





## Financial Projection / State 5 Year Forecast Assumptions

### Revenue Assumptions:

HB 66 significantly changed the school funding formula. State aid and SF-3 calculations have changed drastically. While the supposed intent of the legislation was to hold districts harmless from revenue losses, there is significant interaction between the hold harmless payments, state funding, and local tax revenue, much of which cannot be modeled or simulated with great accuracy at the present time.

The Ohio Supreme Court ruled in favor of the District. The 8.5 mill levy passed in March 2004 will not be repealed.

The property reappraisal in '09 is assumed to be 10%, increasing inside millage collection \_ year in 2010 and full year in 2011.

The tangible personal property tax was previously being reduced by 2% per year over a period of 12 years. With HB 66, the TPP tax is eliminated by 2009. The bill replaces lost revenue to schools in the first 5 years, and phases out the State reimbursement over the subsequent 7 years.

Special education tuition is assumed to increase at 5% annually. Spike in 2006 due to collection of prior year amounts.

Rollback will remain constant after full collection of new levy.

The District will continue to receive Public Utility Property reimbursement (offset) from the State until 2008, when it is reduced by \_.

State Basic Allowance - In 2003/2004, a nonpublic school in the District, Mosdos, enrolled all of its' students in a virtual community school, thereby increasing the ADM of the District and resulting in a corresponding community school deduction from State foundation payments. After litigation initiated by several districts, ODE determined Mosdos was not permitted to do this and they became a nonpublic school again after the end of the fiscal year. However, a reappraisal guarantee in 2004/2005 kept the District at an inflated state aid amount based primarily on the ADM including the Mosdos students. HB 66 flatlined aid to the District for this biennium through guarantees, but again at the inflated ADM. This has resulted in significantly more State Basic Allowance than was projected in previous forecasts. The aid amount is expected to decrease after this biennium to the pre-Mosdos reappraisal guarantee level, and remain constant thereafter as advised by ODE.

DPIA/PBA – There is an increase in the new state aid formula moving from DPIA to PBA, which is expected to remain constant through the biennium. Thereafter decreased enrollment from the guaranteed amount (as detailed above) will correspondingly decrease this line item.

State tuition will remain constant.

During the last fiscal year, the State eliminated the CAFS Medicaid reimbursement with the public schools. CH-UH, along with several districts, litigated to require the state to work with ODJFS and CMS to continue providing reimbursement of Medicaid-eligible services to students. A proposed short-term and long-term solution was recently rejected by CMS. At this point it appears that the litigation has been successful to some degree, and it is assumed that the District will receive reduced Medicaid reimbursements of approximately \$250,000 for '07 forward.

#### Expenditure Assumptions:

The Board took action in 2006 to close one elementary school for FY '08. A \$1 million annual operating savings is projected beginning in FY '08.

Salaries – Will increase at 5% over the life of the forecast. 3% in annual salary increases and 2% in salary schedule steps. It should be noted that the 3% annual increase is only certain in '07 and '08 fiscal years, at which time the negotiated agreements currently in force expire. The assumption that this level of increase will continue past this period is strictly based on historical data and should not create an expectation. Obviously the financial condition of the District and general economic conditions will need to be considered at that time.

Retirement – Increases at the same 5% amount assumed for wages.

Health – As trended by District benefit consultants, is assumed to increase by 16% annually. Health costs were not properly charged in the summer benefit process on FY '06, resulting in under-reserve. Amount to correct charge is included in '07 budget. It is assumed for purposes of this forecast that the state-wide pooling of public school employees health care, required to be investigated via HB 66, will not be implemented in any meaningful way that would affect this forecast. In January 2006 the District moved to self-insurance for health, dental and vision. At this point the District is funding at the fully-insured rate to build reserves. The impact of this change in later years is unknown but the expectation is a reduction in the pace of insurance increases.

Utilities – Are expected to increase at varying rates - 4% electricity, 3% water, 5% gas. The significant increase in fuel costs caused by current economic conditions has caused an '06 increase in gas over prior year. CH-UH participates in the Ohio Schools Council consortium for bulk purchasing in an effort to save utility costs.

Fuel – The significant increase in fuel has necessitated the District tracking it separately in this line item. In '07 this amount is approximately 30% higher than the prior year, and is expected to increase by 5% in subsequent years.

Insurance – Assumed to grow at 5% annually.

All other non-salary line items are assumed to increase at 3% based on prior trends.