CLEVELAND METROPOLITAN SCHOOL DISTRICT

May 2025 General Fund Five Year Forecast

May 13, 2025

Regulatory Context

- Forecast of general fund revenues, expenses, and cash balances of the current and following four fiscal years.
- Submissions are required at least twice annually to the Department of Education and Workforce (DEW) – Nov and May
- Must document key assumptions, be adopted by the Board, and be submitted in the Educational Management Information System
- 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

On February 3, 2025 the Governor presented budget recommendations to the Ohio General Assembly for fiscal years 2026 and 2027. Those became House Bill 96, which the House amended and passed on April 9. The Senate began consideration on April 17. The budget must be passed by June 30 to be effective July 1.

The House passed version of HB 96 includes these provisions, among others:

- The existing Fair School Funding Plan remains in law but is temporarily not being used to distribute funds.
- CMSD will receive aid based on fiscal year 2025 funding – flat-funding.

Sources: Ohio School Boards Association and Legislative Service Commission

Revenue – State Aid

Major changes that do not impact CMSD in the upcoming biennium, but create uncertainty over the Five Year Forecast:

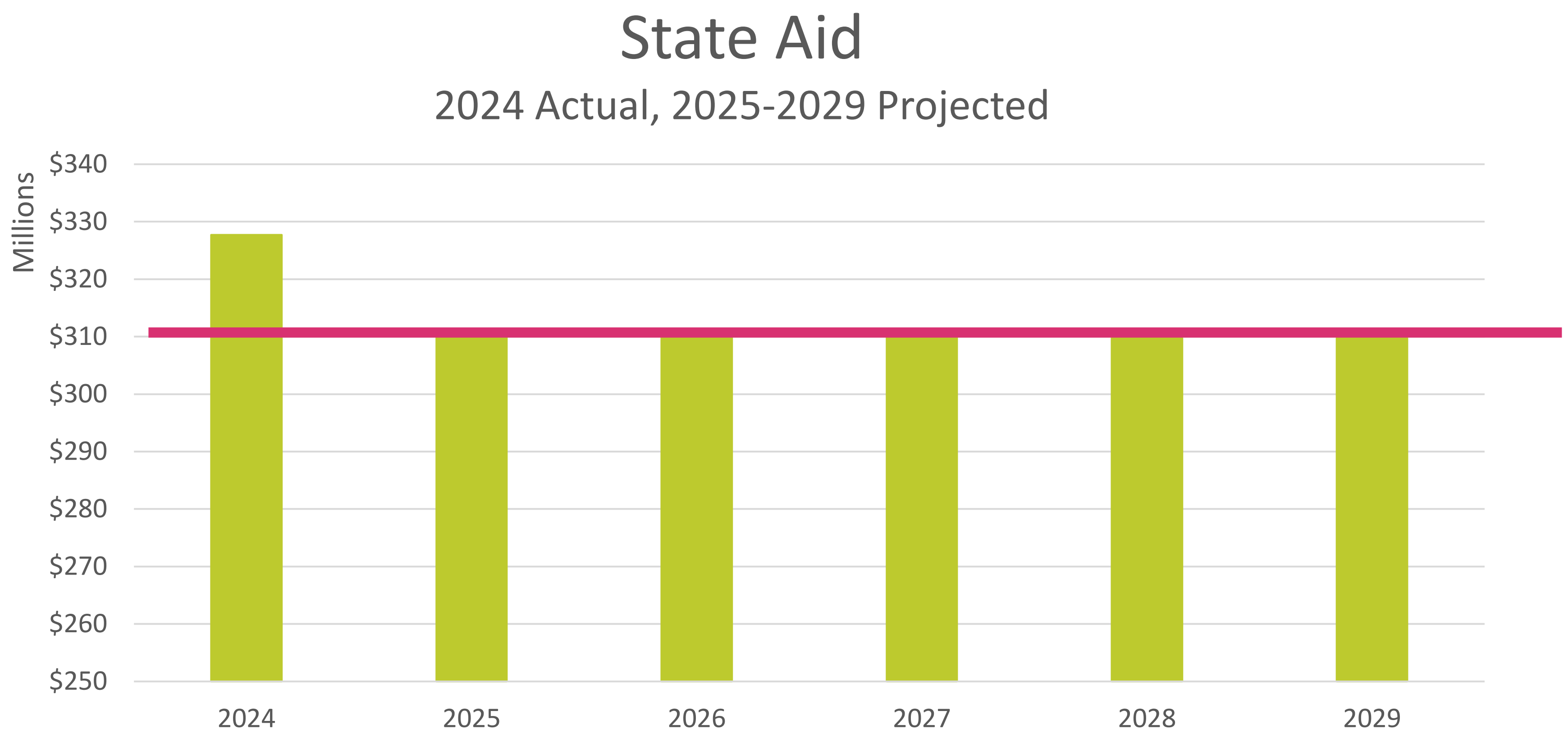
- Moving away from the predictability of the Fair School Funding Plan.
- Reducing or eliminating provisions that guarantee funding doesn't decrease below prior years (2020 or 2021, based on different sections).
- Capping carryover cash balances at 30%.

As previously shared, we are already experiencing decreases in State aid due to increased property valuation and resident incomes, calculation of Disadvantaged Pupil Impact Aid, and enrollment loss.

Risks: Removal of guarantee and any other change to formula that decreases aid

Revenue – State Aid

This school year CMSD became a “guarantee district,” meaning that our funding has already decreased and will temporarily be protected from further reductions.



Revenue – Local Property Taxes

The forecast reflects the full reappraised values of Cuyahoga County's 2024 reappraisal.

Appraised Value			
Property Type	**2023**	**2024**	**Change**
Residential & Agricultural	$2,905,608,080	$4,269,660,980	47.0%
Commercial & Industrial	$2,575,363,630	$2,898,251,080	12.5%
Public Utility	$575,456,660	$625,442,530	8.7%
Total	$6,054,428,370	$7,793,354,590	28.7%

Property tax collections are projected using current fiscal year actuals (current and delinquent). This reduces projected collections by approximately 3% annually.

Risks: Economic downturn and legislative changes that reduce taxing capacity

Revenue – Other Revenue

- 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) – no net impact because this is a temporary transaction at fiscal year end.
- Medicaid reimbursement for school healthcare is reduced reflecting a period of ARP/ESSER funding.

