

School Districts in Fiscal Emergency

2023 Report to the Ohio General Assembly





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Executive Summary

[Ohio law](#) outlines measures for assisting school districts experiencing fiscal distress through the five-year forecast examination process and the establishment of a graduated system of fiscal oversight (fiscal caution, fiscal watch and fiscal emergency). This process provides school districts the opportunity to correct and improve fiscal practices and budgetary conditions while also providing clear consequences for continued fiscal insolvency. The law also requires an annual report and recommendations to the General Assembly on school districts in fiscal emergency. As of the date of this report, there are no school districts in fiscal emergency and this report does not recommend any changes to the Ohio Revised Code related to school districts in fiscal emergency.

Legislative Background

In 1996, the 121st Ohio General Assembly established Ohio Revised Code [Chapter 3316](#) which created procedures for placing districts exhibiting potential insolvency under fiscal oversight through the declaration of fiscal watch or fiscal emergency. In 2001, the 123rd General Assembly expanded the scope of fiscal designations by creating the category of fiscal caution as the initial level of fiscal oversight. 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.

The General Assembly also requires an annual report on the progress of the school district to eliminate fiscal emergency conditions, failures of the school district to comply with the requirements and recommendations for further actions to attain the objectives of the law, 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. As of the date of this report, there are no school districts in fiscal emergency and this report does not recommend any changes to the Ohio Revised Code related to school districts in fiscal emergency.

Supports for School Districts

Through the five-year forecast examination process and during fiscal caution and fiscal watch, the Department provides technical assistance to school districts experiencing fiscal distress with the goal of restoring fiscal solvency without a declaration of fiscal emergency. The process to identify potential deficits that may result in a declaration of fiscal caution, fiscal watch or fiscal emergency and the steps taken to avoid them are discussed in greater detail on the Department's [website](#).

In the event the Auditor of State declares a school district to be in a state of fiscal emergency, a financial planning and supervision commission is created to develop, adopt and implement a financial recovery plan to restore both fiscal integrity and fiscal solvency. Financial planning and supervision commission duties and services for districts in fiscal emergency include:

- Five-member financial planning and supervision 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;
- 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.

Since the General Assembly established the process for fiscal oversight, 42 districts have been declared and released from fiscal emergency (Exhibit A). 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 a district is in fiscal emergency is approximately 3.5 years. This timeline is dependent on a district's cooperation and compliance with the financial planning and supervision commission's requests and the district's ability to amend its respective financial practices to regain the fiscal solvency and financial integrity necessary for release.

Annual Report

DISTRICTS IN FISCAL EMERGENCY AS OF APRIL 1, 2023

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

DISTRICTS RELEASED FROM FISCAL EMERGENCY SINCE APRIL 1, 2022

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

As of the date of this report, the Department is pleased to inform the Ohio General Assembly there are no school districts in fiscal emergency since Niles Local School District was released from fiscal emergency in January 2022.

The Department appreciates the partnerships and working relationships it has developed with the Attorney General's Office, Auditor of State's Office and the Office of Budget and Management. This collaboration allows financial planning and supervision commissions to better serve districts in fiscal emergency and helps restore fiscal integrity. The Department continues to examine five-year forecast submissions of all city, exempted village, local and joint vocational school districts within the state, assisting them as needed to resolve projected deficits with the goal of preventing declarations of fiscal caution, fiscal watch and fiscal emergency.



Exhibit A: History of School Districts in Fiscal Emergency

History of School Districts in Fiscal Emergency as of April 1, 2023				
District Name	County	Declaration Date	Release Date	# of Emergency Months
Barnesville Exempted Village School District	Belmont	12/18/2003	2/28/2008	50
Beaver Local School District	Columbiana	2/11/2010	2/21/2012	24
Bellaire Local School District	Belmont	12/31/2009	4/17/2017	87
Bettsville Local School District*	Seneca	2/6/2014	6/30/2014	4
Bristol Local School District	Trumbull	10/14/2003	12/5/2006	37
Brookfield Local School District	Trumbull	5/14/2013	4/13/2018	58
Brooklyn City School District	Cuyahoga	4/28/1999	4/4/2002	35
Cloverleaf Local School District	Medina	1/24/2012	1/27/2015	36
Coventry Local School District	Summit	12/4/2015	6/21/2021	66
East Cleveland City School District	Cuyahoga	3/12/2003	5/24/2011	98
East Knox Local School District	Knox	2/5/2015	3/7/2017	25
East Liverpool City School District	Columbiana	12/18/2003	3/24/2009	63
Federal Hocking Local School District	Athens	5/21/2007	3/1/2012	57
Huron City School District	Erie	5/13/2004	5/24/2006	24
Jackson-Milton Local School District	Mahoning	4/20/1998	7/27/2001	39
Jefferson Township Local School District	Montgomery	8/11/2008	4/14/2011	32
Ledgemont Local School District	Geauga	3/27/1997	4/11/2002	60
Ledgemont Local School District*	Geauga	11/9/2010	6/30/2015	55
Liberty Local School District	Trumbull	7/11/2011	12/1/2014	40
Little Miami Local School District	Warren	7/13/2010	5/22/2013	34
Lordstown Local School District	Trumbull	12/8/2000	7/15/2004	43
Mansfield City School District	Richland	12/17/2013	12/20/2016	36
Massillon City School District	Stark	9/30/1999	4/18/2002	30
McDonald Local School District	Trumbull	10/15/2009	2/28/2012	28
Mentor Exempted Village School District	Lake	2/4/2004	2/4/2005	12
Monroe Local School District	Butler	5/9/2012	9/25/2014	28
New Lexington City School District	Perry	9/17/1997	10/12/2000	36
Niles City School District	Trumbull	2/26/2019	1/27/2022	35
Northridge Local School District	Licking	3/14/2000	2/19/2002	23
Olmsted Falls City School District	Cuyahoga	3/11/1999	1/6/2000	9
Sheffield-Sheffield Lake City School District	Lorain	1/11/2005	5/31/2006	16
Shelby City School District	Richland	4/7/2005	5/1/2008	36
Southern Local School District	Meigs	11/8/1999	4/22/2009	113
Springfield City School District	Clark	2/28/2005	3/19/2009	48
Springfield Local School District	Summit	2/11/2000	7/10/2001	16
Springfield Local School District	Summit	5/16/2007	11/22/2011	54
Struthers City School District	Mahoning	5/11/2005	11/27/2007	30
Switzerland of Ohio Local School District	Monroe	6/9/1998	3/26/2002	45
Trimble Local School District	Athens	1/31/2001	6/9/2005	52
Vermilion Local School District	Erie	3/24/1999	8/18/2000	16
Youngstown City School District	Mahoning	9/20/1996	3/30/2001	54
Youngstown City School District	Mahoning	11/16/2006	3/29/2011	52
AVERAGE TIME IN FISCAL EMERGENCY				41.33
Grey denotes first and last districts in emergency				
* Fiscal emergency terminated because district's territory was transferred to another school district				