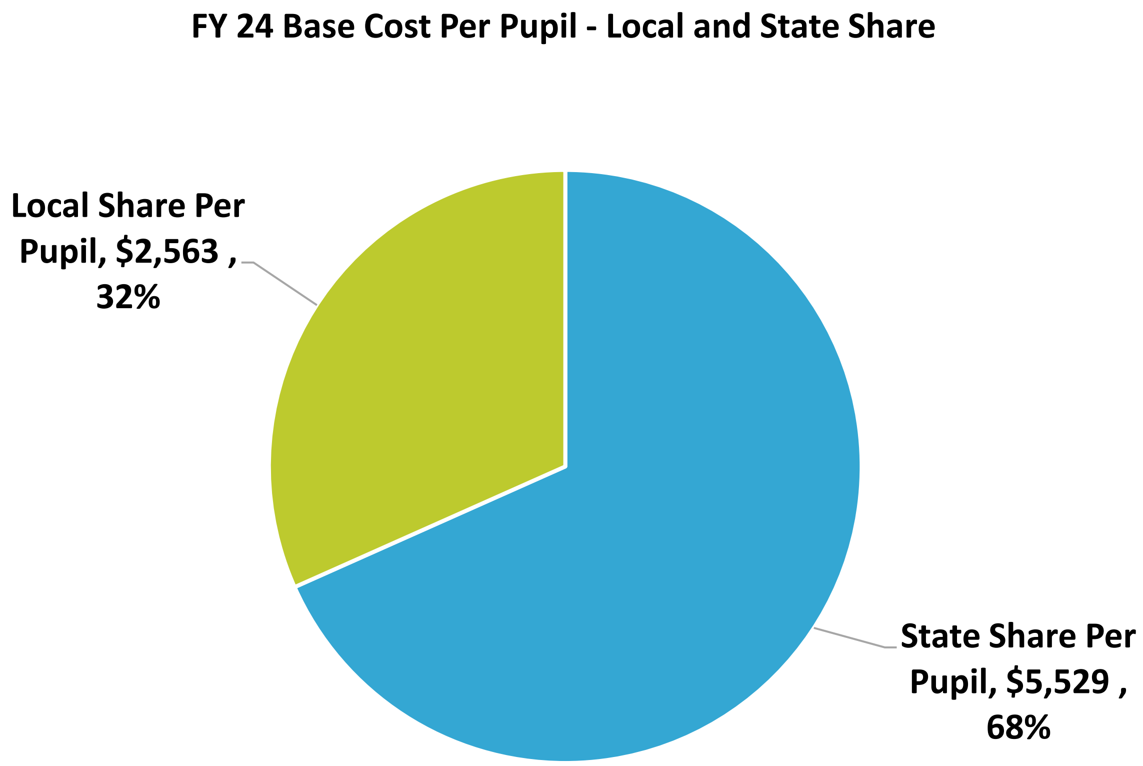
- House Bill 920 – offset most appraised value changes
- Revenue is based on the three-year average total collection rate of 97.2%
- **Risks:** economic downturn or changes to property tax laws

Assumptions – Revenue – Unrestricted State Aid

The Fair School Funding Plan considers the district's capacity to pay (60% property valuation and 40% incomes) to determine the state share of Unrestricted State Aid (line 1.035)

Considers student demographics, such as:

- Special education
- English language learners
- Preschool
- Gifted
- Career-Technical



Assumptions – Revenue – Unrestricted State Aid – Average Daily Membership (ADM)

The state pays districts for the Average Daily Membership, which is excludes pre-kindergarten students and other special populations

Due to increases in the Fair School Funding Plan, decreased enrollment has not led to less state aid

