



**ARCANUM-BUTLER
LOCAL SCHOOL DISTRICT**

**FIVE-YEAR FORECAST
ASSUMPTIONS**

PRESENTED NOVEMBER 10, 2022

Introduction

Arcanum-Butler Local School District serves approximately 1,175 PK-12 students in a 60 square mile area encompassing the Village of Arcanum and the surrounding townships primarily including Twin, Van Buren and Butler Townships. The mission of Arcanum-Butler Local School District is to provide a caring and safe environment where students are challenged to become lifelong learners and productive citizens.

Ohio public school districts are required to submit a five-year forecast by the end of November and May of each year. The primary purposes of the forecast are:

- (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

The five-year forecast includes historical data from fiscal years 2020 – 2022. The forecast also includes expected revenues, expenditures and fund balances of the General Fund of Arcanum Butler Schools for each of the fiscal years from 2023 to 2027.

The five-year forecast of Arcanum Butler Local School District provides a look at the finances of the district at a single point in time. The forecast is a current estimate of the future based on current trends and historical data.

Revenue Assumptions

Forecasted revenues are based on conservative projections and current information provided by the Ohio Department of Education, Ohio Department of Taxation, and Darke County Auditor's Office. In FY22, 42% of all revenues were generated from local sources and 58% of all revenues were provided by state sources.

Revenue is generated from three main sources: taxes levied on property located within the district, taxes levied on income (using the same base as the state's income tax) within the district, and the State of Ohio school foundation program.

Line 1.010 - General Property Taxes (Real Estate)

General property tax collections are based on the effective tax rate and the valuation of the properties located within the school district. Arcanum-Butler Local School District has a voted tax rate of 23.6 mills (4.90 inside mills and 18.70 outside mills). However, due to Ohio House Bill 920 reduction factors, tax collections are based on an effective millage of 20.118 mills. Property values are determined by the Darke County Auditor. The total property valuation for the school district is currently \$147,512,850. These values are adjusted using a reappraisal process conducted every six years with an update applied three years after each reappraisal. Property values were last updated in tax year 2020 with collections beginning in 2021. Values will be reappraised in tax year 2023 with collections beginning in 2024. Property tax collections are not expected to increase in FY23. However, due to scheduled reappraisal and increasing property values within the district, collections are expected to increase by 2% in both FY24 and FY25. No increase is assumed for FY26 or FY27.

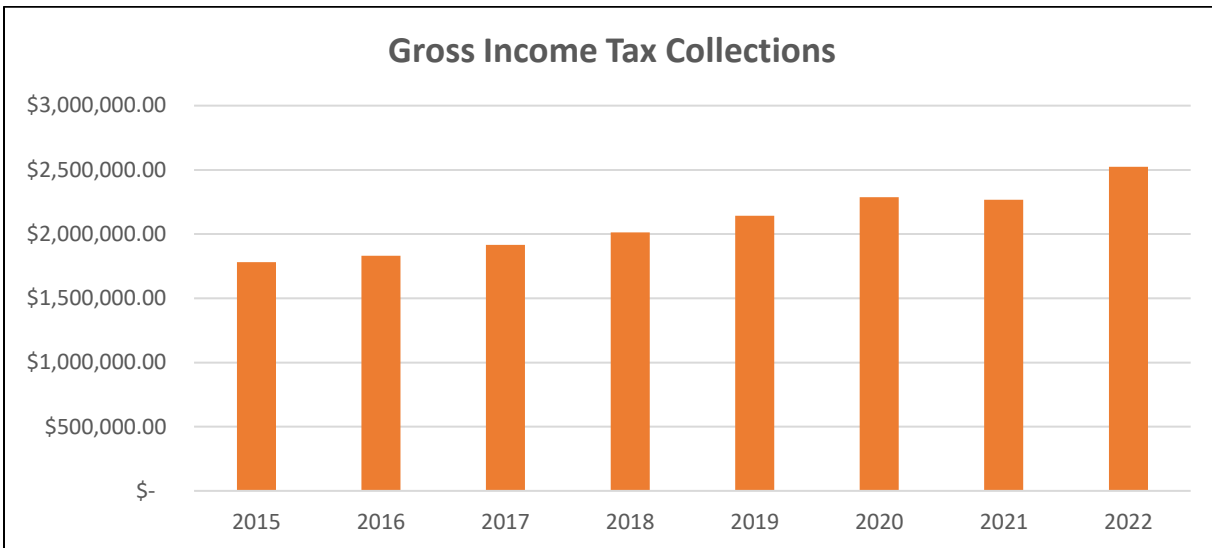
Line 1.020 - Tangible Personal Property Tax

Tangible Personal Property Tax is collected on public utility property located within the district. Tangible Personal Property Tax is not subject to H.B. 920 reduction factors and is therefore collected at the full voted rate of 23.6 mills. For the 2021 tax year, the public utility valuation was \$10,755,520. Based on the millage rate and 2021 valuation, FY23 collections are estimated to be \$253,830. After FY23, Tangible Personal Property Tax collections are expected to modestly increase at a rate of 3% each year throughout the forecast.

