CLEVELAND METROPOLITAN SCHOOL DISTRICT

November 2024 General Fund Five Year Forecast

November 6, 2024

Regulatory Context

- Submissions are required at least twice annually to the Department of Education and Workforce (DEW) – November and May
- 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)
- Reviewed and accepted by DEW
- DEW may require remedial action plans in cases of projected deficit

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

Revenue – State Aid

The state operating budget (House Bill 33) updated the Fair School Funding Plan (FSFP), most notably:

- Increased the input costs (e.g., teacher salaries) from FY17-18 to FY21-22 actuals
- Adjusted the base cost per pupil from $7,352 (FY22-23) to $8,242 (FY23-24 and FY24-25)
- Continued the funding phase-in from 33.33% (FY22-23), 66.67% (FY24-25), 83.33% (FY25-26), and 100% (FY26-27 and beyond)

In FY25 and beyond, decreases in state aid primarily due to:

- Increased property valuation and incomes
- Calculation of Disadvantaged Pupil Impact Aid

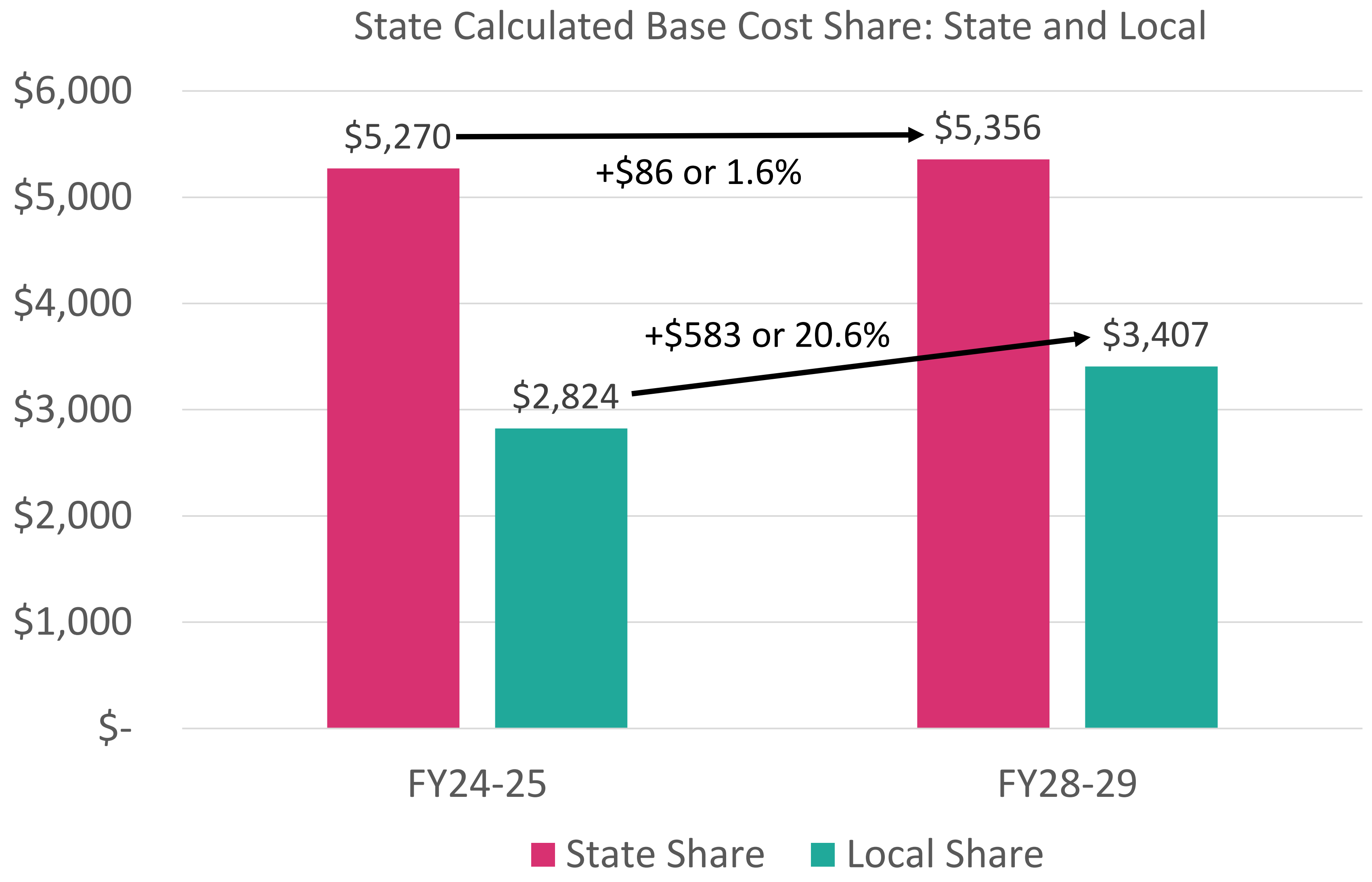
Revenue – Enrollment

Under FSFP, the state funds based on enrollment by student demographics, with categorical supplements for:

- Special education
- English-language learners
- Career-technical education
- Gifted
- Economically disadvantaged

The forecast assumes enrollment declines by 0.75% annually, which is the three-year average.

