

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCES FOR THE FISCAL YEARS ENDED
JUNE 30, 2020, 2021 and 2022 ACTUAL
FORECASTED FISCAL YEARS ENDING
JUNE 30, 2023 THROUGH JUNE 30, 2027**



**Forecast Provided By
Southwest Licking Local School District
Treasurer's Office
Richard D. Jones, Treasurer
November 17, 2022**

Southwest Licking Local School District

Licking County

Schedule of Revenues, Expenditures and Changes in Fund Balances

For the Fiscal Years Ended June 30, 2020, 2021 and 2022 Actual;

Forecasted Fiscal Years Ending June 30, 2023 Through 2027

	Actual				Forecasted				
	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022	Average Change	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027
Revenues									
1.010 General Property Tax (Real Estate)	16,081,224	17,720,654	19,182,757	9.2%	19,397,939	20,724,644	22,327,516	22,995,402	24,818,213
1.020 Public Utility Personal Property Tax	1,373,455	1,527,245	1,715,382	11.8%	1,930,095	1,999,732	2,072,898	2,165,026	2,244,010
1.030 Income Tax	6,718,362	6,829,009	7,748,085	7.6%	8,533,926	9,105,375	9,719,132	10,378,527	11,087,172
1.035 Unrestricted State Grants-in-Aid	16,750,049	17,350,312	15,620,391	-3.2%	16,091,625	16,154,203	16,164,150	16,174,263	16,184,545
1.040 Restricted State Grants-in-Aid	282,659	328,945	999,854	110.2%	1,060,760	1,060,760	1,060,760	1,060,760	1,060,760
1.045 Restricted Federal Grants In Aid	-	-	-	0.0%	-	-	-	-	-
1.050 Property Tax Allocation	2,256,391	2,435,886	2,614,208	7.6%	2,660,101	2,847,904	3,046,673	3,131,848	3,375,977
1.060 All Other Revenues	1,771,757	1,431,120	1,426,906	-9.8%	1,486,110	1,500,971	1,515,981	1,531,140	1,546,451
1.070 <i>Total Revenues</i>	45,233,897	47,623,171	49,307,583	4.4%	51,160,556	53,393,589	55,907,110	57,436,966	60,317,128
Other Financing Sources									
2.010 Proceeds from Sale of Notes	-	-	-	0.0%	-	-	-	-	-
2.020 State Emergency Loans and Advancements (Approved)	-	-	-	0.0%	-	-	-	-	-
2.040 Operating Transfers-In	511,681	498,703	553,386	4.2%	570,277	583,108	597,686	612,628	627,944
2.050 Advances-In	-	-	61,604	0.0%	-	-	-	-	-
2.060 All Other Financing Sources	189,433	411,577	197,028	32.6%	303,000	303,000	303,000	303,000	303,000
2.070 <i>Total Other Financing Sources</i>	701,114	910,280	812,018	9.5%	873,277	886,108	900,686	915,628	930,944
2.080 <i>Total Revenues and Other Financing Sources</i>	45,935,011	48,533,451	50,119,601	4.5%	52,033,833	54,279,697	56,807,796	58,352,594	61,248,072
Expenditures									
3.010 Personal Services	24,527,508	25,810,452	27,451,985	5.8%	28,692,644	30,437,627	32,325,440	34,316,804	36,417,122
3.020 Employees' Retirement/Insurance Benefits	9,983,981	10,550,185	10,763,973	3.8%	11,800,233	12,761,768	13,948,316	15,253,742	16,690,554
3.030 Purchased Services	6,213,267	6,509,674	3,927,000	-17.5%	6,701,035	5,535,298	5,877,440	6,243,229	6,634,498
3.040 Supplies and Materials	1,078,940	1,020,479	1,360,478	13.9%	1,876,585	1,930,258	1,985,516	2,042,405	2,100,974
3.050 Capital Outlay	4,588	20,562	22,201	178.1%	52,100	52,100	52,100	52,100	52,100
3.060 Intergovernmental	-	-	-	0.0%	-	-	-	-	-
Debt Service:				0.0%					
4.010 Principal-All (Historical Only)	-	-	-	0.0%	-	-	-	-	-
4.020 Principal-Notes	-	-	-	0.0%	-	-	-	-	-
4.030 Principal-State Loans	-	-	-	0.0%	-	-	-	-	-
4.040 Principal-State Advancements	-	-	-	0.0%	-	-	-	-	-
4.050 Principal-HB 264 Loans	-	-	-	0.0%	-	-	-	-	-
4.055 Principal-Other	-	-	-	0.0%	-	-	-	-	-
4.060 Interest and Fiscal Charges	-	-	-	0.0%	-	-	-	-	-
4.300 Other Objects	529,062	559,798	603,292	6.8%	737,031	758,488	780,582	803,332	826,758
4.500 <i>Total Expenditures</i>	42,337,346	44,471,150	44,128,929	2.1%	49,859,628	51,475,539	54,969,394	58,711,612	62,722,007
Other Financing Uses									
5.010 Operating Transfers-Out	511,681	498,703	553,667	4.2%	570,277	583,108	597,686	612,628	627,944
5.020 Advances-Out	-	61,604	599	0.0%	-	-	-	-	-
5.030 All Other Financing Uses	-	-	-	0.0%	22,284	22,284	22,284	22,284	22,284
5.040 <i>Total Other Financing Uses</i>	511,681	560,307	554,266	4.2%	592,561	605,392	619,970	634,912	650,228
5.050 <i>Total Expenditures and Other Financing Uses</i>	42,849,027	45,031,457	44,683,195	2.2%	50,452,189	52,080,931	55,589,364	59,346,524	63,372,235
6.010 <i>Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses</i>	3,085,984	3,501,994	5,436,406	34.4%	1,581,645	2,198,766	1,218,432	(993,931)	(2,124,162)
7.010 Cash Balance July 1 - Excluding Proposed Renewal/Replacement and New Levies	20,960,332	24,046,316	27,548,310	14.6%	32,984,716	34,566,361	36,765,127	37,983,559	36,989,628
7.020 <i>Cash Balance June 30</i>	24,046,316	27,548,310	32,984,716	17.1%	34,566,361	36,765,127	37,983,559	36,989,628	34,865,466
8.010 <i>Estimated Encumbrances June 30</i>	207,680	275,217	281,027	17.3%	-	-	-	-	-
Reservation of Fund Balance									
9.010 Textbooks and Instructional Materials	-	-	-	0.0%	-	-	-	-	-
9.020 Capital Improvements	-	-	-	0.0%	-	-	-	-	-
9.030 Budget Reserve	-	-	-	0.0%	-	-	-	-	-
9.040 DPIA	-	-	-	0.0%	-	-	-	-	-
9.045 Fiscal Stabilization	2,243,916	2,271,167	2,401,737	3.5%	2,475,231	2,573,178	2,684,829	2,810,506	2,886,998
9.050 Debt Service	-	-	-	0.0%	-	-	-	-	-
9.060 Property Tax Advances	-	-	-	0.0%	-	-	-	-	-
9.070 Bus Purchases	-	-	-	0.0%	-	-	-	-	-
9.080 <i>Subtotal</i>	2,243,916	2,271,167	2,401,737	3.5%	2,475,231	2,573,178	2,684,829	2,810,506	2,886,998
10.010 <i>Fund Balance June 30 for Certification of Appropriations</i>	21,594,720	25,001,926	30,301,952	18.5%	32,091,130	34,191,949	35,298,730	34,179,122	31,978,468
Revenue from Replacement/Renewal Levies									
11.010 Income Tax - Renewal	-	-	-	0.0%	-	-	-	-	-
11.020 Property Tax - Renewal or Replacement	-	-	-	0.0%	-	-	-	-	-
11.300 Cumulative Balance of Replacement/Renewal Levies	-	-	-	0.0%	-	-	-	-	-
12.010 <i>Fund Balance June 30 for Certification of Contracts, Salary Schedules and Other Obligations</i>	21,594,720	25,001,926	30,301,952	18.5%	32,091,130	34,191,949	35,298,730	34,179,122	31,978,468

Southwest Licking Local School District

Licking County

Schedule of Revenues, Expenditures and Changes in Fund Balances

For the Fiscal Years Ended June 30, 2020, 2021 and 2022 Actual;

Forecasted Fiscal Years Ending June 30, 2023 Through 2027

		Actual				Forecasted				
		Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022	Average Change	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027
Revenue from New Levies										
13.010	Income Tax - New				0.0%	-	-	-	-	-
13.020	Property Tax - New				0.0%	-	-	-	-	-
13.030	Cumulative Balance of New Levies	-	-		0.0%	-	-	-	-	-
14.010	Revenue from Future State Advancements				0.0%	-	-	-	-	-
15.010	Unreserved Fund Balance June 30	21,594,720	25,001,926	30,301,952	18.5%	32,091,130	34,191,949	35,298,730	34,179,122	31,978,468

Southwest Licking Local School District – Licking County
Notes to the Five Year Forecast
General Fund Only
November 17, 2022

Introduction to the Five Year Forecast

The five-year forecast is viewed as a key management tool and must be updated periodically. In Ohio, most school districts understand how they will manage their finances in the current year. The five-year forecast encourages district management teams to examine future years' projections and identify when challenges will arise. This then helps district management to be proactive in meeting those challenges. School districts are encouraged to update their forecasts with Ohio Department of Education when events take place that will significantly change their forecast or, at a minimum, when required under statute.

