



November 2020 School Levy

Cleveland Board of Education

July 7, 2020



Agenda

- Key Questions to Consider
- CMSD Progress and Accomplishments
- CMSD's Financial Context
 - Revenue Context
 - Impact of Cleveland Scholarship Program
 - Expenditure Context
 - Additional Impact of COVID-19
- November 2020 Levy Recommendation



Key questions to consider

- We will need to ask voters to consider a levy in November 2020
- Open questions:
 - Levy value: 15-Mill Renewal or Increase in Millage?
 - Duration: Should we consider another limited renewal or make the levy permanent? If time limited, for what duration (4yr, 8yr, 10yr, etc.)?
 - Community School Share – What portion of any future levy should be shared with Partner Charter Schools?
 - Number of levy questions: If we select a combination of these factors, should we make one ask of voters or individual asks (e.g., 1 vote or 2 votes)?

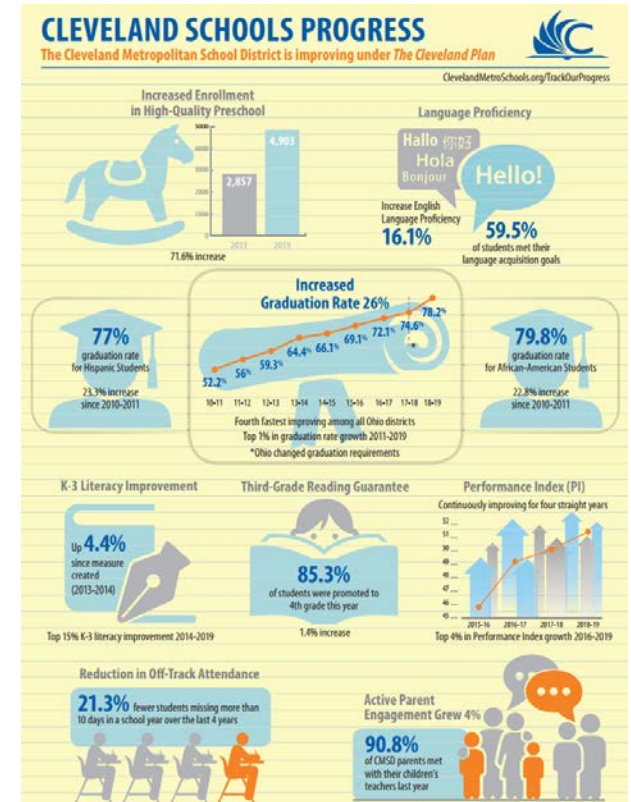


CMSD Progress and Accomplishments



Progress Under the Cleveland Plan

- 72% Increase in High-Quality Pre-K Enrollment
- 26 percentage point (50%) increase in Graduation Rate
- 4.4 percentage point increase in K-3 Literacy (all of our Ohio 8 peers decreased)
- 1.4 percentage point increase in 3rd Grade Reading Guarantee (all of our Ohio 8 peers decreased)
- Top 4% of Ohio's school districts in Growth on the Performance Index
- Over 90% Active Parent Engagement

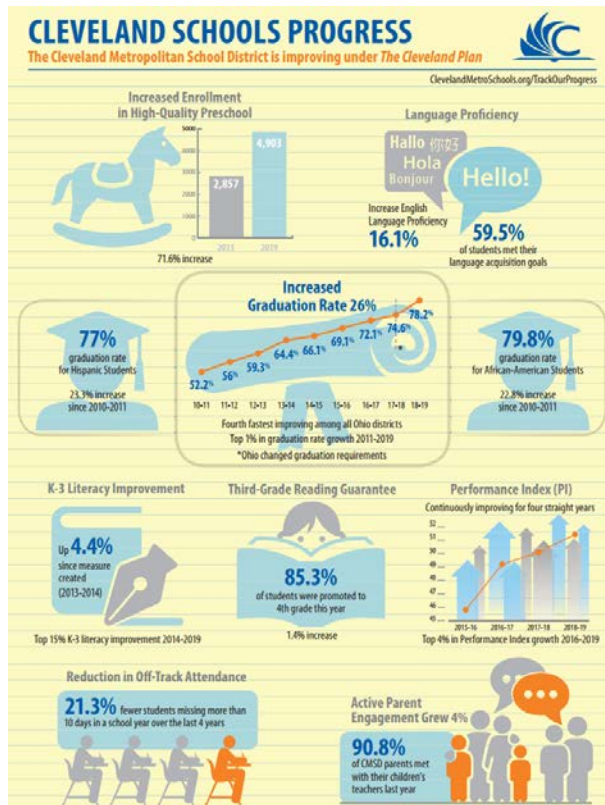


CMSD Impact: Increased Graduation Rate

- Our graduation rate is among the fastest improving statewide.
- Since 2012, under the Cleveland Plan our graduate rate has increased 26 percentage points (a 50% increase), resulting in 2,528 more graduates.
- Those additional graduates earn \$10,131 more than non-high school graduates, which equates to \$25,615,141 annually.