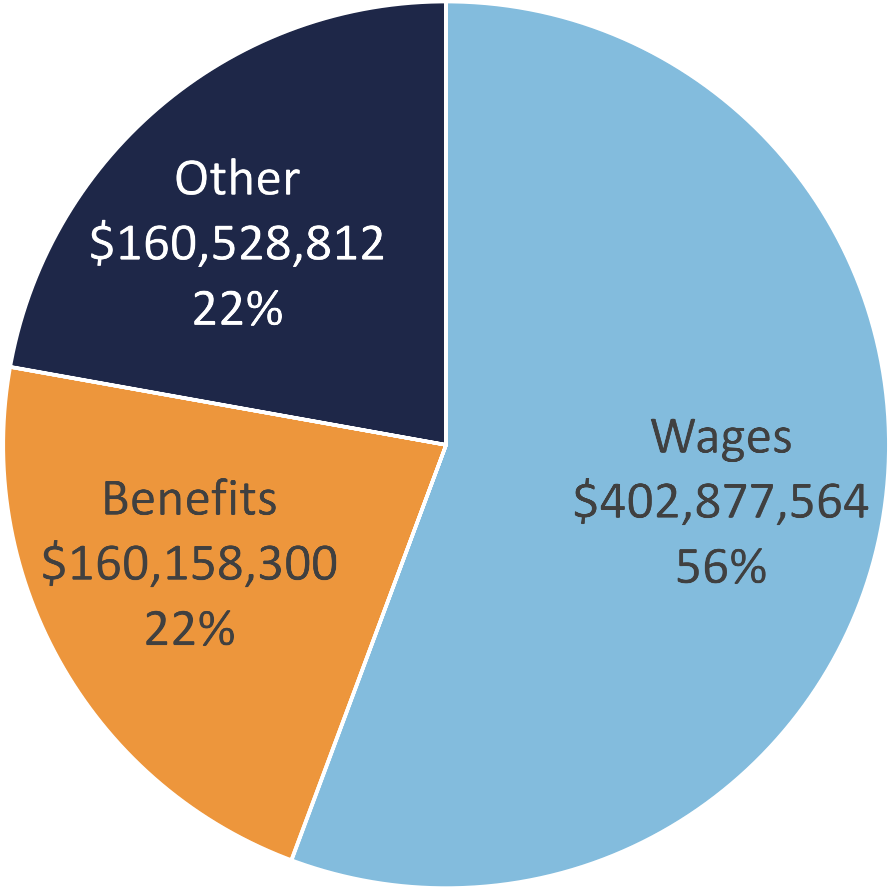
Risks: Decreased interest/investment returns and changes to the Medicaid program at the State or Federal levels

Expenses – Salaries and Benefits

- The Forecast reflects general wage increases of 4% (FY2025), 2% (FY2026) and 3% (FY2027).
- The Forecast projects a 4% decrease in the cost of benefits in FY2025 due to the selection of new health insurers and fund cash management (employer holiday) followed by increases of approximately 7.5% annually for health insurance.
- Savings from a unified calendar and school budgets are incorporated beginning in FY2026.

Risks: Increased filled levels and health insurance costs.

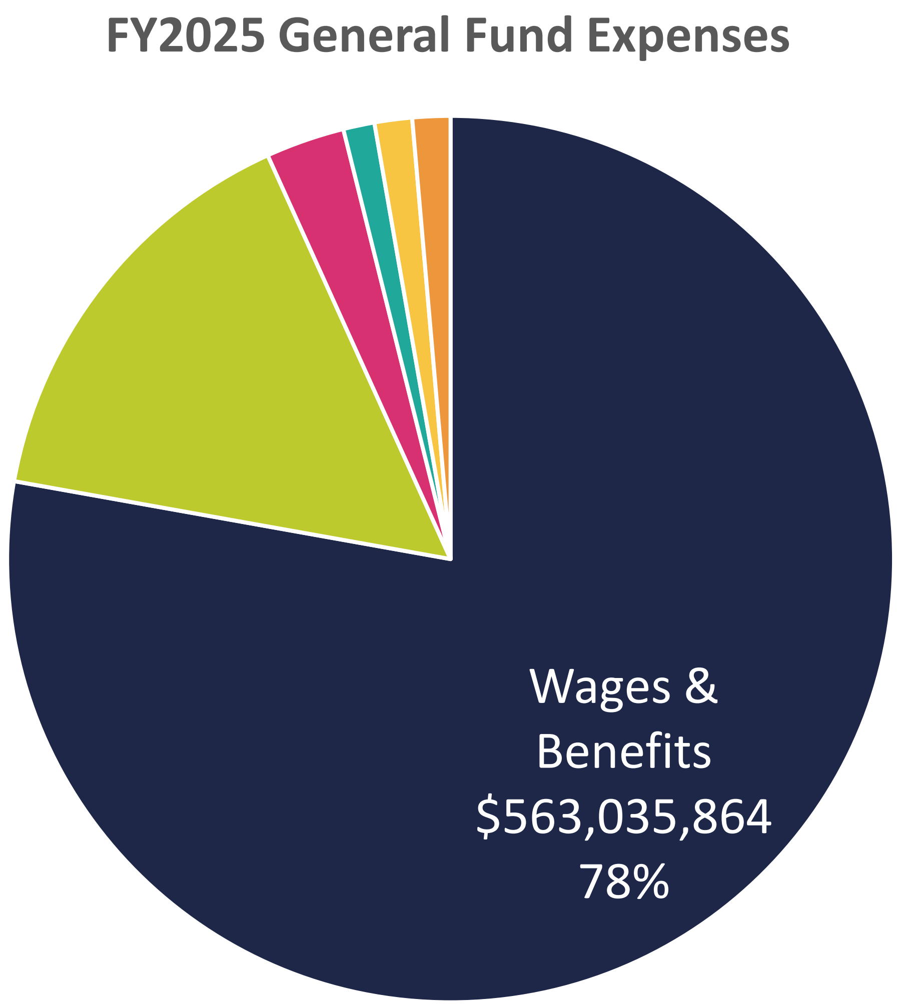
FY2025 General Fund Expenses



Expenses – Purchased Services, Supplies and Maintenance, and Other

- Remaining 22% is Purchased Services, Supplies and Maintenance, Capital Outlay, Other Objects, and Advances Out.
- Spending projections use data contained in the monthly financial report plus inflationary increases based upon the spending category ranging from 0-3% annually.
- Significant savings in several categories this year – such as contracts, which is projected to be down by more than $10 million

Risks: Unpredictable increased costs of purchased goods and services.