In a financial forecast, the numbers only tell a small part of the story. For the numbers to be meaningful, the reader must review and consider the Assumptions to the Financial Forecast before drawing conclusions or using the data as a basis for other calculations. The assumptions are especially important to understanding the rationale of the numbers, particularly when a significant increase or decrease is reflected.

Here are at least three purposes or objectives of the five-year forecast:

- (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

O.R.C. §5705.391 and O.A.C. 3301-92-04 require a Board of Education (BOE) to file a five (5) year financial forecast by November 30, 2022, and May 31, 2023, for the fiscal year 2023 (July 1, 2022, to June 30, 2023). The five-year forecast includes three years of actual and five years of projected general fund revenues and expenditures. The fiscal year 2023 (July 1, 2022-June 30, 2023) is the first year of the five-year forecast and is considered the baseline year. Our forecast is updated to reflect the most current economic data available for the November 2022 filing.

Economic Outlook

This five-year forecast is being filed during a two-year economic recovery following the COVID-19 Pandemic, which began in early 2020. The effects of the pandemic have lessened, but several supply chain concerns and high inflation continues to impact our state, country, and broader globalized economy. Inflation in June 2022 hit a 40-year high of 9.1% before falling to 8.3% in August. Costs in FY22 were notably impacted in areas such as diesel fuel for buses, electric and natural gas, and building materials for facility maintenance and repair. Increased inflation affecting district costs is expected to continue in FY23; it remains to be seen if these costs are transitory or will last over the next few years, which could significantly impact our forecast and adversely affect state and local funding.

The Federal Reserve Bank has made fighting inflation its number one concern. It is expected that interest rate increases before December 2022 will result in increased unemployment, and many economists anticipate an economic recession in the first half of calendar year 2023. If that occurs, the recession will happen as the state legislature considers the next biennium budget for FY24 and FY25. Despite the solid economic recovery, the state of Ohio has enjoyed over the past two years, as noted below in the graphs, a recession may impact funding for primary and secondary education.

While all school districts are being aided by three (3) rounds of federal Elementary and Secondary Schools Emergency Relief Funds (ESSER) which began in fiscal year 2020, the most recent allocation of ESSER funds must be spent or encumbered by September 30, 2024.

Data and assumptions noted in this forecast are based on the best and most reliable data available to us as of the date of this forecast.

Forecast Risks and Uncertainty:

A five year financial forecast has risks and uncertainty not only due to economic uncertainties noted above but also due to state legislative changes that will occur in the spring of 2023 and 2025 due to deliberation of the next two (2) state biennium budgets for FY24-25 and FY26-27, both of which affect this five year forecast. We have estimated revenues and expenses based on the best data available to us and the laws in effect at this time. The items below give a short description of the current issues and how they may affect our forecast long term:

- I. Property tax collections are the largest single revenue source for the school system. The housing market in our district is stable and growing. We project continued growth in appraised values every three (3) years and new construction growth with continued modest increases in local taxes. Total local revenues which are predominately local taxes equate to 61% of the district's resources. Our tax collections in the March 2022 and August 2022 settlements showed average collection trends. We believe there is a low risk that local collections would fall below projections in the forecast.
- II. Licking County experienced a reappraisal update in the 2020 tax year to be collected in FY21. Fairfield County had a reappraisal in 2019 collected in FY20. The 2020 update in Licking County increased overall assessed values by \$171.1 million or an increase of 22.7%. The 2019 reappraisal in Fairfield County increased overall assess values by \$36.5 million or an increase of 5.1%.

A reappraisal in Licking County will occur in tax year 2023 for collection in FY24. We anticipate value increases for Class I and II property of \$126.5 million for an overall increase of 14.0% including the adjustment for lower Current Agricultural Use Values (CAUV) authorized by HB49. A triennial update in Fairfield County will occur in tax year 2022 for collection in FY23. We expect a value increase for Class I and II property of \$29.8 million for an overall increase of 3.41%. There is however always a minor risk that the district could sustain a reduction in values in the next appraisal update but we do not anticipate that at this time.

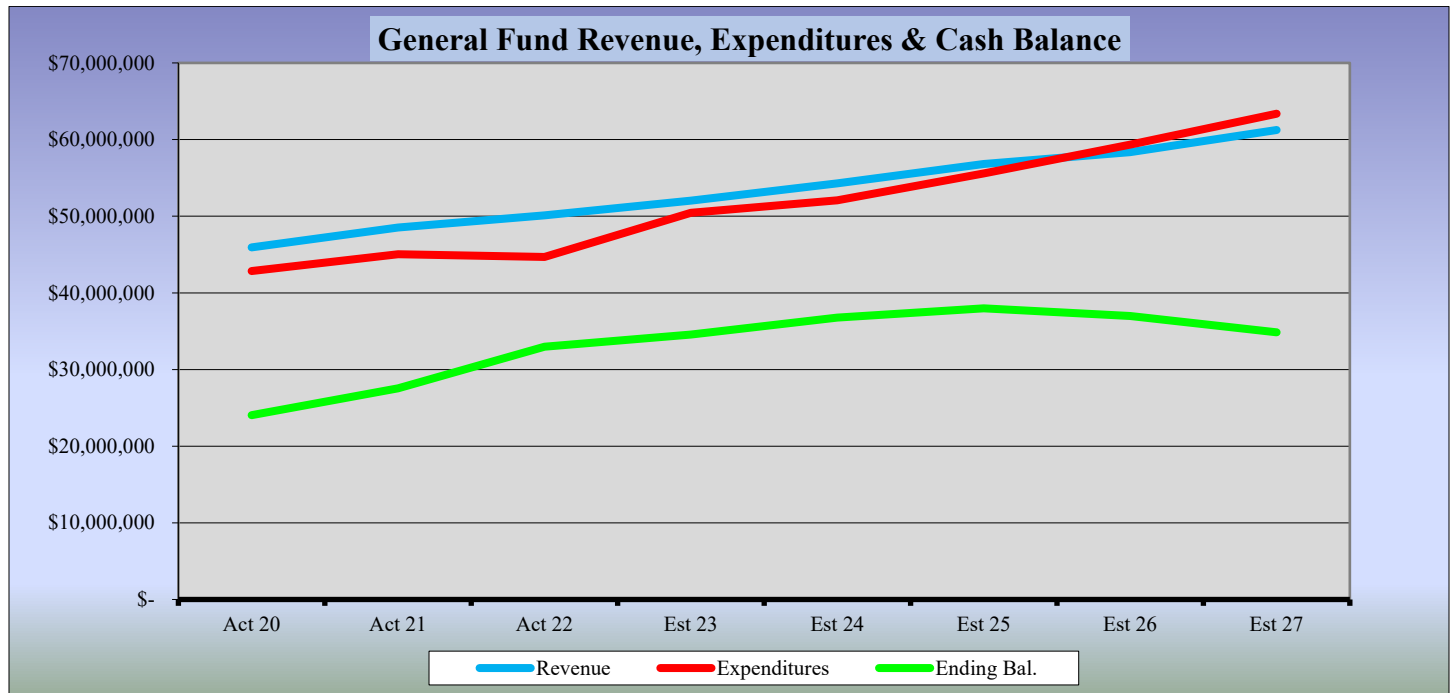
- III. The state budget represented 39% of district revenues, which means it is a significant area of risk to the revenue. The future risk comes in FY24 and beyond if the state economy stalls due to the record high inflation we are witnessing at this time or the Fair School Funding Plan is not funded in future state budgets due to an economic recession. Two future State Biennium Budgets are covering the period from FY24-25, and FY26-27 in this forecast. Future uncertainty in the state foundation funding formula and the state's economy makes this area an elevated risk to district funding long range through FY27. We have projected our state funding to be in line with the FY23 funding levels through FY27 which we feel is conservative and should be close to whatever the state approves for the FY24-FY27 biennium budgets. We will adjust the forecast in future years as we have data to help guide this decision.