Progress Under the Cleveland Plan



From Ohio's lowest performing school district in 2012 ...

.. to one of Ohio's fastest improving school districts in 2019





Say Yes to Education!

- With your help, we established a 25-year commitment to college scholarship and wraparound services and support.
- We have raised over \$93M towards a \$125M goal.
- Core Services such as mental health supports, legal clinics, and after school programs will be in 43 schools this Fall with services being fully deployed in all schools by 2023.

Our First Cohort of Core Services Schools

Almira
Buhler
Gallagher
John Adams College & Career
John Marshall School of Civic and Business
Leadership
Lincoln-West School of Global Studies
Marion-Sterling
Mary Bethune
Max Hayes
Memorial
Michael R. White
Miles Park
New Tech East
Orchard
Rhodes College & Career
Wilbur Wright



CMSD's Financial Context



Levy Context

*A mill is 1/1000th
of assessed value*

- In 2012, Cleveland voters passed a 4-year, 15-mill levy with 57% support.
 - 14 mills support CMSD directly; 1 mill is distributed to partner charter schools (17).
 - This was the first levy passed in 16 years.
- In 2016, Cleveland voters renewed the 4-year, 15-mill levy with 68% support.
 - This levy expires on December 31, 2020.
- The 15-mill levy represents ~\$67M (12%) of CMSD's net operating budget.



HB920's Impact

- HB920 essentially caps school levies at their originally collected amounts. This means:
 - School levies do not keep up with inflation (an increase of 12% since 2012)
 - School levies do not capture the value of increases in existing property values
- This leaves school districts with the need to seek new money on a fairly regular basis to keep up with expenses



Factors That Influence Our Financial Health

- Since 2012 ...
 - Local property tax collections have grown slowly (0.8% annual growth rate).
 - Our state aid is \$31.0M higher; however, payments to charter school and voucher payments has increased \$30.5M.
 - The Cleveland Scholarship Program cost to CMSD increased from \$11.9M to \$23.5M, a 97% increase.
 - Inflation averaged 1.7% annually.
 - Our employees received cost-of-living wage adjustments that averaged 1.1% annually.



Financial Context compared to First Ring Districts

District	Assessed Value	Assessed Value Per Pupil	Total Tax Rate (Millage)	Expenditures Per Pupil
Shaker Heights City	\$ 881,139,380	\$182,128.85	189.2	\$16,143
Cleveland Hts-Univ Hts City	\$ 1,106,039,540	\$214,848.40	153.6	\$14,404
Lakewood City	\$ 1,087,438,710	\$224,214.17	122.2	\$11,532
South Euclid-Lyndhurst City	\$ 802,760,110	\$244,000.03	106.4	\$13,484
Richmond Heights Local	\$ 219,514,200	\$284,713.62	100.0	\$12,148
Euclid City	\$ 643,706,130	\$129,362.16	97.1	\$10,200
Warrensville Heights City	\$ 366,116,830	\$222,428.21	98.4	\$12,653
Fairview Park City	\$ 408,060,070	\$246,711.05	98.1	\$10,900
East Cleveland City	\$ 133,810,690	\$69,331.96	95.1	\$14,315
Maple Heights City	\$ 278,554,630	\$78,399.84	92.7	\$8,479
Berea City	\$ 1,450,832,240	\$249,455.34	82.1	\$10,857
Garfield Heights City	\$ 317,739,250	\$91,462.08	80.1	\$9,702
Cleveland Municipal	\$ 5,193,251,070	\$138,894.12	79.1	\$12,391
Bedford City	\$ 739,904,940	\$230,931.63	75.7	\$11,496
Parma City	\$ 2,197,214,970	\$224,595.21	74.9	\$10,825
Brooklyn City	\$ 333,488,460	\$297,757.55	64.8	\$10,500
Cuyahoga Heights Local	\$ 388,015,830	\$485,019.79	35.7	\$15,886

