

NOVEMBER FIVE YEAR FORECAST UPDATE

October 7, 2020



We will need to sharpen our pencils for this forecast

AN UPDATE FROM OUR FAVORITE PERSON AT THE STATE

AARON RAUSCH



FORECAST TIMELINES

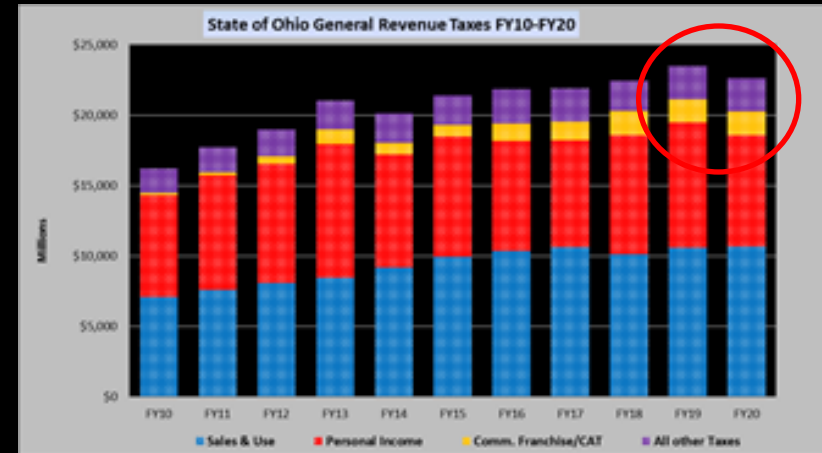
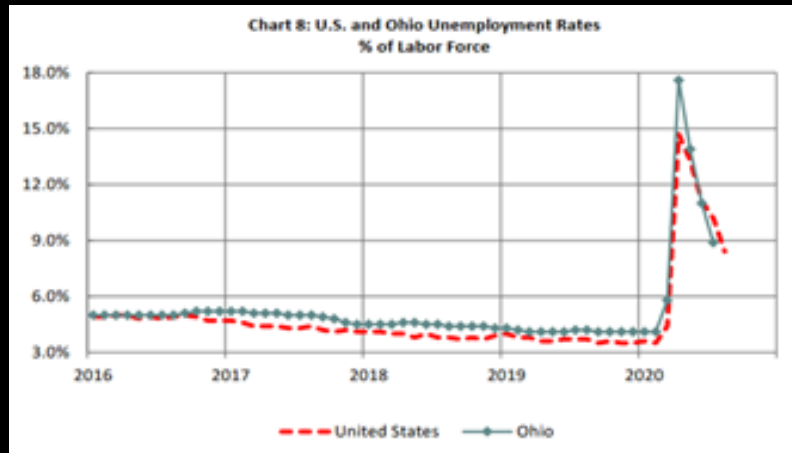
- What date is your Board Meeting for approval ?
- Should be wrapping up forecast (unless you have a levy or SDIT)
- Levy or SDIT should wait for October SDIT and November 3 Election results
- Working on draft notes and PPT now through Mid November
- FY21 Permanent Appropriations basis FY21 Expenditures those should be set now please get us your expense data

PROPERTY TAXES

- We are not seeing skyrocketing delinquent taxes Class I or II in 2nd half 2019 settlement
- Taxes often what originally projected or little better...to no more than 2.5% inc. in del.
- Taxes in 2nd half 2019 would have shown large delinquent if they were going to happen
- This is not like 2009-11 which was caused by housing crisis
- PUPP- Nexus has filed 2 appeals on 2019 AV and Rover has filed 1. These are pending BTA
- Rover Pipeline- paid 1st half at regular values then tender paid 2nd half much lower. Refund?
- Nexus – paid at the initial appealed lower value (was denied) and now has filed 2nd appeal...May 2021
- CAUV- HB49 inc. capitalization rate 2017 from 6.3% to 7.9% - +27% inc. in costs. Biggest influence in AV. Further reductions TY2020, 2021 and 2022
- 2017-2019 Tax Year Reappraisal or update these drops washed through avg. 30% decrease
- HB49 also lowered woodland and pasture land values, in addition CAUV uses a 7 year crop price average. The values dropping off replaced by lower values. Result CAUV will fall some more.
- We will look at a weighted avg. Class I if you have a high %% of ag value in Class I.

STATE AID

- We are projecting that state aid will come back to FY19 levels in FY22-23
- You can disagree with that but state economy is coming back it costs \$300.5 million to restore funding to public schools...recall CTC's were not cut.
- State tax revenues down \$1.1B (-4.6%) in FY20 BUT had they collected est. \$550 m in income taxes with an April 15, 2020 filing it would have been -2.3%.