Line 1.030 - Income Tax

The school district receives income tax revenue based on an approved tax rate of 1.5%. This includes a 0.75% continuing income tax levy and a 0.75% five-year, limited income tax levy. The five-year levy was most recently renewed in November 2019 and will expire December 31, 2025 unless renewed by voters prior to this date. Due to Covid-19, income tax collections decreased slightly in FY21, but rebounded well in FY22. The FY22 income tax collections totaled \$2,515,147. This was an increase of \$249,136 from FY21.

Thru the first two quarterly payments in FY23, collections are up by \$252,849. After FY23, income tax collections are expected to increase by 3% each year of the forecast.



Line 1.035 - Unrestricted State Grants-In-Aid

State funding (including both unrestricted and restricted grants-in-aid) is determined by the State of Ohio. The state government undergoes a budget process every two years in which the school funding levels are established for the biennium. The current biennium budget was approved in June 2021.

A new school funding formula known as the Fair School Funding Plan was approved with the most recent biennium budget. This funding formula is the result of a collaborative, multi-year effort by both legislators and school officials. One of the more significant changes included in the Fair School Funding Plan is the direct funding of students. As a result of these funding changes, net open enrollment is recorded as unrestricted state revenue beginning in FY22. Although unrestricted state revenues increased during this year, "Line 1.060-All Other Revenue" consequently decreased in FY22 as gross open enrollment was previously recorded as an other revenue.

FY23 state funding is based on the October #2 foundation payment. No increase is assumed for the subsequent years of the forecast.

Casino tax funding is also recorded as unrestricted state grants-in-aid. Although casino revenue decreased in FY21 because of the Covid-19 pandemic, casino tax revenue rebounded from \$44,803 in FY21 to \$66,412 in FY22. FY23 casino tax revenues are estimated to total \$68,412.

Line 1.040 - Restricted State Grants-In-Aid

This line item is also a part of the foundation payment but is restricted in use. Prior to the implementation of the Fair School Funding Formula, restricted sources included economically disadvantaged funding, career tech funding, and catastrophic funding.

Under the new formula, gifted funding was moved from an unrestricted source to a restricted source. Additionally, student wellness dollars are now included in the general fund. These dollars were previously recorded in a separate fund that was not included in the forecast. FY23 amounts are based on the October #2 foundation payment. No increase is assumed throughout the remaining years of the forecast.

Line 1.050 - Property Tax Allocation

Property Tax Allocation includes state reimbursements for homestead and rollback property tax deductions. The State of Ohio currently reimburses school districts for a 10% non-business rollback, a 2.5% owner-occupied reduction, and a homestead exemption for qualifying senior residences. Like the general property tax, property tax allocations are expected to increase by 2% in FY24 and FY25. No increase is assumed for FY26 and FY27.

Note: under Ohio law, any new tax levy approved after August 2013 is not eligible for the 10% rollback reimbursement. While this change does not impact existing levies, the elimination of the rollback program will make the passage of a future property tax levy more difficult as the burden is shifted from the State of Ohio to local taxpayers.

Line 1.060 - All Other Revenues

Other income is comprised of interest income and special education reimbursement received from other school districts.

Prior to the implementation of direct funding under the Fair School Funding plan, open enrollment was also included in other revenue. Beginning in FY22, net open enrollment revenue was included with unrestricted-grants-in-aid.

Line 2.040 – Operating Transfers-In

The district transferred \$661,732 from fund 070 to the general fund in FY22. This one-time transfer is a reimbursement of remaining dollars that were transferred out in FY19 for the construction of the athletic/ag facility.

Expenditure Assumptions

The board of education, administration and staff are committed to providing a quality education to Arcanum students, while remaining fiscally responsible. This section is an overview of the expenditures of the district. As a service provider, the majority of expenses (over 75%) arise from employee salary and benefits.

Line 3.010 - Personal Services

Estimates are based on current staffing levels and do not assume any future staff retirements. Arcanum-Butler Local School District currently employs 123 full-time employees and a number of substitute and supplemental employees.

The district is in the first year of a new three-year employee agreement with the Arcanum-Butler Classroom Teachers Association. Under the new agreement, staff members receive a 2% increase in each year of the three-year agreement. This increase is also applied to classified staff members.

