



# Chippewa Local Schools

## 5-Year Forecast Assumptions

### May, 2022 Update

Ira D. Hamman, Treasurer

## Revenues FY-2022

### **Real Estate Tax**

Real Estate & Public Utility tax revenues account for approximately 41% of the total revenue for the school district. The collections for FY-2022 were up \$407,000 over the same period a year ago (7.33%). The reappraisal in 2020 led to Res/Ag real estate value coming in at 13.36% and Comm/Ind values increasing by 7.62% in FY 21 and will carry over to FY-2022. A smaller 2% growth is forecasted beyond FY-2022.

The district has realized an increase in PUPP values due to the Nexus Pipeline which runs through the district. The Wayne County Auditor established a value of almost \$66 million. Nexus filed a complaint first in December of 2019 to reduce values by 38.5% then, after obtaining updated information, filed a second complaint in January of 2020 to reduce the values by 52%. Our forecast projects revenue based on the reduced value as that is the value on which taxes were paid along with a modest 1% increase. Once the complaint is settled the value could be increased thus causing Nexus to owe the district additional tax dollars. Conversely, the value could be further reduced thus the District would need to refund a portion of taxes already paid by Nexus. This revenue source will be updated once final value determination is completed.

## **Income Tax**

The district's collection of SDIT is up 13.9% this fiscal year.

The district has a 1% SDIT that was last renewed in 2017 for five years and expires December 31, 2022. In the May primary (2022), this levy renewal failed. The district will have another opportunity in November to renew this income tax levy. The forecast has been updated to reflect this levy as not being renewed.

## **State Basic Aide**

Beginning in FY-2022, Ohio adopted the Fair School Funding Plan (FSFP). Funding is driven by a base cost methodology that incorporates the four components identified as necessary to the education process. The Base Cost is currently calculated for two years using a statewide average from historical data.

Before this new model, several items were listed as "expenses" on the forecast including open enrollment – out, community school and scholarship deductions. These deductions will now be added as a net to the overall state aid revenue line. Therefore, expenses under purchased services will be lower by these amounts in the current forecast. This will also lead to a lower net revenue in state aid, while the combination (net revenue – net expenses) will lead to an overall net increase in state aid. That increase is projected at \$251,683 in FY-2022. There is no increase built into the forecast. This is due to the fact the new formula shows if completely implemented, we would be on a guarantee. In other words we could go backwards in state funding. These amounts come from projections from the Ohio Department of Education.

Student Wellness & Success monies were formerly received to Fund #467. This amount is now included in the state basic aide formula.

## **State of Ohio – Rollback and Homestead (Property Tax Allocation)**

This was tax reform from the 1970's as property taxes were rising significantly. The State passed two pieces of legislation. First the Rollback in effect rolled back 10% of taxes for all property tax payers. The second piece provided additional relief for seniors who fall in certain income levels. The State reimburses us for these reductions.

## **State of Ohio – Other Receipts**

Casino revenue is included in this line which began in FY-2013. We did receive a significant amount of BWC rebates last year (FY-2021) which is not forecasted to continue.

## **Tuition & Open Enrollment**

The district offers open enrollment for those families not living in the Chippewa district but wanting to enroll their students at one of our schools. Both open enrollment in and out will be

“netted” and included with state unrestricted aid. We continue to receive preschool tuition and special education tuition for any court placed students in our district.

### **Interest on Investments**

Cash not needed for immediate operations is invested during the year. Interest rates for our investments remain very low but the rates have now started to increase.

### **Federal Revenue**

The Medicaid Schools Program (MSP) has been developed to include federal Medicaid matching funding for specific direct services (including targeted case management), certain administrative activities, and specialized transportation.

### **Advances - In & Refund of Prior Years**

This line represents monies advanced to various funds, mainly federal grant programs at the fiscal year end and is paid back during the next fiscal year. There should not be a need for this in the future.

## **Expenses:**

### **Salaries & Wages**

For FY-2022 and 2023 a 1.25% increase is included for base wage increases per the negotiated agreements. The district has included 1% base wage increases for FY-2024-FY-2026. The district is using Fund 467 (Student Wellness and Success Fund) in FY-2022 to cover the cost of the school nurse and expects those costs to return to the general fund in FY-2024.

### **Fringe Benefits**

#### **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. Bonus payments are not included for retirement purposes.

### **Insurance**

FY-2022 includes a 0% premium increase but with no planned premium moratorium.

FY-2023-FY2026 include a 3% premium increase with an additional amount of 24,000 that had been charged off to ESSER Funds.

### **Workers Compensation & Unemployment Compensation**

Workers Compensation is expected to remain at about .006% of wages FY-2022-FY-2026 which is in line with historic growth recently. Unemployment Compensation (UC) has been negligible.

### **Medicare**

Medicare cost will continue to increase due to the projected increase in 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.

### **Purchased Services**

Expenses in this category include: professional & legal services, utilities and formerly tuition costs and open enrollment out. Scholarships, open enrollment out and community school deductions will no longer be a purchased service deduction because of the new school funding formula. These expenses will now be "netted" in the state revenue line hence the large decrease in this expense line.

### **Supplies, Materials, Textbooks**

New textbook adoptions can vary greatly between the years. These can be the largest expense in this category. Due to the economy, a 10% increase is forecasted to plan for inflationary growth.

### **Capital Expenditures & New Equipment**

The expenditures represent administrative and instructional equipment, building and site improvements. School bus purchases are included in this category and are budgeted for all five years of the forecast.

### **Other Objects**

These expenditures include insurance, audit expenses and fees charged by the state and county for the collection of tax revenue.

### **Transfers, Advances, Refunds Out**

This account group covers fund to fund transfers and end of year short term advances (loans) from the General Fund to other Funds. Amounts advanced are limited in impact to the General Fund as the amounts are repaid as soon as dollars are received in the debtor fund. In the past, the District has transferred funds to cover the cost of the athletic director

and supplements. Beginning in FY-2022 those expenses are being directly charged to the General Fund and will reduce the amount needed to cover the athletic fund's year end balance.