
Fiscal Monitoring and Oversight



Jeff Jordan, Director
Office of Finance Program Services

Office of 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
- Prevention of fiscal emergency.

Office of Finance Program Services

We have 14 fiscal consultants assigned to each of the state support regions throughout Ohio.

- 2 that serve as Commission Chairs
- 1 as Secretary/Monitor
- 11 provide direct service to districts

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:

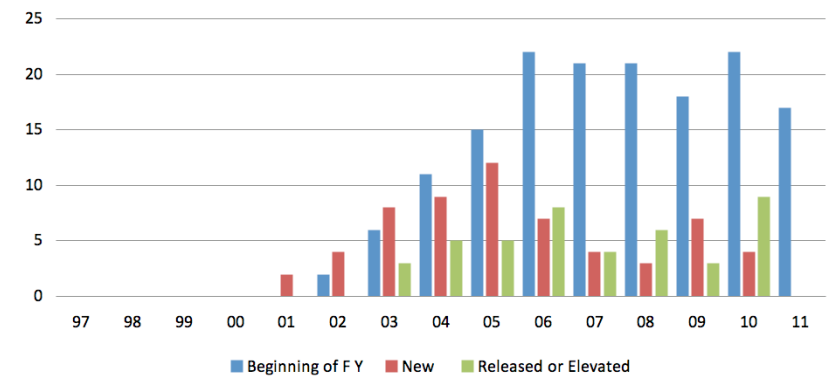
- **Current Year Deficit** – Direct contact from fiscal consultant
- **Current Year Low Fund Balance** – Direct contact from fiscal consultant
- **Deficit in Year Two** – Letter from Columbus office requesting plan to eliminate deficit. Plan must list specific actions.
- **Deficit in Year Three** – Letter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

Fiscal Caution

(ORC 3316.031, effective 4/10/01)

- Currently 21 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 Districts by Fiscal Year



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.

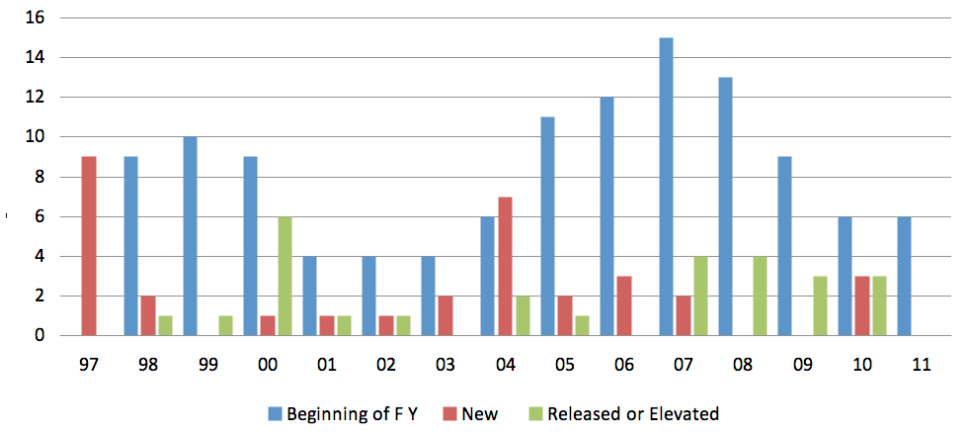
Fiscal Caution

- 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 6 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.

Fiscal Watch Districts by Fiscal Year

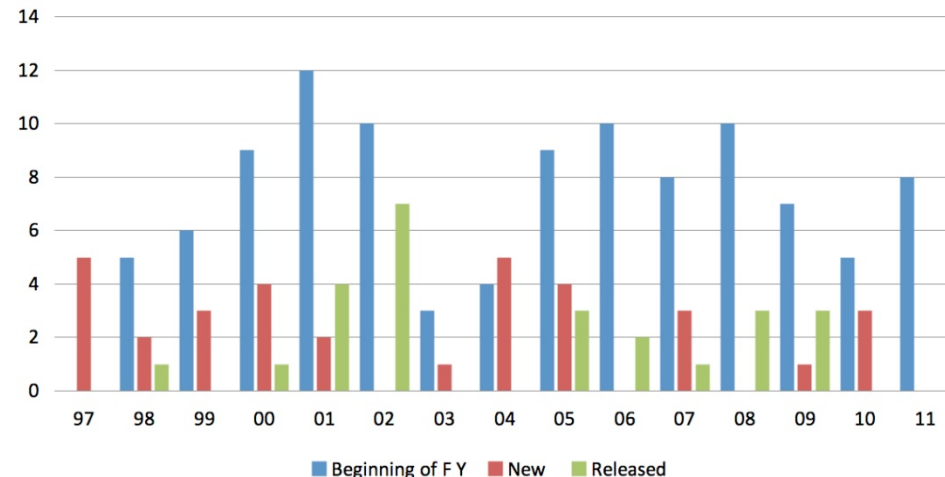


- Failure to submit, update or implement the financial recovery plan could result in AOS placing the district in fiscal emergency.
- Accounting and reporting compliance issues identified by AOS must be addressed before termination.