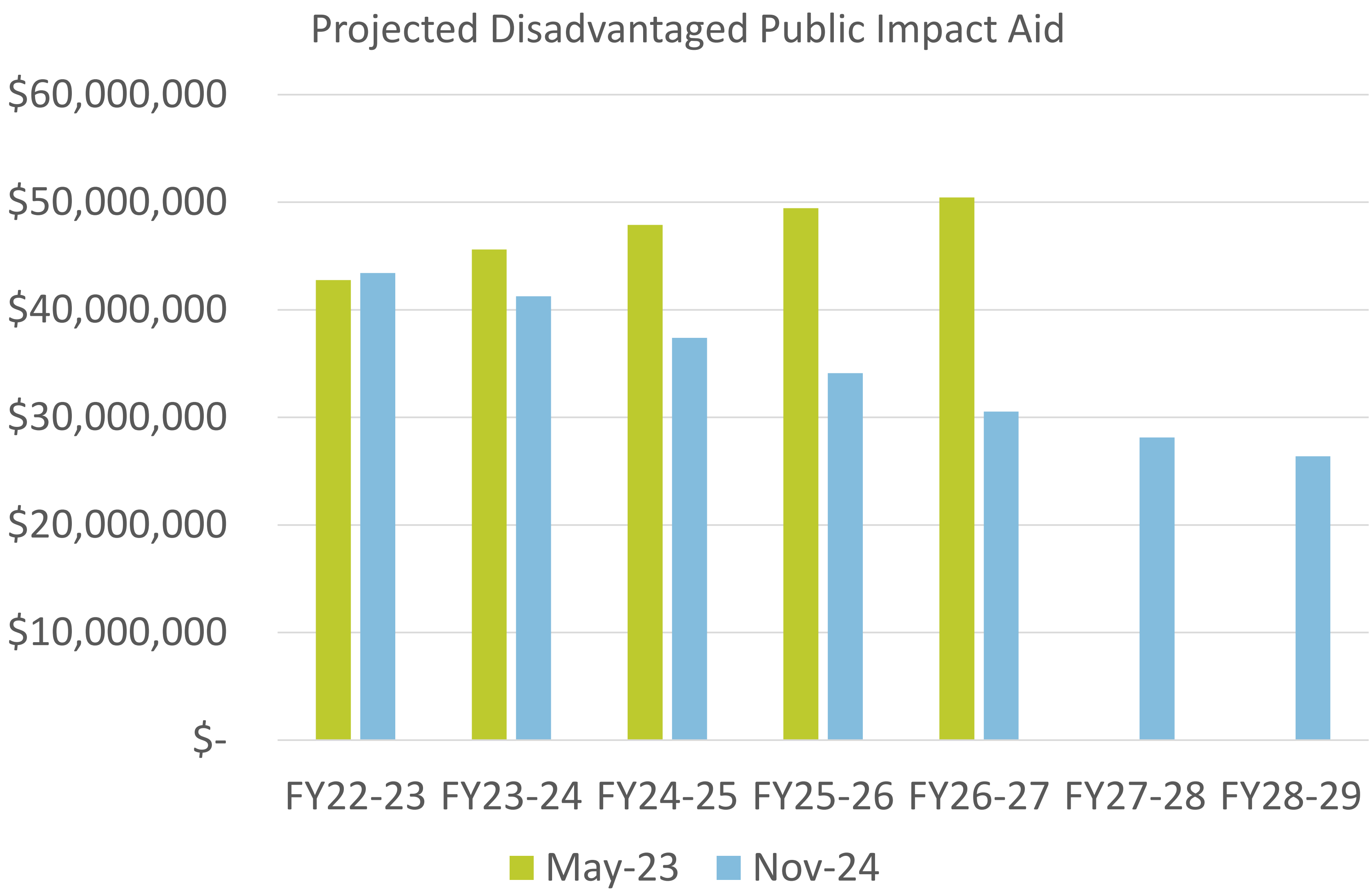
State Funding Shifts Responsibility to School Districts



Based on property values and incomes, the state looks at Cleveland as a wealthier district in 2028-2029, so base costs will only increase by 1.6% per student and expects Cleveland to increase funding by 20.6%.

This shifts the burden from the state to local taxpayers.

The State Is Decreasing Aid for Economically Disadvantaged Students in the Highest Poverty Districts



DPIA is to help districts better serve economically disadvantaged students. Due to a change in calculation methodology, Cleveland will receive $10.5 million less this year than was projected in 2023 and the gap will continue to widen.

The effect is DPIA funding shifting to districts that are wealthier than Cleveland.

Revenue – Local Property Taxes

The Forecast reflects current valuations as well as the historical pattern of changes following triennial re-evaluations and reappraisals. Tax year 2024 is a full reappraisal year in Cuyahoga County.

Property Class	2018	2021	2024*
Residential	7.8%	23.5%	48.1%
Commercial/Industrial	12.4%	4.6%	7.7%
Public Utility	5.1%	4.8%	4.0%

Collections are projected at 97.2% (current and delinquent), which is the three-year average.

* 2024 changes for Residential and Commercial/Industrial are draft values from Cuyahoga County (9/27/2024). Public Utility draft values are not yet available.

Revenue – Levy

The county certified the levy to raise $52.1 million – using the pre-reappraisal value:

- $49.0 million for the general fund and
- $3.0 million for partnering charter schools.