- IV. HB110, the current state budget implements that has been referred to as the Fair School Funding Plan (FSFP) for FY22 and FY23. The full release of the new Fair School Funding Plan formula calculations was delayed until March 2022. The FSFP has many significant changes to the way foundation revenues are calculated for school districts and how expenses are charged off. State foundation basic aid will be calculated on a base cost methodology with funding paid to the district where a student is enrolled to be educated. Beginning in FY22, a district's open enrollment payments will no longer be paid separately as those payments are included with basic aid. A change in expenditures beginning in FY22 will also occur, in that there will no longer be deductions for students that attend elsewhere for open enrollment, community schools, STEM schools, and scholarship recipients, as these payments will be paid directly to those districts from the state. The initial impact of these changes on the forecast will be noticed in that the actual historical costs for FY20 through FY21 reflect different trends on Lines 1.035, 1.04, 1.06, and 3.03 beginning in FY22. In June 2022, the legislature passed HB583 to resolve issues and possible unintended consequences in the new funding formula. Some of these changes impacted FY22 and future years' funding. Our state aid projections have been based on the best information on the new HB110 formula as amended by HB583 that are available as of this forecast.
- V. HB110 direct pays costs associated with open enrollment, community and STEM schools, and for all scholarships including EdChoice Scholarships. These costs will no longer be deducted from our state aid. However, there still are education option programs such as College Credit Plus which continue to be deducted from state aid which will increase costs to the district. Expansion or creation of programs that are not directly paid by the state of Ohio can exposes the district to new expenditures that are not currently in the forecast. We are monitoring closely any new threats to our state aid and increased costs as any new proposed laws are introduced in the legislature.
- VI. Labor relations in our district have been amicable with all parties working for the best interest of students and realizing the extreme resource challenges today. We believe as we move forward our positive working relationship will continue and will only grow stronger.

The significant lines of reference for the forecast are noted below in the headings to make it easier to relate the assumptions made for the forecast item and refer back to the forecast. It should be of assistance to the reader to review the assumptions noted below in understanding the overall financial forecast for our district. If you would like further information, please feel free to contact Richard D. Jones, Treasurer.

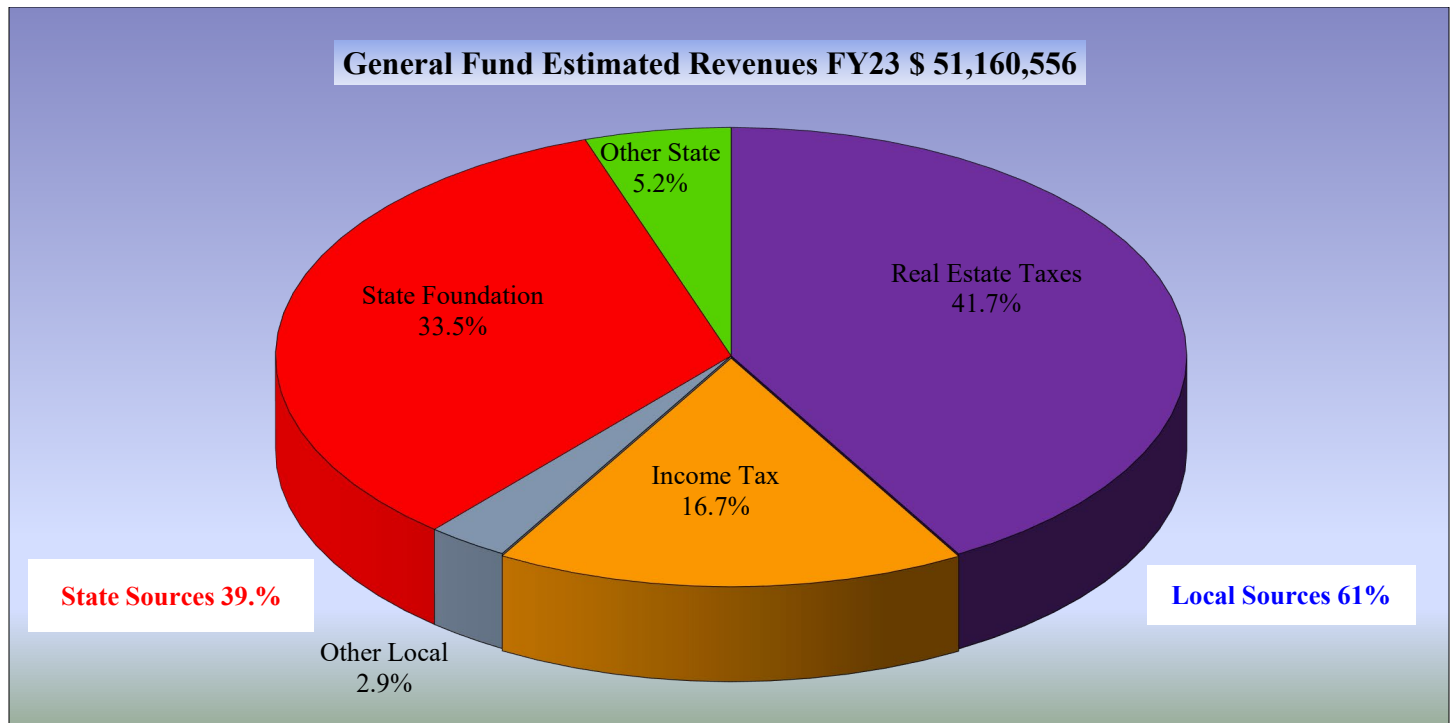
General Fund Revenue, Expenditure and Ending Cash Balance

The following graph shows in summary the forecasted revenue, expenses and ending balance of the district's General Fund for the period FY23-27, with actual data provided for FY20-22.



Revenue Assumptions

Estimated General Fund Operating Revenue for FY23



Real Estate Value Assumptions – Line # 1.010

Property Values are established each year by the County Auditors in Licking and Fairfield counties based on new construction and complete reappraisal or updated values. There was an update completed in 2020 for the collection in 2021 in Licking County and a reappraisal in 2019 for the collection in 2020 in Fairfield County. Class I, the residential/agricultural values, increased 22.98% or \$139.5 million due to the Licking County reappraisal update led by an improving housing market. There was a significant increase in the Class II commercial/industrial values of 29.37% or \$28.8 million.

ESTIMATED ASSESSED VALUE (AV) BY COLLECTION YEARS

<u>Source</u>	Estimated TAX YEAR 2022	Estimated TAX YEAR 2023	Estimated TAX YEAR 2024	Estimated TAX YEAR 2025	Estimated TAX YEAR 2026
Classification	<u>COLLECT 2023</u>	<u>COLLECT 2024</u>	<u>COLLECT 2025</u>	<u>COLLECT 2026</u>	<u>COLLECT 2027</u>
Res./Ag.	\$789,868,310	\$902,982,390	\$924,705,063	\$955,320,738	\$1,092,128,640
Comm./Ind.	\$113,749,112	\$127,110,136	\$132,326,131	\$137,786,692	\$153,971,178
Public Utility Personal Property (PUPP)	<u>\$66,689,543</u>	<u>\$69,692,106</u>	<u>\$72,829,854</u>	<u>\$76,108,873</u>	<u>\$79,535,523</u>
Total Assessed Value	<u>\$970,306,965</u>	<u>\$1,099,784,632</u>	<u>\$1,129,861,048</u>	<u>\$1,169,216,303</u>	<u>\$1,325,635,341</u>

Estimated Real Estate Tax - Line # 1.010

<u>Source</u>	<u>FY23</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>
General Property Taxes	<u>\$19,397,939</u>	<u>\$20,724,644</u>	<u>\$22,327,516</u>	<u>\$22,995,402</u>	<u>\$24,818,213</u>

Estimated Real Estate Tax Collection

Property tax levies are estimated to be collected at 98.21% of the annual amount. This allows a 1.79% delinquency factor. In general, 54.35% of the Res/Ag and Comm/Ind property taxes are expected to be collected in the February tax settlement and 45.65% collected in the August tax settlement. Public Utility tax settlements (PUPP taxes) are estimated to be received 50% in February and 50% in August settlement from the County Auditor and are noted in Line #1.02 totals below.

New Tax Levies – Line # 13.030

No new levies are modeled in this forecast.

Estimated Public Utility Personal Tax – Line # 1.020

As noted earlier, the phase out of TPP taxes as noted earlier began in FY06 with HB66, which was adopted in June 2005. The amounts below are public utility tangible personal property (PUPP) tax payments from public utilities. The values for PUPP are noted on the table above under P.U. Personal, which was \$1.53 million in assessed values in 2021 and is collected at the district's gross voted millage rate. Collections are typically 50% in March and 50% in August, along with the real estate settlements from the county auditor.