The projection assumes a decrease of 0.5% annually

Assumptions – Revenue – Restricted State Aid

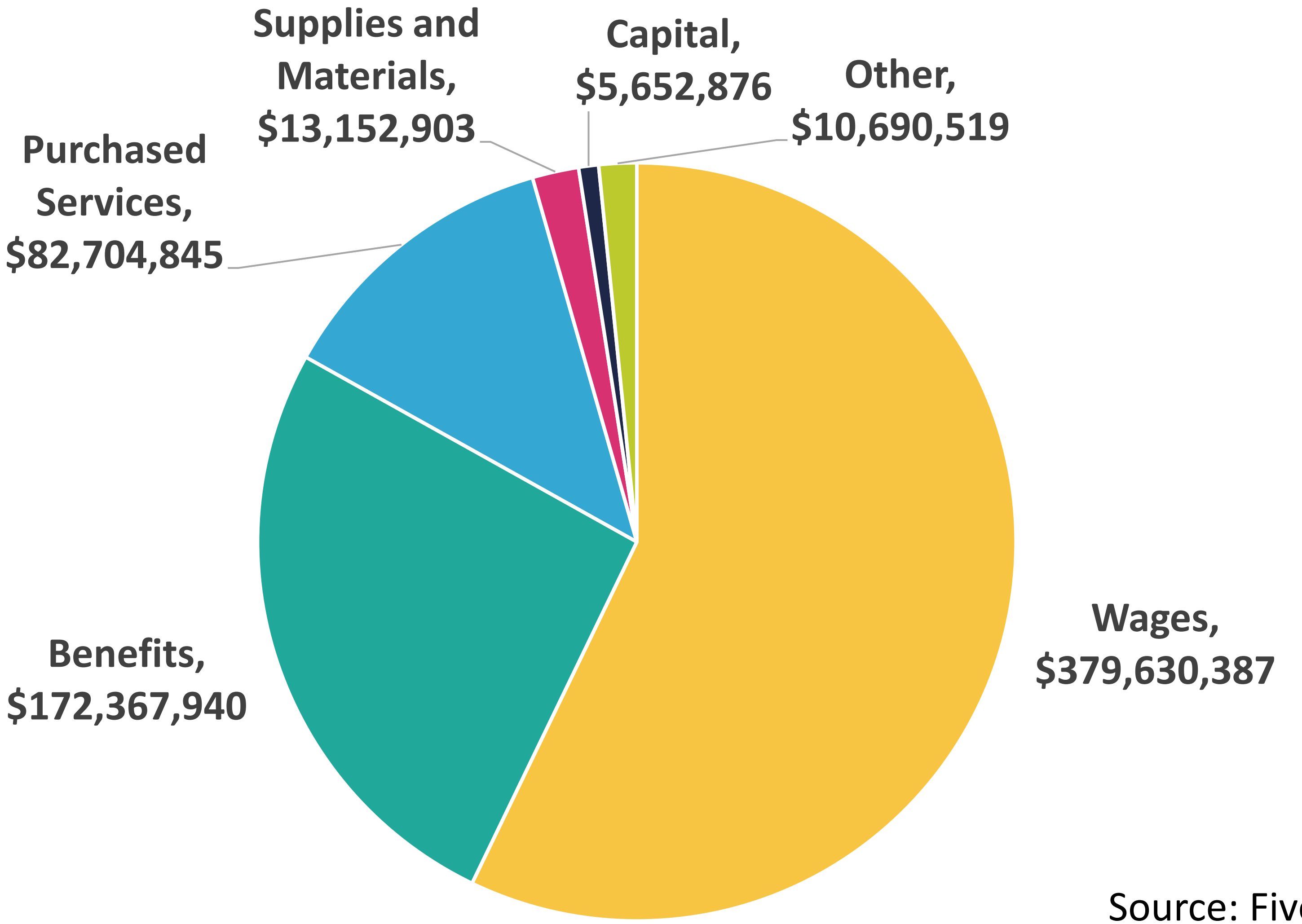
Restricted state aid (line 1.040) is provided for specific purposes:

- Disadvantaged Pupil Impact Aid (DPIA)
- Student Wellness and Success

Districts and schools use Disadvantaged Pupil Impact Aid and Student Wellness and Success Funds to provide vital wraparound services to help students overcome obstacles to learning, accelerate learning and prepare for future success.

