Chillicothe City School District

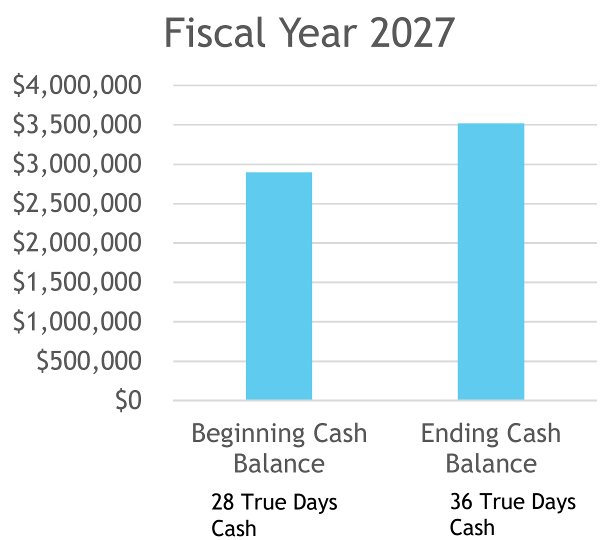
August 2026 Five-Year Forecast

Key Factors to Consider

- The loss of ESSER Funds and lower than projected State Funding have been prime drivers of the current financial situation
- Current state budget did not include update to “Base Costs” for Ohio Public Schools. This continued to pass the burden from state to local taxpayers beyond levels deemed unconstitutional in the 1990’s
- 2025 Reappraisal increased property values substantially – House Bill 186, however, will cap school district revenues at inflationary rate beginning with 2nd half tax bills this year – impacting FY 2027 revenues
- A new state budget will become effective 7/1/2027 – this will have a major impact on our bottom line beginning in FY 2028
- Capital Outlay needs will need to be addressed soon
- Negotiations this Spring with both unions will impact salary projections beginning in FY 2028
- We currently have an extremely low General Fund cash balance – 1/3 of our minimum based on Board policy

Current Fiscal Year Projection

- Projected General Fund Revenue = $35,355,642
- Projected General Fund Expenditures = $34,996,545
- Projected Net Gain for Fiscal Year 2027 = $620,528



5-year Forecast

		Actual			Forecasted				
		Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027	Fiscal Year 2028	Fiscal Year 2029	Fiscal Year 2030	Fiscal Year 2031
2.080	Total Revenues	33,566,818	33,077,892	35,706,096	35,617,073	35,943,173	36,223,464	36,521,579	36,616,532
5.050	Total Expenditures	32,822,952	36,841,796	37,431,981	34,996,545	36,045,050	37,441,665	38,914,931	40,240,445
6.010	Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	743,866	(3,763,904)	(1,725,885)	620,528	(101,877)	(1,218,201)	(2,393,352)	(3,623,913)
7.010	Cash Balance July 1 - Excluding Proposed Renewal/Replacement and New Levies	7,644,811	8,388,677	4,624,773	2,898,888	3,519,416	3,417,539	2,199,338	(194,014)
7.020	Cash Balance June 30	8,388,677	4,624,773	2,898,888	3,519,416	3,417,539	2,199,338	(194,014)	(3,817,927)

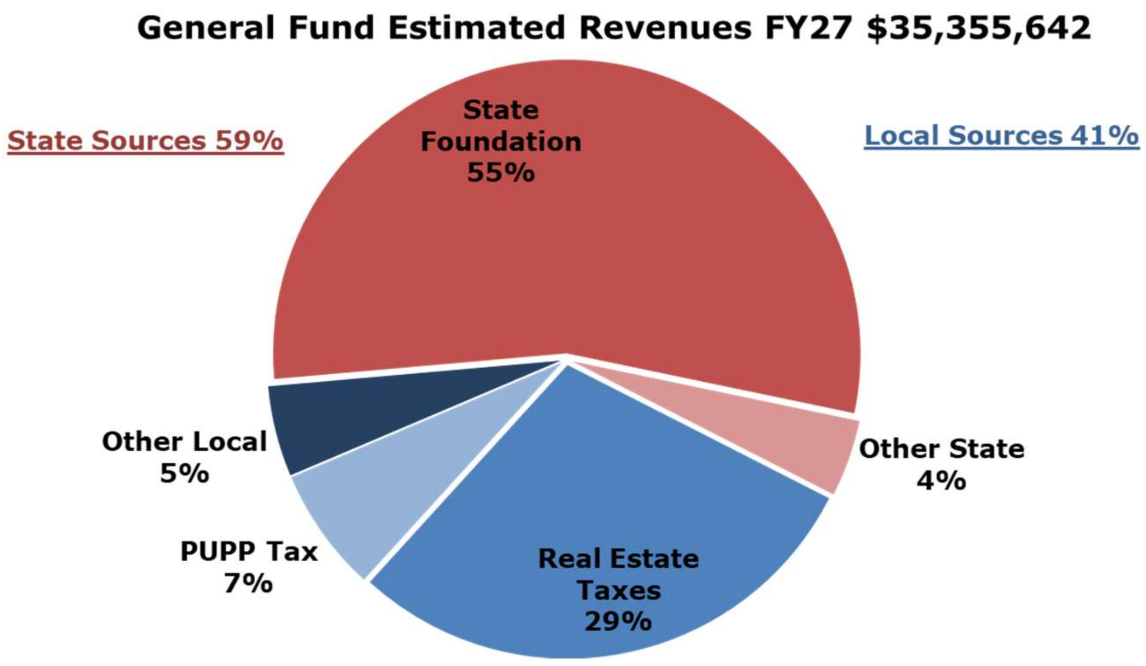
What's Changed since February? (Revenues)