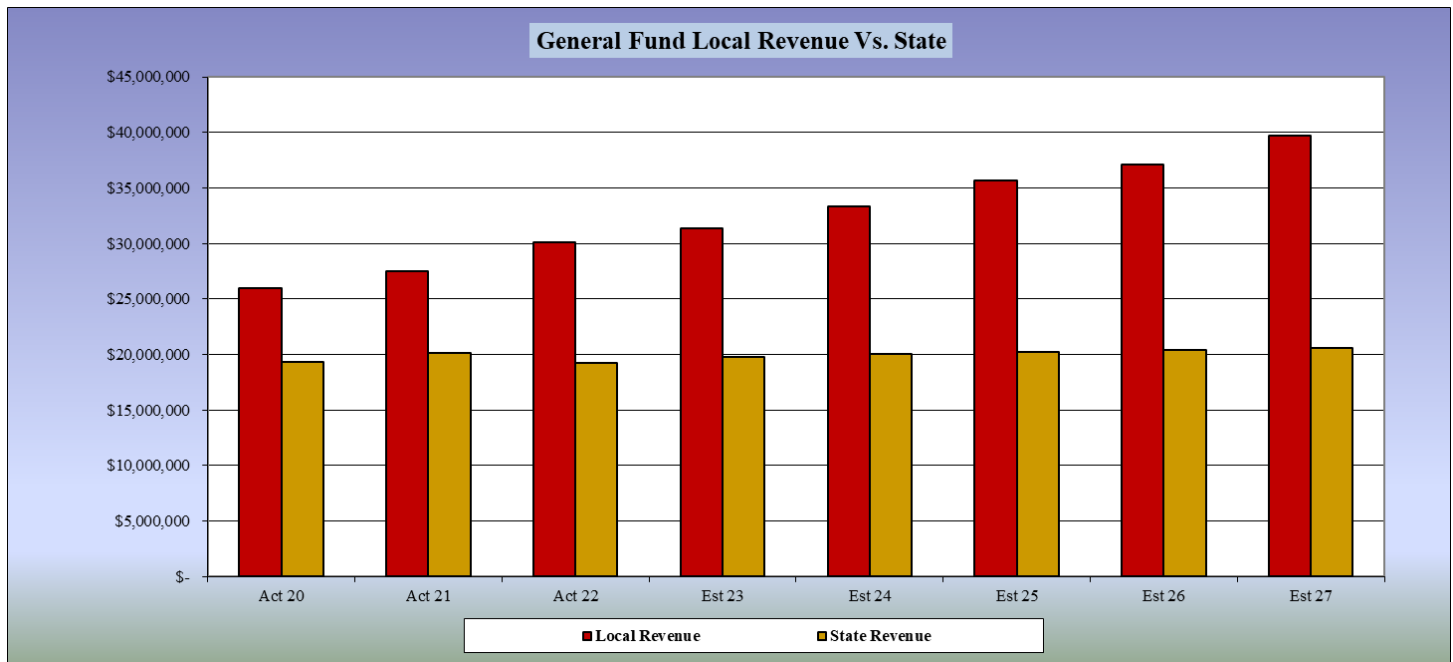
<u>Source</u>	<u>FY23</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>
Public Utility Personal Property (Line#1.020)	<u>\$1,930,095</u>	<u>\$1,999,732</u>	<u>\$2,072,898</u>	<u>\$2,165,026</u>	<u>\$2,244,010</u>

School District Income Tax – Line # 1.030

The district had a .75% continuous income tax that has been effective since 1991. The income tax is estimated to produce \$8.53 million in FY23. We now project a 10.14% increase in FY23 with modest increases each year after.

<u>Source</u>	<u>FY23</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>
School District Income Tax	\$7,748,085	\$8,533,926	\$9,105,375	\$9,719,132	\$10,378,527
Adjustments	\$785,842	\$571,449	\$613,757	\$659,395	\$708,646
Total to Line #1.030	<u>\$8,533,926</u>	<u>\$9,105,375</u>	<u>\$9,719,132</u>	<u>\$10,378,527</u>	<u>\$11,087,172</u>

Comparison of Local and State Revenue



State Foundation Revenue Estimates – Lines # 1.035, 1.040 and 1.045

Current State Funding Model per HB110 through June 30, 2023

A) Unrestricted State Foundation Revenue – Line # 1.035

The full release of the new Fair School Funding Plan formula occurred in March 2022 and was amended in HB583, passed in June 2022. Complete calculations of the new formula were not available for nearly all of the last fiscal year. We have projected FY23 funding based on the September 2022 foundation settlement and funding factors.

Our district is currently a formula district in FY23 and is expected to continue as a formula district in FY24-FY27 on the new Fair School Funding Plan (FSFP). The state foundation funding formula has gone through many changes in recent years. The most recent funding formula began in FY14 and was dropped in FY19 after six (6) years, followed by no foundation formula for two (2) years in FY20 and FY21, and now HB110, as amended by HB583, implements the newest and possibly the most complicated funding formula in recent years for FY22 and FY23. The current formula introduces many changes to how state foundation is calculated and expenses deducted from state funding which will potentially make the actual five-year forecast look different with estimates FY23 through FY27 compared to actual data FY20 through FY21 on Lines 1.035, 1.04, 1.06 and 3.03 of the forecast.

Overview of Key Factors that Influence State Basic Aid in the Fair School Funding Plan

- A. Student Population and Demographics
- B. Property Valuation
- C. Personal Income of District Residents
- D. Historical Funding- CAPS and Guarantees from prior funding formulas

Base Cost Approach- Unrestricted Basic Aid Foundation Funding

The new funding formula uses FY18 statewide average district costs and developed a base cost approach that includes minimum service levels and student teacher ratios to calculate a unique base cost for each district that includes base funding for five (5) areas:

- 1. Teacher Base Cost (4 subcomponents)
- 2. Student Support (7 subcomponents-including a restricted Student Wellness component)
- 3. District Leadership & Accountability (7 subcomponents)
- 4. Building Leadership & Operations (3 subcomponents)
- 5. Athletic Co-curricular (contingent on participation)

State Share Percentage – Unrestricted Basic Aid Foundation Funding

Once the base cost is calculated, which is estimated to be as high as \$7,351.71 per pupil in FY23, the FSFP calculates a state share percentage (SSP) calculation. The state share percentage in concept will be higher for districts with less capacity (lower local wealth) and be a lower state share percentage for districts with more capacity (higher local wealth). The higher the district's ability to raise taxes based on local wealth the lower the state share percentage. The state share percentage will be based on 60% property valuation of the district, 20% on federally adjusted gross income and 20% on federal median income, as follows:

- 1. 60% based on most recent three (3) year average assessed values or the most recent year, whichever is lower divided by base students enrolled.
- 2. 20% based on most recent three (3) year average federal adjusted gross income of district residents or the most recent year, whichever is lower divided by base students enrolled
- 3. 20% based on most recent year federal median income of district residents multiplied by number of returns in that year divided by base students enrolled
- 4. When the weighted values are calculated and Items 1 through 3 above added together, the total is then multiplied by a Local Share Multiplier Index from ranging from 0% for low wealth districts to a maximum of 2.5% for wealthy districts.

When the unrestricted base cost is determined and multiplied by the state share percentage, the resulting amount is multiplied by the current year enrolled students (including open enrolled students being educated in each district), and finally multiplied by the local share multiplier index for each district. The result is the local per pupil capacity amount of the base per pupil funding amount. The balance of this amount is the state share to pay.

Categorical State Aid

In addition to the base state foundation funding calculated above, the FSFP also has unrestricted categorical funding and new restricted funding beginning in FY22, some of which will have the state share percentage applied to these calculations as noted below:

Unrestricted Categorical State Aid

1. Targeted Assistance/Capacity Aid – Provides additional funding based on a wealth measure using 60% weighted on property value and 40% on income. Uses current year enrolled average daily membership (ADM). Also, will provide supplemental targeted assistance to lower wealth districts whose enrolled ADM is less than 88% of their total FY19 ADM.
2. Special Education Additional Aid – Based on six (6) weighted funding categories of disability and moved to a weighted funding amount and not a specific amount. An amount of 10% will be reduced from all districts' calculation to be used toward the state appropriation for Catastrophic Cost reimbursement.
3. Transportation Aid – Funding based on all resident students who ride including preschool students and those living within 1 mile of school. Provides supplemental transportation for low density districts. Increases state minimum share to 29.17% in FY22 and 33.33% in FY23.

Restricted Categorical State Aid

1. Disadvantage Pupil Impact Aid (DPIA) - Formerly Economically Disadvantaged Funding, DPIA is based on number and concentration of economically disadvantaged students compared to state average and multiplied by \$422 per pupil. Phase-in increases are limited to 0% for FY22 and 14% in FY23. There is no legislation indicating the percentage increase for FY24 and beyond for DPIA.
2. English Learners – Based on funded categories based on time student enrolled in schools and multiplied by a weighted amount per pupil.
3. Gifted Funds –Based on average daily membership multiplied by a weighted amount per pupil.
4. Career-Technical Education Funds – Based on career technical average daily membership and five (5) weighted funding categories students enrolled in.
5. Student Wellness & Success Funding – These funds in FY20 and FY21 were accounted for in Fund 467 but are now restricted funds to be accounted for in the General Fund as part of the foundation formula.

