

# Ohio School Districts in Fiscal Emergency



REPORT TO THE OHIO LEGISLATURE

## LEGISLATIVE BACKGROUND

### School Districts in Fiscal Caution, Watch and Emergency

The 121<sup>st</sup> Ohio General Assembly created procedures for evaluating school district financial reports and placing districts exhibiting potential insolvency under the oversight of the Auditor of State through the declaration of fiscal watch or fiscal emergency.<sup>1</sup> The 123<sup>rd</sup> General Assembly expanded the scope of fiscal designations by creating the category of fiscal caution, which places districts declared to be in fiscal caution under the oversight of the Ohio Department of Education.<sup>2</sup> As stated in Ohio law, the intent of the statute “is to enact procedures, provide powers, and impose restrictions to assure fiscal integrity of school districts.”<sup>3</sup>

In the final stage — fiscal emergency — a financial planning and supervision commission is created with the primary purpose “to review or to assume responsibility for the development of all tax budgets, tax levy and bond and note resolutions, appropriation measures, and certificates of estimated resources of the school district.” With the creation of these statutes, the General Assembly also required the submission of an annual report “concerning progress of the school district to eliminate fiscal emergency conditions, failures of the school district to comply with this chapter, and recommendations for further actions to attain the objectives of this chapter, including any legislative action needed to make provisions of law more effective for their purposes, or to enhance revenue raising or financing capabilities of school districts.”<sup>4</sup>

The legislation creating fiscal emergency was approved in 1996. Since then, 42 districts have been declared and released from fiscal emergency. This fact is mentioned to note the effectiveness of the system currently in place, which gives confidence to districts as they enter fiscal emergency. The average length of time in emergency is approximately three and one-half years. This is dependent on a district’s cooperation and compliance with the commission’s requests and the district’s ability to amend its respective financial practices to regain the fiscal solvency necessary for release.

### Financial Planning and Supervision Commissions

#### Duties and Services for Districts in Fiscal Emergency

- Five-member commission meets monthly or as needed.
- Monitors district operations with potential financial implications.
- Re-establishes the fiscal integrity of the district.
- May grant itself the same authorities as the board of education to accomplish the task of fiscal solvency including, but not limited to:
  - Purchasing;
  - Employment contracts;
  - Issuance of debt;
  - Cost reductions; and
  - Staffing levels.
- Within 120 days, the commission adopts a financial recovery plan that addresses, but is not limited to, the following:
  - Solvency assistance fund advancements;
  - Staff reductions and shared services;
  - Establishment of procedures for monitoring annual appropriation funds through a monthly cash flow analysis by the district administration and board of education;

<sup>1</sup> Am. Sub. S.B. 310

<sup>2</sup> Am. Sub. S.B. 345

<sup>3</sup> ORC §3316.02

<sup>4</sup> ORC §3316.07

- Establishment of procedures for encumbering funds as purchase orders wherein the district administration and treasurer work jointly; and
- Adoption by the local board of education of an appropriation measure consistent with the five-year forecast and the financial recovery plan.

## SPECIFIC ACTIONS FOR EACH DISTRICT IN THE PAST YEAR

### Districts in Fiscal Emergency as of April 1, 2022

<u>District</u>	<u>County</u>	<u>Date Declared</u>	<u>Duration</u>
None			

### Districts Released from Fiscal Emergency since April 1, 2021

<u>District</u>	<u>County</u>	<u>Date Declared</u>	<u>Date Released/Duration</u>
Coventry Local	Summit	Dec. 2, 2015	Jun. 21, 2021/ 6 years, 6.5 months
Niles City	Trumbull	Feb. 26, 2019	Jan. 27, 2022/ 2 years, 11 months

### Closing Statement

As of the date of this report, the Department is pleased to inform the Ohio Legislature there currently are no districts in fiscal emergency. The Department continues to monitor all city, exempted village, local and joint vocational school districts within the state, assisting them as needed with the goal of preventing fiscal caution, watch and emergency. The Department appreciates the partnerships and working relationships it has developed with the Attorney General's Office, Auditor of State's Office and Office of Budget and Management. This collaboration allows commissions to better serve districts in fiscal emergency and help restore fiscal integrity.