Source: Department of Education and Workforce

Assumptions – Expenses – 2024 Forecast



Source: Five Year Forecast, Line 4.500

Assumptions – Expenses – Wages and Benefits

Wages and Benefits are 83% of total general fund expenditures

Lower filled levels in 2023-2024 than expected leading to savings

Assumptions:

- 4.6% existing vacancies, after position reductions
- Wage increases for collective bargaining agreements for FY24-25 and FY25-26
- Healthcare increases 6.5% per year
- Temporary adjustment of -$10 million in 2024-2025 and -$5 million in 2025-2026 based on excess cash balance as part of deficit reduction plan

Assumptions – Expenses – All Other Areas

Inflationary increases of:

- 1.5-3% for purchased services
- 1.5% for supplies
- 0% for capital
- 0.5% for other

Expenses moving from ARP/ESSER to the general fund drive increases to Personal Services and Supplies and Materials in 2024-2025, such as: information technology, textbooks, and summer learning.

Five Year Forecast – May

	FY22-23	FY23-24	FY24-25	FY25-26	FY26-27	FY27-28
Total Revenues	$697.8	$726.8	$694.0	$667.1	$661.7	$668.5
Total Expenditures	$682.8	$704.2	$724.8	$749.6	$774.7	$794.2
Net Revenues Excess/(Shortfall)	$15.0	$22.6	($30.8)	($82.6)	($113.0)	($125.7)
Ending Cash Balance	$109.5	$132.1	$101.3	$18.8	($94.2)	($219.9)
Encumbrances	$16.0	$16.0	$16.0	$16.0	$16.0	$16.0
Unencumbered Cash Balance	$93.5	$116.1	$85.3	$2.8	($110.2)	($235.9)

CMSD is reimbursed for ARP/ESSER expenses after they are recorded
FY23-24 includes a transfer out of $35 million for ARP/ESSER
FY24-25 includes a transfer back of $35 million for reimbursement of ARP/ESSER

Summary

Due to the end of ARP/ESSER, this budget required difficult decisions, starting at central office to protect school budgets and the academic core

We met and exceeded the goals, starting with 12.6% of staff at central office

The budget allows certification of two years of labor contracts

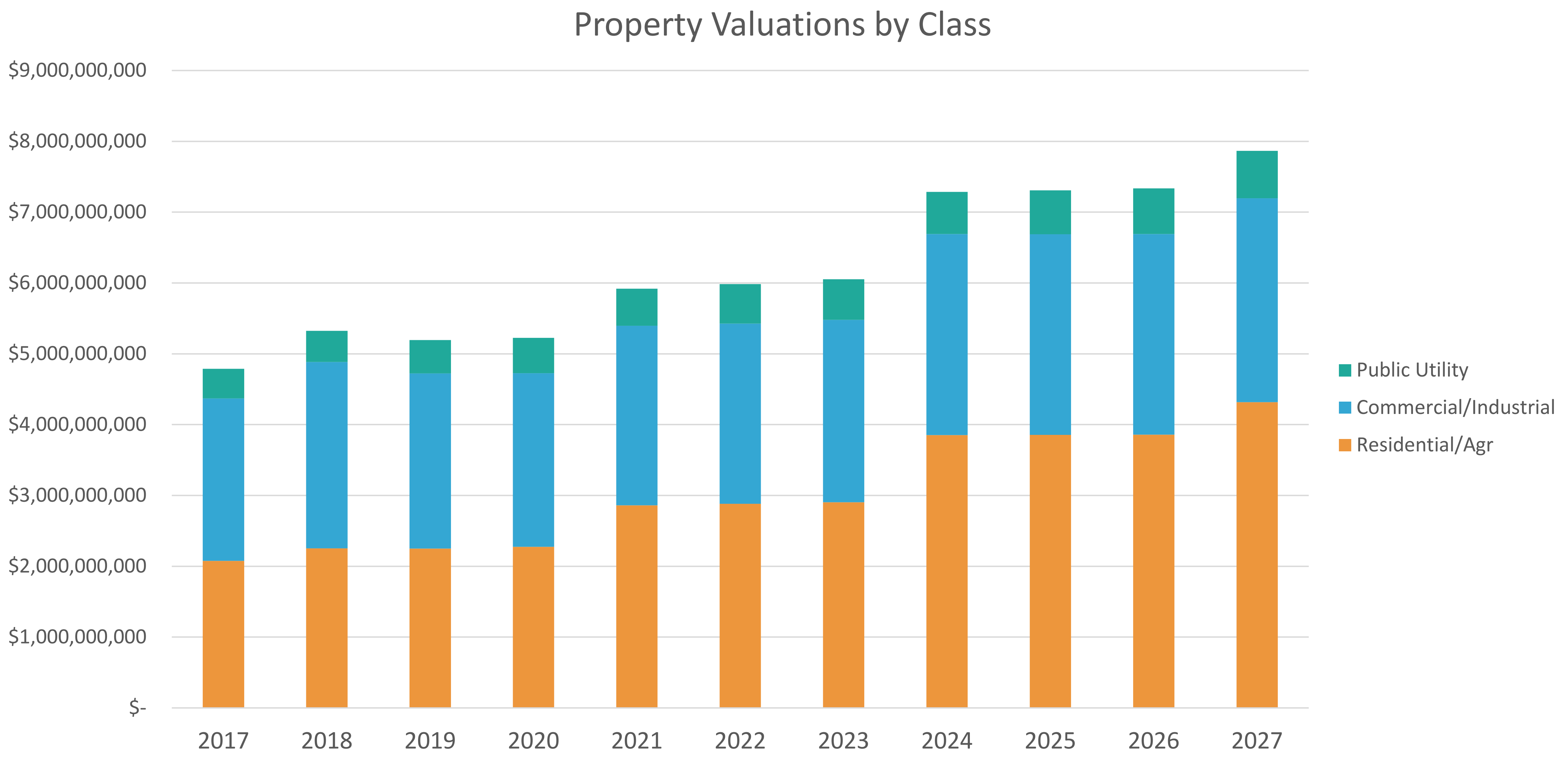
There is much more work to develop a sustainable financial plan

