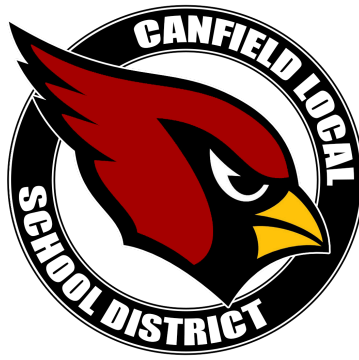




FINANCIAL STATE OF THE SCHOOLS

Understanding the Canfield Local School District Financial Forecast and Budget Reductions

As Superintendent of the Canfield Local Schools, I believe it is important to provide our families, staff, and community members with clear and transparent information regarding the district's current financial outlook, budget planning process, and operational decisions for the 2026–2027 school year.

The purpose of this document is to offer additional context and clarity about the financial challenges facing public education in Ohio, the factors influencing our budget decisions, and the steps we are taking to ensure the long-term stability of our school district. We understand that questions may arise regarding school funding, staffing adjustments, program decisions, and the potential impact on students and services.

The Canfield Local School District remains committed to responsible stewardship of taxpayer resources while maintaining the high-quality educational opportunities and student experiences our community expects. Every decision has been made thoughtfully and strategically, with a focus on preserving our core educational mission and positioning the district for future success.

We hope the information provided helps our community better understand the realities of school finance in Ohio and the careful planning that is necessary to sustain excellence in Canfield Schools for years to come.

Why did the district make reductions through attrition for the 2026–2027 school year?

As we plan for Fiscal Year 2027, the district's financial forecast projects approximately \$31.9 million in revenue and expenditures approaching \$34.2 million. This gap between revenues and expenses results in deficit spending, a situation that cannot be sustained over the long term.

To protect the financial health of our district and ensure that Canfield Local Schools remains fiscally stable for years to come, we must take proactive steps to reduce expenditures now. This year, we have reduced 2 teaching positions and 1 classified position through attrition, did not replace a tutor, and brought back 1 teacher through retire/rehire, resulting in projected savings of around \$500,000 for next year alone. While these decisions are never easy, they are necessary to preserve our ability to provide high-quality educational opportunities and maintain the strong academic programs and student experiences that our community values.

***Example:** Just like a household should not continue spending more than it earns each year, a school district must make adjustments when expenses increase faster than income.*

What is a Financial Forecast?

A Financial Forecast is a required planning document submitted twice annually to the Ohio Department of Education and Workforce.

It helps districts estimate:

- Future revenues
- Future expenses
- Long-term financial stability

***Example:** It is similar to a family creating a multi-year household budget to prepare for future bills and expenses.*

What does it mean that the district is projected to “have a shortfall”?

The district projects approximately \$31,900,000 in revenue but nearly \$34,200,000 in expenses for Fiscal Year 2027. This means expenses exceed incoming funds.

***Example:** If a family earns \$70,000 per year but spends \$75,000, the difference must come from savings. Over time, those savings decrease if spending is not reduced.*

If the district still has money in savings, why are reductions necessary?

The district's cash balance is not “extra money.” It functions like a savings account that helps pay for:

- Payroll
- Daily operations
- Emergencies
- Bills and expenses throughout the year

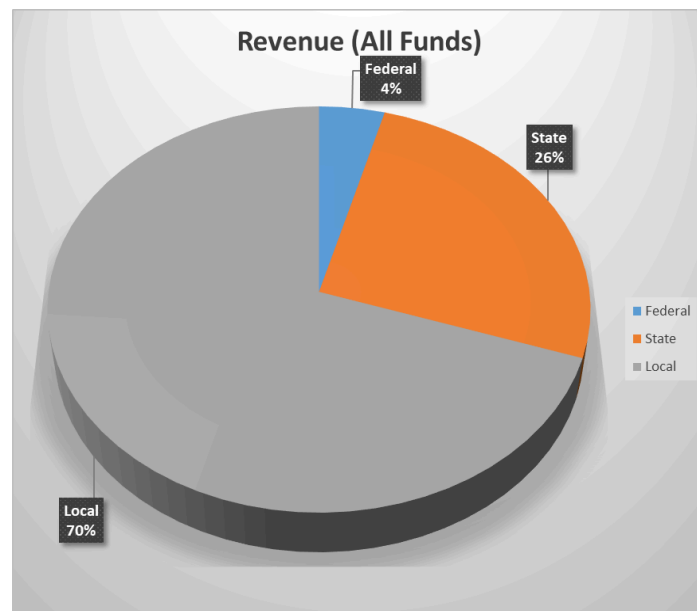
If the district continues spending more than it receives, those reserves will eventually run out.

