PICKERINGTON LOCAL SCHOOL DISTRICT – FAIRFIELD COUNTY
ASSUMPTIONS FOR FIVE-YEAR FINANCIAL FORECAST
PROJECTED FISCAL YEARS ENDING JUNE 30, 2013 THROUGH 2017
Board Approval Date: October 8, 2012

The Pickerington Local School District's Five-Year Financial Forecast dated October 8, 2012, for projected fiscal years ending June 30, 2013 through 2017, represents the District's current best estimate of revenues and expenditures for the general operating fund (and associated state and federal funds) of the District. The forecast is used as a planning tool for the District. State law requires filing the forecast with the Ohio Department of Education twice each year (May and October). Because of the changing nature of school finance and other economic factors, this forecast is fluid and subject to change. Estimates are made based on what the District considers sound and conservative assumptions, which are summarized below.

REVENUES

LINE 1.010--General Property Tax (Real Estate). General Property Tax revenue estimates are based on historical growth patterns and current economic factors. A 5.5 mill levy passed by district voters in August 2011 started collecting approximately $5.95 million per year effective January 2012. Therefore the district received approximately half of that additional amount in FY2012. Fiscal Year 2013 (7/1/2012-6/30/2012) is the first fiscal year with a full collection of the new levy. The estimate for Line 1.010 for Fiscal Year 2013 is from the county auditor's official certificate of estimated resources. The county auditor's figure of $33,000,000 is considered a conservative estimate for FY2013. Actual collections may be 2% to 3% higher than the county auditor's estimate. The growth rate in real estate tax revenues has declined in recent years due to the 2008 recession and the accompanying impact on the housing market. The local economy is showing signs of improvement. For this forecast period, the District expects that the gradual economic recovery will result in new construction and thus slightly higher property tax revenues. Therefore, the District projects a modest 0.5% annual growth rate for fiscal years 2014, 2015, 2016 and 2017.

LINE 1.020--Tangible Personal Property Tax. Revenues in this category have been phased out under state law. A small residual amount of $3,063 was received in FY2012. No future receipts are expected in this category. See revenue line 1.050 for an explanation of partial state reimbursements for this loss in revenue.

LINE 1.030—Income Tax. The recession had a significant negative impact on the District's income tax collections in fiscal years 2009, 2010 and 2011. The District has seen improvement in recent quarterly income tax settlements. The District's income tax estimate for FY2013 is based on the first quarterly payment received 7/31/2012 which showed a 0.8% increase over the same quarter the prior year. The District projects modest increases of 1% annually for FY2014 through FY2017.

LINE 1.035--Unrestricted Grants-in-Aid (State Foundation), and LINE 1.045—Restricted Federal Grants-in-Aid (State Fiscal Stabilization Fund and Education Jobs Fund).
When viewing past years' data in relation to future years, it is important to look at the combination of lines 1.035 and 1.045 due to the impact of federal stimulus funds in fiscal years 2010 and 2011. The "State Foundation" funding amount for fiscal years 2010 and 2011 (line 1.035) was calculated under the previous school funding formula known as the "Ohio Evidence Based Model." The $6.3 million in federal stimulus funds received between FY2010 and FY2011 (on line 1.045) were not additional revenues to the district, but instead were used by the State to supply basic state funding to school districts. There was no replacement in FY2012 of the federal stimulus dollars which had been used by the state to provide basic state aid in FY2010 and FY2011. The amount received in FY2011 which was not replaced in FY2012 is $3,474,655. Current (FY2013) State Foundation revenues of $41,888,420 are based on the state's current "Bridge" (transition) formula and actual receipts. A new school funding formula is under development by the state, to begin FY2014. The structure and impact of the new formula on the district is unknown at this time. The District projects no increase in per-pupil amounts, but estimates small (0.5%) annual increases in foundation funding from FY2014 through FY2017 due to projected increases in enrollment of 50 students per year.

Line 1.045 also includes revenues from the Education Jobs Fund, in fiscal years 2012 and 2013. Congress passed and the President signed legislation (the Education Jobs bill) that provided $10 billion in resources to assist local school districts in saving or creating education jobs during the 2010-2011 school year. The District's one-time receipts from Ed Jobs were $2.4 million. The grant resources were permitted to be used only for compensation and benefits and other expenses such as support services necessary to retain existing employees, to recall or rehire former employees, and to hire new employees, in order to provide early childhood, elementary, or secondary educational and related services, which are typically paid from the general fund. Grant resources may be used entirely in FY2011 or over two fiscal years (2011 and 2012), but all funds must be spent by September 2012. The District decided not to use these temporary federal funds for new positions, but rather for existing personnel's salaries and benefits in FY2012 to partially offset the cuts in state funding to the District. At the conclusion of the grant period, those expenses revert back to the General Fund.

Expenditures from the federal stimulus funds (State Fiscal Stabilization Funds or SFSF) are included in the forecast's expenditure section (lines 3.010 through 4.500), and are also shown separately (for information only) in lines 21.010 through 21.060, along with the Education Jobs Fund expenditures.

LINE 1.040--Restricted Grants-in-Aid. This line item includes the Bus Purchase Allowance and Career Technology Aid from the state. The Bus Purchase Allowance is projected at zero based on the current State budget, so the District forecasts no revenue for the bus allowance in FY2013 as well as future years. The District projects $161,459 for Career Technology funds in FY2013, based on the latest state funding settlement, and this category is projected to remain flat for future years.