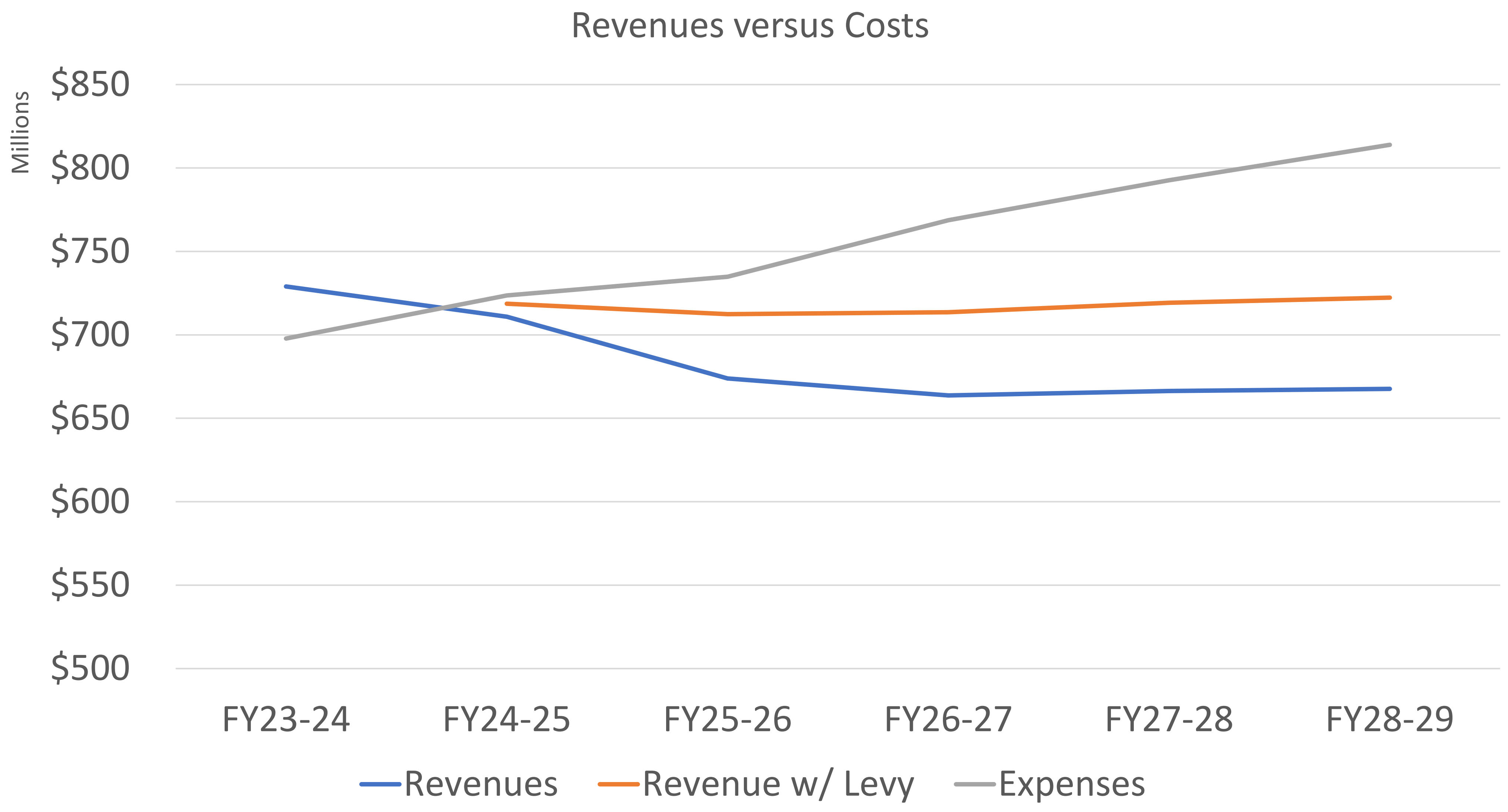


Five Year Forecast

Category	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029
Revenues	$729.0	$718.7	$712.4	$713.5	$719.2	$722.3
Expenditures	$697.8	$723.6	$734.8	$768.7	$792.6	$813.9
Net Revenues Excess (Deficit)	**$31.3**	**($4.8)**	**($22.4)**	**($55.1)**	**($73.3)**	**($91.5)**
Ending Fund Cash Balance	$140.8	$136.0	$113.5	$58.4	($14.9)	($106.5)
Encumbrances	$42.6	$25.0	$25.0	$25.0	$25.0	$25.0
Unencumbered Cash Balance	**$98.2**	**$111.0**	**$88.5**	**$33.4**	**($39.9)**	**($131.5)**

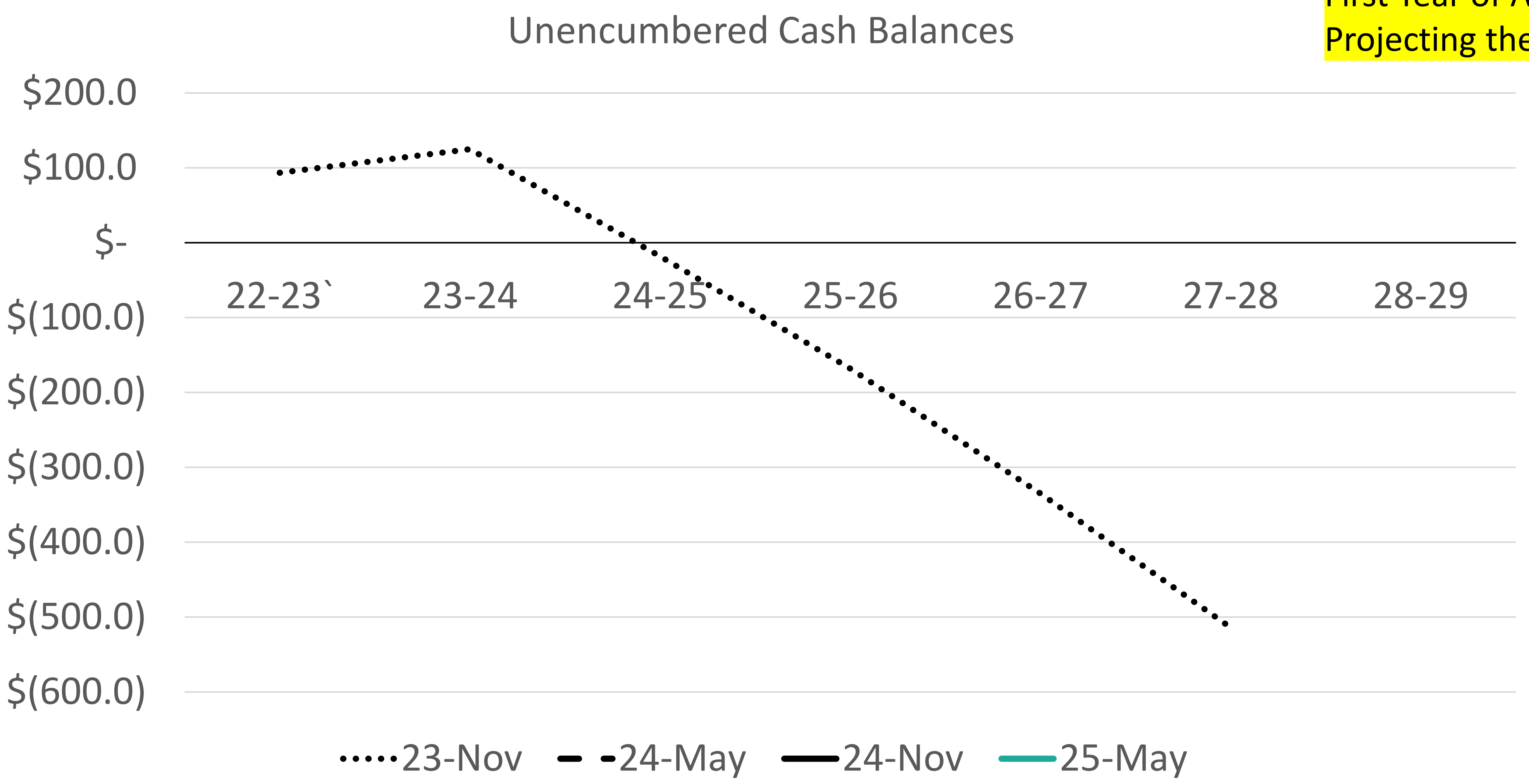
*Does not include further collectively bargained wage adjustments starting in FY27-28