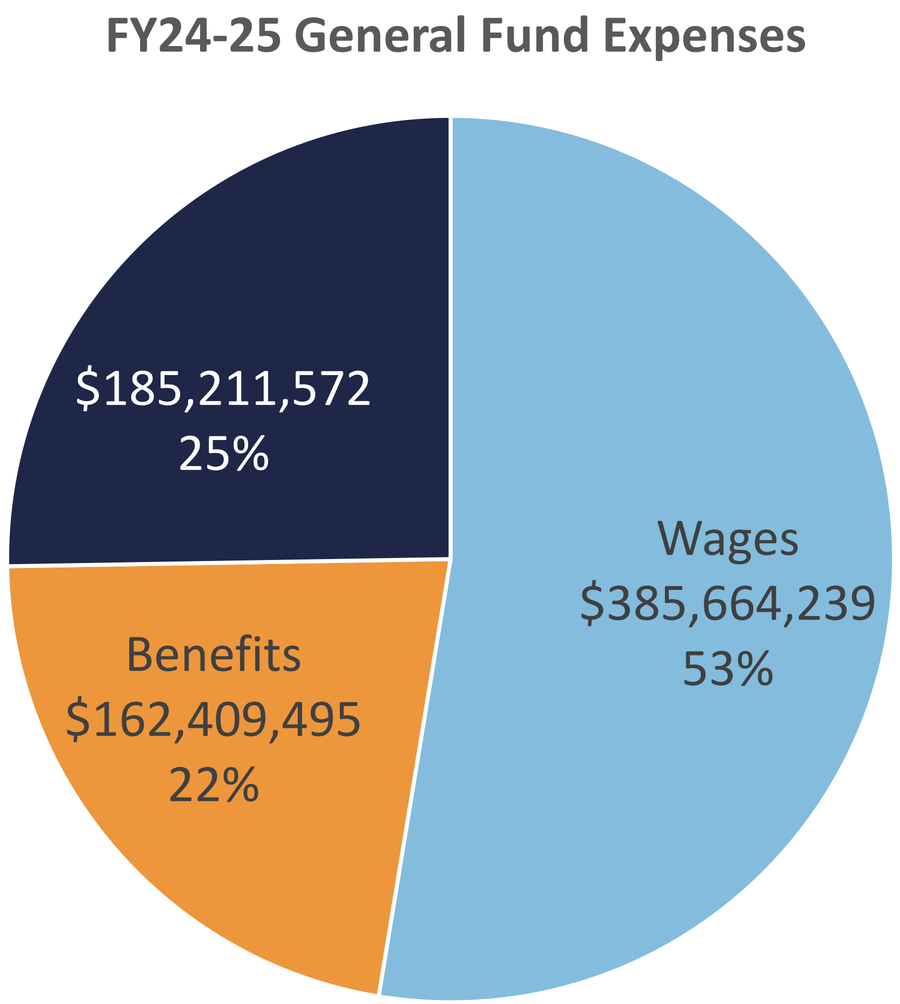
Only half the annual levy revenue will be collected the first fiscal year (January-June).

Revenue – Other Revenue

- Medicaid reimbursement for school nurses is not available – approximately $2.5 million annually – for FY24-25
- Interest and investment earnings decreases by approximately 50% annually as cash balances subside and interest rates fall
- Inter-fund advances return to pre-ARP/ESSER levels (-$38.4 million decrease from FY24-25 to FY25-26)

Expenses – Salaries and Benefits

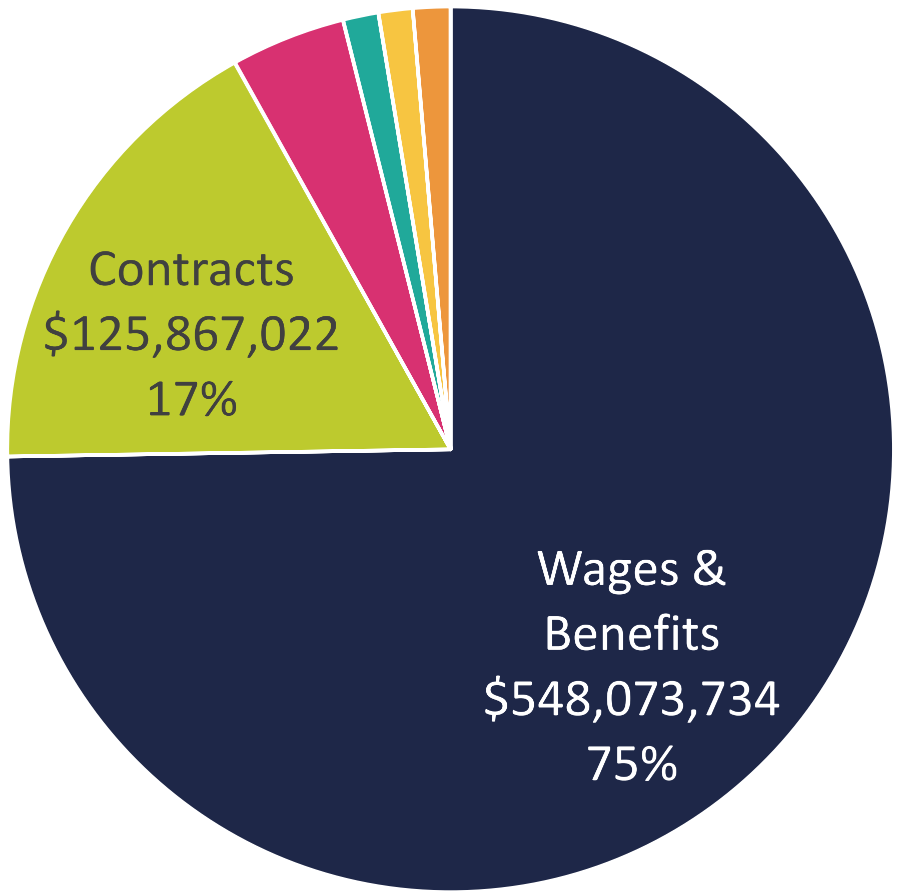
- The Forecast reflects bargaining unit wage increases in FY24-25 (4%), FY25-26 (2%), and FY26-27 (3%) and assumes the same for non-bargaining unit employees. Other than step increases (estimated at 1%), there are no increases contemplated for FY27-28 or FY28-29.
- The Forecast projects a decrease in benefits of 3% in FY24-25 due to the selection of new health insurers followed by increases of approximately 6% annually.



