Norwayne Local School District

Creston, Ohio

Five-Year Forecast Assumptions

Fiscal Years 2023 - 2027

May 2023 Update

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General Considerations

The Norwayne Local School Districts Five-Year-Forecast is a planning tool that reflects three years of revenue, and expense history, and gives a prediction of the revenues, and expenditures for the next five years based upon current known factors. As these factors change over time, future updates to the forecast will reflect those changes. Norwayne Local School District relies on a combination of State Foundation payments and Local Tax Receipts for the majority of school funding. The community passed an Earned Income Only Tax Levy in November 2013, to generate about 1.25 million dollars per year in full collection. After budget deficits in FY12 and 13, passage of the income tax has allowed the district to operate in the black for three of the past five years. This levy was renewed for ten years in the fall of 2017. The Income Tax allows for growth as the local economy grows which is reflected in this forecast. The district also collects approximately $280,000 from an Emergency Levy which was passed in 2002, and renewed in 2007, 2012 and 2021. A new state budget and school funding formula was passed effective July 1, 2021. This new funding formula will be phased in over the next several years, but this forecast only reflects projections for FY22 and FY23. The new formula has impacted restricted and unrestricted funding which will be reflected in 2022 through 2027.

Cash Balance

The district finished Fiscal Year 2022 with a cash balance of $6,539,309 which is an increase of $418,734 from the previous year. This cash reserve provides 174 days of operational funds. Notable expenses in 2022 included the expansion of the Elementary Parking Lot and Parent Drop Off Loop using primarily Permanent Improvement Funds. New K-8 Language Arts curriculum was purchased using a combination of general fund and COVID fund revenue. This updated forecast estimates that the district will see surplus spending of $171,545 in FY23 and $310,739 in FY24. Deficit spending is forecast for FY25 - 27 which causes cash reserves to fall to $6,204,952 by June 2027. These assumptions are based upon percentage increases in revenue and expenses over the past three years, and projected increases or decreases over the next five years without changes or adjustments to current patterns. Future staff retirements will also impact the forecast.

1.01 Real Estate

Real Estate Tax revenue is based upon historical trends, and is certified by the Wayne County Auditor. Real Estate collections occur in Wayne and Medina Counties. The triennial update for Wayne County occurred in 2021 and increased real estate tax revenue is forecast for the next three years. Real Estate Taxes provide 27.5% of the funding for the district. Collections for the Emergency Levy was renewed in November 2021 and collections will continue through 2032.

1.02 Tangible Personal Property Tax

Tangible Personal Property taxes are collected from public utilities. Increased revenue from a new gas pipeline through the district has improved revenue in this category. Those collections will be reduced over future years, as payments are based on pipeline depreciation. Public Utility Property Taxes account for approximately 1.5% of District Revenue.

1.03 Income Tax

This category reflects the income generated by the School District Income Tax. Collections reached full potential in FY16 and accounted for $1,522,730 in FY22 or 10.8% of district revenue. A ten-year income tax renewal was passed on the November 2017 ballot, and revenue from this tax will provide additional funding for the district for the forecast period. In spite of COVID, collections remain strong, and increases of 2% per year are estimated in the forecast.

1.035 State Foundation: Unrestricted Grants in Aid

The Norwayne District relies heavily on State Foundation Payments to provide the majority of revenue for the educational needs of its students. State Foundation Payments provide approximately 50% of the forecast budget. A new State Funding Formula was approved in the Statewide Biennial Budget effective July 1, 2021, and will be phased in over the next several years. This forecast estimates 1.5% increases to state funding in Fiscal Years 24 – 27, but those numbers could change as the new formula is implemented.

The recently enacted state budget includes significant changes to the calculation and payment of state foundation funding. One of the biggest changes is a move to fund students where they are educated, rather than where they reside. Community school students, STEM school students, students participating in a scholarship program (EdChoice, Cleveland Scholarship, Autism Scholarship, and Jon Peterson Special Needs Scholarship), and students participating in open enrollment will all be directly funded at their educating entity. This change will eliminate the deduction and transfer of funds from resident districts to educating entities for students participating in these school choice options.

As a result, this caused significant changes in both the revenue and expense that school districts experienced in FY22. School districts will no longer see purchased services expenses associated with the deduction and transfer of funds for open enrollment out and community school students.

1.04 Restricted Grants-in-Aid

Restricted Grants-in-Aid is the portion of state funding that provides part of the districts funding for Economically Disadvantaged, Vocational Agriculture, and Home Economics. Revenue from this category fluctuates as enrollment in these programs change, and the funding formulas from the Ohio Department of Education change. Currently these funds provide about 2.4% of the total budget.

This category changed significantly with the new budget implementation. Gifted funding and student wellness and success funding are now reported in this category.