CLEVELAND METROPOLITAN SCHOOL DISTRICT

Thank you.

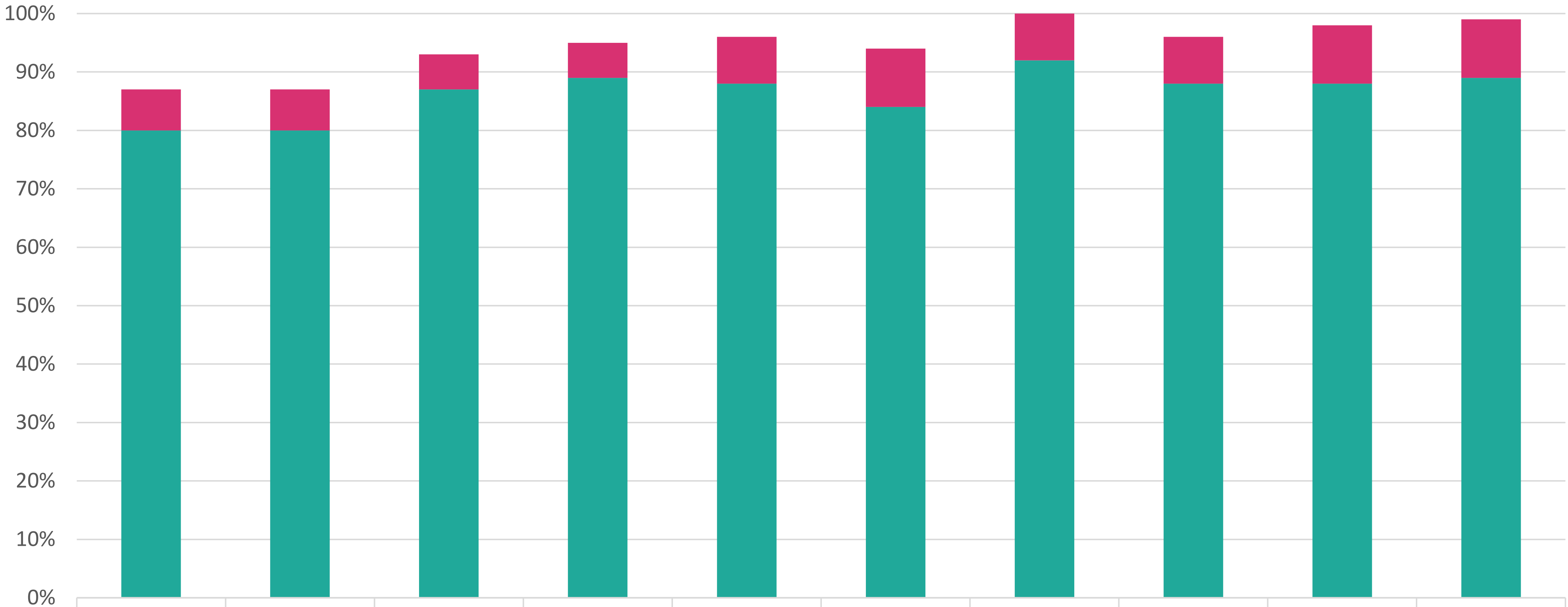
Five Year Forecast Appendices

Assumptions – Revenue – Property Taxes