		Feb 2026	Aug 2026	Variance	Var. %
	Revenues				
1.010	General Property Tax (Real Estate)	10,274,895	10,342,831	67,936	0.66%
1.020	Public Utility Personal Property Tax	2,360,028	2,424,649	64,621	2.74%
1.030	Income Tax	-	-	-	-
1.035	Unrestricted State Grants-in-Aid	15,548,670	16,513,561	964,891	6.21%
1.040	Restricted State Grants-in-Aid	2,839,676	2,812,917	(26,759)	-0.94%
1.045	Restricted Federal Grants In Aid	-	-	-	-
1.050	State Reimbursement for Property Tax Credits	1,473,723	1,495,806	22,083	1.50%
1.060	All Other Revenues	1,624,989	1,765,878	140,889	8.67%
1.070	*Total Revenues*	34,121,981	35,355,642	1,233,661	3.62%

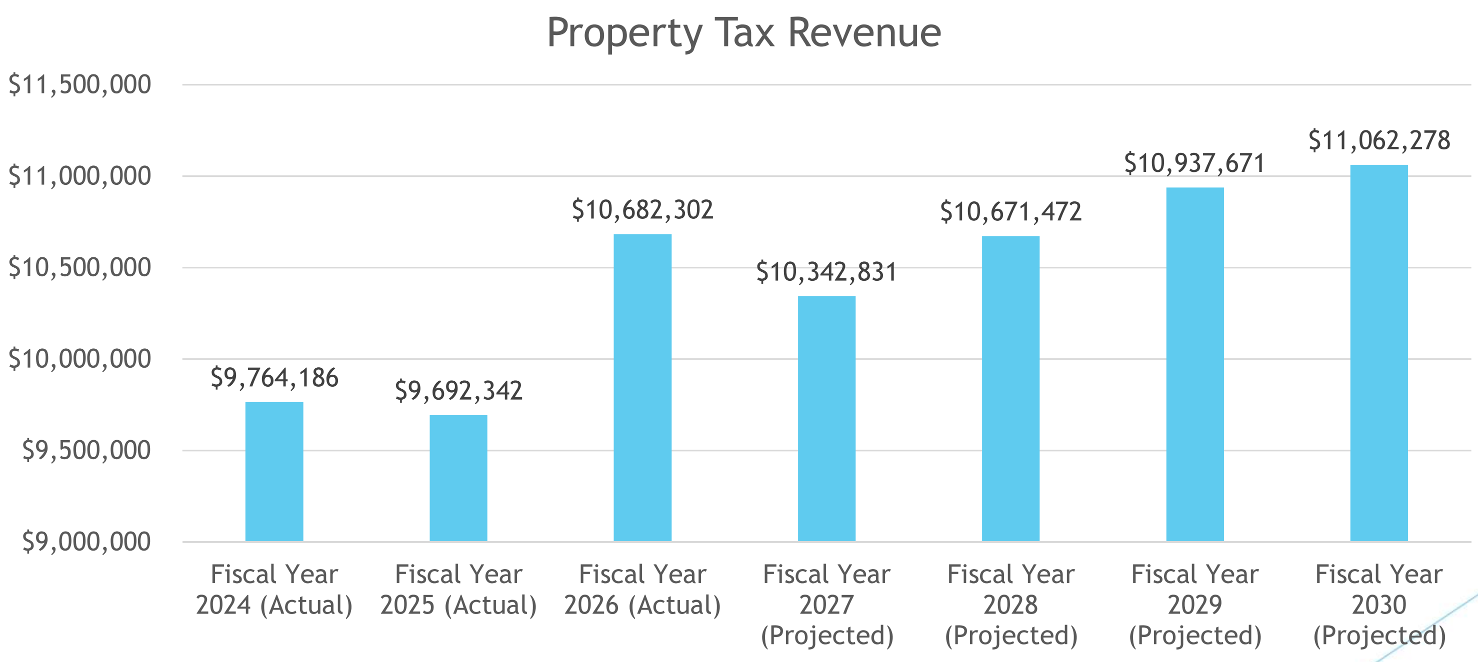
What's Changed since February? (Expenses)