Expenses – Purchased Services, Supplies and Maintenance, and Other

- Purchased Services, Supplies and Maintenance, Capital Outlay, Other Objects, and Advances Out are aligned to FY24-25 budgets, accounting for encumbrances from FY23-24.
- This Forecast reflects inflationary increases based upon the spending category ranging from 0-3% annually.

FY24-25 General Fund Expenses

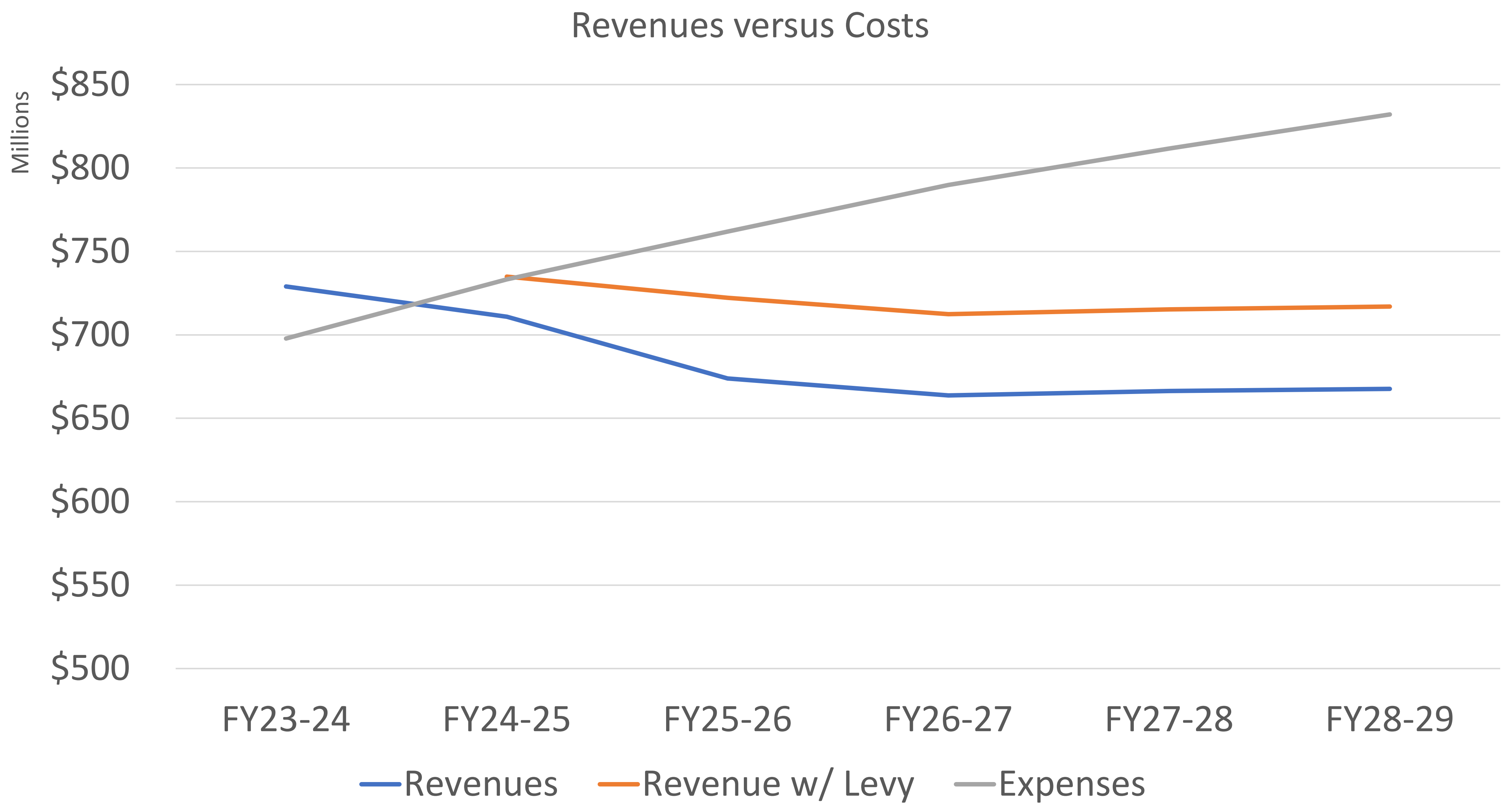


Five Year Forecast

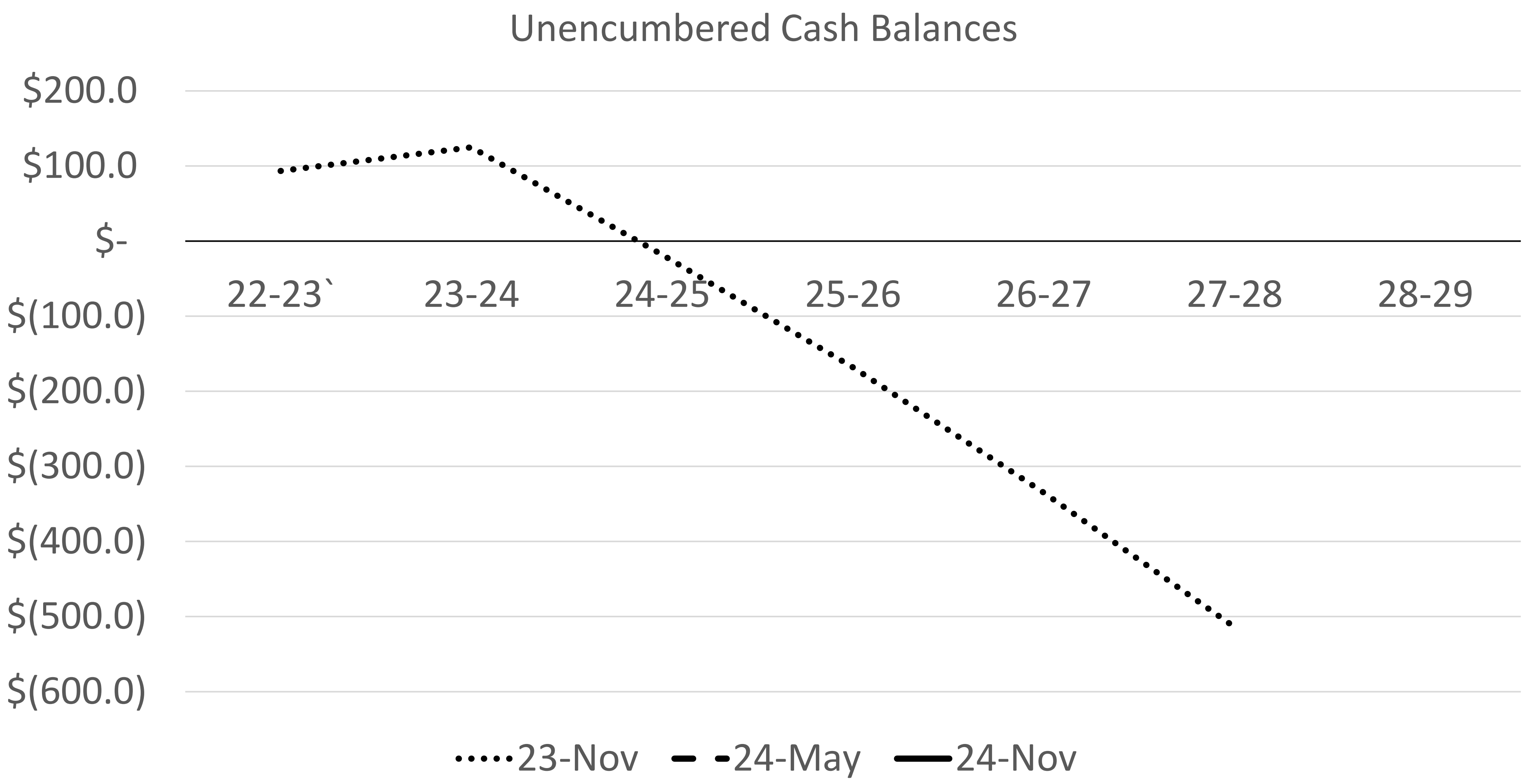
Category	FY23-24	FY24-25	FY25-26	FY26-27	FY27-28	FY28-29
Continuing Revenues	$729.0	$710.8	$673.9	$663.7	$666.3	$667.6
New Levy	$0.0	$24.1	$48.3	$48.7	$49.0	$49.3
Total Revenues	$729.0	$734.9	$722.2	$712.4	$715.3	$716.9
Total Expenditures	$697.8	$733.3	$761.9	$789.9	$811.7	$832.1
Net Revenues Excess (Shortfall)	$31.3	$1.6	($39.7)	($77.6)	($96.3)	($115.2)
Ending Fund Cash Balance	$140.8	$142.4	$102.7	$25.2	($71.2)	($186.4)
Encumbrances	$42.6	$25.0	$25.0	$25.0	$25.0	$25.0
Unencumbered Cash Balance	$88.2	$117.4	$77.7	$0.2	($96.2)	($211.3)

*Does not include further collectively bargained wage adjustments starting in FY27-28