Assumptions – Revenue – Property Taxes

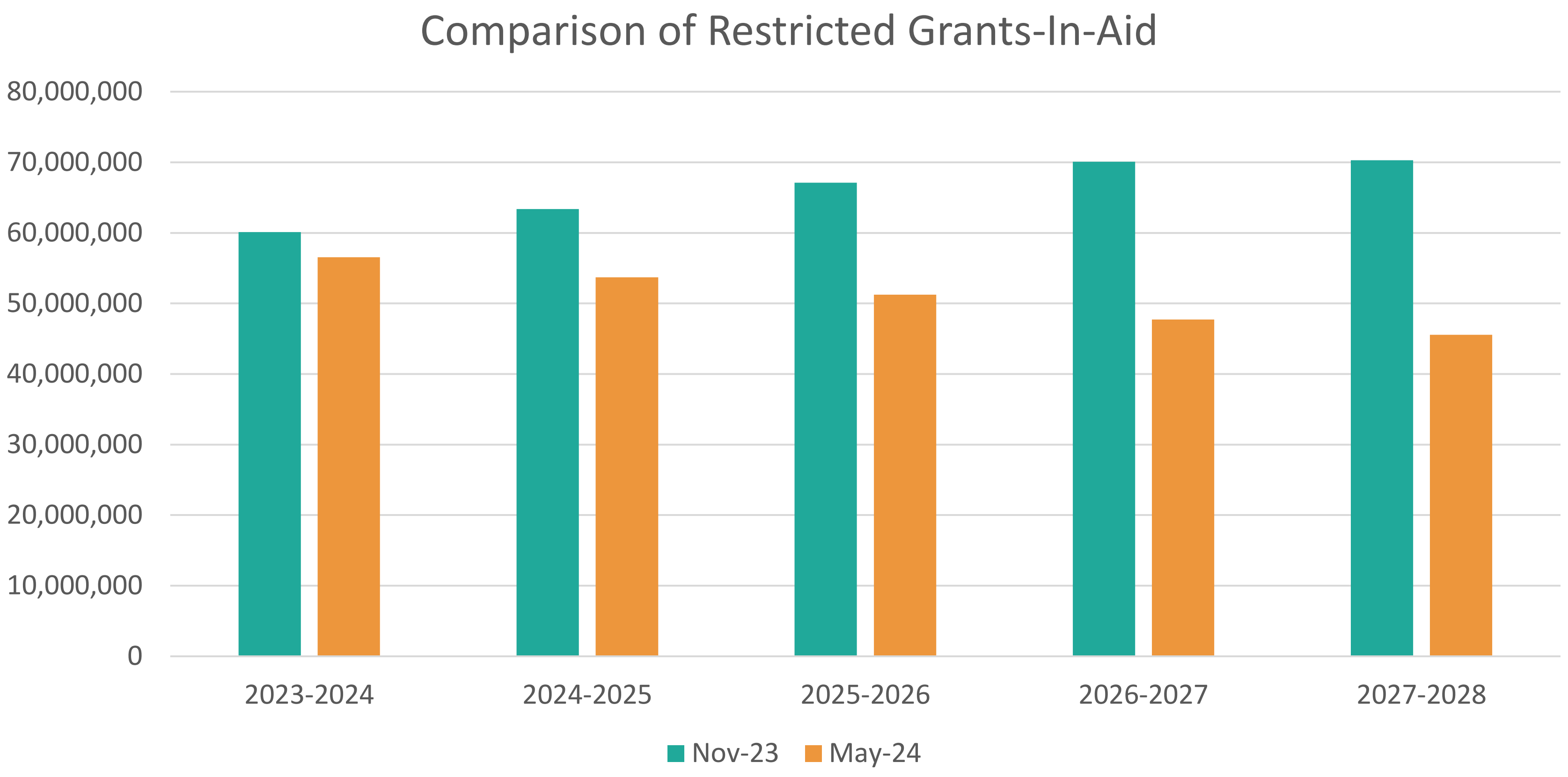
Current and Delinquent Property Tax Collections