The district paid \$106,485 of employee severance in FY22. Four employees retired following the 2021-2022 school year. Severance for these employees is estimated to total \$63,772.

ESSER II and ARP ESSER have allowed the district to maintain continuity of services by absorbing the salaries of five staff positions that may have otherwise been removed from the budget. ESSER funds are required to be spent by September 2024. At the end of the ESSER period, these salaries will be moved back into the general fund. This is one factor contributing to increased expenses in FY25.

Line 3.020 - Employees' Retirement/Insurance Benefits

Under the current employee agreement, the district pays 90% of health care premiums for the high deductible health plan (HDHP) and 80% of premiums for a PPO insurance plan. Insurance premiums rose 7% in CY21 and increased 10% in CY22. Medical premiums are scheduled to increase by 6% in CY23. An estimated 10% premium increase is assumed in subsequent years.

The HSA contribution amount changed from 100% of the deductible to 75% of the deductible in CY22. This will decrease contributions to approximately \$230,000 in FY22. As part of the agreement with ABCTA, the HSA contributions will be reduced from 75% of the deductible to 50% of the deductible. This accounts for a savings of approximately \$83,000 each year. Beginning in FY23, these contributions are made in two separate payments, January and September. As a result of this change, only the January payment will be made in FY23.

In addition to medical insurance, the district also offers dental, vision, and life insurance.

The district pays the state minimum of 14% of all wages to STRS and SERS for employee retirement. This benefit, as well as the other fringe benefits found in this line

item, are largely salary driven and will correlate with the increase in the personal services line.

The school district, per the negotiated agreement, will continue to provide tuition reimbursement which is expected to cost the district \$25,000 per year.

Line 3.030 - Purchased Services

This line accounts for a wide variety of services that include ESC services, legal fees, utilities, snow removal, property maintenance, bus maintenance, data processing, and special education services received at other school districts. In FY22, the district replaced the all-weather track at the cost of \$143,729.

Prior to FY22, purchased services included adjustments for students open enrolled to other school districts and students enrolled in community schools. However, with the Fair School Funding Plan, students are now directly funded. As a result of this shift in funding mechanics, purchased services decreased by \$236,896 in FY22.

Line 3.040 - Supplies and Materials

This line contains expenditures for office supplies, classroom supplies, library books and textbooks, as well as fuel and maintenance supplies. With increased cost of diesel fuel and the return to normal operations, fuel costs totaled \$84,028 in FY22 compared to \$37,706 in FY21. Diesel fuel costs are expected to total \$100,000 in FY23.

Line 3.050 - Capital Outlay

The district installed a new HVAC system in the fieldhouse at a cost of \$232,181 in FY22 and FY23. Also in FY23, the district has replaced various sidewalks at a cost of \$25,150.

In FY23, the district is also planning to purchase two school buses at a total general fund expense of \$97,626. The district is also planning to make renovations to the baseball/softball fields at an estimated cost of \$80,000.

In FY24, the district is planning to purchase one school bus at an estimated general fund cost of \$60,000. The district is also partnering with the Village of Arcanum to install a new traffic light and crossing lights at an estimated cost of \$100,000.

After FY24, \$100,000 of annual capital outlay is forecasted for each year. The district is also planning to purchase a new school bus in FY26.

Line 4.050 and 4.060 - Debt Service

In FY15, the school entered into a 15-year lease with GNB Banking Center for \$1,500,000. This principal and interest cost of this lease totals \$123,237 a year. The final payment for the lease is scheduled for January 2030.

Line 4.300 - Other Expenditures

Other expenditures include auditor and treasurer fees, county board of education deductions and annual audit cost. With federal grants expected to remain over \$750,000 in each year of the forecast, the district expects an audit expense of \$18,500 each year. Property, fleet and liability insurance is also included as an other expenditure.

Line 5.010 and 5.020 - Operating Transfers/Advances-Out

The district transfers \$70,000 from the general fund during each year of the forecast. This transfer will go to support the Arcanum Early Learning Center, which the district believes is an invaluable asset to our school.

Line 6.010 - Excess of Revenues over (under) Expenditures

Line 2.080 minus 5.050. This line can be used to get a good sense of a school district's fiscal health. (ODE Website)

Line 8.010 - Estimated Encumbrances

This line indicates obligations from the previous year that have not yet been paid in full. This line is estimated at \$200,000 for each year of the forecast.

Line 12.010 - Unreserved Fund Balance

This line must not go below \$0 or the District would be unable to sign a 412 certificate for qualifying contracts, including multi-year employee agreements.

For additional information or questions, please email the Treasurer/CFO at matt_huffman@arcanum-butler.k12.oh.us.