# Fiscal Monitoring and Oversight

Ohio | Department of Education

Galion City School District
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# Finance Program Services

Our objectives are:

- To help school districts stay advised of and in compliance with state and federal laws;
- To restore the fiscal integrity of school districts placed in fiscal caution, watch or emergency; and
- To prevent school districts from reaching fiscal emergency conditions.

# Finance Program Services

- 10 Regions
- 6 Support Offices
- 20 Area Coordinators
- 12 Fiscal Consultants
- Chairpersons and Secretaries to Fiscal Emergency Commissions

# Five Year Forecast
# Where It All Begins…

Requirements per ORC 5705.391 and OAC 3301-92-04:

- Electronic submission of both projections and assumptions to ODE by October 31.
- All districts must update the forecast between April 1 and May 31.
- ODE must examine the 5-year forecasts and determine if a district has the potential to incur a deficit during the first three forecast years.

# Five Year Forecast
# Where It All Begins…

Districts are to be contacted if any of the following four flags appear:

- Current Year Deficit – Direct contact from fiscal consultant
- Current Year Low Fund Balance – Direct contact from fiscal consultant
- Deficit in Year Two – Letter from Columbus office requesting plan to eliminate deficit. Plan must list specific actions.
- Deficit in Year Three – Letter from Columbus office requesting plan. Plan may be more general.

# Fiscal Caution

(ORC 3316.031, effective 4/10/01)

- Currently 18 districts in fiscal caution.
- May be declared if ODE determines through the five-year forecast that conditions exist that could result in a future declaration of fiscal watch or emergency.
- May be declared if AOS reports any “conditions or practices” that could result in a future declaration of fiscal watch or emergency.

# Fiscal Caution

(ORC 3316.031, effective 4/10/01)

- Districts are given the opportunity to develop and implement proposals to avoid potential deficits without being placed in fiscal caution.
- Districts cannot request to be placed in fiscal caution to help pass a levy.

# Fiscal Caution

- District must submit a written proposal that eliminates the conditions that led to the declaration of fiscal caution (financial recovery plan).
- ODE will monitor the district to ensure implementation of the written proposal.
- Auditor of State may conduct a performance audit at no cost to the district, if funds are available.
- Auditor of State may place the district in fiscal watch if an acceptable proposal is not submitted or if the district does not comply with its proposal.

# Fiscal Watch

- Currently 4 districts in fiscal watch.
- Only the Auditor of State can declare or terminate fiscal watch.
- The Board of Education must submit a financial recovery plan to ODE within 60 days.
- Failure to submit, update or implement the financial recovery plan could result in AOS placing the district in fiscal emergency.
- Accounting and reporting compliance issues identified by AOS must be addressed before termination.

# Fiscal Emergency

- Currently 6 districts in fiscal emergency.
- Establishes a Financial Planning and Supervision Commission.
- Requires the Commission to develop and implement a Financial Recovery Plan.
- Provides the district access to an advance of state foundation aid from the state's Solvency Assistance Fund.

# The Financial Planning and Supervision Commission

**Consists of five voting members.**

- State Superintendent of Public Instruction or designee.
- Director of the Office of Budget & Management or designee
- Parent with a child enrolled in district appointed by the Superintendent of Public Instruction
- Business person that lives or works in the district appointed by the Governor
- Business person that lives or works in the district appointed by the Mayor or County Auditor

# The Financial Planning and Supervision Commission

- The Commission is to be appointed within 15 days of the declaration of fiscal emergency.
- The Superintendent of Public Instruction or designee serves as chairperson.
- The Commission shall adopt a Financial Recovery Plan within 120 days of its first meeting.
- The Commission receives legal representation from the Ohio Attorney General and financial advice from the Ohio Auditor of State.

# Powers of the Commission

(ORC 3316.07)

- The commission will assume authority over all issues, documents, and actions that could impact district finances, including:
  - Tax budgets
  - Levy requests
  - Appropriation measures
  - Certificates of estimated resources
  - Five-year forecasts, etc.
- To make recommendations and implement cost reductions and revenue increases to achieve balanced budgets and carry out the recovery plan.
- The commission may implement steps to bring accounting reports and procedures into compliance with Auditor of State requirements.

# Powers of the Commission

(ORC 3316.07)

- To make reductions in force to bring the district's budget into balance not withstanding any provisions to the contrary in the collective bargaining agreement.
- When making reductions in force, the Commission must first consider reductions among administrative and non-teaching employees.
- To remove the superintendent or treasurer for failing to comply with the Commission's orders concerning the preparation or implementation of the financial recovery plan (ORC 3316.17).

# The Financial Recovery Plan

- Details the actions that will be taken to restore the fiscal integrity of the school district and specifies levels of fiscal and management control.
- Sets target dates for implementation of action plans.
- Specifies the amount and purpose of any issuance of debt obligations.
- The plan must be approved by the Superintendent of Public Instruction and can not be implemented until it is approved.

# The Solvency Assistance Fund

- Two-year, interest-free ***advance*** on the district's state foundation payments.
- Requires State Controlling Board approval.
- Repayment starts in the next fiscal year.

# Appendix 1
# Frequently Asked Questions…

- Q: Can a district end up in fiscal emergency without a large deficit?
  A: Yes, when they are unable to submit an acceptable recovery plan.

- Q: What is the average length of time between declaring fiscal caution and fiscal emergency? A: This varies depending on circumstances, but generally takes 1 – 2 years. Most districts are able to prevent fiscal emergency with our guidance.

- Q: What can a district do to prevent fiscal emergency? A: Increase their revenues and/or decrease their expenditures.

- Q: Can an 'excellent' or 'effective' rated district be declared in fiscal emergency? A: Yes. The academic and financial status of districts are separate.

- Q: What is the average length of time a district remains in fiscal emergency?
  A: Approximately four years.