	Expenditures				
3.010	Personal Services	20,180,930	20,000,868	(180,062)	-0.89%
3.020	Employees' Retirement/Insurance Benefits	7,273,992	7,987,659	713,667	9.81%
3.030	Purchased Services	4,980,276	5,407,705	427,429	8.58%
3.040	Supplies and Materials	1,106,739	908,916	(197,823)	-17.87%
3.050	Capital Outlay	135,920	135,920	-	-
3.060	Intergovernmental	-	-	-	-
	Debt Service:				
4.010	Principal-All (Historical Only)	-	-	-	-
4.020	Principal-Notes	-	-	-	-
4.030	Principal-State Loans	-	-	-	-
4.040	Principal-State Advancements	-	-	-	-
4.050	Principal-HB 264 Loans	-	-	-	-
4.055	Principal-Other	-	-	-	-
4.060	Interest and Fiscal Charges	-	-	-	-
4.300	Other Objects	305,477	305,477	-	-
4.500	*Total Expenditures*	33,983,334	34,746,545	763,211	2.25%

FY27 Revenue Analysis



Annual General Property Tax Revenue



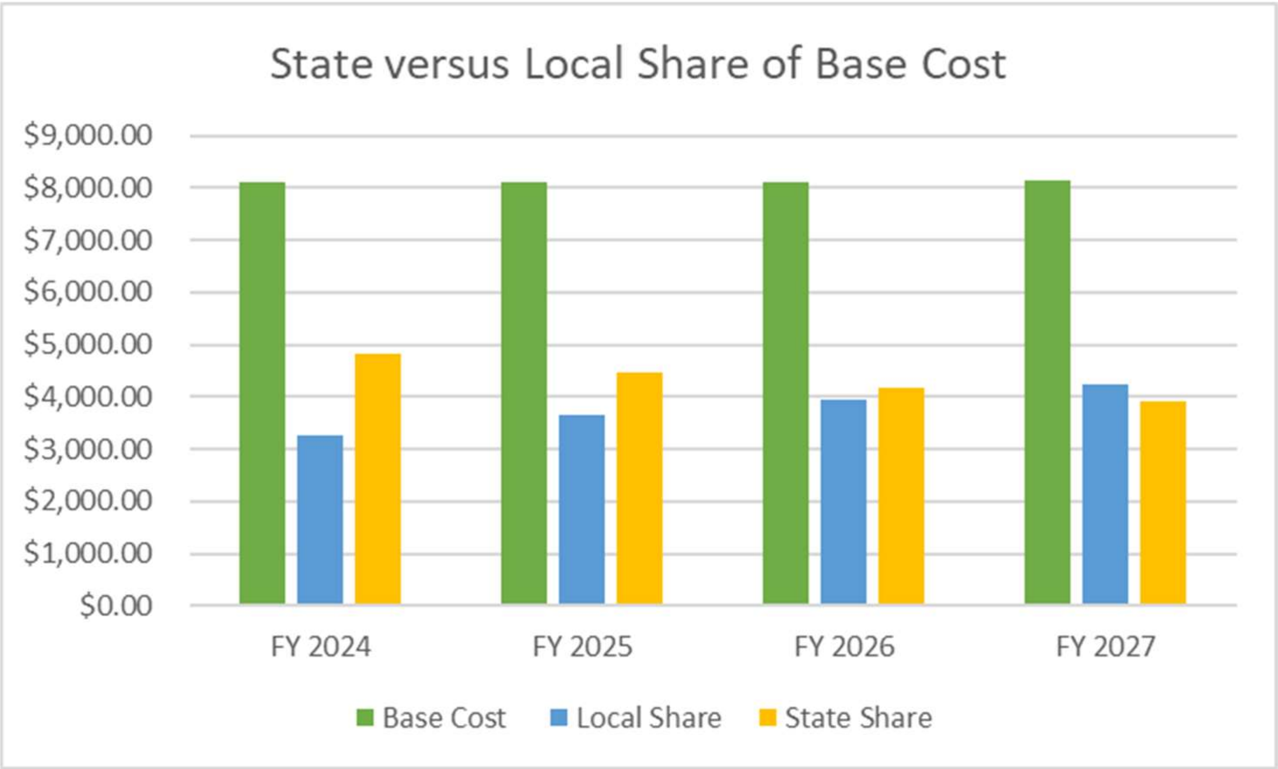
House Bill 186 (High Level Overview)

- New property tax legislation that caps property value increases at an inflationary calculation (GDP-Deflator)
- Property values for collection purposes are now capped at the inflation over the 3 years since the last reappraisal/triennial update
- For 2025, the inflation value was 13.30%
- Our reappraisal came in at 30% for residential taxpayers
- A credit is now given to taxpayers to ensure their property tax payment increases don’t go higher than the inflation value

House Bill 186 Timing

- The bill was not passed in time for counties to implement the changes on first half 2026 tax bills
- The credit for the first half bills has been applied on second half 2026 bills
- This leads to a “double credit” on second half 2026 tax bills, which for us is during Fiscal Year 2027
- Essentially, we saw revenue for the full property value increase in FY 2026. The double credit is now hitting with second half collections and then a “single credit” will be applied beginning with the first half of calendar year 2027
- This leads to a decrease in projected tax revenues for the district in FY 2027 compared to last fiscal year due to the timing of the credits.

State versus Local Share at Chillicothe



Ohio's school funding plan continues to use 2022 base cost values as the country has seen total inflation of approximately 14% since 2022.