- Pretty likely that state revenue will be about the same or more than FY19 in FY21 and logically should be able to fund schools at FY19 level, if will this there
- Casino 60% of FY20 amount should be right in the ballpark.

SDIT

- We do not suggest completing your forecast until you see Oct. 2020 quarterly settlement
- October will be larger than in past due to July 15, 2020 SD100 filing
- Your July settlements were down due to April 15 moved to July 15
- State revenue surged in July 2020 due to filings and yours will in October 2020
- We have looked at current SD WH FY18, FY19 and FY20 for clients
- We saw drops in current withholdings that was variable but not more than 14%.
- We are suggesting reductions in FY21 SDIT of -5% to -10%. Then 0% growth FY22. Then 1% to 3% growth in FY23-25. This varies by district but as the unemployment graph shows jobs loss was a spike then fast recovery...not all the way but getting closer each month
- While this recession not exactly like 2008, employment gains predictor of recovery like 2008

OTHER INCOME & EXPENSES C-19 EFFECT

- FY19 may be a better baseline for Trend Adjustment to FY21 than FY20 will be
- Interest income cut 50% in FY21
- PTP, student fees and rentals and likely won't be normal until FY22
- Watch for CARES Act 507 & 510 impact on expenses when they end money back to 001
- Wages- subs and supplementals were likely artificially lower in FY20 than should be
- Fringes- make sure we know about premium holidays and amounts
- Purchased Services- utilities were artificially low in many cases, subs if contracted out
- Supplies & Equipment- Many districts slammed on the breaks in FY20. May need to reset these items based on ZBB approach. (Also CARES Act Fund 507 and 510 impact).

POSTING & OTHER FUN VARIABLES

- JV70 – ½ mill equalization payment (3219) – Comes in June #2 settlement. Am. Sub. H.B. No. 66 said districts participating Ohio School Facilities Commission program w/valuation pp less than the state avg. that passes a ½ mill maintenance levy or satisfies the ½ mill requirement by an alternative method, will have ½ mill equalized up to the state avg. level paid by the state. The payments shall be credited to the district's classroom facilities maintenance fund (034).
- JVS/CTC SWSF was not paid on open enrollment in FY20 and will not be paid. FY21 will not be paid unless legislation.
- JV18 HB164 adjustment adding to (3110) and JV86 insufficient funds red. Rev. (3110)
- BWC Rebate – classic 001-5300 ROPYE.
- SF-6 June #2 Double Payment/deduction by ODE. Corrections made July #1 JV89 post Red. of Receipt to 001-122X and JV90 Red. of Exp. 001-474
- Ec. Disadvantaged (3211) and C-tech (3219) are part of Line A Foundation Formula- could post here all year and make adjustment at June #2 to code annual amounts to these lines or do it at any time just put annual amount there. **BUT** don't code ED and Ctech to 3110 and leave them there.

POSTING & OTHER FUN VARIABLES

- **TPP** fixed sum (3135)- comes in FY21 for qualified Em. Levies, then ends, and for qualifying bond issues. Bond issue FS should be credited to 002. This will continue until qualified debt issue is paid off.
- MFH tax revenue is typically posted to 001-1111. Do see this in 1890 or 1190. There are two method of taxing trailers but after January 1, 2000 must be taxed as real property BUT the value is not on the Tax Abstract for Class I. Unless you have a very large amount of MFH we suggest you post to 001-1111 and include their R&H in 3131 & 3132
- TIF Revenue- This is posted in various places. 1111, 1190, 1880, 2400. Our general thought is TIF's can go to 1111 they are taxes and usually have R&H paid to you by Co. Auditor. PILOT payments to 2400 other income usually paid buy other sources such as municipalities, townships, and other private company
- BOR settlements- have seen 1111, 1190, 1880 and 1890. But what is it? 1111
- K-12 BC will forecast items where you generally have posted unless it is blatantly incorrect and we will let you know that so it will not become an audit issue.

CONGRATULATIONS ON YOUR CPIM

- You have earned 1 hour of CPIM if you have reached this point.
- CPIM Code: **ARcmCFCT**
- You are invited to stay with us for the Round Table if you have time.

ROUND TABLE WHAT'S ON YOUR MIND- 30 MINUTES

- Rules for Round Table.
 - State your question as succinctly as you can
 - Try not to dominate the question time block
 - If the answer is too long, we may have to follow-up if response is lengthy

K-12 BC FORECAST UPDATE

- Thank You for Attending