

Southwest Local School District
Five Year Forecast – Assumptions
Fiscal Year 2023

INTRODUCTION

Per the Ohio Revised Code, public school districts in the State of Ohio are required to submit a Five-Year Financial Forecast in November and May of the fiscal year. School Districts operate on a fiscal year running from July 1st – June 30th. The forecast includes revenues, expenditures, excess/deficit line items, estimated encumbrances, and the projected fiscal year end cash balance. The forecast includes three years of historical/actual data and five years of projected estimates.

Understanding the Forecast:

A forecast is a tool used by the Board of Education to illustrate the projected financial position of the school district in upcoming years. Due to the unknowns' in future economic conditions and assumptions, the forecast is an ever changing document. Overall, the forecast needs to be reviewed based on future trends and percentages, rather than specific amounts. Many projections are based on the information provided by the County Auditor, State Auditor, Ohio Department of Taxation, Department of Education, and partnership companies.

Revenue unknowns and variables, include, but are not limited to; enrollment, property valuation, new construction, tangible personal property tax laws, and interest rates. State funding is based on a biennium budget, which will change every two years (meaning state revenue cannot confidently be projected beyond the biennium budget). Expenditures unknowns include, but are not limited to; staffing levels, retirements, healthcare fluctuations, utility costs, and community school enrollment.

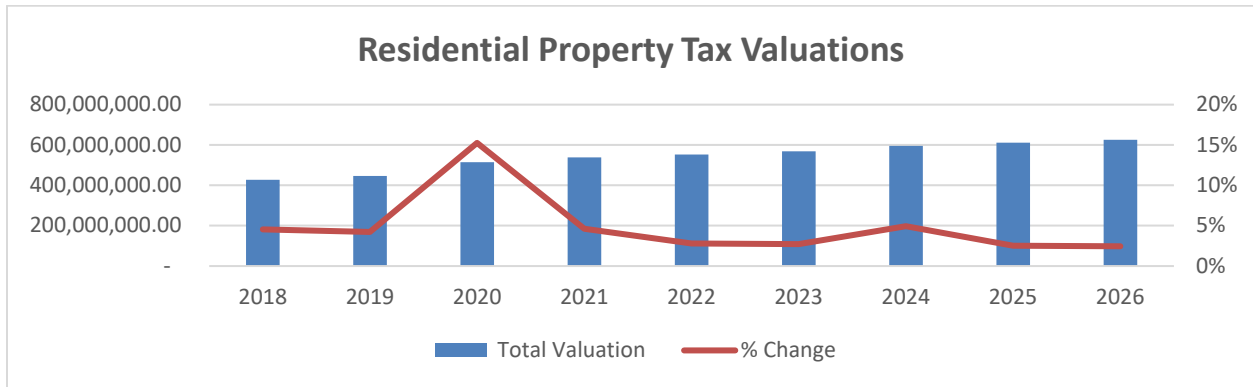
Fluctuations in revenues & expenditures in the current year of the forecast, do not only affect the current year, but substantially compound and affect the future years of the forecast.

REVENUES:

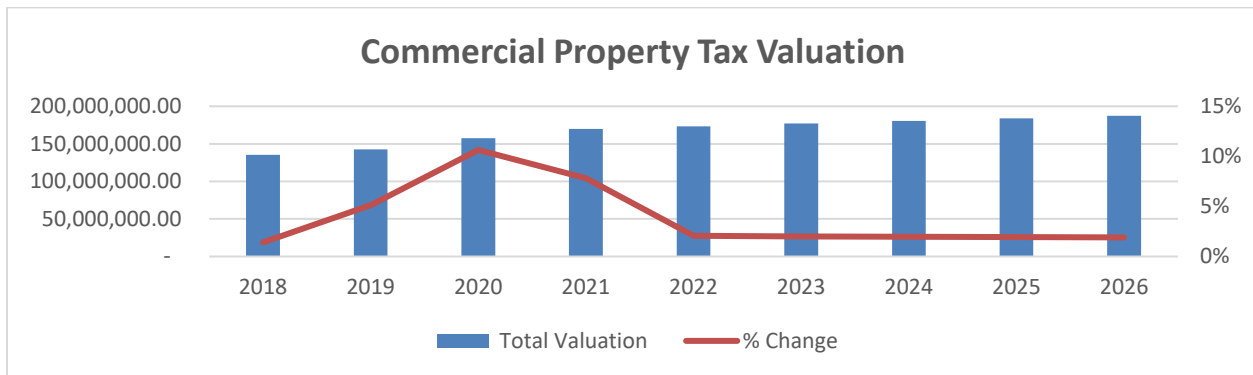
General Property Tax (Real Estate) & Tangible Personal Property Tax

Southwest is projecting strong growth in residential property tax valuations. Residential property tax valuations are expected to grow significantly from tax year 2021 through 2026. Below depicts the tax valuation as well as the expected growth in each year as a percent; years 2018-2021 are actuals and years 2022-2026 are projected. The district expects to collect the minimum statutory millage (20 mills) for residential property taxes in tax year 2020 and beyond.

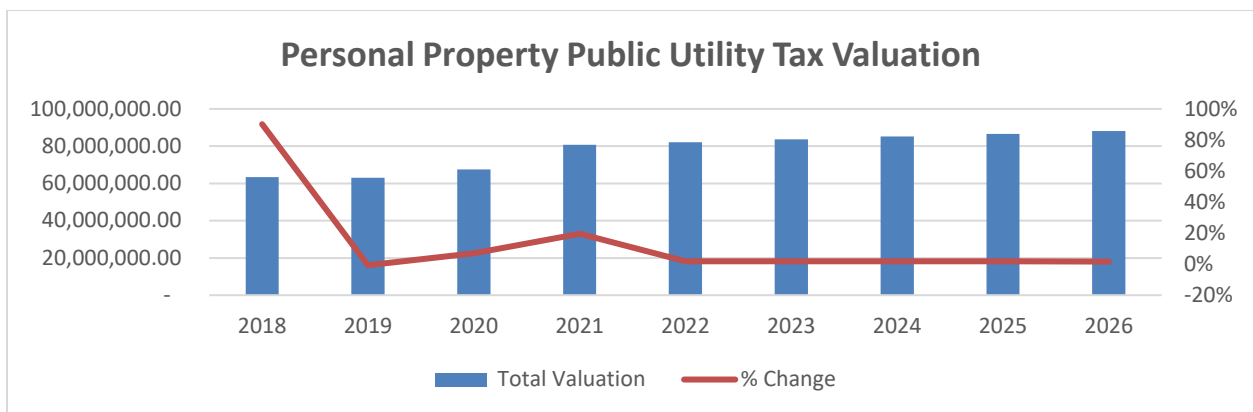
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Commercial property tax valuations are expected to grow at 1% for tax years 2022-2026. Below illustrates expected growth in commercial property taxes, as well as historical growth for tax years 2018-2021, with tax years 2022-2025 being projected.



Public utility personal property (PUPP) tax valuations are expected to grow at 2% for tax years 2022-2026. Below illustrates expected growth in PUPP valuations, years 2018-2021 are actuals and 2022-2026 are projected.



Earned Income Tax

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The community of Southwest LSD approved a 0.75% continuing earned income tax in November 2006. The earned income tax was the last general fund voted tax increase. The earned income tax revenue has historically been increasing as a percentage of the overall general fund revenues. The income tax made up 11.98% of all general fund revenue in fiscal year 2015, 12% in 2016, 13% in 2017, 13% in 2018, 12% in 2019, and 13% in 2020.

Fiscal Year	Total Income Tax
2019	4,715,629
2020	5,160,750
2021	5,217,116
2022	6,108,376
2023	6,541,204
2024	6,926,473
2025	7,797,463
2026	8,288,922

* Fiscal Year 2022-2026 are projected

Unrestricted Grants-in-Aid

The State of Ohio funds public school districts on a two-year cycle, referred to as the biennium budget. Projecting state funds beyond the two-year budget is challenging since the reliance on these funds is based on future, unknown legislation. Funding public school districts in Ohio has been a controversial topic for decades, evident by the Ohio Supreme Court ruling school state funding unconstitutional on at least three different occasions.

State Funding has experienced different funding “formulas” in three of the last four biennium budgets. Fiscal year 2022 through 2026 are based on the current state funding formula.

The State’s latest biennium budget, which was approved in June 2021, created a new funding formula. All future years funding are based on full implementation of the existing funding formula.

Casino gambling was approved by Ohio voters in 2009 with the passage of a constitutional amendment. The amendment allowed for four casinos to be located around the State. Thirty-four percent (34%) of the gross casino revenue goes into the County Student Fund. Money is distributed from this fund to all school districts in Ohio based upon student populations as certified by the Department of Education. The Ohio Department of Taxation receives a student count by county and by district within the county. Money is remitted directly to the school districts. The District

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received \$201,989 in fiscal year 2018, and \$212,163 in fiscal year 2019, and \$170,728 in fiscal year 2020. Fiscal year 2021 was \$177,095.

Restricted Grants-in-Aid

Through the State funding formula the District receives funding for economically disadvantaged students and for the offering of career technical education programs. The funding received through these two items are restricted on how it can be spent. The District also receives restricted funds from the State through the catastrophic cost program.

Economically disadvantaged funding is provided by the State to address economic disadvantage (poverty) and its effects on educational outcomes. Funding is based on the number of students who qualify for the free or reduced lunch program. Those that qualify are considered economically disadvantaged. This represents students in poverty, but also students of families with low incomes.

The District has seen a decrease in the number of students considered economically disadvantage. It is anticipated that number will remain consistent.

The District received \$292,908 in economically disadvantaged funding in fiscal year 2018, \$287,224 in fiscal year 2019, and \$321,731 in fiscal year 2020. The District expects economically disadvantaged funding to remain unchanged in fiscal years 2022-2026.

Property Tax Allocation

Homestead and rollback payments are anticipated to slightly increase based on increased property valuations over the life of the forecast.

All Other Operating Revenue

All other revenue includes revenue from open enrollment, tax increment funding agreements with the City of Harrison and Harrison Township, extra-curricular fees, interest income, Medicaid payments, rentals, and donations. This category is expected to increase to \$2,950,000 in fiscal year 2022 from \$2,875,146 in fiscal year 2021. This increase is primarily driven by full day kindergarten fees.

EXPENDITURES:

Personal Services

Educational institutions in the state of Ohio, including public school districts, are service based industries. As a result of being a service based industry, the majority of expenditures for school districts are salaries and benefits. Beginning in fiscal year 2021, the district eliminated one of the

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three health care plans offered, the PPO100 plan, decreasing total health insurance cost by \$170,000 in fiscal year 2022.

In total, personal services are projected to increase in fiscal year 2022 as a result of additional staff and increases reflected in the negotiated agreement. Increases for future years are based on the negotiated agreements. Current projections are based on total annual increases for certified staff at 3% for 2022, 2% for 2023, and 2% for 2024, and 3% increases for classified staff in years 2022 thru 2024. However, no bargaining agreements are in place for years 2025 through 2026. Fiscal years 2025 and 2025 salary increases are forecasted at 0%.

Fringe Benefits

Medical insurance premiums for calendar year 2022 are scheduled to increase by 2.5%. A conservative estimate was projected for future years of the forecast.

The District is part of the Southwest Ohio Organization for School Health (SWOOSH) consortium. In January 2014, SWOOSH moved to a self-funded model in the hopes this will reduce our premium, fees and taxes assessed.

Also included in benefits are Medicare payments and state mandated retirement contributions to STRS and SERS, which are projected to increase due to the increase in wages. Southwest LSD is a member of the Ohio Bureau of Workers Comp.

Purchased Services

Similar to homeowners, there are many fixed costs incurred by School Districts such as utilities, insurance, and maintenance/repairs. Fixed costs for school districts also include legal fees, community school deductions, special needs services and substitutes.

Like many items in the forecast, there are several items which cannot be predicted in purchased services. Major items that will impact purchased services which are not known at this time include fuel costs, legal fees, climate changes, snow days, community school enrollment, and special needs services for potential students moving into Southwest LSD. The district re-assesses utilities on an annual basis to try to get the best rates available.

Significant reductions in purchased services are mainly due to changes in the state funding formula which resulting in the state assuming the cost of the voucher / tuition programs.

Fiscal year 2022 seen many one-time expenses including a roof repair exceeding \$1,100,000. It is anticipated that these one-time costs will decrease significantly for fiscal year 2023.

Supplies, Capital Outlay, and Other Expenditures

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Southwest LSD cycles curriculum items to ensure the students have updated instructional material. The curriculum cycle involves purchasing textbooks and other materials.

Other non-negotiable expenditures include fees paid to the County Auditor, Board of Election Expenses, and the Ohio Department of Taxation.

Fiscal year 2022 and 2023 contain 6 year curriculum adoptions that significantly increased expenses from the previous year. It is anticipated that there will be a significant reduction in one-time expenses next fiscal year.

COVID-19 IMPACT

Southwest LSD does not anticipate any additional expenditures in the general fund due to COVID19. The State of Ohio has provided Corona Relief Funds (CRF) in the amount of \$184,000, a broadband connectivity grant in the amount of \$20,000, and federal funding of nearly \$760,000 for Care’s Act funding. The district expects that all COVID19 expenditures will be covered from these funds.

Care’s Act funding has decreased the positions funded by the general fund by 45 positions for an estimated and \$4 million in 2023. Beginning in year 2024 the general fund would re-assume payment for some of those positions, by fiscal year 2025 the district’s general fund would have re-assumed 100% of the cost of these positions.

CONCLUSION

The forecast projects an excess of revenues over expenditures for the current fiscal year. The Board of Education will have to closely monitor future fiscal years, as the forecast projects deficit spending in future fiscal years. As noted in the assumptions, there are many variables that will impact these projections, including but not limited to staffing levels, tangible personal property replacement, state funding, medical insurance, community schools, and vouchers. These factors make projecting the future is extremely challenging.

Please contact Thomas Lowe, Southwest LSD Treasurer (513-367-4139) / thomas.lowe@southwestschools.org), with questions regarding this forecast or visit www.southwestschools.org for more financial data.