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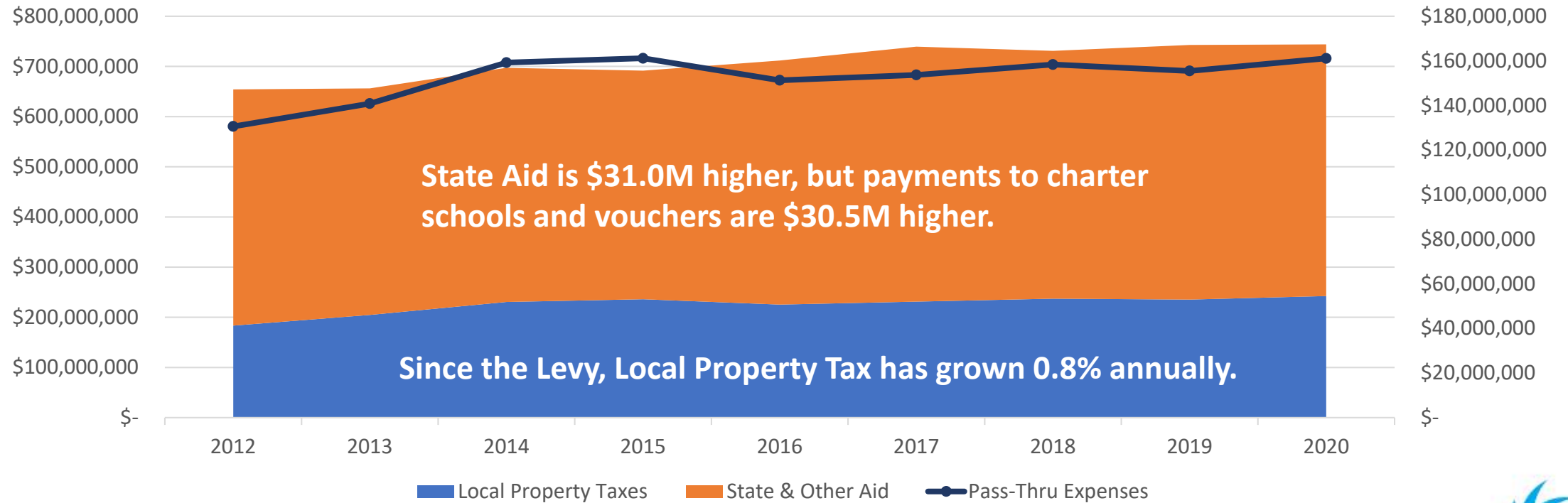
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Factors That Influence Our Financial Health

CMSD Revenue



Cleveland & EdChoice Scholarship Programs

- The Cleveland and EdChoice scholarship programs provide tuition reimbursement for eligible families to pay for private school.

	Cleveland Scholarship	EdChoice Scholarship
Year Launched	<ul style="list-style-type: none"> ▪ 1996 	<ul style="list-style-type: none"> ▪ 2005
Available In	<ul style="list-style-type: none"> ▪ Cleveland Only 	<ul style="list-style-type: none"> ▪ All Other Ohio School Districts
Available To	<ul style="list-style-type: none"> ▪ Any Family in Cleveland 	<ul style="list-style-type: none"> ▪ Low-Income Families ▪ Families Zoned to “Failing” Schools
Reimbursement	<ul style="list-style-type: none"> ▪ Up to \$4,650 for K-8 and \$6,000 for High School 	<ul style="list-style-type: none"> ▪ Up to \$4,650 for K-8 and \$6,000 for High School
Revenue to Districts	<ul style="list-style-type: none"> ▪ Varies Based on Participation ▪ <u>Only First Year Students</u> Count in Cleveland’s Revenue (1,635 of 7,335 Students) ▪ Missed Revenue from Uncounted Students is ~\$28.5M 	<ul style="list-style-type: none"> ▪ Varies Based on Participation ▪ <u>All</u> Students Counted in District’s Revenue
Cost to Districts	<ul style="list-style-type: none"> ▪ Flat \$23.5M Deduction (a 97% Increase over 3 Years) 	<ul style="list-style-type: none"> ▪ Varies Based on Participation and Grade Level



CMSD, School Choice, and Vouchers

- Families in Cleveland have been actively making school choices since the 1970s.
- We support choice and quality options for families.
- Our issue with the Cleveland Scholarship Program is Cleveland taxpayers are paying significantly more than our Ohio 8 peer districts.