Five Year Forecast



Progress Toward Fiscal Sustainability



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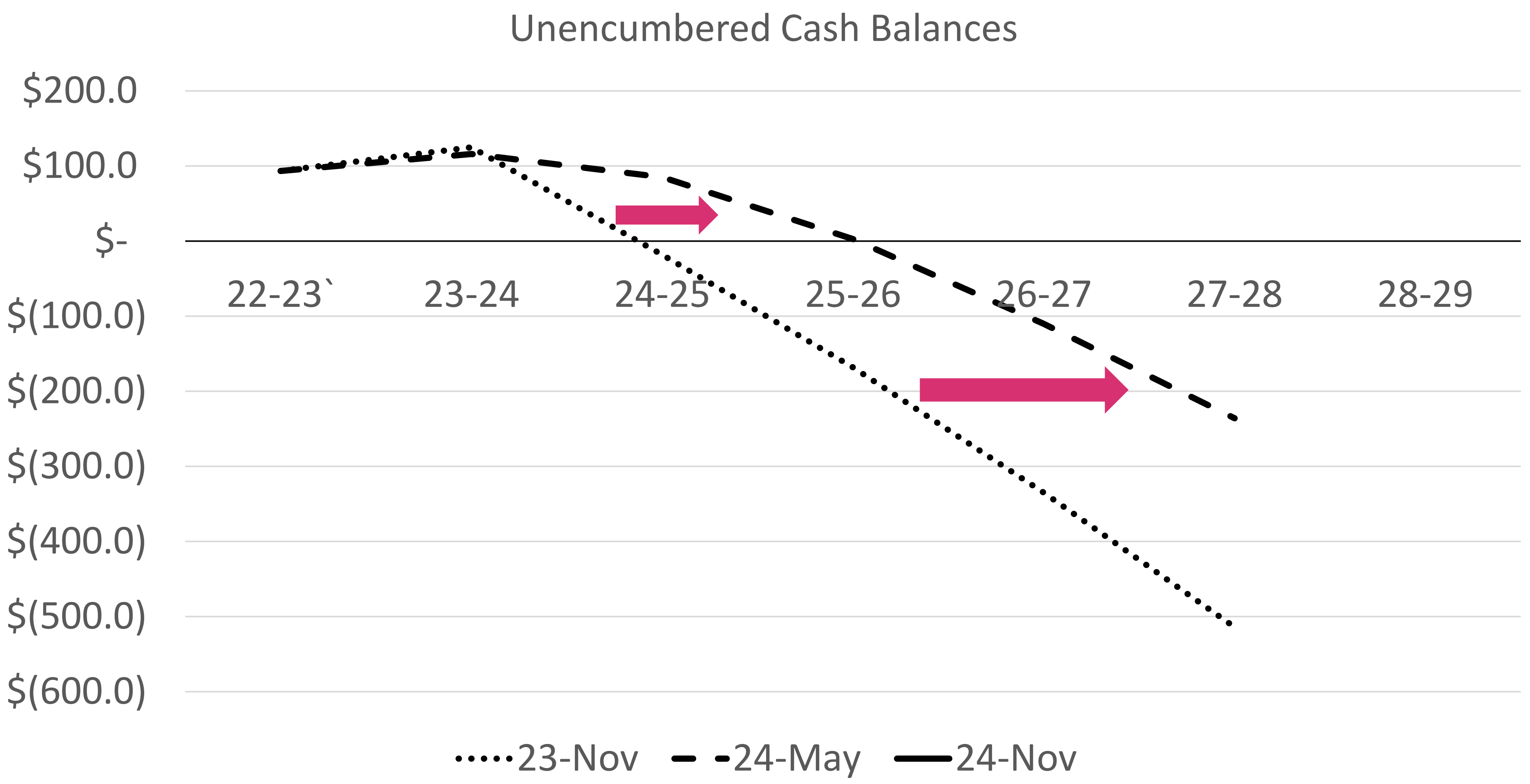

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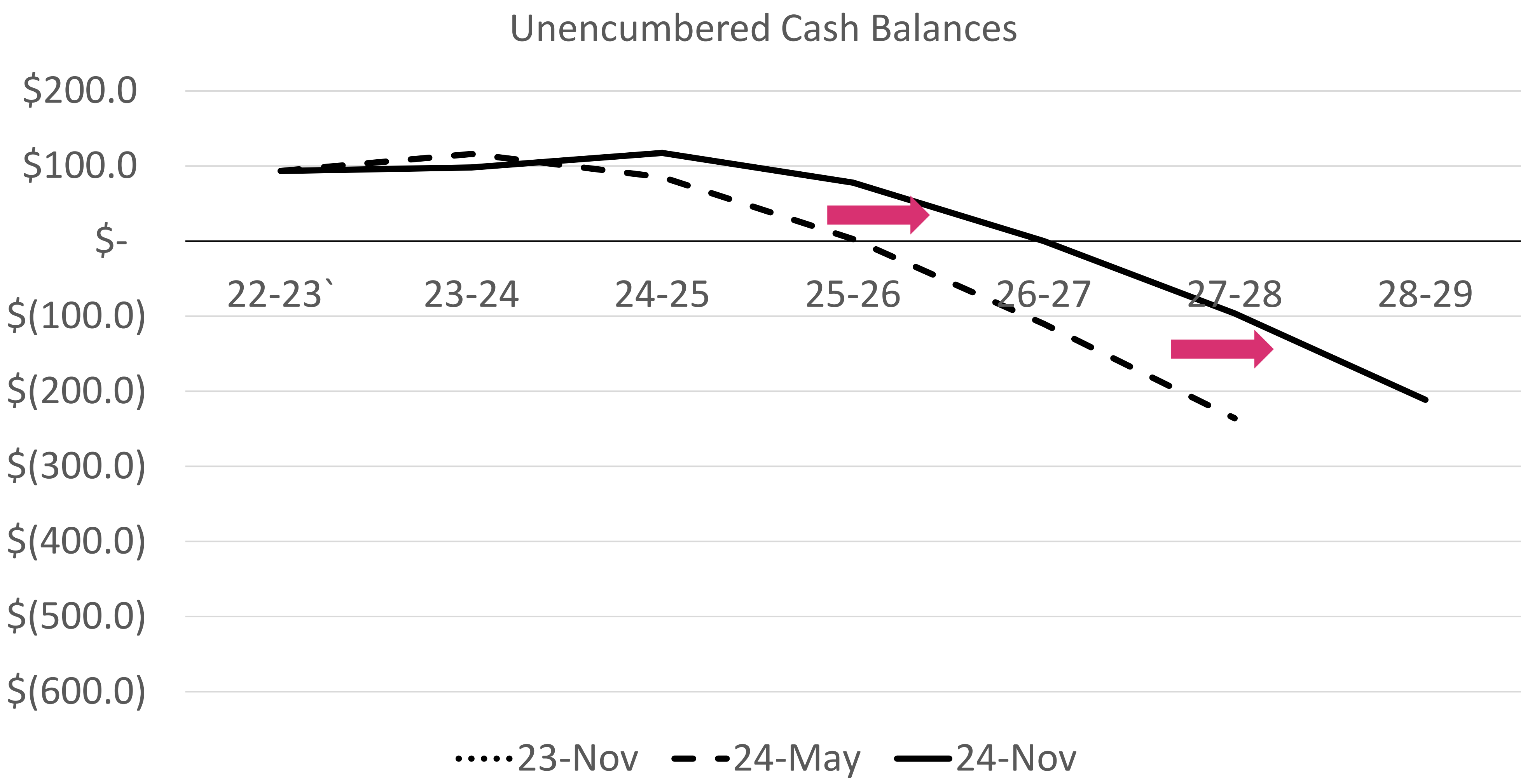