Fiscal Emergency

- Currently 7 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.

Fiscal Emergency Districts by Fiscal Year



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).

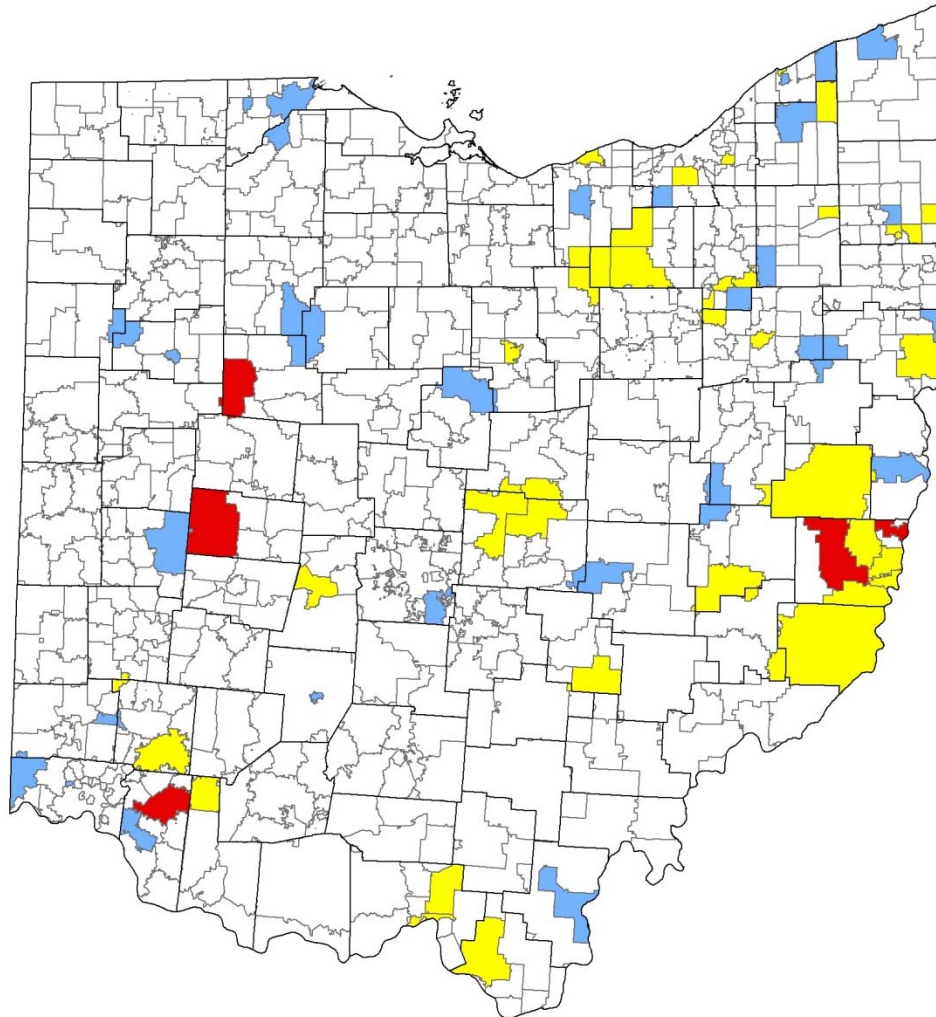
The Financial Recovery Plan

- 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.