***Example:** A family may have savings in the bank, but if monthly bills continue exceeding monthly income, those savings eventually decline.*

How does the state of Ohio fund schools?

Ohio public schools are funded through a combination of:

- State funding
- Local property taxes
- Federal funding



In Canfield, the largest portion of school funding comes from local taxpayers.

State Funding	Local Funding	Federal Funding
<p>The State of Ohio provides funding to school districts through a school funding formula. The amount a district receives is based on several factors, including:</p> <ul style="list-style-type: none">• Student enrollment• Property values within the community• Income levels of residents• Student needs and services <p>In general, the state provides more funding to districts with lower property wealth and less funding to districts with stronger local property values.</p>	<p>Communities also support schools through locally approved property taxes, often called levies. These local funds help pay for:</p> <ul style="list-style-type: none">• Teachers and staff• Transportation• Building operations and maintenance• Safety and security• Student programs and services	<p>Federal funding is typically received through grant programs such as:</p> <ul style="list-style-type: none">• IDEA B• IDEA Pre-school• Title I-A• Title II-A• Title III• Title IV-A
State = 26%	Canfield = 70%	Federal = 4%



Why do school costs continue to increase?

School districts are experiencing many of the same rising costs families are facing, including:

- Salaries
- Health and property insurance increases
- Inflation
- Fuel costs
- Utility increases
- Technology and cybersecurity expenses
- Students with disabilities costs

These operational costs continue to increase each year. At the same time, districts may experience:

- Declining enrollment
- Changes in state funding formulas
- Legislative impacts on property tax collections
- Reduced state support as local property values increase

Because of these factors, school districts must carefully monitor finances, plan long-term budgets, and make responsible decisions to maintain financial stability and continue supporting student learning opportunities.

If property values increase, doesn't the district automatically receive more money?

Not necessarily. Ohio law limits how much additional revenue school districts can collect from rising property values and many existing levies. At the same time, the state may reduce district funding due to rising property values.

***Example:** Even if a home's value increases, the district cannot automatically collect unlimited additional revenue from that increase.*

What are House Bills 129, 186, 309, and 335?

These are now Ohio laws related to property taxes and school funding. These bills, which took effect on March 20, 2026, could reduce funding for school districts across Ohio, including the Canfield Local Schools. The district has shared that we have not been negatively affected thus far, but has concerns about the future ramifications of, especially, HB 335.

House Bill	Defined	What Does this Mean?	Example
HB 129 – Limits Revenue Growth from Existing Levies	HB 129 changes how certain school levies are calculated by including emergency and substitute levies in the 20-mill floor calculation. This limits how much additional revenue districts can receive as property values increase.	Even if home values increase in the community, the school district may not receive much additional funding from those increases.	If a family's home value increases from \$250,000 to \$300,000, many people assume the school district automatically receives significantly more money. Under HB 129, the district's revenue growth is limited, so the increase in school funding may be much smaller than expected.
HB 186 – Caps Property Tax Growth	HB 186 places additional limits on how much property-tax revenue school districts can receive over time and changes rollback structures tied to property taxes.	The district's costs continue to rise each year for salaries, transportation, utilities, insurance, and student services, but the district may not be able to collect enough additional revenue to keep pace with those rising expenses.	Just like grocery prices and utility bills increase for families, school district expenses also increase. HB 186 limits how much district revenue can grow, even as costs continue to increase.
HB 309 – Allows Review of Voter Approved Levies	HB 309 gives County Budget Commissions more authority to review and potentially reduce certain voter-approved levies if they determine districts are collecting more revenue than necessary.	Even if voters previously approved a levy to support schools, some revenue could later be reduced under this law.	A community may vote to support a school levy, believing those funds will remain stable for several years. Under HB 309, portions of that funding could potentially be reduced sooner than expected.
HB 335 – Limits Growth from Inside Millage	HB 335 limits how much revenue districts can receive from "inside millage," a portion of property taxes that school districts traditionally rely on for operations.	The district may experience less future revenue growth, even as property values increase and operational costs continue to rise.	If inflation causes transportation, electricity, and maintenance costs to rise by 5–10%, district revenue may still increase only very slightly under the law.