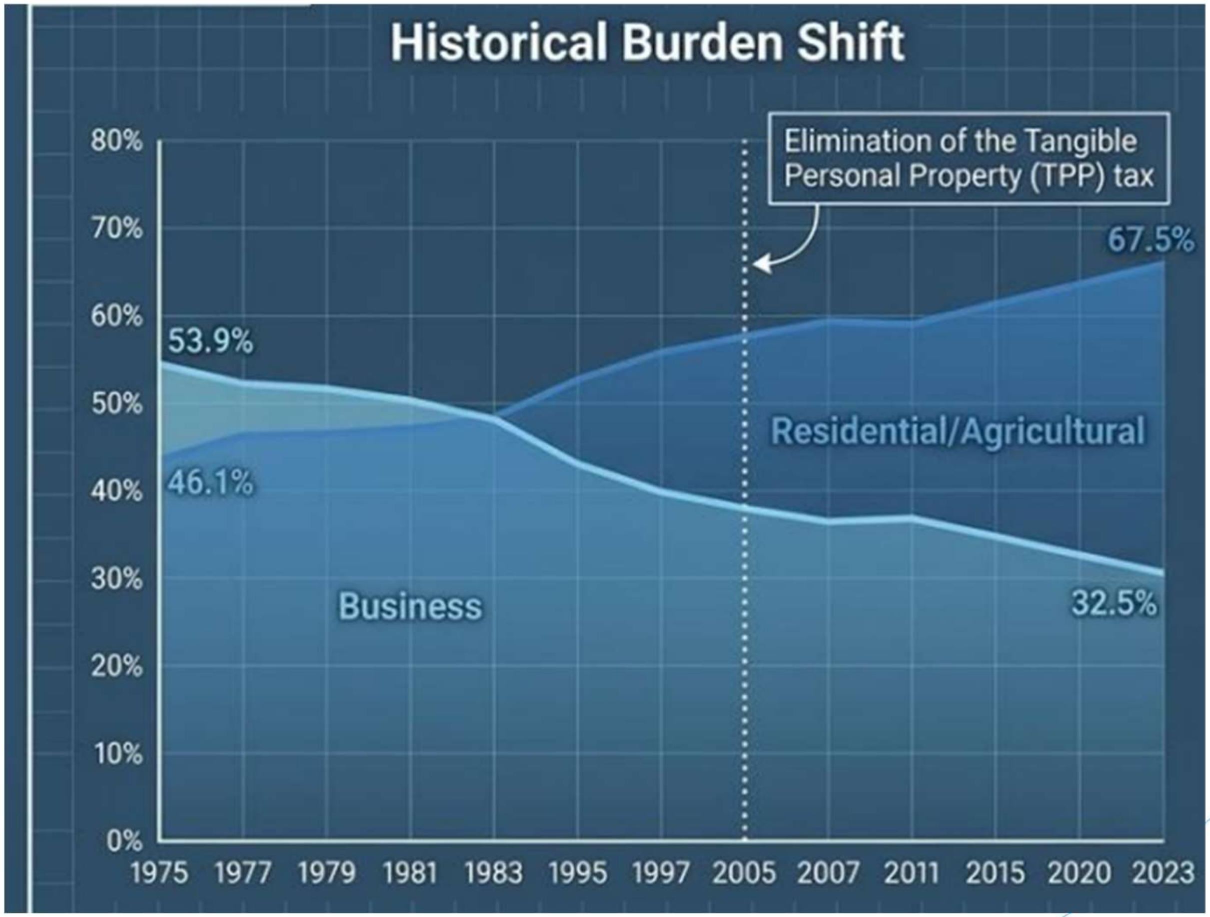
Property Taxes – How did we get here?

- 1972 – Personal Income Tax HB 471 takes effect to shift burden away from real estate and personal property taxpayers
- 1971 – 1979 – Rollback Credits and the Homestead Exemption were created to decrease tax burden on residential taxpayers
- 2005 – HB 66 was passed to reduce state income tax brackets by 21% over 5 years
- 2013 – Another 10% income tax cut passed, the Homestead qualifications were changed to make it harder for Seniors to qualify
- 2015 – Another 6.3% reduction in income tax pushed them to levels lower than when originally passed in 1972