State Funding Phase-In FY22 and FY23 and Guarantees

While the FSFP was presented as a six (6) year phase-in plan, the state legislature approved the first two (2) years of the funding plan in HB110, which was amended by HB583 in June 2022. The FSFP does not include caps on funding; instead, it will consist of a general phase-in percentage for most components of 16.67% in FY22 and 33.33% in FY23. DPIA funding will be phased in at 0% in FY22 and 14% in FY23. Transportation categorical funds will not be subject to a phase-in.

HB110 includes three (3) guarantees: 1) “Formula Transition Aid”; 2) Supplemental Targeted Assistance, and 3) Formula Transition Supplement. The three (3) guarantees in both temporary and permanent law ensure that no district will get fewer funds in FY22 and FY23 than they received in FY21. The guarantee level of funding for FY22 is a calculated funding guarantee level based on total state funding cuts from May 2020 restored, net of transfers and deductions, plus Student Wellness and Success funds (based on FY21 SWSF amounts), enrollment growth supplement funds paid in FY21 and special education preschool and special education transportation additional aid items. It is estimated that nearly 420 districts are on one form of guarantee in FY22. In general, the same number will occur in FY23 since state average costs were frozen at FY18 in the Base Cost calculations. In contrast, property values and Federal Adjusted Gross Income will be allowed to update and increase for FY23, pushing districts toward one of the three (3) guarantees.

Student Wellness and Success Funds (SWSF) - (Restricted Fund 467)

In FY20 and FY21, HB166 provided Student Wellness and Success Funds (SWSF) to be deposited in Special Revenue Fund 467. HB110, the new state budget, essentially eliminated these funds by merging them into state aid and wrapped them into the expanded funding and mission of DPIA funds noted above and on Line 1.04 below, with only a smaller portion devoted to SWSF. Any remaining funds in Special Revenue Fund 467 from FY20 and FY21 will be required to be used for the restricted purposes governing these funds until entirely spent.

Future State Budgets

Our funding status for the FY24-27 will depend on two (2) new state budgets which are unknown. There is no guarantee that the current Fair School Funding Plan in HB110 will be funded or continued beyond FY23. For this reason, funding is held constant FY23 through FY27.

Casino Revenue

On November 3, 2009 Ohio voters passed the Ohio casino ballot issue. This issue allowed for the opening of four (4) casinos one each in Cleveland, Toledo, Columbus and Cincinnati. Thirty-three percent (33%) of the gross casino revenue will be collected as a tax. School districts will receive 34% of the 33% GCR that will be paid into a student fund at the state level. These funds will be distributed to school districts on the 31st of January and August each year which began for the first time on January 31, 2013.

Casino revenue fell slightly in FY21 due to COVID-19 and Casinos closing for a little over two months. We have increased the amount in FY22 back to pre-pandemic FY20 levels as Casino revenues appear to have dipped largely due to their closure and not in response to the economic downturn. Prior to COVID-19 closure, casino revenues were growing modestly as the economy improved. Original projections for FY23-27 estimated a .4% decline in pupils to 1,778,441 and GCR increasing to \$106.35 million or \$59.80 per pupil, actual payments in FY22 were \$62.82 per pupil. FY22 Casino revenues have resumed their historical growth rate and assume a 2% annual growth rate for the forecast period.

<u>Source</u>	<u>FY23</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>
Basic Aid-Unrestricted	\$15,083,906	\$15,136,703	\$15,136,703	\$15,136,703	\$15,136,703
Additional Aid Items *	\$698,082	\$698,082	\$698,082	\$698,082	\$698,082
Basic Aid-Unrestricted Subtotal	\$15,781,988	\$15,834,785	\$15,834,785	\$15,834,785	\$15,834,785
Ohio Casino Commission ODT	<u>\$309,637</u>	<u>\$319,418</u>	<u>\$329,365</u>	<u>\$339,478</u>	<u>\$349,760</u>
Total Unrestricted State Aid Line # 1.035	<u>\$16,091,625</u>	<u>\$16,154,203</u>	<u>\$16,164,150</u>	<u>\$16,174,263</u>	<u>\$16,184,545</u>

B) Restricted State Revenues – Line # 1.040

HB110 has continued Disadvantaged Pupil Impact Aid (formerly Economic Disadvantaged funding) and Career Technical funding. In addition, there have been new restricted funds added as noted above under “Restricted Categorical Aid” for Gifted, English Learners (ESL) and Student Wellness. The district has elected to also post Catastrophic Aid for special education as restricted revenues. The amount of DPIA is limited to 0% phase in growth for FY22 and 14% in FY23. We have flat-lined funding at FY23 levels for FY24-FY27 due to uncertainty on continued funding of the current funding formula.

<u>Source</u>	<u>FY23</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>
Disadvantaged Pupil Impact Aid (DPIA)	\$131,535	\$131,535	\$131,535	\$131,535	\$131,535
Career Tech	\$103,328	\$103,328	\$103,328	\$103,328	\$103,328
ESL	\$73,210	\$73,210	\$73,210	\$73,210	\$73,210
Gifted	\$220,871	\$220,871	\$220,871	\$220,871	\$220,871
Student Wellness	\$531,816	\$531,816	\$531,816	\$531,816	\$531,816
Catastrophic & 1/2 Mil Equalization	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total Restricted State Revenues Line #1.040	<u>\$1,060,760</u>	<u>\$1,060,760</u>	<u>\$1,060,760</u>	<u>\$1,060,760</u>	<u>\$1,060,760</u>

C) Restricted Federal Grants in Aid – Line # 1.045

There is no restricted federal funding projected in this forecast.

<u>Summary of State Foundation Revenues</u>	<u>FY23</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>
Unrestricted Line # 1.035	\$16,091,625	\$16,154,203	\$16,164,150	\$16,174,263	\$16,184,545
Restricted Line # 1.040	\$1,060,760	\$1,060,760	\$1,060,760	\$1,060,760	\$1,060,760
Rest. Fed. Grants - SFSF & Ed Jobs Line #1.045	\$0	\$0	\$0	\$0	\$0
Total State Foundation Revenue	<u>\$17,152,385</u>	<u>\$17,214,963</u>	<u>\$17,224,910</u>	<u>\$17,235,023</u>	<u>\$17,245,305</u>

State Taxes Reimbursement/Property Tax Allocation – Line # 1.050

a) Rollback and Homestead Reimbursement

Rollback funds are reimbursements paid to the district from Ohio for tax credits given owner occupied residences equaling 12.5% of the gross property taxes charged residential taxpayers on tax levies passed prior to September 29, 2013. HB59 eliminated the 10% and 2.5% rollback on new levies approved after September 29, 2013 which is the effective date of HB59. HB66, the FY06-07 budget bill, previously eliminated 10% rollback on Class II (commercial and industrial) property.

Homestead Exemptions are credits paid to the district from the state of Ohio for qualified elderly and disabled. In 2007, HB119 expanded the Homestead Exemption for all seniors 65 years of age or older or who are disabled regardless of income. Effective September 29, 2013, HB59 changed the requirement for Homestead Exemptions. Individual taxpayers who do not currently have their Homestead Exemption approved or those who do not get a new application approved for tax year 2013, and who become eligible thereafter will only receive a Homestead Exemption if they meet the income qualifications. Taxpayers who had their Homestead Exemption as of September 29, 2013 will not lose it going forward and will not have to meet the new income qualification. This will generally reduce homestead reimbursements to the district over time, and as with the rollback reimbursements above, the state is increasing the tax burden on our local taxpayers.

b) Tangible Personal Property Reimbursements – Fixed Rate

The district does not receive TPP Fixed Rate reimbursements.

Summary of State Tax Reimbursement – Line # 1.050

<u>Source</u>	<u>FY23</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>
Rollback and Homestead	<u>\$2,660,101</u>	<u>\$2,847,904</u>	<u>\$3,046,673</u>	<u>\$3,131,848</u>	<u>\$3,375,977</u>

Other Local Revenues – Line # 1.060

All other local revenue encompasses any type of revenue that does not fit into the above lines. The main sources of revenue in this area have been open enrollment, tuition for court placed students, interest, student fees, Medicaid payments and general rental fees.

HB110, the new state budget, will stop paying open enrollment as an increase to other revenue for the district. Open enrolled students will be counted in the enrolled student base at the school district they are being educated at and state aid will follow the students. Open enrolled student revenues will be included in Line 1.035 as state basic aid. In FY21 and FY22, interest income fell due to fed rate reductions due to the pandemic, which will impact our earning capability in this area until rates and our ending cash balance begin to increase. Rentals are expected to return to pre-pandemic levels over time. All other revenues are expected to continue on historical trends.

