



Educating our future leaders is our top priority.

The cost to educate each student is significant and continues to increase while state funding remains flat. Ohio's school funding formula is complex.

While the funding formula is difficult to understand it is critical that taxpayers understand the basics in order to be informed voters.

Financial Learning Series #2

Basics of School Funding

April 13, 2021

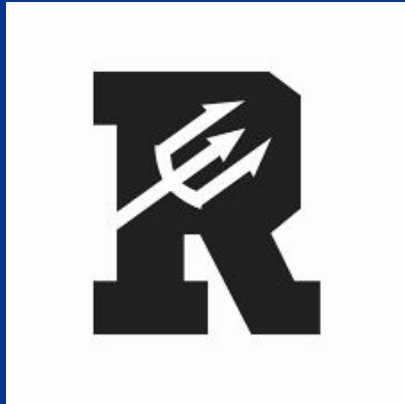
READING

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**School Budgeting
Revenue and Expenses**

How do Public School Districts Receive Revenue?

“Ohio’s school funding system is based on a theory of “shared responsibility,” where both the state and local community must bear a responsibility for making certain every student has the opportunity to receive an adequate education.”



- Ohio School Board Association

Federal Funds

Most Federal Funds are restricted grants that must be spent for specific reasons and **can not** be combined with the General Operating Fund. These funds are not guaranteed year-to-year.

Examples of Typical Federal Grants

- a. *Title I - Improving Basic Programs*
- b. *Title II - Improving Teaching Quality*
- c. *Title IV - Student Support and Academic Enrichment*



Pandemic Relief Funds - Federal Funds with less restrictions

Federal Relief Grants	Award Date	Usage	Funds	Timeline
CRF - URBAN	November 2020	Used for Personal Protective Equipment	\$65,810	Funds Exhausted
Hamilton Co. - CAREs Act	August 2020	Offset cost of Chromebooks	\$76,150	Funds Exhausted
BroadBand Connectivity	September 2020	T-Mobile - Network Connecting	\$20,000	Funds Exhausted by end of FY2021
ESSER - I	May 2020	COVID Cleaning , Supplies, & Clinical Clerical Aide	\$330,123	Funds exhausted by end of FY2021
ESSER - II	February 2021	K-8 Summer Learning Jump Start, Academic Enrichment Intervention- English & Math, Curriculum resources/programming, and Technology	\$1,411,209	Funds exhausted by end of FY2022
ESSER - III	Expected June 2021	Federal Government approved the \$1.9 Trillion package and ODE will release information when available.	TBD	Funds available through FY2024

State Funds

At the state level, school districts receive funding from The Ohio Department of Education's (ODE) general revenue funds and Ohio Lottery profits.

ODE's foundation formula takes into account:

- The ability of a school district to raise taxes locally (wealth of the district)
- Student Enrollment

The formula is designed to provide a higher level of assistance to school districts with low property wealth relative to districts with higher property wealth.

In 1997 the Ohio Supreme Court ruled in *DeRolph vs. State of Ohio* that the funding system was unconstitutional and ordered the state government to enact a constitutional school funding system.

Local Funds

Funds received from the taxpayers and is the predominant method communities use to raise additional revenue.

Two Forms of Property Taxes:

- **Real property tax**- Tax levied on land and buildings located within the school district.
- **Tangible personal property** - This is a tax levied on furniture, fixtures, machinery, equipment and inventory owned by business and is currently being phased out.

Additional Type of Levied Tax:

- **Income Tax** - Currently not levied in Reading.

How are Local Funds Raised?

Local residents must approve a levy in order for RCCSD to receive additional local funds.

What is a levy?

- A levy is a request to residents for money for a specific purpose
 - Operating Levy, Permanent Improvement Levy, and Bond Issues
 - Levies are for Learning and Bonds are for Building

How is a tax levy proposed?

- School districts can place a levy on the ballot up to three times a year on specified election dates. Boards of Education propose additional local tax revenues by board resolution based upon the needs of the district.

The Board will be evaluating the district's financial status in May once the Five Year Forecast is presented.

School Expenditures

School Expenditures are broken down into categories:



Personnel Services - Salaries and Wages



Retirement & Insurance - Medical, Dental, Worker's Comp, etc.



Purchased Service - Partnerships with contractors to support operations

- Hamilton County ESC, Forward Edge, Omnia360



Supplies & Materials - Classroom Supplies, Textbooks/Resources, etc.



Capital Outlay - Buildings, Land, Equipment, etc.



Other - Legal Fees, Professional Memberships, Bank Fees, etc.

Budgeting Overview

- Revenue is received from three sources: Federal, State, and Local
 - Federal Funds - are typically restricted
 - State Funds - provided to school districts based upon the state foundation formula
 - Local Funds - funds levied and approved by the local taxpayers
 - Levies are for Learning
 - Bonds are for Building
- Expenditures account for the day-to-day activities of the district
 - Salaries and benefits, Utilities, Supplies, contractors, legal, etc.
- Revenue and Expenditures make up the Five Year Forecast

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Five Year Forecast

Five Year Forecast

School districts are required to submit five-year forecasts twice a year to ODE. The five-year forecast serves as a tool to communicate and assess the financial health of a school district. The five-year forecast contains historical and projected financial data and an explanation of the assumptions used.

There are at least three objectives of the five-year forecast:

1. **To engage** the board of education and the community in long range planning and discussions of financial issues facing the school district
2. **To identify** future year's deficit to allow districts to engage in planning for those conditions prior to their arrival and eliminate projected deficit
3. **To provide** a method for the Department of Education and Auditor of State to identify schools districts with potential financial problems

Components of the Five Year Forecast

Reading Community City SD

Fall Submission - 10/02/2020

Simplified Financial Statement

	2021	2022	2023	2024	2025
Beginning Cash Balance	\$3,544,153	\$2,991,474	\$1,895,678	\$38,948	-\$2,296,758
+ Revenue	\$16,562,918	\$16,658,541	\$16,575,079	\$16,791,551	\$16,788,788
+ Renewal Levies	\$0	\$0	\$0	\$0	\$0
+ New Levies	\$0	\$0	\$0	\$0	\$0
- Expenditures	\$17,115,597	\$17,754,337	\$18,431,809	\$19,127,257	\$19,784,141
= Revenue Surplus or Deficit	-\$552,679	-\$1,095,796	-\$1,856,730	-\$2,335,706	-\$2,995,353
Ending Cash Balance with Levies	\$2,991,474	\$1,895,678	\$38,948	-\$2,296,758	-\$5,292,111
Revenue Surplus or Deficit without Levies	-\$552,679	-\$1,095,796	-\$1,856,730	-\$2,335,706	-\$2,995,353
Ending Cash Balance without Levies	\$2,991,474	\$1,895,678	\$38,948	-\$2,296,758	-\$5,292,111

**Balances not reduced for encumbrances or reservations



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