Are other school districts experiencing similar financial challenges?

Yes. Many school districts across Ohio are facing:

- Rising operational costs
- Reduced or uncertain state funding
- Enrollment changes
- Financial pressures requiring budget reductions

The financial challenges for school districts are not unique to the Canfield Local Schools.

Is the district only focused on reducing one program or department?

No. By using attrition from 2020 to 2025, the district eliminated 4 certified and 8 classified staff positions and used retire/rehire with 5 teachers to save approximately \$3,500,000 over that period. This year, we have reduced 2 teaching positions and 1 classified position through attrition, did not replace a tutor, and brought back 1 teacher through retire/rehire, resulting in projected savings of around \$500,000 for next year alone. Although the district has eliminated several positions due to staffing needs, seniority, and transfers, the goal has been to reduce expenses responsibly while minimizing the impact on students and educational opportunities.

What has the district worked hard to protect?

Even while making reductions, the district continues prioritizing:

- Student safety and security
- Academic programming
- Student opportunities
- Fine arts and athletics
- Mental health and student support services
- Career and college readiness opportunities

The district's goal is to make thoughtful reductions rather than across-the-board cuts.

Why doesn't the district just wait and see what happens?

One of our most important responsibilities is to address financial challenges before they become financial crises. Responsible fiscal management requires us to make difficult decisions now rather than wait until circumstances force more significant reductions later.

Unlike many businesses, school districts must make financial decisions years in advance because they cannot quickly increase revenue or make significant expense reductions once a school year has begun.

If we fail to act today, the district could face more substantial consequences in the years ahead, including larger staff reductions, the elimination of academic and extracurricular programs, increased financial instability, and potential state fiscal oversight. While these decisions are challenging, they are being made with careful consideration and a commitment to maintaining the high-quality educational experience our community expects and deserves.

What is the district doing to plan for the future?

The district continues:

- Long-term financial forecasting
- Strategic planning
- Operational efficiency reviews
- Facility and enrollment reviews
- Ongoing collaboration with the Treasurer's Office and other departments to ensure protocols and procedures are in place

The goal is to make thoughtful decisions that support both students and long-term financial stability.

What are the positive impacts of the Board of Education's decision to transfer \$4 million out of the General Fund?

The Board's decision set aside \$4 million to help pay for major capital expenses, such as school buses, roofs, HVAC systems, paving, and other large facility projects. This helps reduce the need to use future operating dollars for these costs.

If needed, the Board can transfer the money back to the General Fund. However, the \$4 million is a one-time balance. The district spends nearly \$3 million each month to

operate its schools, so \$4 million would cover only about 6 weeks of operating expenses. While it could provide short-term relief, it would not solve the district's long-term financial needs, which is why an operating levy is still necessary.

The Mahoning County Commissioners recently approved an owner-occupancy property tax decrease of 2.5%. How will this affect the Canfield Schools?

Since the additional 2.5% reduction approved by the commissioners is *not* reimbursed by the state, the reduction comes directly out of the property tax collections that would otherwise go to schools, townships, libraries, municipalities, and other local governments. The yearly estimate of revenue lost to the Canfield Schools is approximately \$380,000.

Will the Canfield Local Schools continue to communicate with our stakeholders?

Yes. The district remains committed to transparency, communication, and keeping families informed as we continue planning and making decisions.