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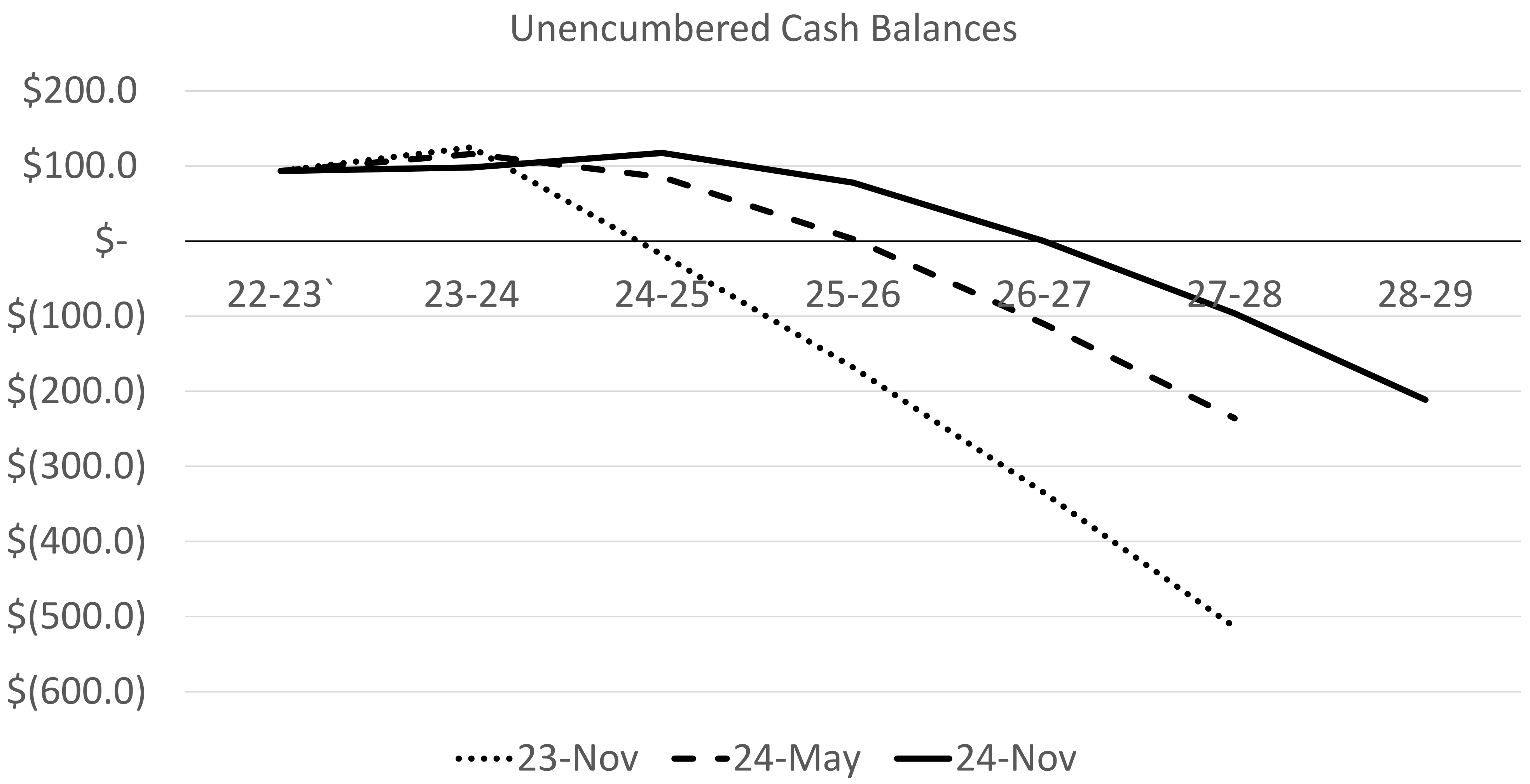


Upcoming Financial Planning Actions

Nov 2024	Submission of updated tax budget to the County reflecting levy results
Dec-Apr 2025	Internal budget process, beginning with central office in January and Schools in February
May 2025	Present updated Five Year Forecast
June 2025	Present operating budget for 2025-2026

Thank you.

