

Three levels of Fiscal concerns:

1. Caution
2. Watch
3. Emergency

The explanations below are from the Ohio Department of Education website:

<http://education.ohio.gov/Topics/Finance-and-Funding/District-Financial-Status/Summary-of-Requirements-for-Fiscal-Caution>

Summary of Requirements for Fiscal Caution

This page describes the summary of requirements for **Fiscal Caution** and its provisions as allowed for by Section 3316.031 of Revised Code.

(A) State Superintendent shall develop guidelines for identifying "fiscal practices and budgetary conditions" that, if uncorrected, could lead to future declaration of Fiscal Watch or Fiscal Emergency.

(B)(1) The State Superintendent may declare Fiscal Caution, after consulting with the local board of education, if it is determined through the five-year forecast that conditions exist that could result in Fiscal Watch or Fiscal Emergency.

(2) If the Auditor of State reports to the State Superintendent that any of "conditions or practices" exist that could result in Fiscal Watch or Fiscal Emergency, the State Superintendent may declare Fiscal Caution, after consulting with the local board of education.

(3) The State Superintendent must declare Fiscal Caution if the Auditor of State certifies a deficit that is > 2% but < 8% of prior year general fund revenue and elects not to place the district in Fiscal Watch. (Marlington = 10.5%)

(C) State Superintendent shall notify district of declaration of Fiscal Caution and request "written proposal" for correcting the conditions that led to Fiscal Caution and for preventing further fiscal difficulties that could lead to Fiscal Watch or Fiscal Emergency.

(D) While under Fiscal Caution, the Ohio Department of Education:

- May visit and inspect the district.
- Shall provide technical assistance in implementing proposals.
- May make recommendation concerning the board's proposals.

(E) If the State Superintendent finds a district has not made reasonable proposals or taken action to correct the practices or conditions that lead to the declaration, the State Superintendent may report to the Auditor of State that Fiscal Watch is necessary to prevent further fiscal decline. [see Revised Code 3316.03(A)(3)]

Summary of Requirements for Fiscal Watch

This page describes the summary of requirements for Fiscal Watch and its provisions as allowed for by Section 3316.03 (A), Section 3316.04, and Section 3316.041 of the Ohio Revised Code.

When Fiscal Watch is Declared

(Section 3316.03 (A) of Revised Code)

(1) The Auditor of State shall declare fiscal watch when both of the following conditions exist:

(a) "An operating deficit has been certified for the current fiscal year by the Auditor of State, and the certified operating deficit exceeds 8% of the school district's general fund revenue for the preceding fiscal year;"

(b) The voters have not approved a levy that would raise enough money in the next fiscal year to eliminate the deficit.

(2) The Auditor of State shall declare fiscal watch if a district is released from fiscal emergency but still has outstanding securities issued under section 3316.06 (A)(4). [i.e., restructured debt while under fiscal emergency]

(3) The Auditor of State shall declare fiscal watch if both of the following conditions exist;

(a) The State Superintendent finds that a district declared to be in fiscal caution "has not acted reasonably to eliminate or correct practices or conditions that prompted the declaration and has determined that a state of fiscal watch necessary to prevent further decline."

(b) The Auditor of State determines that the decision of the State Superintendent is reasonable.

(4) The Auditor of State may declare fiscal watch if all of the following conditions exist:

(a) "An operating deficit has been certified for the current fiscal year by the Auditor of State, and the certified operating deficit exceeds 2%, but does not exceed 8% of the school district's general fund revenue for the preceding fiscal year."

(b) The voters have not approved a levy that would raise enough money in the next fiscal year to eliminate the deficit.

(c) "The Auditor of State determines there is no reasonable cause for the deficit or fiscal watch is necessary to prevent further fiscal decline."

Financial Recovery Plan for Fiscal Watch Districts

(Section 3316.04 of Revised Code)

- Within 60 days of the Auditor of State declaration, board shall submit a financial recovery plan to the State Superintendent.
- Plan to eliminate current deficit and avoid future deficits.
- State Superintendent evaluates, then accepts or rejects plan within 30 days.
- If disapproved, State Superintendent shall recommend modifications that would make the plan acceptable.
- No district shall implement a recovery plan unless approved by State Superintendent.
- Upon request, the Ohio Department of Education and Auditor of State shall provide technical assistance.
- May amend plan at anytime with State Superintendent approval.
- Board must submit an updated recovery plan annually.
- State Superintendent shall accept or reject the updated plans no later than the anniversary of the date on which the first plan was approved.

Summary of Requirements for Fiscal Emergency

This page describes the summary of requirements, the financial planning and supervision commission, and the financial recovery plan for Fiscal Emergency as became effective 4/10/01 as a result of S. B. 345.

When Fiscal Emergency is Declared

(Section 3316.03 (B) of Revised Code)

(1) The Auditor of State shall declare fiscal emergency when both of the following conditions exist:

(a) "An operating deficit has been certified for the current fiscal year by the Auditor of State, and the certified operating deficit exceeds 15% of the school district's general fund revenue for the preceding fiscal year;"

(b) The voters have not approved a levy that would raise enough money in the next fiscal year to eliminate the deficit.

(2) The Auditor of State shall declare fiscal emergency if a district under fiscal watch fails to submit an acceptable recovery plan within 120 days or fails to submit an updated recovery plan when one is required.

(3) The Auditor of State shall declare fiscal emergency when both of the following conditions exist:

(a) The State Superintendent reports to the Auditor of State that a district under fiscal watch is not complying with an original or updated recovery plan and the State Superintendent determines that fiscal emergency is necessary to prevent further decline;

(b) The Auditor of State finds that the State Superintendent's determination is reasonable.

(4) The Auditor of State shall declared fiscal emergency if a district while under fiscal watch restructures debt under section 3316.04 (D) and any of the following occurs:

a) An operating deficit is certified for any year prior to repayment of the restructured loan.

b) If the State Superintendent, in consultation with Auditor of State, determines that the district is not complying with the terms of the financial recovery plan.

c) If the district fails to submit an updated recovery plan that is acceptable.

(5) The Auditor of State may declared fiscal emergency if all of the following conditions exist:

(a) "An operating deficit has been certified for the current fiscal year by the Auditor of State , and the certified deficit exceeds 10%, but does not exceed 15%, of the school district's general fund revenue for the preceding fiscal year."

(b) The voters have not approved a levy that would raise enough money in the next fiscal year to eliminate the deficit.

(c) "The Auditor of State determines that a declaration of fiscal emergency is necessary to correct the district's fiscal problems and to prevent further fiscal decline."