<u>Source</u>	<u>FY23</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>
Fees (1635, 1690, 1740, 1790, 1810)	\$363,887	\$367,526	\$371,201	\$374,913	\$378,662
Interest (1410)	\$300,000	\$303,000	\$306,030	\$309,090	\$312,181
Medicaid / Erate (4120)	\$158,803	\$160,391	\$161,995	\$163,615	\$165,251
Tuitions (1211, 1221, 1223, 1232)	\$518,000	\$523,180	\$528,412	\$533,696	\$539,033
Other Income and rentals	\$145,420	\$146,874	\$148,343	\$149,826	\$151,324
Total Other Local Revenue Line #1.060	<u>\$1,486,110</u>	<u>\$1,500,971</u>	<u>\$1,515,981</u>	<u>\$1,531,140</u>	<u>\$1,546,451</u>

Short-Term Borrowing – Lines # 2.010 & Line # 2.020

There is no short-term borrowing planned for in this forecast at this time from any sources.

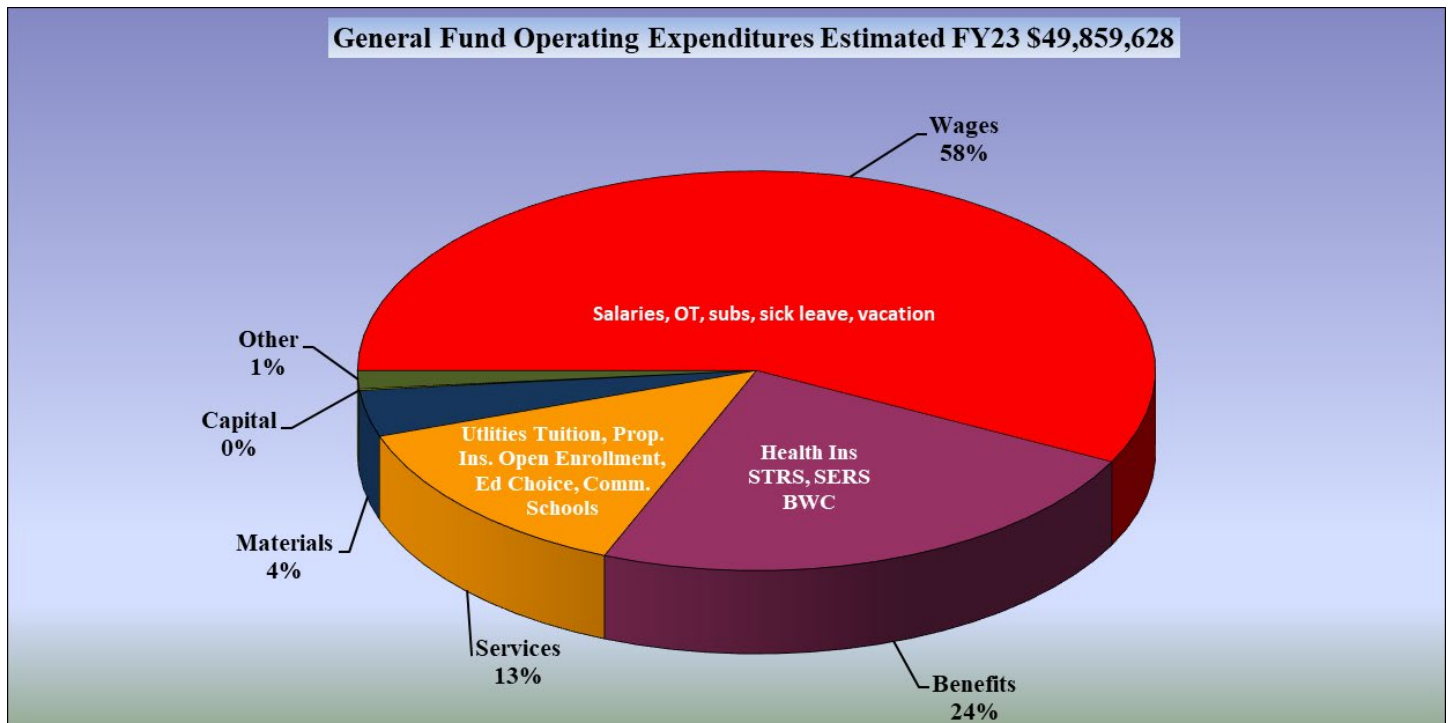
All Other Financial Sources – Line # 2.010 through Line # 2.060 & Line # 14.010

There is no short-term borrowing planned for in this forecast at this time. The other area in these lines is Refund of Prior year expenses which are for refunds that the district has received and is anticipating a similar amount each year.

<u>Source</u>	<u>FY23</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>
Transfers In - Line 2.040	\$570,277	\$583,108	\$597,686	\$612,628	\$627,944
Advance Returns - Line 2.050	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total Transfer & Advances In	<u>\$570,277</u>	<u>\$583,108</u>	<u>\$597,686</u>	<u>\$612,628</u>	<u>\$627,944</u>

Expenditures Assumptions

Estimated General Fund Operating Expenditures for FY23:



Wages – Line # 3.010

The district is expecting an overall increase of 4.52% for FY23 including both steps raises and other adjustments. Additionally, the district is projecting a 2.25% increase for FY24 and a 2.50% increase FY25-FY27 for raises. The district also has step increases of 2.5% each year of the forecast. There is also an increase each year for Substitute and Supplement wages from FY22 through FY26 consistent with the estimated raises. The district is also including additional staff to support the enrollment growth.

<u>Source</u>	<u>FY23</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>
Base Wages	\$27,323,339	\$27,938,114	\$29,735,966	\$31,633,722	\$33,636,652
Steps	\$0	\$698,453	\$743,399	\$790,843	\$840,916
One-time payment in lieu of base salary increase	\$0	\$0	\$0	\$0	\$0
Growth	\$0	\$400,946	\$410,958	\$421,244	\$431,784
Substitutes	\$618,225	\$632,135	\$647,938	\$664,137	\$680,740
Supplementals	\$751,080	\$767,979	\$787,179	\$806,858	\$827,030
Staff Reductions	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total Wages Line #3.010	<u>\$28,692,644</u>	<u>\$30,437,627</u>	<u>\$32,325,440</u>	<u>\$34,316,804</u>	<u>\$36,417,122</u>

Fringe Benefits – Line # 3.020

This area of the forecast captures all costs associated with benefits and retirement costs, with all except health insurance being directly related to the wages paid.

A) STRS/SERS

The district pays 14% of each dollar paid in wages to either the State Teachers Retirement System or the School Employees Retirement System as required by Ohio law.

B) Insurance

The district is planning for a 6.1% increase in FY23 and 10% each year for FY24-27.

The Further Consolidated Appropriations Act of 2020, included a full repeal of three taxes originally imposed by the Affordable Care Act (ACA): the 40% Excise Tax on employer-sponsored coverage (a.k.a. “Cadillac Tax”), the Health Insurance Industry Fee (a.k.a. the Health Insurer Tax), and the Medical Device Tax. These added costs are no longer an uncertainty factor for our health care costs in the forecast.

C) Workers Compensation & Unemployment Compensation

Workers Compensation is expected to remain at about .36% of wages FY23-FY27 which is in line with our recent trend. Unemployment Compensation has been negligible.

D) Medicare

Medicare will continue to increase at the rate of increase of wages. Contributions are 1.45% for all new employees to the district on or after April 1, 1986. These amounts are growing at the general growth rate of wages.

Fringe Benefits – Line # 3.020

<u>Source</u>	<u>FY23</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>
A) STRS/SERS	\$4,382,343	\$4,643,964	\$4,926,999	\$5,225,559	\$5,540,454
B) Insurance's	\$6,588,626	\$7,258,175	\$8,128,841	\$9,101,058	\$10,186,431
C) Workers Comp/Unemployment	\$85,687	\$90,760	\$96,234	\$102,008	\$108,098
D) Medicare	\$416,054	\$441,346	\$468,719	\$497,594	\$528,048
Other/Tuition/Social Security	<u>\$327,523</u>	<u>\$327,523</u>	<u>\$327,523</u>	<u>\$327,523</u>	<u>\$327,523</u>
Total Fringe Benefits Line #3.020	<u>\$11,800,233</u>	<u>\$12,761,768</u>	<u>\$13,948,316</u>	<u>\$15,253,742</u>	<u>\$16,690,554</u>

Purchased Services – Line # 3.030

HB110, the new state budget, will impact Purchased Services beginning in FY22 as the Ohio Department of Education will begin to direct pay these costs to the educating districts for open enrollment, community and STEM schools, and for scholarships granted students to be educated elsewhere, as opposed to deducting these amounts from our state foundation funding and shown below as expenses. We have continued to show these amounts below as zeros to help reflect the difference between projected FY23-FY27 Line 3.03 costs and historical FY20 through FY21 costs on the five year forecast. College Credit Plus, excess costs and other tuition costs will continue to draw funds away from the district, which will continue in this area and have been adjusted based on historical trend.