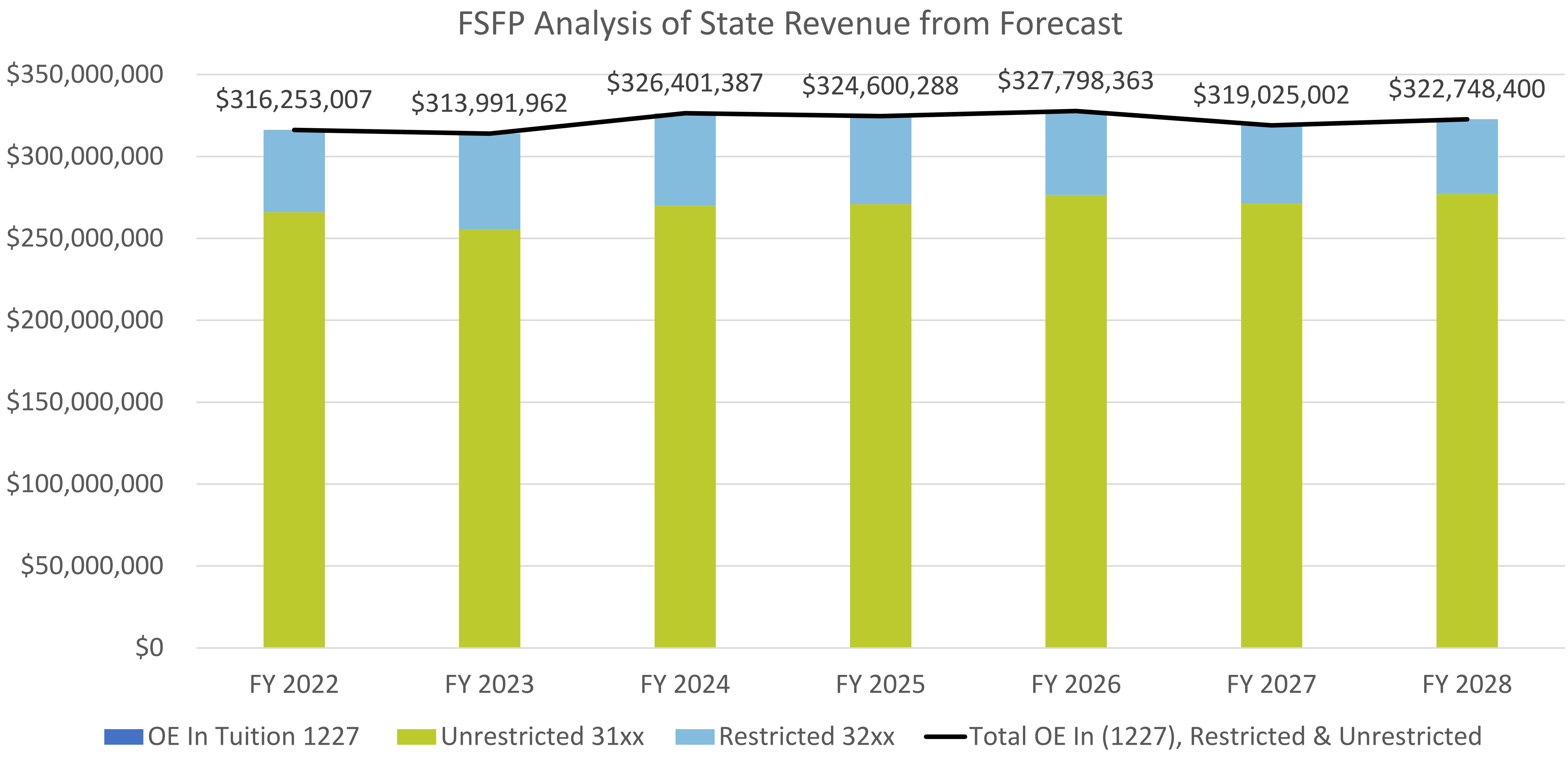
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Delinquent	7%	7%	6%	6%	8%	10%	8%	8%	10%	10%
Current	80%	80%	87%	89%	88%	84%	92%	88%	88%	89%