Five Year Forecast



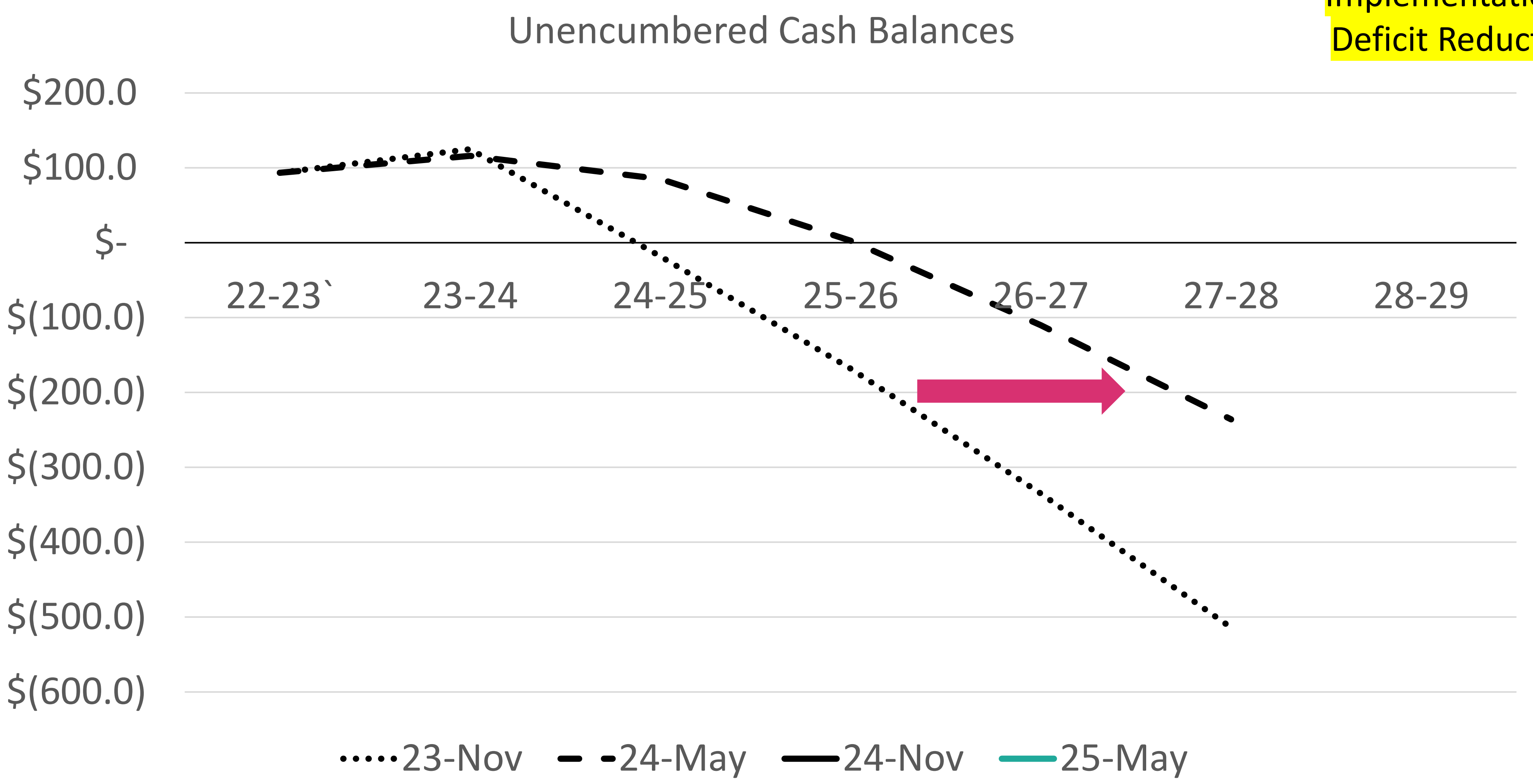
Progress Toward Fiscal Sustainability

First Year of Administration
Projecting the End of ESSER



Progress Toward Fiscal Sustainability

Implementation of the Deficit Reduction Plan



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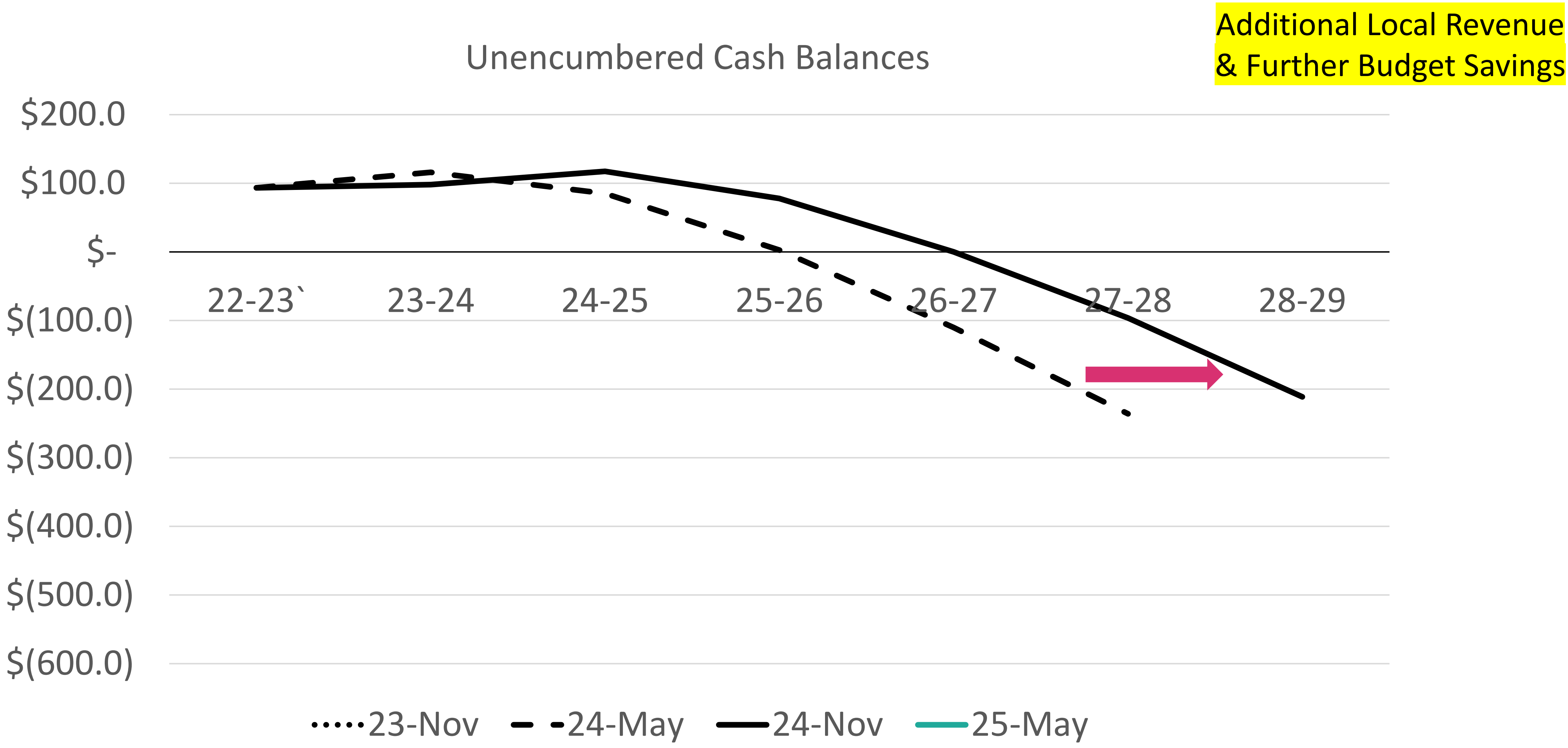

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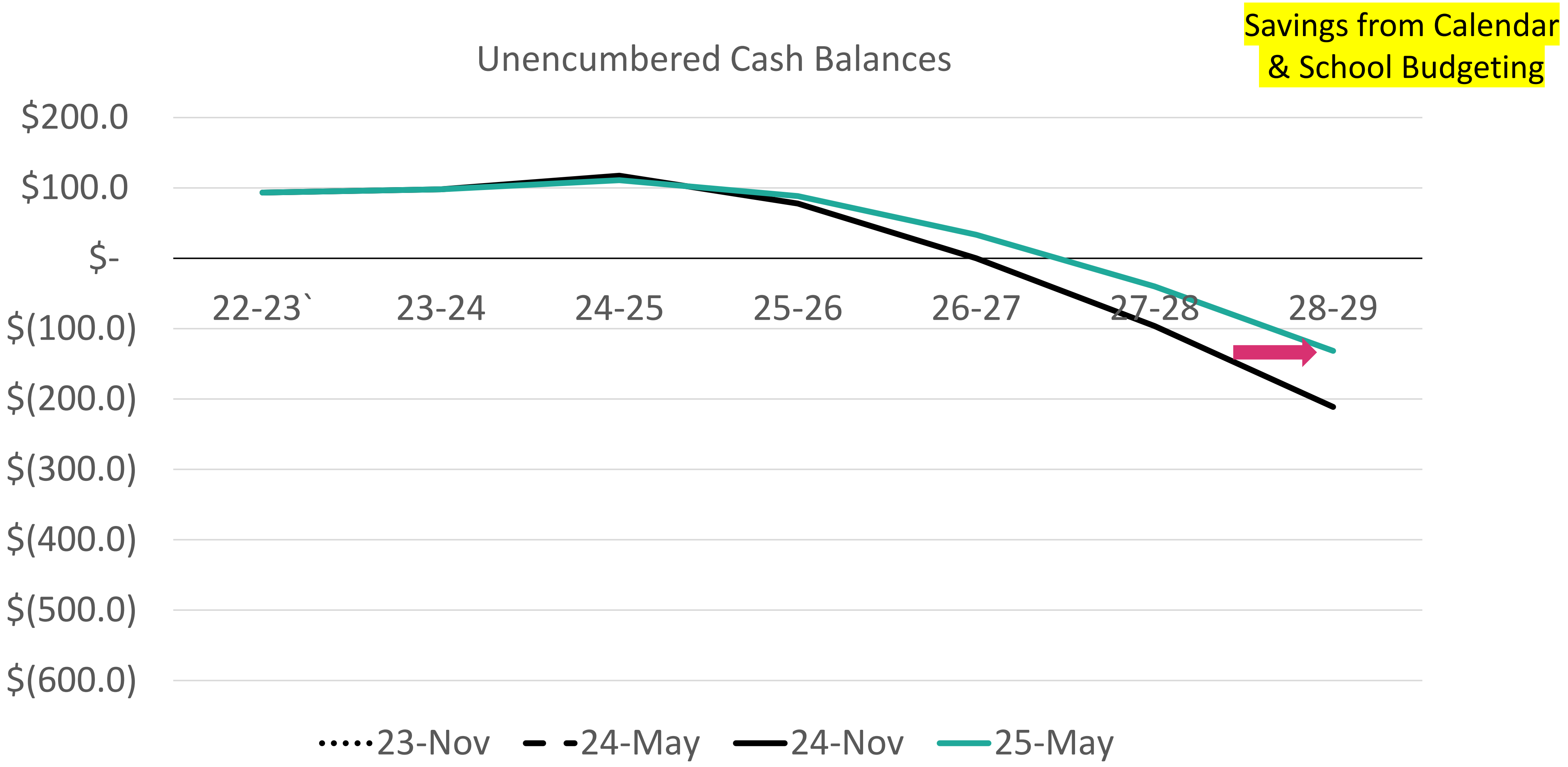
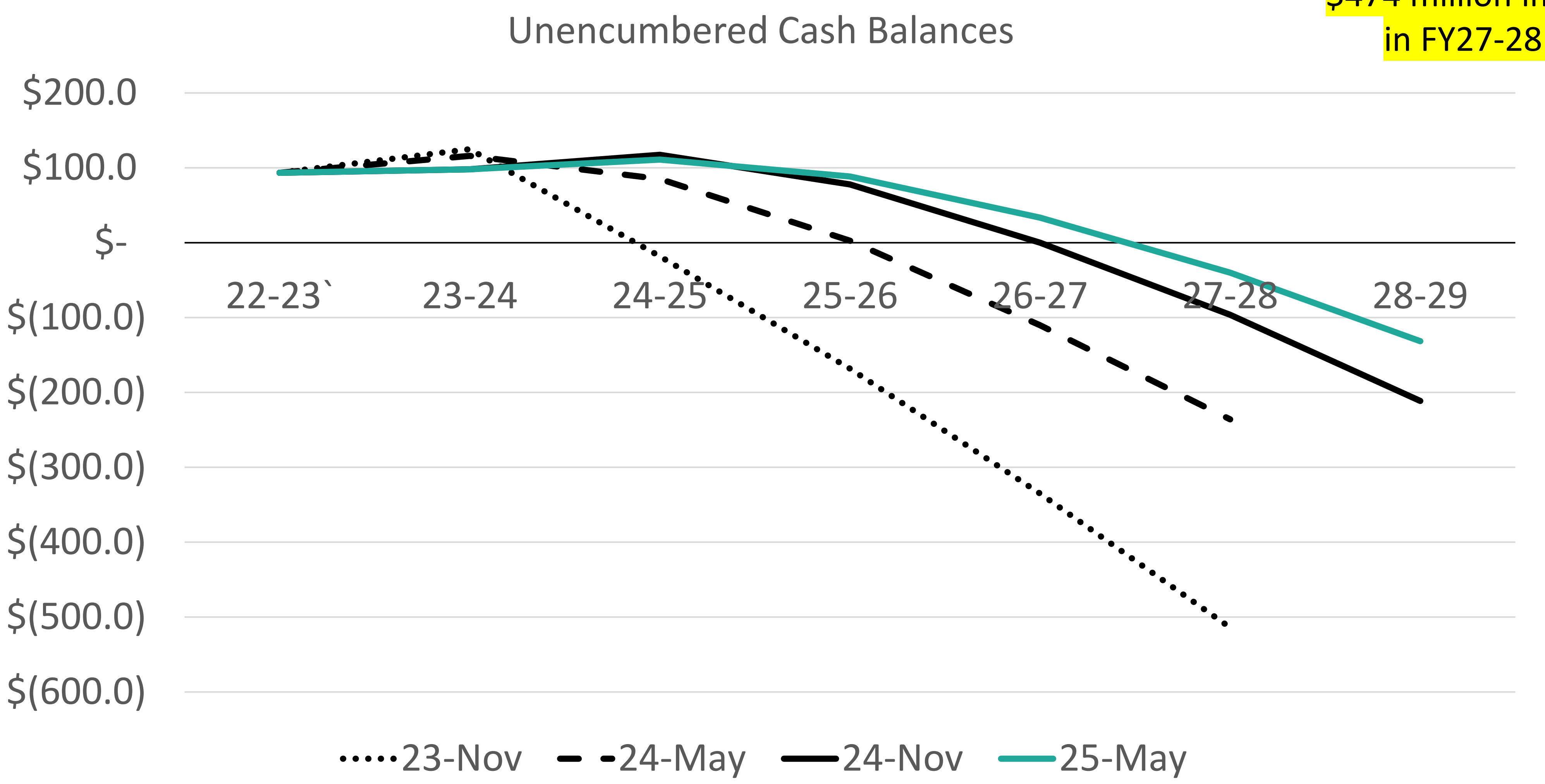


Progress Toward Fiscal Sustainability

$474 million improvement in FY27-28 balance



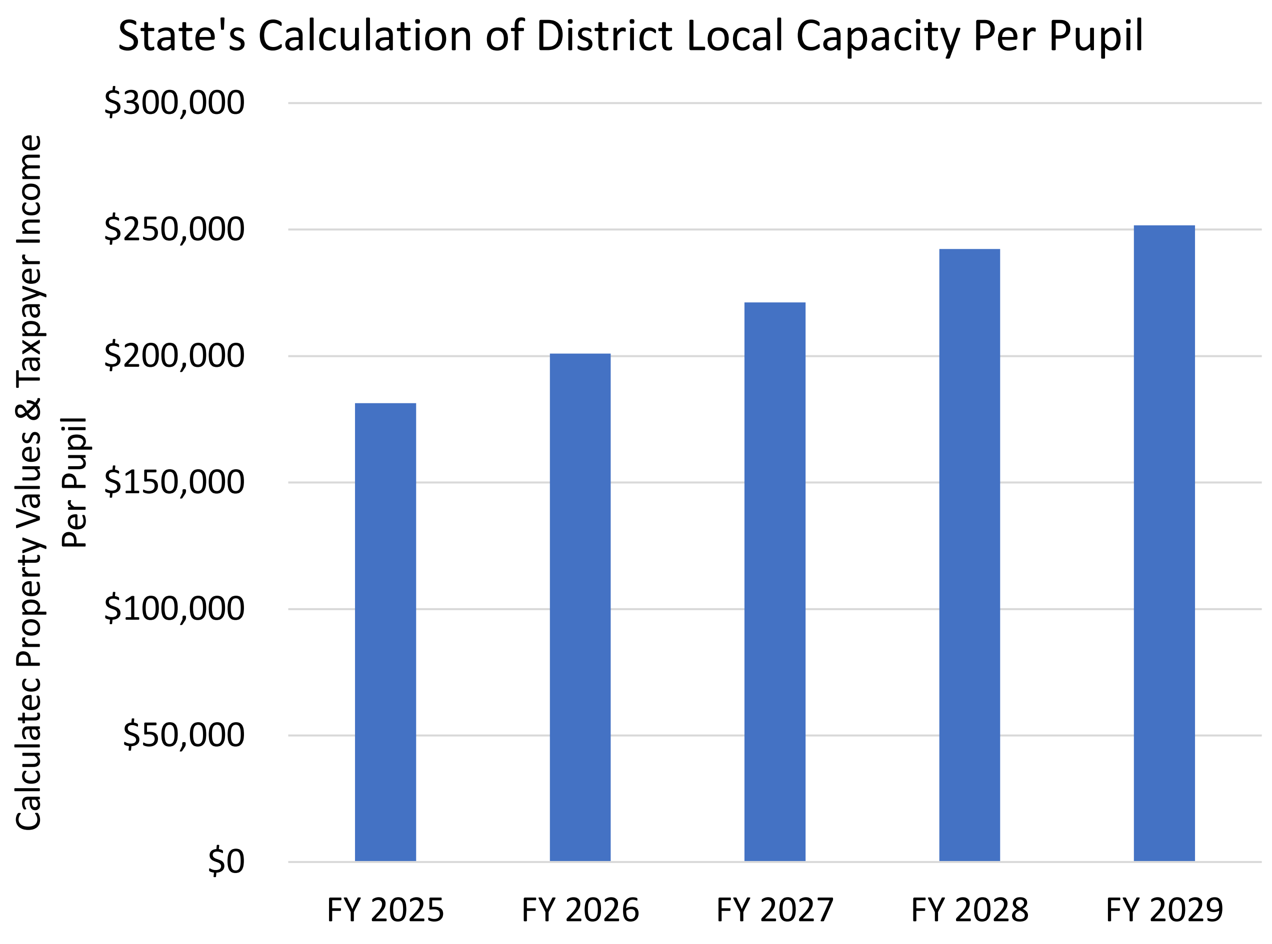
Thank you.

Data Appendix

Revenue – The Impact of Local Taxing Capacity

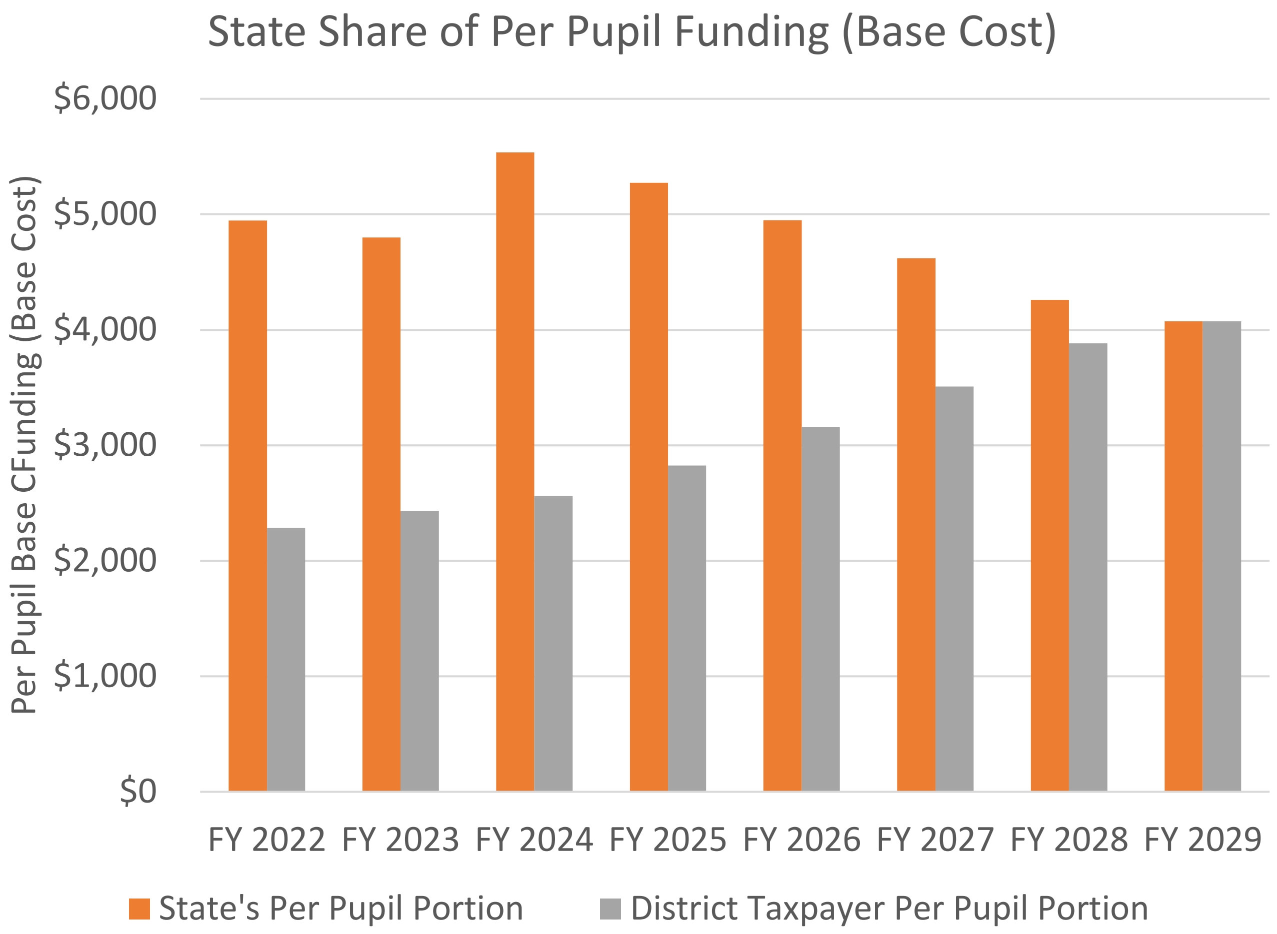
- The state considers property values and income per student when determining aid to districts.
- These measures show increasing local taxing capacity.
- However, CMSD does not levy and income tax and property taxes for operations are generally prohibited from collecting more.

The State funding formula assumes revenue that the District will not receive.



Revenue – The State Expects Funding Responsibility to Shift to the District

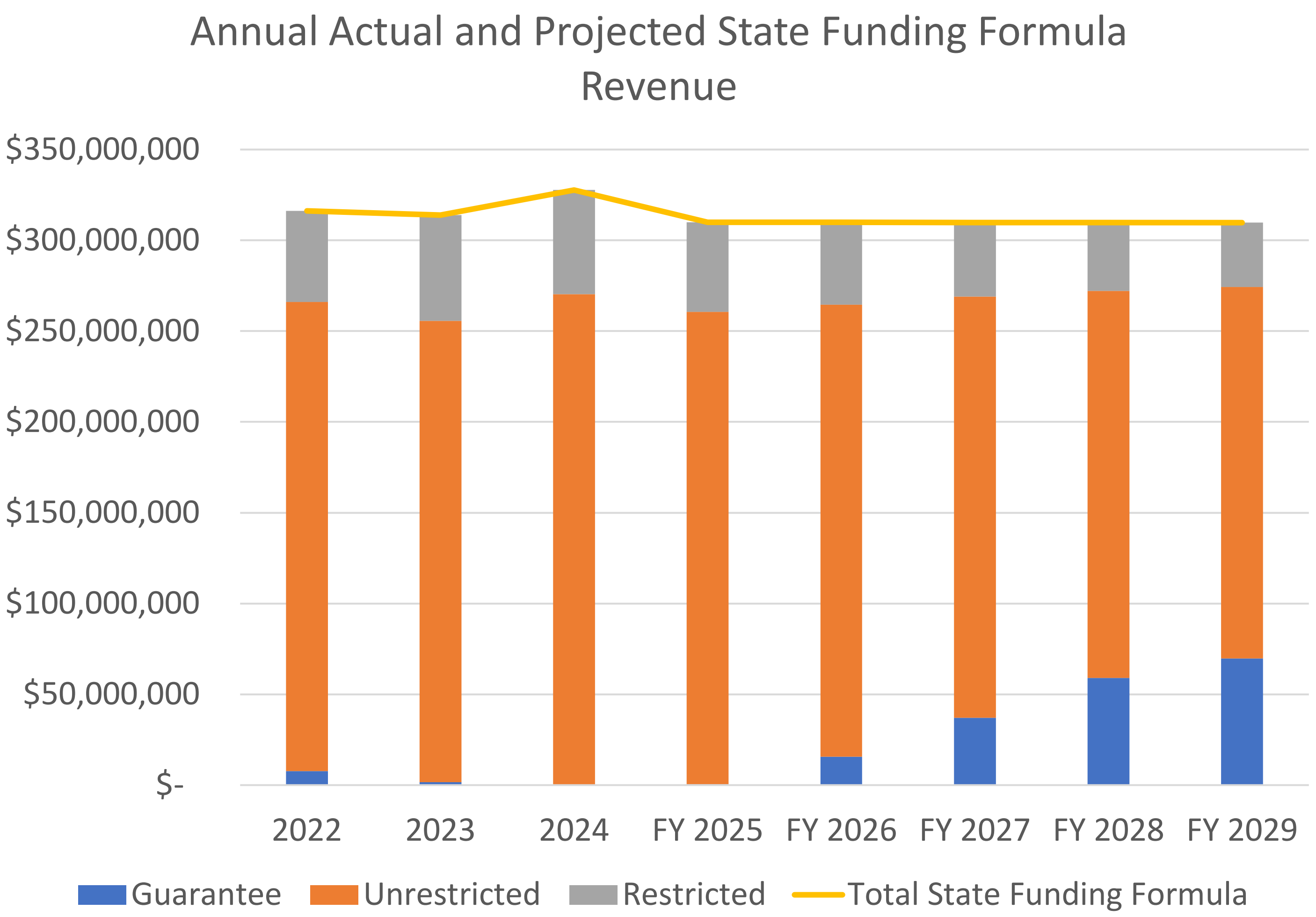
State funding per student (orange) decreases and the local funding needs per student (grey) increases.



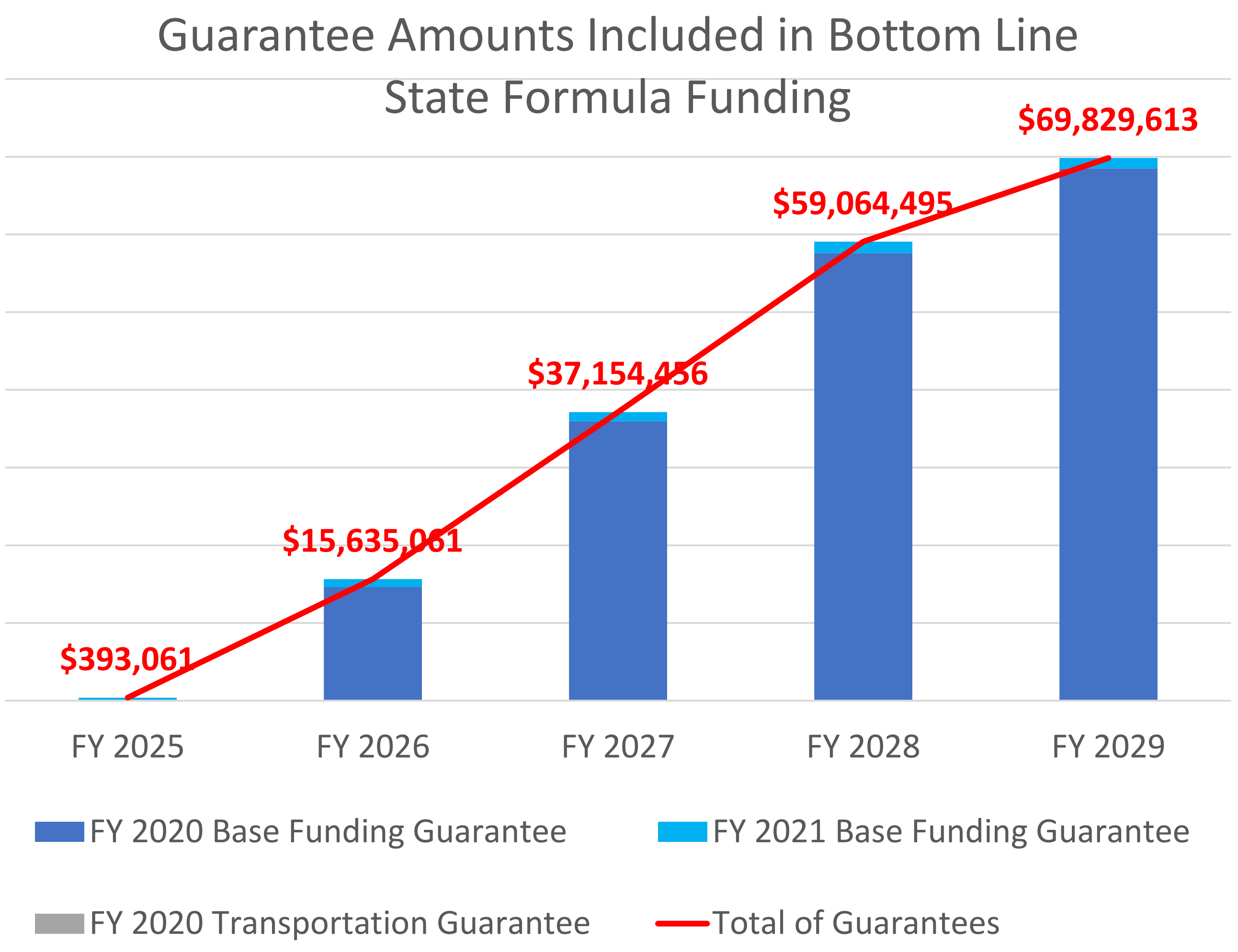
Revenue – Current Forecasted State Revenue by Type

- Assumes House Passed version of the budget is adopted, guarantees remain in FY2028 and FY2029, and there are no further input cost increases.

No increase in State funding is expected during the next four years.



Revenue – Effect of Funding Guarantees



Reduction or elimination of guarantees would have a significant negative impact on CMSD.