Bases services which include but not limited too are legal fees, management fees, health services and ESC service are receiving a 5% increase each year of the forecast.

Also included in purchase services are the repairs and maintenance for the district and the utility costs. The district is expecting 5% increases in FY23-FY27 for repairs, maintenance projects and utilities.

<u>Source</u>	<u>FY23</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>
Base Services	\$601,010	\$631,061	\$662,614	\$695,745	\$730,532
Excess Cost & Special Ed Payments	\$828,673	\$870,107	\$913,612	\$959,293	\$1,007,258
Open Enrollment Deduction-477	\$0	\$0	\$0	\$0	\$0
Community School Deductions-478	\$0	\$0	\$0	\$0	\$0
Other Tuition Including Ed Scholarship 471, 479	\$417,851	\$438,744	\$460,681	\$483,715	\$507,901
Professional Support 41x	\$3,360,570	\$1,968,375	\$2,066,794	\$2,170,134	\$2,278,641
Building Maintenance Repairs 423	\$304,248	\$319,460	\$335,433	\$352,205	\$369,815
Utilities	\$1,188,683	\$1,307,551	\$1,438,306	\$1,582,137	\$1,740,351
Budget Reserves or (Reductions)	\$0	\$0	\$0	\$0	\$0
Total Purchased Services Line #3.030	<u>\$6,701,035</u>	<u>\$5,535,298</u>	<u>\$5,877,440</u>	<u>\$6,243,229</u>	<u>\$6,634,498</u>

Supplies and Materials – Line # 3.040

Expenses which include curricular supplies, testing supplies, copy paper, maintenance, custodial supplies and materials, bus fuel, etc.

<u>Source</u>	<u>FY23</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>
Supplies	\$975,236	\$1,004,493	\$1,034,628	\$1,065,667	\$1,097,637
Textbooks	\$131,193	\$132,505	\$133,830	\$135,168	\$136,520
Building Maintenance	\$209,276	\$215,554	\$222,021	\$228,682	\$235,542
Transportation	<u>\$560,880</u>	<u>\$577,706</u>	<u>\$595,037</u>	<u>\$612,888</u>	<u>\$631,275</u>
Total Supplies Line #3.040	<u>\$1,876,585</u>	<u>\$1,930,258</u>	<u>\$1,985,516</u>	<u>\$2,042,405</u>	<u>\$2,100,974</u>

Equipment – Line # 3.050

The District does not anticipate costs increasing significantly in this line because the Permanent Improvement Fund pays most capital outlay.

<u>Source</u>	<u>FY23</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>
Capital Outlay	\$52,100	\$52,100	\$52,100	\$52,100	\$52,100
Replacement Bus Purchases	\$0	\$0	\$0	\$0	\$0
Budget Reserve	\$0	\$0	\$0	\$0	\$0
Total Equipment Line #3.050	<u>\$52,100</u>	<u>\$52,100</u>	<u>\$52,100</u>	<u>\$52,100</u>	<u>\$52,100</u>

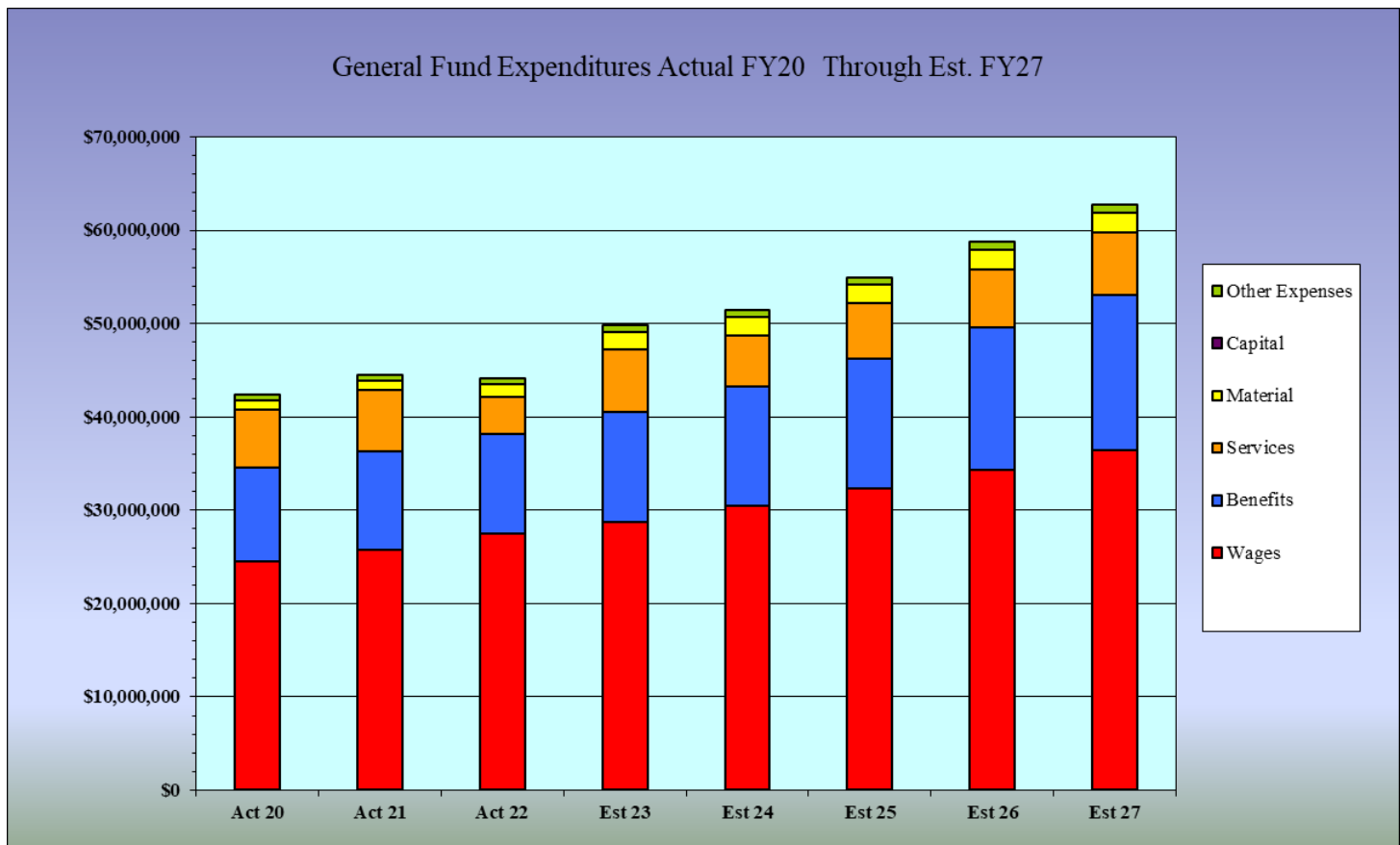
Other Expenses – Line # 4.300

The category of Other Expenses consists primarily of Auditor & Treasurer fees, our annual audit and other miscellaneous expenses. A rate of 3% increase is projected for Auditor and Treasurer fees.

Source	FY23	FY24	FY25	FY26	FY27
County Auditor / Treasurer & Income Tax Fees	\$420,000	\$432,600	\$445,578	\$458,945	\$472,713
County ESC	\$32,689	\$33,016	\$33,346	\$33,679	\$34,016
Other expenses	\$284,342	\$292,872	\$301,658	\$310,708	\$320,029
Increased A&T Fees for New Levies	\$0	\$0	\$0	\$0	\$0
Total Other Expenses Line #4.300	<u>\$737,031</u>	<u>\$758,488</u>	<u>\$780,582</u>	<u>\$803,332</u>	<u>\$826,758</u>

Total Expenditure Categories Actual FY20 through FY22 and Estimated FY23 through FY27

The graph below shows a quick overview of actual and estimated expenses by proportion to total in the General Fund.



Transfers Out/Advances Out – Line # 5.010

This account group covers fund to fund transfer and end of year short term loans from the General Fund to other funds until they have received reimbursements and can repay the General Fund.

Source	FY23	FY24	FY25	FY26	FY27
Operating Transfers Out Line #5.010	\$570,277	\$583,108	\$597,686	\$612,628	\$627,944
Advances Out Line #5.020	\$0	\$0	\$0	\$0	\$0
Total Transfer & Advances Out	<u>\$570,277</u>	<u>\$583,108</u>	<u>\$597,686</u>	<u>\$612,628</u>	<u>\$627,944</u>

All Other Financing Uses – Line # 5.030

These are contingency dollars, if needed, throughout the school year.