Data Appendix

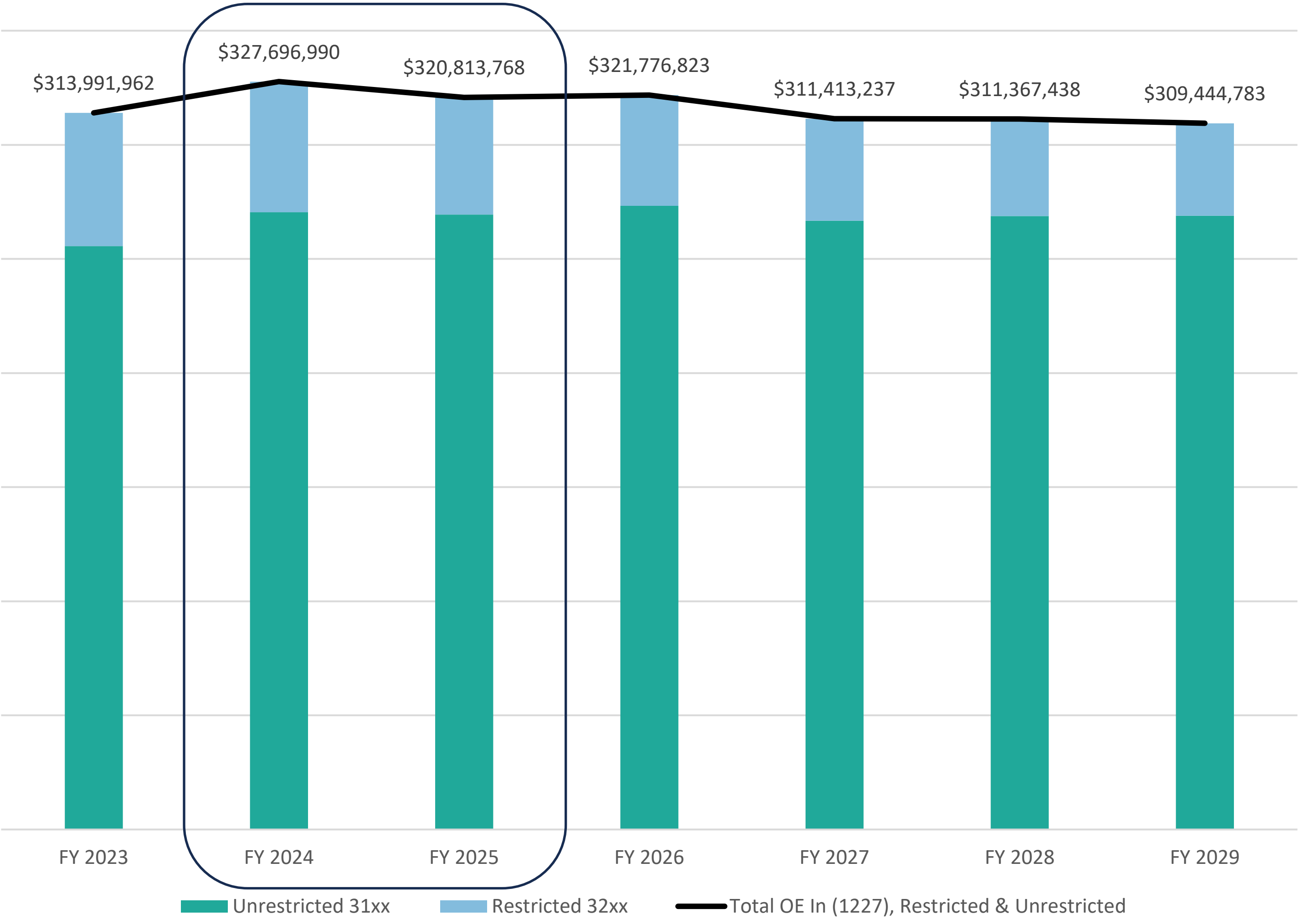
Revenue – Average Daily Membership (ADM)

- ADM is the basis for state school funding, and excludes pre-kindergarten and students enrolled in multiple districts.
- Final ADM is compared across years to determine an appropriate projection.
- The last three years (gold) are used to develop an annual 0.75% projected decrease.
- Utilizing these projections, CMSD is not a "guarantee" district, so gains and losses to enrollment will change state aid.

School Year	Final ADM	Change	% Change
2018-2019	35,585		
2019-2020	34,937	-648	-1.82%
2020-2021	33,488	-1,449	-4.15%
2021-2022	33,315	-172	-0.51%
2022-2023	33,151	-164	-0.49%
2023-2024	32,722	-429	-1.29%
2024-2025	32.477	-245	-0.75%
2025-2026	32.234	-243	-0.75%
2026-2027	31.993	-241	-0.75%
2027-2028	31,753	-238	-0.75%
2027-2029	31,516	-237	-0.75%

Revenue – Current Forecasted State Revenue by Type

- State Budget (HB 33) updated input costs from 2018 to 2022 and continued the phase-in
- Funding within this biennium will decrease by $6.9 million (2.1%)
- FY26-28 project full phase-in
- Assumes no overall reduction in state funding (such as a recession) or larger-than-anticipated enrollment reductions



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