LINE 1.050--Property Tax Allocation. This category includes State reimbursements for property tax rollbacks, homestead exemption and tangible personal property tax loss reimbursements. The growth in the rollback and homestead exemption revenue parallels the anticipated growth and decline in property taxes and follows historical patterns.

Beginning in fiscal year 2006, school districts began receiving reimbursements from the state, to hold districts harmless from the elimination of the Tangible Personal Property (TPP) Tax, found on line 1.020 above, in accordance with HB66. This TPP loss reimbursement, which makes up a portion of line 1.050, was not new money; it was a reallocation from line 1.020.

The TPP loss reimbursement was to compensate for the loss of all taxes on business tangible property, all taxes on public utility property of local and inter-exchange telephone companies, and all taxes on public utility railroad property. The phase-out began in tax year 2006. In tax year 2011 and future years, there will be no local tax revenue from these types of property. The District was to be held harmless by the state for five years based on fiscal year 2004 valuations, through a combination of direct payments through the state foundation program and through a reduction in district property valuation resulting in a smaller charge-off amount on the state foundation program. Following the hold harmless period, the District had projected a gradual phase-out of the reimbursements from FY2014 through FY2018, based on earlier announcements from the State. However, in the state budget for FY2012 and FY2013, the District lost all TPP loss reimbursement funds effective immediately in FY2012. This represented a loss of approximately $800,000 in FY2012 and additional losses in FY2013 and beyond.

LINE 1.060--All Other Revenues. This category includes a variety of line items including interest on district investments, school fees, and other miscellaneous revenues. Investment earnings have decreased considerably in recent years, due to historically low interest rates. Casino revenues are not included in this forecast. The state has not yet released casino revenue estimates to school districts. However, one expert has estimated that school districts may receive $21.40 per student in Fiscal Year 2013. The first payment may be received at the end of January 2013.

LINES 2.040 through 2.070--All Other Financing Sources. These lines follow historical trends (transfers in, advances in, refunds from prior fiscal years).

EXPENDITURES

LINE 3.010--Personal Services. Calculations for Personal Services (salaries and wages) for fiscal year 2013 are based on actual expenditures, current staffing levels, approved salary schedules and contracts, and the negotiated agreement with the Pickerington Education Association. The forecast also incorporates the impact of a reduction in force (RIF) approved by the Board in the spring of 2011, effective for FY2012, for financial reasons. The RIF resulted in approximately 77 fewer certified staff and 20 fewer support staff in FY2012. Base salaries were frozen for all staff for FY2011, FY2012 and FY2013. Step increases were frozen for teachers and support staff for FY2012. The forecast assumes 0% base salary increases through FY2017. Step increases for FY2013 through FY2017 are included in the forecast. Projections are based on salary schedules currently in effect, as well as costs associated with staffing plans, historical trends and student enrollment projections. The forecast assumes the following staff positions to be added, for programming and special education and enrollment needs: 15 in FY2014, and 10 per year in FY2015, FY2016 and FY2017. Also, the forecast assumes an increase in projected retirements and replacements of staff due to changes in State Teachers Retirement System and School Employees Retirement System benefits.

LINE 3.020--Employees' Retirement/Insurance Benefits. This line item is based on the negotiated agreement with the PEA, employee benefit plans and Board policy. This category includes retirement system contributions, Medicare, medical/dental/vision/life insurance, workers' compensation, School Employees Retirement System surcharge, and unemployment compensation. Significant savings for the district were realized in the PEA negotiated agreement in regard to health insurance costs. The forecast reflects the assumed continuation of a 9.5% Board cap on annual health insurance premium increases. It also assumes continuation of current Board and employee shares of insurance costs. Future year estimates are based on historical trends, staff numbers, plan enrollments and expected economic factors.

LINE 3.030--Purchased Services. This line item is based on historical patterns and current economic factors. This category includes a wide variety of expenditures including utilities, student transportation, legal fees, tuition paid to other districts, equipment repairs, mileage reimbursements and other expenses.

Line 3.040--Supplies and Materials. This line contains textbooks, instructional materials, fuel, office supplies and maintenance supplies. Forecasted years are based on historical trends, current economic conditions and current budget levels for school buildings and departments. This category includes additional expenses in FY2013 and future years due to the implementation of revised academic standards (Common Core), the third grade reading guarantee, and other factors. Fluctuations in fuel prices may significantly impact the expenditures in this category.

LINE 3.050--Capital Outlay. This line contains new and replacement equipment, vehicles and other capital expenditures, including technology purchases.

LINE 4.300--Other Objects. This line contains miscellaneous expenditure categories; this estimate is based on historical trends. The major expenditures in this line include county auditor and treasurer fees, and State Foundation deductions for the Fairfield County Educational Service Center.

LINE 5.010—Operating Transfers Out. This line shows expenditures of $2,000,000 in FY2013 and $1,000,000 in FY2014. These amounts are proposed to be transferred to the Termination Benefits Fund (035) to fund the estimated liability for severance pay for staff eligible for retirement. As mentioned previously, the District expects an increase in projected retirements of staff due to changes in State Teachers Retirement System and School Employees Retirement System benefits.

Daniel C. Griscom, Treasurer
October 8, 2012