

Ohio Revised Code

Section 3316.03 Auditor of state to declare fiscal watch or fiscal emergency.

Effective: September 23, 2008

Legislation: House Bill 562 - 127th General Assembly

- (A) The existence of a fiscal watch shall be declared by the auditor of state. The auditor of state may make a determination on the auditor of state's initiative, or upon receipt of a written request for such a determination, which may be filed by the governor, the superintendent of public instruction, or a majority of the members of the board of education of the school district.
- (1) The auditor of state shall declare a school district to be in a state of fiscal watch if the auditor of state determines that both of the following conditions are satisfied with respect to the school district:
- (a) An operating deficit has been certified for the current fiscal year by the auditor of state, and the certified operating deficit exceeds eight per cent of the school district's general fund revenue for the preceding fiscal year;
- (b) A majority of the voting electors have not voted in favor of levying a tax under section 5705.194, 5705.199, or 5705.21 or Chapter 5748. of the Revised Code that the auditor of state expects will raise enough additional revenue in the next succeeding fiscal year that division (A)(1)(a) of this section will not apply to the district in such next succeeding fiscal year.
- (2) The auditor of state shall declare a school district to be in a state of fiscal watch if the auditor of state determines that the school district has outstanding securities issued under division (A)(4) of section 3316.06 of the Revised Code, and its financial planning and supervision commission has been terminated under section 3316.16 of the Revised Code.
- (3) The auditor of state shall declare a school district to be in a state of fiscal watch if both of the following conditions are satisfied:
- (a) The superintendent of public instruction has reported to the auditor of state that the superintendent has declared the district under section 3316.031 of the Revised Code to be under a fiscal caution, has found that the district has not acted reasonably to eliminate or correct practices or

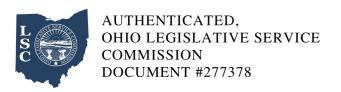


conditions that prompted the declaration, and has determined the declaration of a state of fiscal watch necessary to prevent further fiscal decline;

(b) The auditor of state determines that the decision of the superintendent is reasonable.

If the auditor of state determines that the decision of the superintendent is not reasonable, the auditor of state shall provide the superintendent with a written explanation of that determination.

- (4) The auditor of state may declare a school district to be in a state of fiscal watch if all of the following conditions are satisfied:
- (a) An operating deficit has been certified for the current fiscal year by the auditor of state, and the certified operating deficit exceeds two per cent, but does not exceed eight per cent, of the school district's general fund revenue for the preceding fiscal year;
- (b) A majority of the voting electors have not voted in favor of levying a tax under section 5705.194, 5705.199, or 5705.21 or Chapter 5748. of the Revised Code that the auditor of state expects will raise enough additional revenue in the next succeeding fiscal year that division (A)(4)(a) of this section will not apply to the district in the next succeeding fiscal year;
- (c) The auditor of state determines that there is no reasonable cause for the deficit or that the declaration of fiscal watch is necessary to prevent further fiscal decline in the district.
- (B)(1) The auditor of state shall issue an order declaring a school district to be in a state of fiscal emergency if the auditor of state determines that both of the following conditions are satisfied with respect to the school district:
- (a) An operating deficit has been certified for the current fiscal year by the auditor of state, and the certified operating deficit exceeds fifteen per cent of the school district's general fund revenue for the preceding fiscal year. In determining the amount of an operating deficit under division (B)(1)(a) of this section, the auditor of state shall credit toward the amount of that deficit only the amount that may be borrowed from the spending reserve balance as determined under section 133.301 and division (F) of section 5705.29 of the Revised Code.