Scholarship Program – Peer Comparison

	Scholarship Program	Wealth Measure	FY19 Revenue	FY19 Cost	% of Cost District “Absorbs”
Akron	EdChoice	72%	\$5.9M	\$6.6M	11%
Canton	EdChoice	88%	\$2.5M	\$2.3M	-8%
Cincinnati	EdChoice	74%	\$19.7M	\$22.5M	12%
Cleveland	Cleveland	82%	\$7.0M	\$17.6M	60%
Columbus	EdChoice	59%	\$13.3M	\$24.9M	47%
Dayton	EdChoice	88%	\$14.7M	\$13.8M	-6%
Toledo	EdChoice	80%	\$9.8M	\$10.2M	4%
Youngstown	EdChoice	90%	\$6.4M	\$5.8M	-9%
Cleveland	If All Kids Counted	82%	\$35.5M	\$38.7M	8%

Our Advocacy

Short-Term Solution

- Return our
F
to
(\$17.0M)

**NO LONGER
AN OPTION**

Long-Term Solution

- Count all Students in Cleveland's Revenue



In an environment of relatively flat revenue, we have carefully controlled our costs.



Cost Control Measures

We have taken a number of steps to ensure we are running an efficient business and maximizing taxpayer-provided resources:

- Approved a revised long-term master facility plan in November 2019, which will result in building or renovating 4 schools, closing 8 buildings, and closing or consolidation 12 programs.
- Reduced \$20 million in general operating expenses in FY20 without impact on our strategy, schools, kids, and classrooms.
- Reducing another \$14 million in general operating expenses for FY21.
- Controlling healthcare growth (1.2% in FY19 and FY20 compared to 6.0% nationally) through wellness programs, re-bidding contracts, low-cost options, and claim audits.
- Partnering with a national leader in energy conservation to optimize our energy usage and utility expense.



And have had to adjust our
financial planning in response to
COVID-19



Potential Financial Impacts resulting from COVID-19

- Key funding sources at risk
 - State 2019-20 Budget Reduction - **has already occurred!** - \$ 5.6 million (1.0%)
 - State 2020-21 Budget Reduction - **has already occurred!** - \$ 5.6 million (1.0%)
 - State Wellness funds (2020-21)? - \$ 12.8 million (2.3%)
 - Levy renewal (annually) ? - \$ 67.0 million (12.0%)
 - Recession level tax delinquencies? - \$ 25.0 million (4.5%)
 (every 1% delinquency = \$2.5 million)

- Other factors?
 - Balance of the state K-12 funding to 3-yr average? - \$ 17.4 million (est.)
 - CARES Act funding - **have been received** +\$ 24.0 million
 - COVID-19 unplanned expenses? - \$ 15.0 million (est.)
 - COVID-19 related savings +\$ 10.0 million (est.)
 - Future stimulus/stabilization funding?



Advocacy

CARES Act Allocation

- CARES Act allocates funds to LEAs (school districts) using Title I poverty aid formula
 - A portion of those funds go to non-public schools within the LEA
- Non-regulatory USDOE guidance directs states to allocate funds to LEAs using total enrollment
 - Shifts additional funds to non-public school children who do not qualify for poverty aid
- Estimated impact to CMSD
 - **-\$2.2 million** in CARES Act funding
- **Contact ODE requesting not to follow guidance**

Future Stimulus Funding

- Letter to Congress requesting \$200 billion in additional stimulus funding
 - All K-12 schools (urban, suburban, rural, district, charter, non-public)
- Based upon estimates from 2008-2010 recession
 - \$110 billion in aid
- **Contact U.S. Representative and Senators**



Our Five Year Forecast: May 2020

	SY17-18	SY18-19	SY19-20	SY20-21	SY21-22	SY22-23	SY23-24
Total Revenue	\$731.1	\$749.7	\$745.2	\$710.1	\$687.7	\$695.1	\$702.0
Total Expenditures	\$765.8	\$797.4	\$761.8	\$746.1	\$773.6	\$779.3	\$785.4
Net Revenue	(\$34.7)	(\$47.7)	(\$16.6)	(\$36.0)	(\$86.0)	(\$84.2)	(\$83.4)

Ending Cash Balance	\$85.8	\$38.1	\$21.5	(\$14.5)	(\$100.5)	(\$184.7)	(\$268.1)
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Encumbrances	\$16.5	\$17.6	\$16.0	\$16.0	\$16.0	\$16.0	\$16.0
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Unencumbered Balance	\$69.3	\$20.5	\$5.5	(\$30.5)	(\$116.5)	(\$200.7)	(\$284.1)
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With 15-Mill Renewal

Levy Renewal				\$33.0	\$66.4	\$67.0	\$67.0
Unencumbered Balance	\$69.3	\$20.5	\$5.5	\$2.5	(\$17.0)	(\$34.2)	(\$50.5)