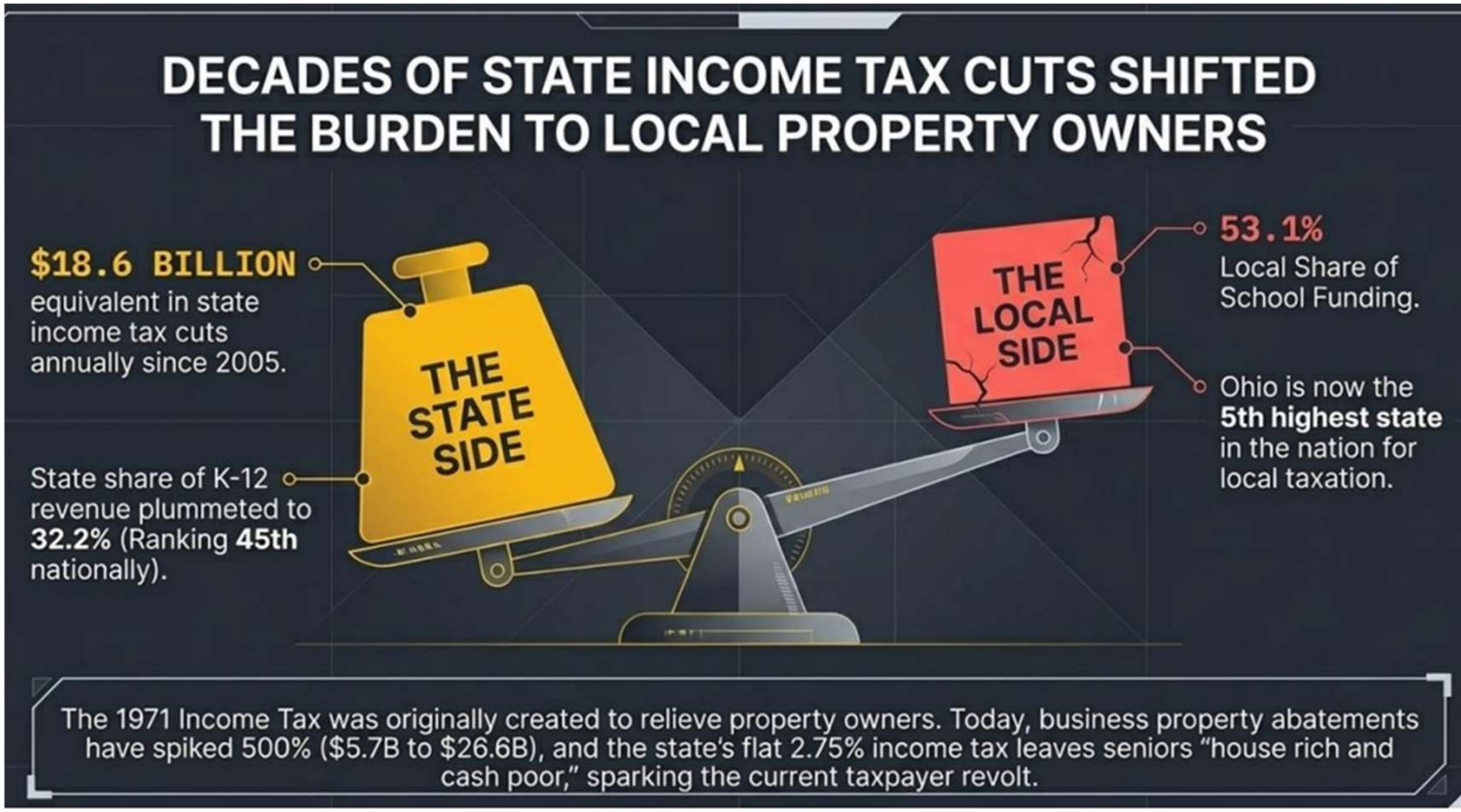
Property Taxes – How did we get here?

- 2019 – HB 166 passed to further reduce income taxes by 4% across the board.
- 2021 – HB 110 adjusted the brackets again. There was a 16.8% reduction for those earning over $221,300. This was 3x greater than the relief provided to those in lower brackets.
- 2023-2026 – HB 33 and 96 passed. These lowered the highest rate of income tax in the state to 3.125% in 2025 and finally to a flat 2.75% in 2026. The final phase reduced state revenue by a projected $2.3 Billion.
- Doubling the Rollback and Homestead Exemptions (targeted property tax relief for residential homeowners) would have cost the state $1.8 Billion.