- (b) A majority of the voting electors have not voted in favor of levying a tax under section 5705.194, 5705.199, or 5705.21 or Chapter 5748. of the Revised Code that the auditor of state expects will raise enough additional revenue in the next succeeding fiscal year that division (B)(1)(a) of this section will not apply to the district in such next succeeding fiscal year.
- (2) The auditor of state shall issue an order declaring a school district to be in a state of fiscal emergency if the school district board fails, pursuant to section 3316.04 of the Revised Code, to submit a plan acceptable to the state superintendent of public instruction within one hundred twenty days of the auditor of state's declaration under division (A) of this section or an updated plan when one is required by division (C) of section 3316.04 of the Revised Code;
- (3) The auditor of state shall issue an order declaring a school district to be in a state of fiscal emergency if both of the following conditions are satisfied:
- (a) The superintendent of public instruction has reported to the auditor of state that the district is not materially complying with the provisions of an original or updated plan as approved by the state superintendent under section 3316.04 of the Revised Code, and that the state superintendent has determined the declaration of a state of fiscal emergency necessary to prevent further fiscal decline;
- (b) The auditor of state finds that the determination of the superintendent is reasonable.

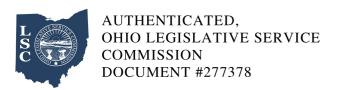
If the auditor of state determines that the decision of the superintendent is not reasonable, the auditor of state shall provide the superintendent a written explanation of that determination.

- (4) The auditor of state shall issue an order declaring a school district to be in a state of fiscal emergency if a declaration of fiscal emergency is required by division (D) of section 3316.04 of the Revised Code.
- (5) The auditor of state may issue an order declaring a school district to be in a state of fiscal emergency if all of the following conditions are satisfied:
- (a) An operating deficit has been certified for the current fiscal year by the auditor of state, and the



certified operating deficit exceeds ten per cent, but does not exceed fifteen per cent, of the school district's general fund revenue for the preceding fiscal year;

- (b) A majority of the voting electors have not voted in favor of levying a tax under section 5705.194, 5705.199, or 5705.21 or Chapter 5748. of the Revised Code that the auditor of state expects will raise enough additional revenue in the next succeeding fiscal year that division (B)(5)(a) of this section will not apply to the district in the next succeeding fiscal year;
- (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.
- (C) In making the determinations under this section, the auditor of state may use financial reports required under section 117.43 of the Revised Code; tax budgets, certificates of estimated resources and amendments thereof, annual appropriating measures and spending plans, and any other documents or information prepared pursuant to Chapter 5705. of the Revised Code; and any other documents, records, or information available to the auditor of state that indicate the conditions described in divisions (A) and (B) of this section.
- (D) The auditor of state shall certify the action taken under division (A) or (B) of this section to the board of education of the school district, the director of budget and management, the mayor or county auditor who could be required to act pursuant to division (B)(1) of section 3316.05 of the Revised Code, and to the superintendent of public instruction.
- (E) A determination by the auditor of state under this section that a fiscal emergency condition does not exist is final and conclusive and not appealable. A determination by the auditor of state under this section that a fiscal emergency exists is final, except that the board of education of the school district affected by such a determination may appeal the determination of the existence of a fiscal emergency condition to the court of appeals having territorial jurisdiction over the school district. The appeal shall be heard expeditiously by the court of appeals and for good cause shown shall take precedence over all other civil matters except earlier matters of the same character. Notice of such appeal must be filed with the auditor of state and such court within thirty days after certification by the auditor of state to the board of education of the school district provided for in division (D) of this section. In such appeal, determinations of the auditor of state shall be presumed to be valid and the



board of education shall have the burden of proving, by clear and convincing evidence, that each of the determinations made by the auditor of state as to the existence of a fiscal emergency condition under this section was in error. If the board of education fails, upon presentation of its case, to prove by clear and convincing evidence that each such determination by the auditor of state was in error, the court shall dismiss the appeal. The board of education and the auditor of state may introduce any evidence relevant to the existence or nonexistence of such fiscal emergency conditions. The pendency of any such appeal shall not affect or impede the operations of this chapter; no restraining order, temporary injunction, or other similar restraint upon actions consistent with this chapter shall be imposed by the court or any court pending determination of such appeal; and all things may be done under this chapter that may be done regardless of the pendency of any such appeal. Any action taken or contract executed pursuant to this chapter during the pendency of such appeal is valid and enforceable among all parties, notwithstanding the decision in such appeal. If the court of appeals reverses the determination of the existence of a fiscal emergency condition by the auditor of state, the determination no longer has any effect, and any procedures undertaken as a result of the determination shall be terminated.