

Highland Financial Advisory Panel

January 26, 2010

To: The Board of Education, Highland Local School District
Cc: Mary Markle, Treasurer; and Catherine Aukerman, Superintendent
From: Financial Advisory Panel

The following is a recommendation by the Financial Advisory Panel on January 26, 2010 –

The Financial Advisory Panel was formed in 1999 at the request of the Highland Board of Education. The purpose of the committee is to provide the citizens of Highland with an opportunity to have an independent group of local residents review school finances and make recommendations to the board.

The committee is comprised of Highland residents who meet quarterly. The District opened its financial records to the Committee and provided all documents and records requested.

Over the years, The Committee has reviewed the District's budgets, income, expenses and 5-year forecasts. We have reviewed expenses in detail and sought to understand District operations and how budgets are managed. We further learned how the District is reducing costs and securing additional non-tax sources of funding.

We also found that significant costs are connected with state and federally mandated programs (i.e. all day kindergarten with an estimated additional annual cost of \$700,000) in many cases with the State providing the Highland Local School District with little or no additional funding.

The Committee also learned that by Fiscal Year 2012, the District will face a \$5.4 million deficit and our cash surplus will be exhausted. This year, the District's state funding was cut by 1% totaling \$42,000 and next year, the District will experience a 2% reduction totaling \$88,000. Investment income, which at one time was considered a major source of Highland's revenue, has also taken a hard hit due to the economy – experiencing a reduction of 55% totaling \$434,000.

We also learned that Highland is one of the top rated districts in Ohio and one of only 22 districts in the state to have been recognized as "Excellent with Distinction." These ratings are based on student achievement using test scores, graduation rates, and advanced placement courses. In addition to the quality education being provided to our students, as citizens of Highland, we appreciate the value the school District brings to the community and homeowners.

After a thorough review of the District's finances, and taking into consideration increased costs, forecasted reductions in state funding, and state-mandated additional expenses, the Committee recognizes the need for additional funding for the District.

The Committee discussed many funding options, such as an income tax, an earned income tax, a phase-in levy, a variety of millage rates and combinations of the above. In the final analysis, we believe that when all factors are taken into consideration, the following recommendation is the most practical at the present time.

- **The Financial Advisory Panel recommends that the Highland Local School District place an emergency 5.9 mill levy on the ballot in May of 2010. Additionally, the Committee recommends that the Highland Administration continue to closely monitor its cost reduction program.**

In making our recommendation, the Committee recognizes the severity of the country's economic condition. Highland residents are not immune to the state of the economy. Many residents have lost jobs, others have suffered reduced incomes and some of our fellow citizens have lost their homes.

However, if we are to maintain quality education in Highland, we do not see any other alternative other than recommending that the Board place another levy on the ballot and provide our community with the opportunity to continue to support the excellent educational opportunities provided to Highland students and their families.