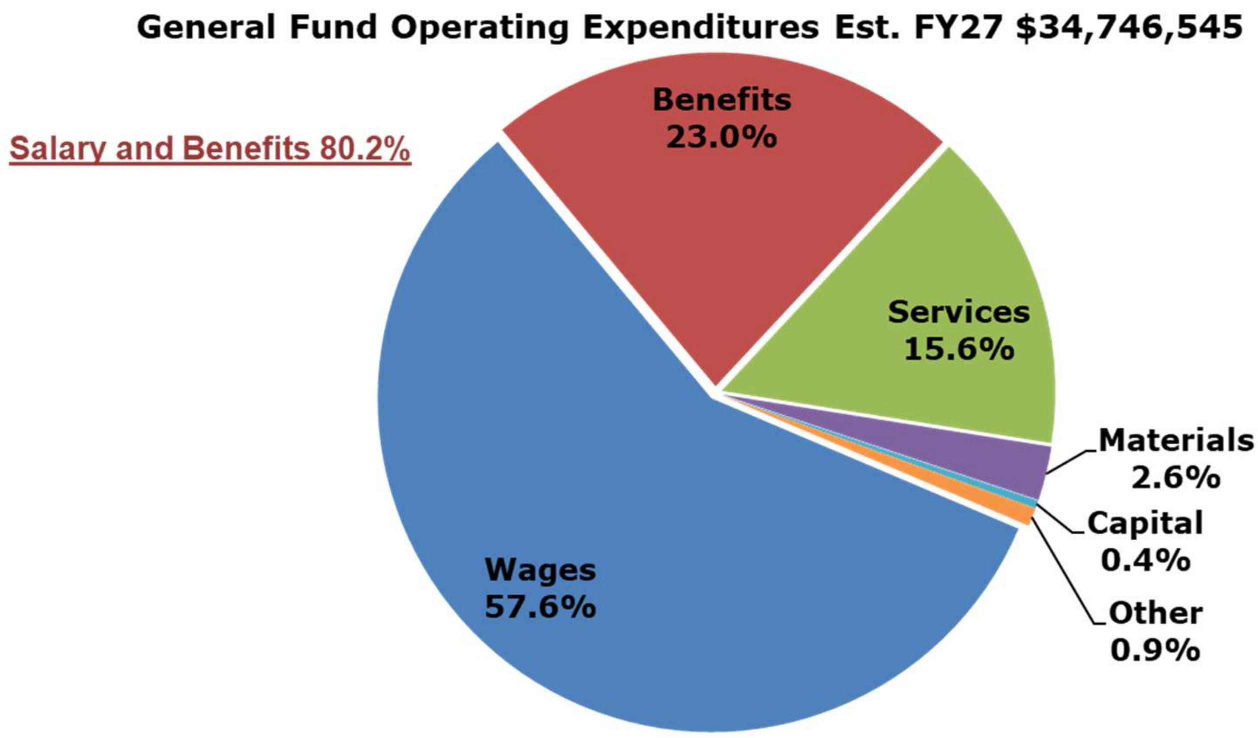
Historical Tax Burden Shift



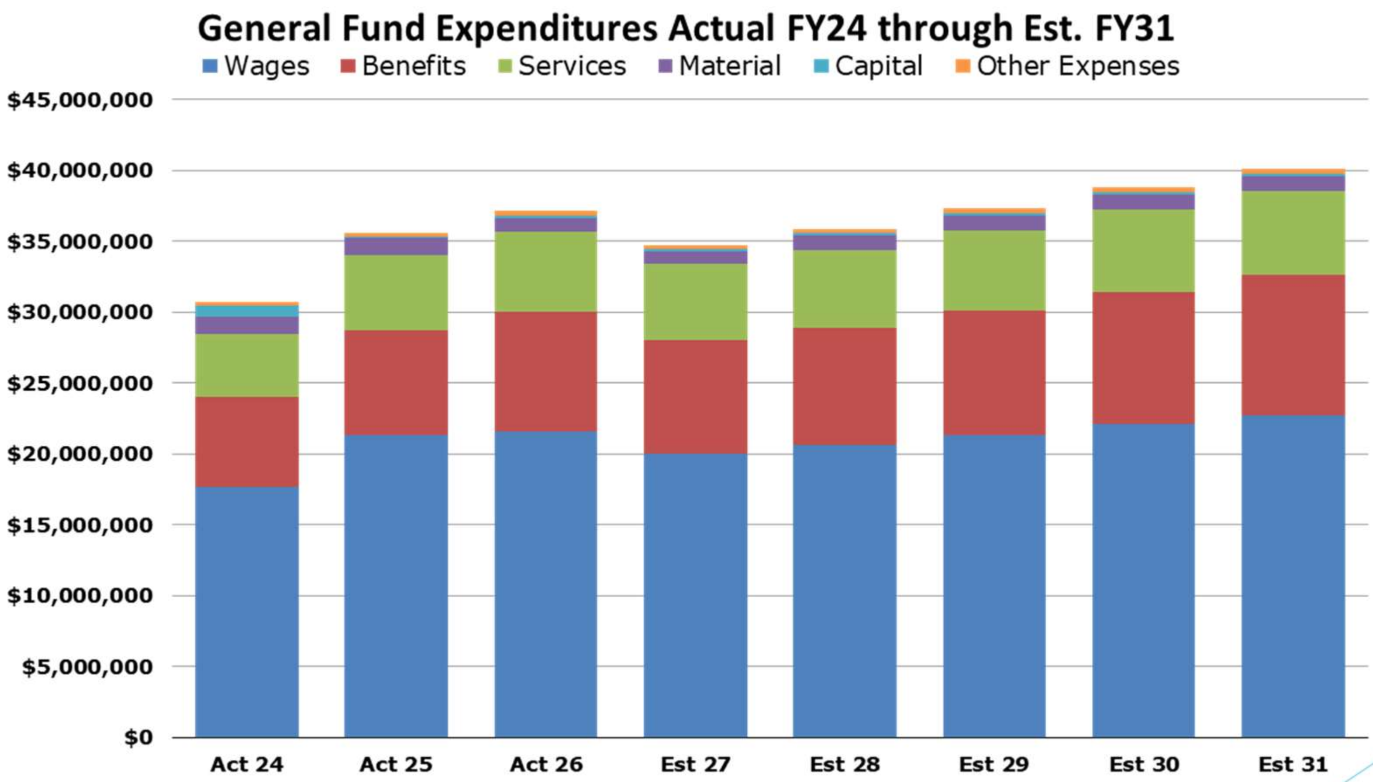
Tax Burden Shift



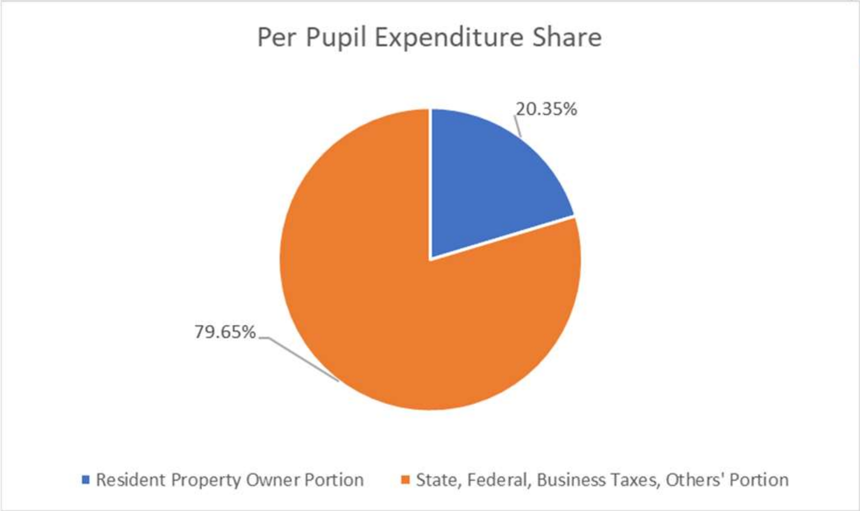
FY27 Projected Expenditure Analysis



Annual Expenditure Comparison



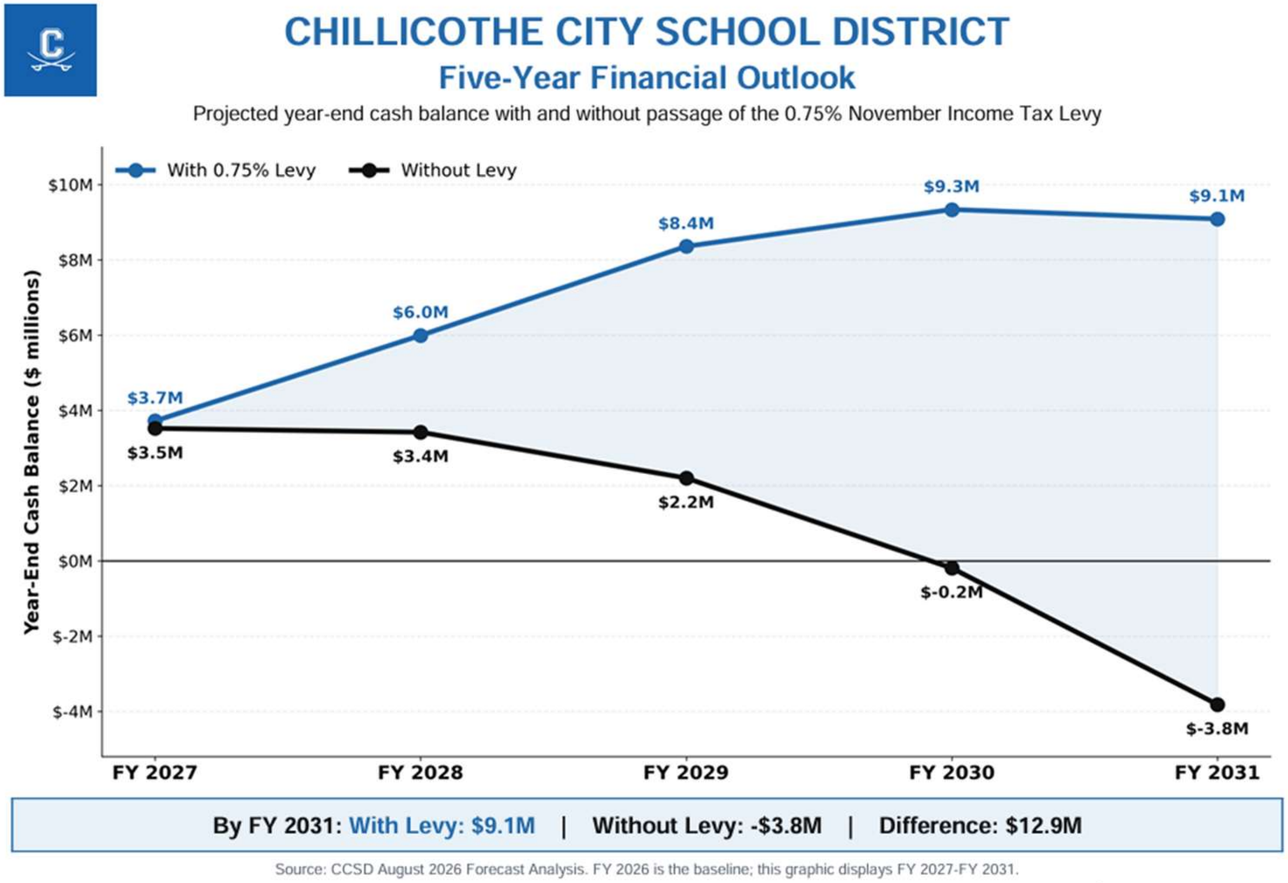
Per Pupil Expenditure Share



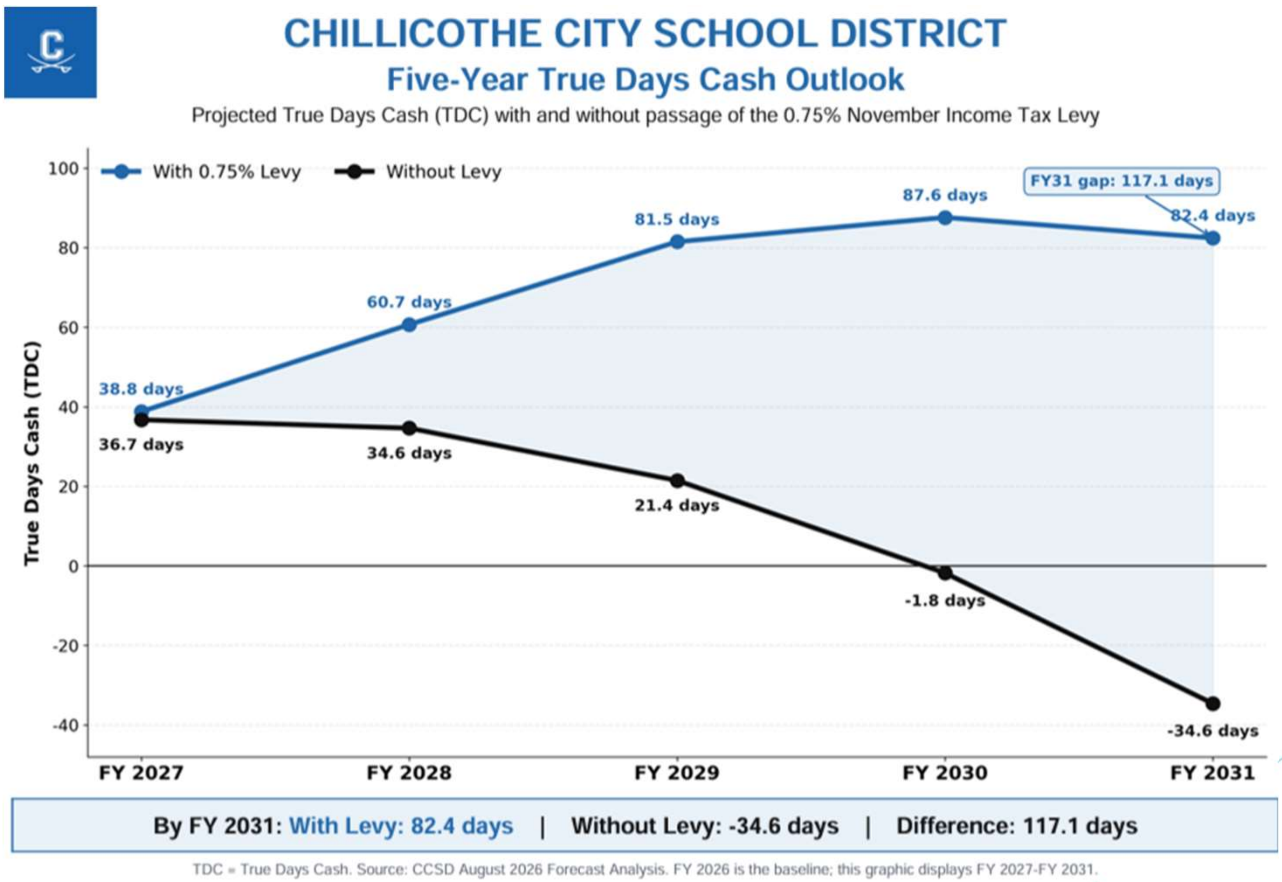
On average, students are educated at a cost of $16.52 per day for our resident property owners. This includes breakfast and lunch for each child, extracurricular opportunities, transportation, and providing them a personalized education that prepares them for their unique career of life pathway.

** Based on General Fund revenue, current EMIS enrollment and 174 student day schedule*

Forecasted Cash Balance with and without passage of 0.75% income tax levy



Forecasted True Days Cash with and without passage of 0.75% income tax levy



Conclusions

- We are currently at ~ 30% of our minimum required cash balance per Board policy.
- The new state budget and loss of Federal Pandemic Funds contributed heavily to deficit spending over the previous 2 fiscal years.
- A large reappraisal has increased local revenues and capacity in the state funding formula. This, along with the state choosing not to increase the base cost inputs, continues to pass the burden from the state to local taxpayers.
- HB 186 will cap property tax collections moving forward.
- Currently project to end FY 27 in the black after heavy staff reductions but a return to deficit spending in FY 28 and beyond.
- The income tax levy outcome and new state budget, effective 7/1/2027, will have a large impact on planning, dictating whether further reductions will be necessary moving forward.

Questions

Phone: 740-775-4250 ext. 16109

Email: nick.rose@ccsd.us