

# **Lake Local Schools (Wood)**

## **Five-Year Forecast Assumptions**

### **October 2016**

#### **Overview**

Now that we're well into the 2<sup>nd</sup> year of the biennium budget, we are waiting for the next budgeting cycle to begin. The District continues to be negatively impacted by the TTP Loss Reimbursement, Formula Cap, and the Charter School Deduction issues.

Combined, these 3 issues have resulted in a loss of over 20 million dollars in state funding over the past 16 years and very much contributes to the stagnation in funding the District has received.

We do have a noticeable 120 increase in student enrollment mostly due to an increase in incoming open enrollment. This won't change our 2017 basic state aid number (we are a capped district), however, it could change several of the Additional Aid categories as some are not subject to the Cap. We won't know this until the bi-weekly foundation payment begins to use 2017 student counts. (This did not occur until March last year.)

#### **Assumptions**

##### **REVENUES**

##### **Property Tax Receipts**

The District passed a renewal in November 2014 of a three-year operating levy that was originally passed in 2012 and was also made permanent with the renewal. Now, the District has no operating levies that need to be renewed. This not only provides a measure of stability and consistency, it prevents the need from constantly going to the voters for renewals. Although some voters feel this is a good thing, it makes financial and operational planning possible.

Property Tax receipts were about 56K lower in 2016 over 2015. Discussions with the County Auditor's office indicate a possible similar decline in 2017 due to an anticipated drop in CAUV receipts.

##### **Tangible Personal Property (TTP) Tax**

The original 2016-17 budget called for a complete phase-out of the TTP Loss Reimbursement for the District in 2018. However, a subsequent bill (HB208) slowed the phase-out, moving the end date to 2020.

## **Property Tax Allocation (Rollback and Homestead Exemption)**

With the passage of the renewal (now permanent) 6.75 mill levy in November 2014, all existing levies are grandfathered from the elimination of the rollback provisions that have been around since the '70's. The 10% and 2.5% rollbacks were a state reimbursement for a portion of each levy. This has now been eliminated, and all new levies passed in the future will not enjoy this rollback provision.

No changes are projected for these payments.

## **Unrestricted Grants-in-Aid – State Foundation Payments**

Ideally, the State would like to eliminate the Caps and the Guarantees and have all districts on the Formula. However, due to an increase in enrollment our "CAP GAP" is expected to grow from 657K to 989K. This suggests that the District will remain on the GAP throughout this five-year period.

State aid is based on the following assumptions:

- 1) No major changes in the state funding mechanism
- 2) 2.5% overall increase in state funding, 5.0% increase to District to address "CAP" shortfall.
- 3) State Share, Economic Disadvantaged Indexes remain the same

## **Other Local Revenues**

This category includes Open Enrollment, Tuition Transfers from other districts, Student Activity Fees, and Investment Income. Open Enrollment income rose substantially in 2016 over 2015. The numbers reported so far this year show a similar jump and will increase to over \$1,000,000 in 2017. Future years will show much smaller increases to due building capacity restrictions.

## **EXPENDITURES**

### **Salaries**

The District negotiated new 3-year contracts with both the teacher's and the support staff unions for 2017, 2018, 2019 with raises totaling 6% over the three years.

**Note:** Salaries and Benefits showed a sharp increase in 2016 over 2015 because the Districts assumed administration of the Special Education and Pre-school program from the County ESC. These increases were offset by a reduction in Purchased Services.

### **Benefits**

The District belongs to the Wood County Schools Health Consortium for Health Care Coverage. This has been advantageous in controlling premium costs with most increases generally falling below the national and regional averages. For FY17, the medical component increased 5.0% with the Dental component showing a 0% increase.

With the recently completed negotiations, we successfully included an optional High Deductible Health Plan (HDHP) combined with a Health Care Savings Account (HSA). This plan is designed to be more affordable with lower premium costs in exchange for higher deductibles and co-pays, thereby slowing down the rate of growth in medical insurance costs.

Implementation of HDHP/HAS will begin in January 2017, and since we do not know how many employees may opt for the plan, this forecast assume medical insurance increases based on the current PPO plan historical reference. Future forecasts and updates will be adjusted accordingly.

### **Purchases Services/Materials and Supplies**

We expect these categories to increase nominally as cost increases are passed along to us from our suppliers. Note the substantial decrease in Purchased Services in 2016 over 2015 due to the Special Education and Pre-School administration changes that increased Personnel and Benefits.