Assumptions – Revenue – Restricted State Aid

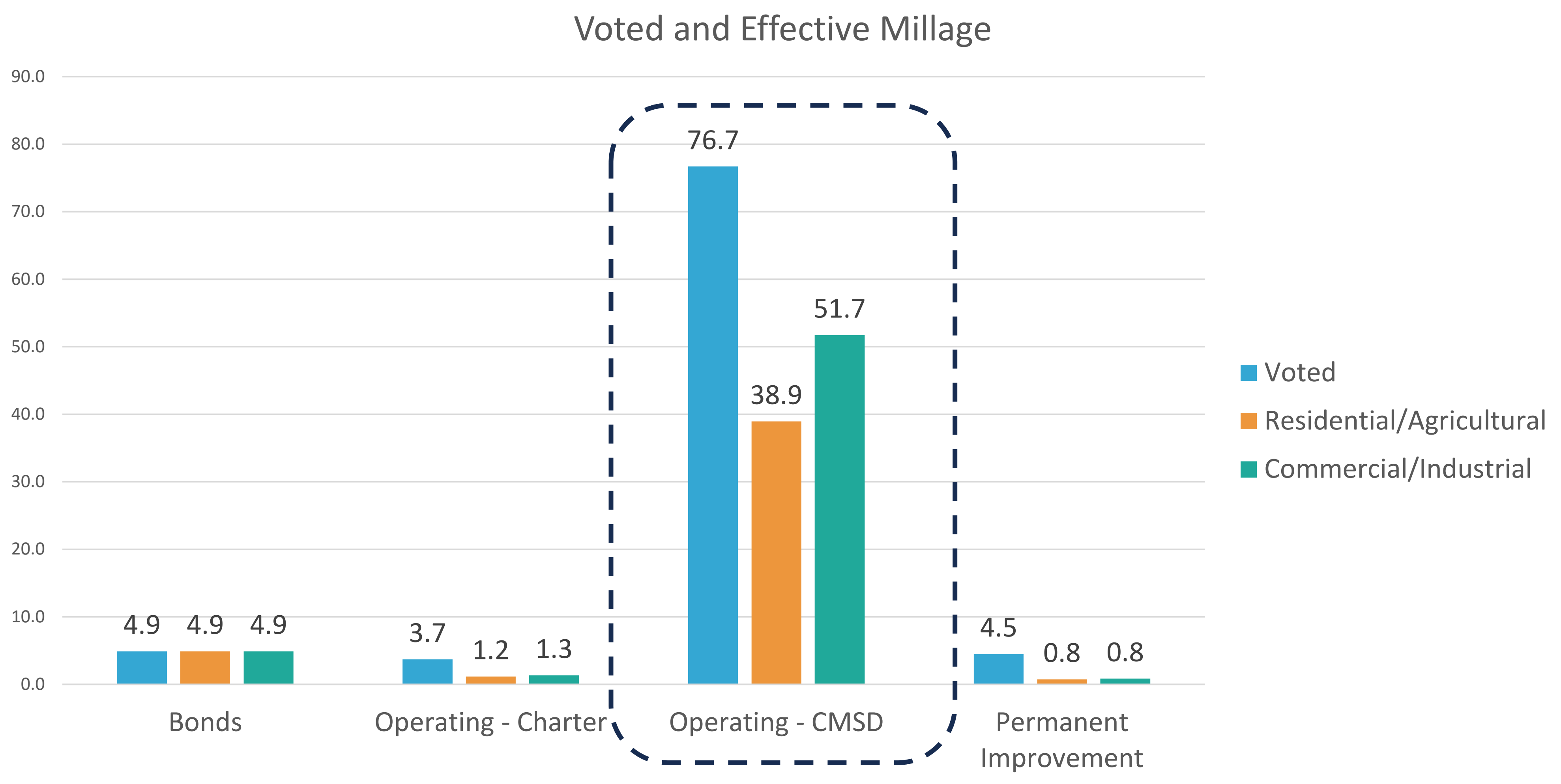
Restricted state aid will decrease due to the state's implementation of DPIA relative to the November 2024 Five Year Forecast:



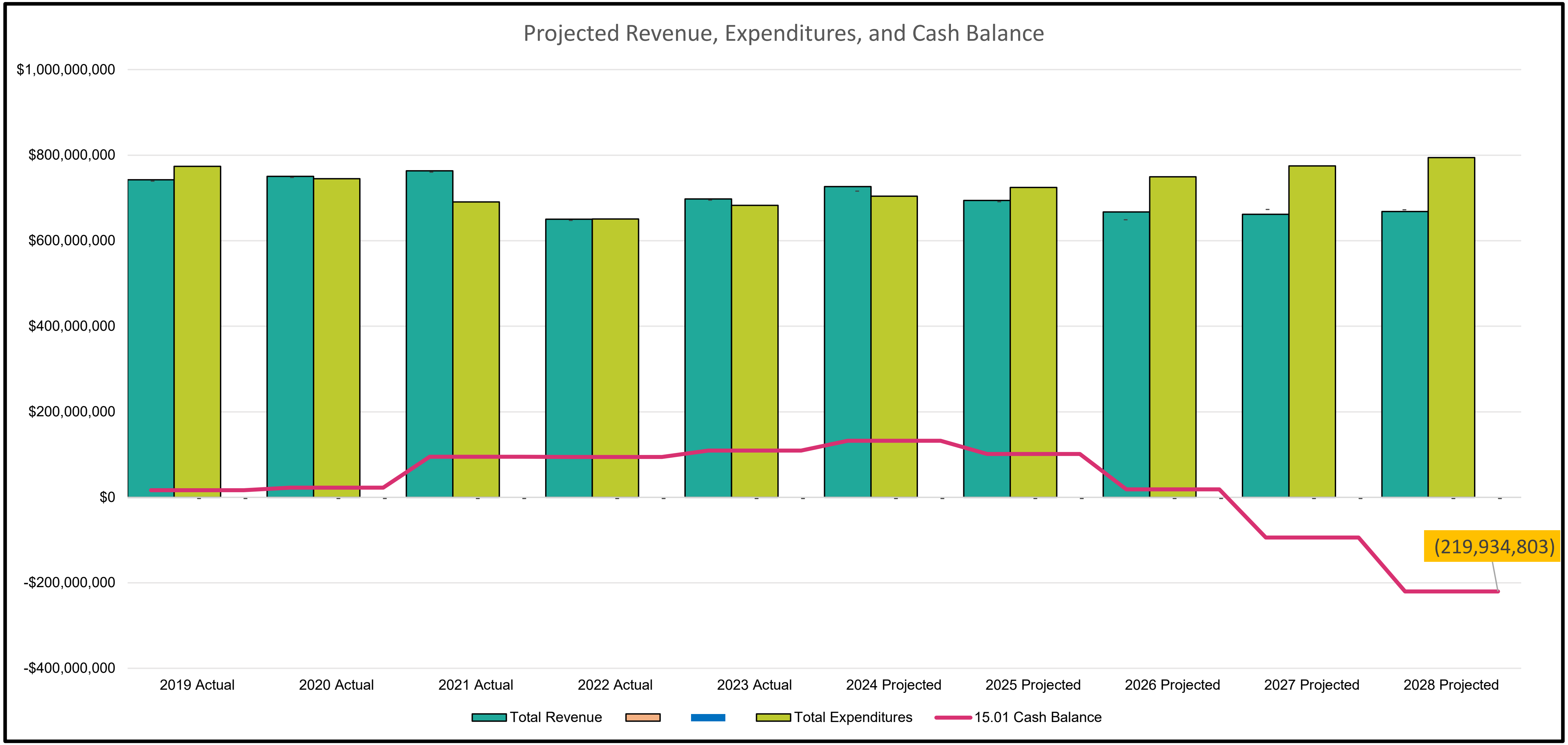
Assumptions – Fair School Funding Plan



Assumptions – Revenue – Voted and Effective Millage



Revenue, Expenses, and Cash on Hand



Other Detailed Assumptions

Revenue:

- Medicaid reimbursement is not available – approximately $2.5 million annually – for FY24 and FY25
- FSFP continues to be phased-in: