Prepared Notes for Board Meeting - Forecast

October 24, 2011
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Today, I offer a few comments on the annual five year forecast.

First, a word about the process. I love it when we have a smooth process. This year, there was a draft forecast, a TAC meeting, the forecast was posted to the web site in plenty of time for constituent review and comment (and some actually did), a revisions document so you can readily see the changes from the last version of the forecast, annual appropriations will tie to the forecast and so forth. It hasn't always been this way, even in recent years, and I hope that as processes go, we always strive for this level of transparency and constituent involvement.

Second, a word about detail. I fought the good fight a few years ago and lost, so our forecasts are not quite as detailed as they used to be and the lack of detail makes it more difficult, as every public official promises, to watch every dollar. Our forecasts used to break out items like textbooks, general supplies, consultants, legal expenses and even electricity and natural gas. The information is available for the current fiscal year and I understand the treasurer's argument that measures the cost of producing the data vs. the usefulness of the data, I just don't agree with it .

The takeaways from the annual presentation of the forecast are subjective, so I'll share a few thoughts as to what I got out of the document.

First, for all the crying and gnashing of teeth about the state budget, our funding under the bridge formula was around 10% higher than the projection last October, or around 1 million dollars. To the extent that state funding for education was cut, it is not reflected in the foundation formula. It is certainly true that stimulus money was not replaced, but I will never understand how anyone could be surprised at the loss of "one time" money and I reject the categorization of this as a "loss". The forecast reflects the wise decision our administration made to preserve those stimulus funds a year ago. The forecast also reflects a sharp reduction in Tangible Personal Property Tax reimbursement, however, even here, there is some good news. While the state was unable to keep the promise implicitly made in House Bill 1 in 2009 to provide another two years of "hold harmless" on the reimbursement, the final schedule for TPP reimbursement does provide for more TPP revenue than we would have received either under the initial phase out schedule for TPP or Governor Strickland's first budget. We got into trouble believing that the state would continue the hold harmless payments and I fully agree with our treasurer's decision to not make that mistake again. Current state law says that the TPP reimbursements will continue at FY13 levels in perpetuity and our policy has always been to forecast whatever current state law says. Well, unlike Charlie Brown and the football, we won't be fooled again. Unless the state reveals a pile of money set aside for permanent TPP reimbursements, we would be crazy to forecast for it, and so we did not. I do want to point out that in our October, 2010 forecast, our prescient treasurer did helpfully point out under "Risk Factors" that the TPP reimbursement had no revenue source. TPP reimbursement continues to be a hot button issue at the statehouse and my suggestion to the powers that be is to treat the foundation and the TPP reimbursement holistically and determine once and for all what obligation, if any, the state has to high property value, medium wealth diverse districts.

On the local side of revenue, it is fair to say that because of HB920, we were mostly held harmless from most of the negative impact of reappraisal other than for inside millage and this last incremental levy and even then, we'll make it up if and when property values resume their normal upward trajectory. Property tax remains the most stable form of school district revenue and we should think long and hard before ever turning to an economy-dependent revenue source such as a local income tax.

Turning to the expense component, this is a case of "It is what it is". Our spending plan, at least through FY14 was more or less locked in when we agreed to contract extensions with our employee associations. Still, it is nice to finally see the results of the hard work of our administrators in identifying staffing reductions and the willingness of our employees to forego some base and step increases on the district's bottom line and that bottom line is a reduction in forecasted expenditures of 3.2 million dollars in FY12, around 4 million dollars in FY13 and 4.5 million dollars in FY14 and 5.2 million dollars in FY15, but of course, anyone who doesn't work for the government would have to point out that these are reductions off of planned expenditures and that the budget continues to grow annually at around 3%.

I want to make one more point about the nature of the forecast. Yes, it is a snapshot in time. Yes, it is less accurate the further out you go and yes, despite all that, I still think it is a vitally important document for school district governance. In fact, the legislature wanted to reduce the forecast requirement from five years to three years and I testified against that change. The 2011 forecast revisions don't mean that the 2009 or 2010 forecast was incorrect. Quite the opposite, it means that the district, faced with the possibility of a perpetual two year levy cycle, took whatever corrective action was possible consistent with the terms of our negotiated agreements. This was hard, sometimes painful work by our administrators, past and present.

So what is the bottom line. This forecast is an improvement over the previous forecast. State funding is a dark spot, but one that was anticipated. We have definitely moved the needle. What was looking like a two year levy cycle back in 2006 and again in 2009 is now three years, at least for the previous levy and the next levy and that is good news.

Unfortunately, it is also bad news. The forecast, austere as it is, represents a best case scenario with regard to spending under the current paradigm and yet, it is still calling for a levy in 2012 and another in 2015. As we enter the 4th year of a very tough economy, should we be assuming that Worthington voters will continue to prioritize our spending requirements above their own and if not, what can be done about it. Absolutely, increasing taxes every 3 years is better than increasing taxes every 2 years, but if Worthington residents, primarily due to the economic climate say no next year, do we have a backup plan, and is that a conversation worth having?