Recommendation for the Board

- A levy committee has been formed and is studying levy options with the goal of presenting a recommendation to the full Board.
- The committee includes representatives from:
 - The Board (Chair and Vice-Chair)
 - The District (CEO, Chief of Staff, Chief Financial Officer)
 - Cleveland Council of Administrators and Supervisors
 - Cleveland Teachers Union
 - The Mayor's Office
 - Greater Cleveland Partnership
 - The Cleveland Foundation
 - The George Gund Foundation
 - Breakthrough Charter Schools



WHAT WE HEARD

- Heard and understand the business community's concern about taxing in perpetuity and the duration of a levy creating accountability.
- Heard and agree that the K-12 funding system does not work and creates this unfair local burden on both residential and commercial taxpayers.
- Heard charter school argument for a significant increase and the concern that the money that levies raise is fixed while the number of students varies.
- Heard a number of stakeholders who do not support any additional increase for charter schools.
- Heard concern that there could be opposition to the school levy, especially during the COVID-19 recovery.



Key questions to consider

- We will need to ask voters to consider a levy in November 2020
- Open questions:
 - Levy value: 15-Mill Renewal or Increase in Millage?
 - Duration: Should we consider another limited renewal or make the levy permanent? If time limited, for what duration (4yr, 8yr, 10yr, etc.)?
 - Community School Share – What portion of any future levy should be shared with Partner Charter Schools?
 - Number of levy questions: If we select a combination of these factors, should we make one ask of voters or individual asks (e.g., 1 vote or 2 votes)?



RECOMMENDATION TO THE CLEVELAND BOARD OF EDUCATION

- I am recommending that the Board consider a 15 mill renewal and a 5 mill increase, of which an additional ½ mill would be shared with partnering charter schools, for the period January 2021 through December 2030 (a term of 10 years) and that the Board ask this as a single levy question.



SOME FINAL THOUGHTS

- My team and I recognize that this is a very difficult, disruptive time in our community, state and country.
- Our 15 mill levy will expire at the end of December unless voters renew it in November. If we do nothing, the levy, which represents 12% of our budget (approximately \$67 million) will expire.
- With the community's support over the last 8 years we have made significant progress, including growth on Ohio's Third Grade Reading Guarantee, improvements in reading and math scores, and a 26 percentage point gain on graduation rates, from 52.2% in 2011 to 78.2% in 2019.
- We have done this while carefully controlling expenses and investing as much as possible directly into our classrooms without asking for any increase of the levy over the past 8 years.
- To continue this progress going forward as well as to make new investments that will be necessary to respond to the additional educational needs created by COVID-19, I am recommending we request an additional 5 mills this November. This is an approximate increase of \$7.00 per month for the average tax payer. We are also recommending the length of the levy renewal be extended to 10 years.
- We know this is a particularly difficult time to ask for an increase, which we have worked to keep as small as possible, but believe our 8 year track record of progress combined with the new educational needs created by the COVID-19 pandemic make it necessary.



Our Five Year Forecast if Levy is approved

	SY17-18	SY18-19	SY19-20	SY20-21	SY21-22	SY22-23	SY23-24
Total Revenue	\$731.1	\$749.7	\$745.2	\$710.1	\$687.7	\$695.1	\$702.0
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With 15+5 Mill Levy

15+5 Mill Levy				\$43.3	\$87.0	\$87.6	\$87.6
Unencumbered Balance	\$69.3	\$20.5	\$5.5	\$12.8	\$13.9	\$17.2	\$21.5

*The 2020 levy is a 15-mill renewal with 14.0 for CMSD and 1.0 for partner charters plus 5.0 new mills (4.5 for CMSD and 0.5 for partner charters).



The process of requesting a levy of voters

- Placing a levy on the ballot is a two step process:
 - **TONIGHT, July 7 – Resolution of Necessity**
 - The School Board will need to adopt a **Resolution of Necessity** declaring it necessary to renew and/or increase 2016 levy and requesting County Fiscal Officer to certify the total current tax valuation of the School District, and either 1) the amount of revenue generated by a specific number of mills, or 2) the number of mills required to generate a specific amount of revenue. (Must be completed by July 23, 2020)
 - **Tuesday, July 21 – Resolution to Proceed**
 - Adopt a second **Resolution to Proceed** with submitting the renewal and/or increase of the levy to the electors of the School District which must be filed at the Board of Elections by August 5, 2020.



Thank You!

Questions and Comments