<u>Source</u>	<u>FY23</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>
All Other Financing Uses - Line #5.030	<u>\$22,284</u>	<u>\$22,284</u>	<u>\$22,284</u>	<u>\$22,284</u>	<u>\$22,284</u>

Encumbrances – Line # 8.010

These are outstanding purchase orders that have not been approved for payment as the goods were not received in the fiscal year in which they were ordered.

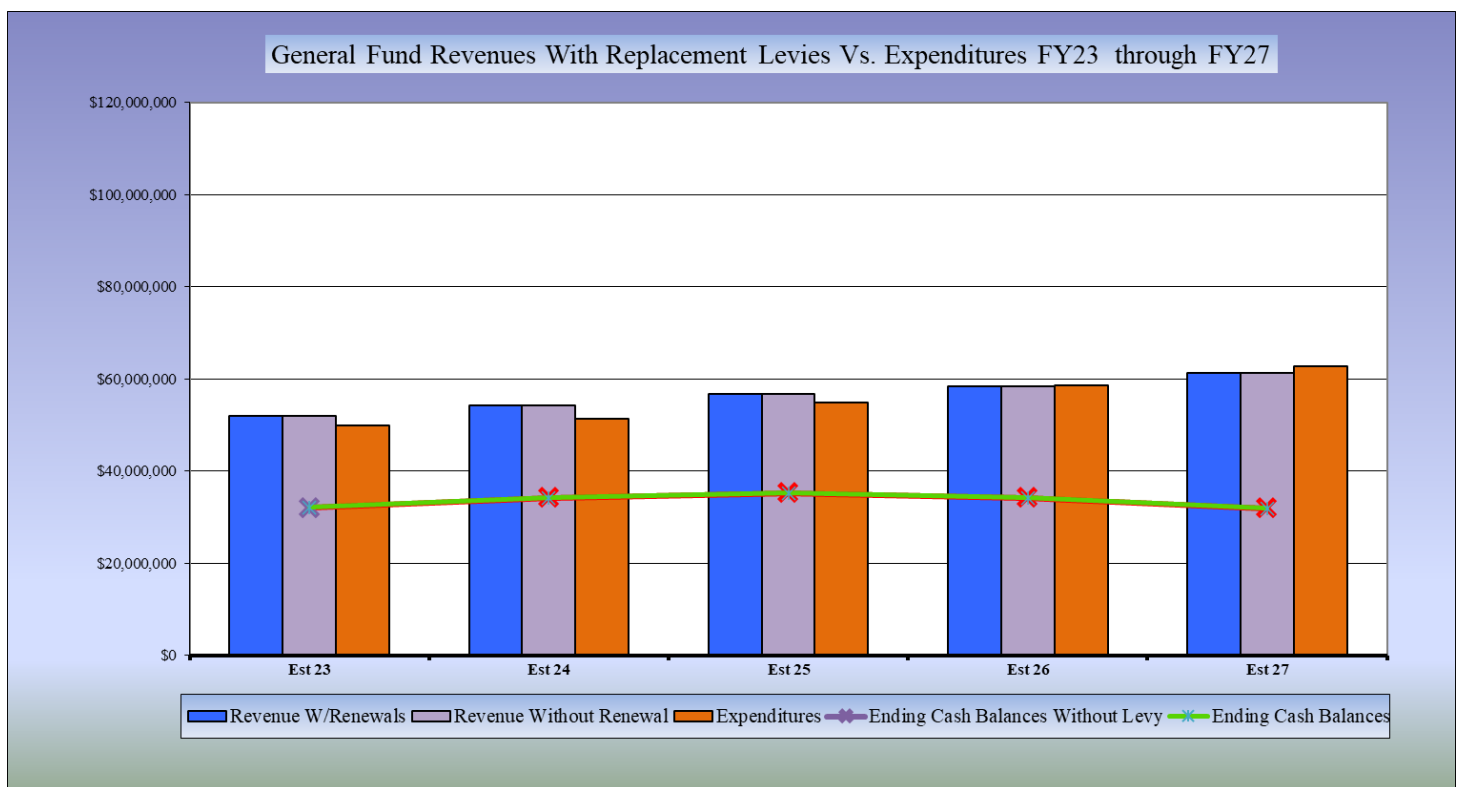
<u>Source</u>	<u>FY23</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>
Estimated Encumbrances	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Ending Unencumbered Cash Balance “The Bottom-line”– Line # 15.010

This amount must not go below \$-0- or the district General Fund will violate all Ohio Budgetary Laws. Any multi-year contract which is knowingly signed which results in a negative unencumbered cash balance is a violation of 5705.412, ORC punishable by personal liability of \$10,000, unless the new alternative 412 certificate can be issued pursuant to HB153 effective after September 30, 2011.

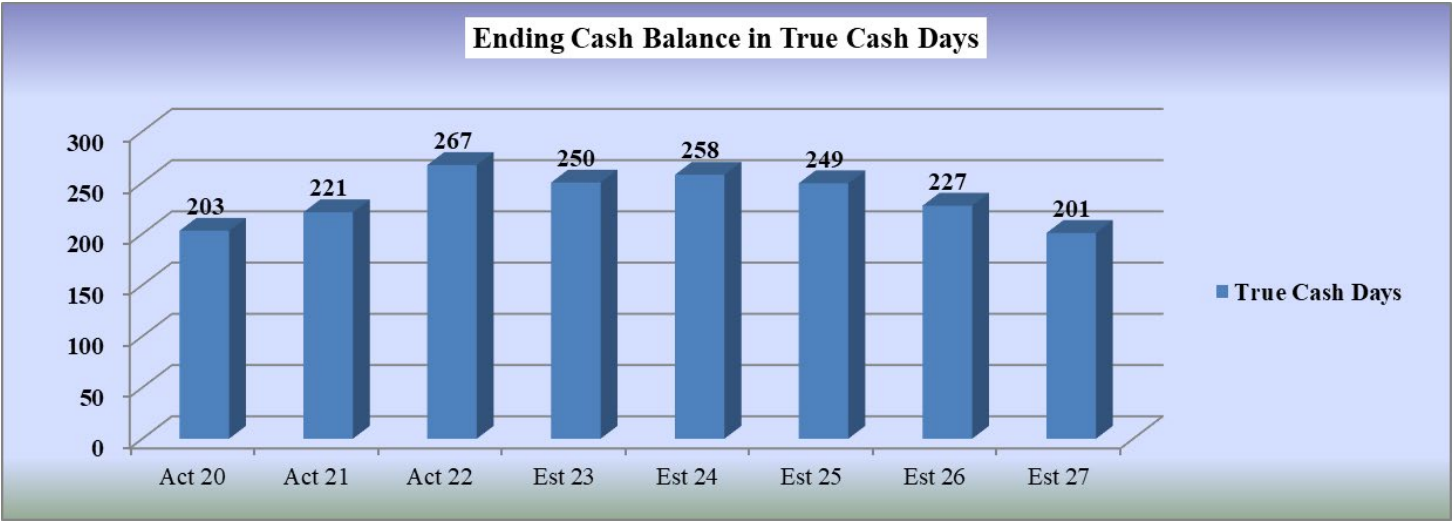
<u>Source</u>	<u>FY23</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>
Ending Unencumbered Cash Balance	<u>\$34,566,361</u>	<u>\$36,765,127</u>	<u>\$37,983,559</u>	<u>\$36,989,628</u>	<u>\$34,865,466</u>

The chart below shows that the district is deficit spending beginning in FY26.



True Cash Days Ending Balance

Another way to look at ending cash is to state it in ‘True Cash Days’. In other words, how many days could the district operate at year-end if no additional revenues were received? This is the Current Years Ending Cash Balance divided by (Current Years Expenditures/365 days) = the number of days the district could operate without additional resources or a severe resource interruption. The government finance officers association recommends that no less than two (2) months or 60 days of cash is on hand at year-end but could be more depending on each district's complexity and risk factors for revenue collection. This is calculated, including transfers, as this is a predictable funding source for other funds such as capital, athletics, and severance reserves.



Conclusion

Southwest Licking Local School District receives 39% of it’s funding for the district from state dollars which is very beneficial to the overall operations for the education of our students.

The District administration is grateful for the changes in the current state budget HB110 as it has reduced the amount that was deducted for programs that were not within the district’s control. However, future state budgets funding will need to be watched since, the full amount of the Fair School Funding Plan was not totally implemented with this budget and there is no guarantee for future increases in state budgets for FY24-FY27.

District administrations appreciates the supportive Southwest Licking community and are actively planning for the future needs of our students while keeping an eye on the financial stability of the district. The administration is mindful that there are many risks and uncertainties that will need to be considered in future planning.

As you read through the notes and review the forecast, remember that the forecast is based on the information that is known at the time that it is prepared.