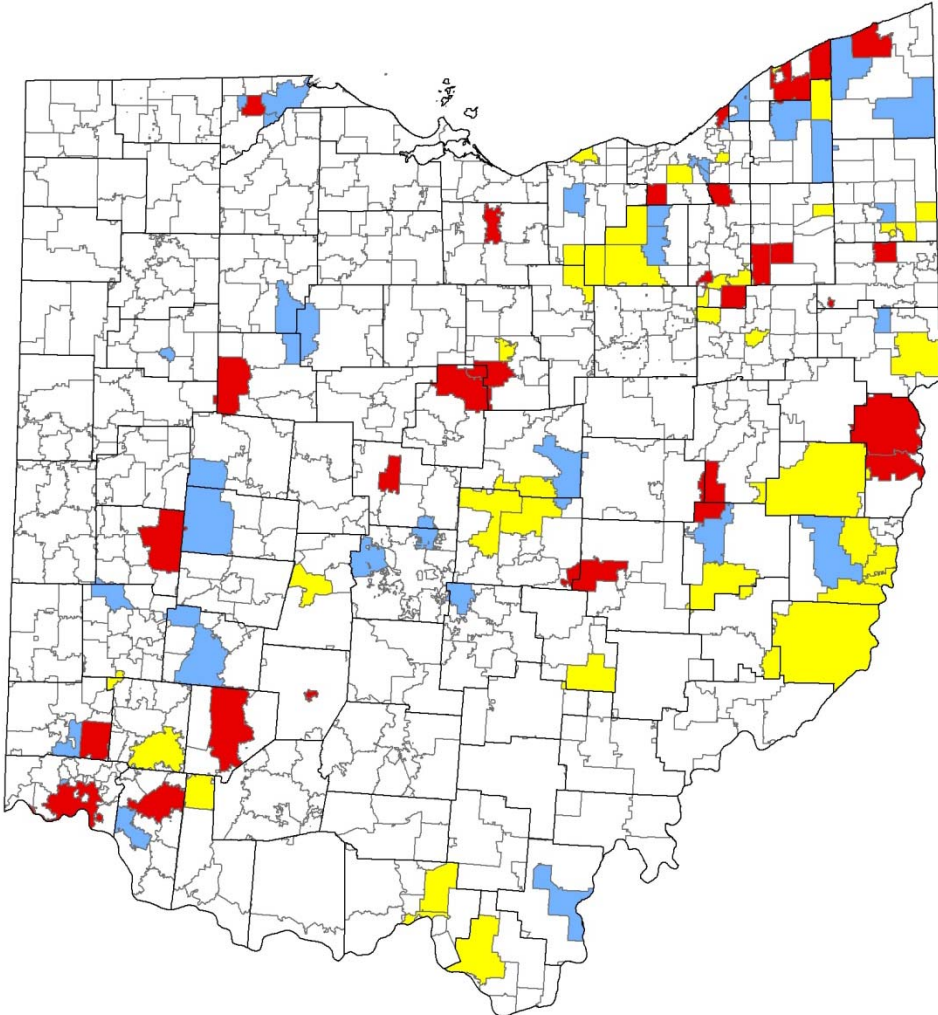
The Solvency Assistance Fund

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

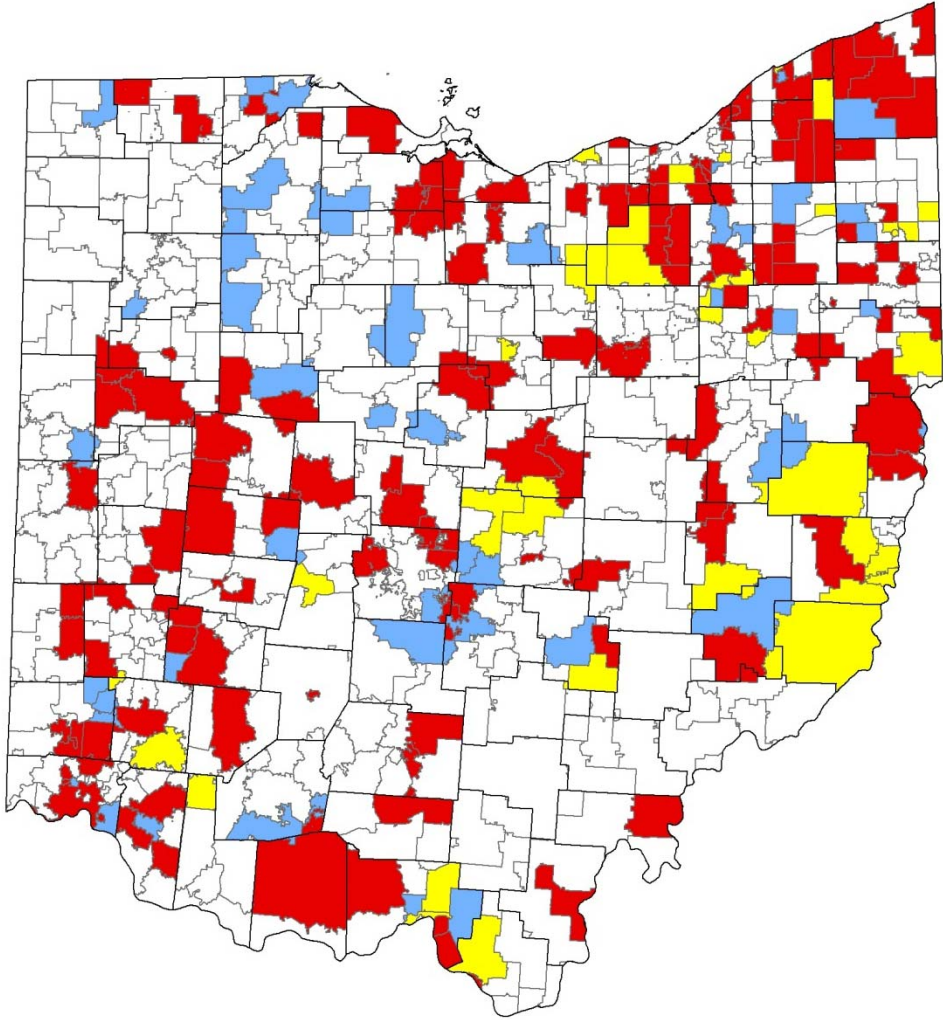
District Fiscal Status FY 2011



District Fiscal Status FY 2012 Projected



District Fiscal Status FY 2013 Projected



What Are We Doing?

- Continuing to monitor districts' financial status
- October forecast usually shows improvement on May's forecast projections due to reductions made over the summer
- Have had personal contact with many districts to offer guidance on reducing deficits
- Performing financial analysis and forecast reviews
- Presenting at OSBA / OASBO Treasurers Clinics, and to local BOE and community groups

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.