1.050 Property Tax Allocation

This category represents payments from the state for Homestead Exemptions, and Real Estate Tax Rollbacks. Revenue in this category has been very steady over the past three years, and forecast projections reflect a continuation of that trend. Property Tax Allocations amount to 3.86% of the district budget.

1.060 All Other Revenue

This category includes revenue from mobile home taxes, interest, and miscellaneous sources. Revenue from Open enrollment was included in this category through FY21, but has been removed effective with the new state funding formula in FY22. This category provides 3.88% of forecasted revenue.

2.060 All Other Financial Sources

Revenue in this category reflect refunds from prior year expenditures and other one-time payments to the school district. The district received refunds from School Employees

Retirement, Ohio Bureau of Workers Compensation, and Medicaid in FY20, and 21. While helpful, these types of refunds are not to be anticipated every year. This category accounts for less than ½% of the revenue for the district.

3.01 Personal Services (Salaries)

Salary expenses continue to trend higher based on step increases and negotiated base increases. District contracts with teaching and non-teaching staff will result in increases of approximately 4.75% per year including steps. Contracts with both unions were approved for FY22 23, and 24. A slight increase in salaries is reflected from hiring staff directly and eliminating positions hired thru the ESC. An overall cost reduction is realized from these hires. Salaries account for 54.4% of the operational expenses.

3.02 Benefits

Benefits include employee retirement, Medicare, health, dental, life insurance, and worker's compensation. Medical Insurance premiums increased by 4.9% in FY22 due to changes in the benefit package approved during negotiations. This benefit package reduced medical insurance costs by 5%. Additional increases are built into the forecast as medical insurance costs continue to rise. Dental and Life premiums have remained steady. Employees are paying approximately 15% of the total cost of medical and prescription insurance, and most employees pay 14% of their salaries toward retirement. Employee benefits amount to 26% of the current budget. By comparison this category was only 16.4% of the budget in FY16. Staff benefits continue to be an increasing percentage of overall staffing costs.

3.03 Purchased Services

Purchased services include utilities, repairs, legal services, and other services. College Credit Plus, and Post-Secondary Enrollment costs continue to add to the expenses in this category. While these are good programs for students at no cost for parents, this is an increasing expense to the local school district. The district has worked to reduce purchased services costs in recent years by hiring a Speech Therapist, School Psychologist, Curriculum / Gifted, and Special Education Coordinator directly, instead of through the ESC. These employment moves have reduced further increases to costs in this category. Open Enrollment, and Community School costs have been removed from this category beginning in FY22 with the new funding formula. Purchased Services account for 12.7% of the budget.

3.04 Supplies

Supplies include bus fuel, tires, parts, classroom, office, and janitorial supplies. Efforts are made to control increases to these costs, yet this is an area in the budget that has increased steadily over the past three years. Technology, and Curriculum Software costs continue to add to this category. Supply Costs represent 3% of the operational budget.

3.05 Capital Outlay

Capital Outlay costs include school buses, construction upgrades, and other equipment purchases. Some of these items can also be purchased with funds from the Permanent Improvement Levy, Medina County Sales Tax, or other grants, which are not reported in the Five Year Forecast. Capital Outlay amounts to approximately 2.2% of the total general fund budget.

4.30 Other Objects

Payments to auditors, tax collection fees, and insurance are included in this category. Moderate increases are projected for FY23 through FY27. This category represents 1.2% of budgeted expenses.

5.01 Operating Transfers Out

Transfers to other Funds are reflected in this category. The district established Capital Projects Reserve Funds in FY20 for future roof replacement and turf replacement. Transfers to those funds are reflected in FY21 and FY 22. Additional transfers of $100,000/year to the turf replacement fund will be made in FY23-27. A termination benefits fund will be created in FY23 in anticipation of future retirements and $50,000/year through FY27 will be transferred to this fund. Transfers to the foodservice fund of $100,000/year are estimated for FY24-27.

5.02 Advances Out

Minor advances are built into the forecast to cover end of year grant expenses, until those reimbursement funds are received from the Ohio Department of Education.

Forecast Summary

Passage of the new Income Tax Levy in 2013 and renewal of the levy in 2017 has been essential to maintaining fiscal solvency. Income generated by the Income Tax has helped to improve cash resources and balance the budget. Cash Balances have improved significantly since collections of the income tax has begun, but this forecast reflects the fact that expenses are climbing at a higher rate than revenue, and maintaining current levels of cash balance is becoming more difficult. Renewal of the Emergency Levy by the end of 2022 was important to continue the educational excellence in the district. The new state formula is a predictor of increase revenue in this category. New buildings opened in 2011 have been a tremendous asset to the district, but have now reached the point where maintenance costs are beginning to increase. The district is making an effort to set aside funds to meet future maintenance needs. Establishment of the termination benefits account will ensure payment of benefits as employees retire in the future.