



**H.B. 111**

123rd General Assembly  
(As Introduced)

**Reps. Patton, Bender, Opfer**

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**BILL SUMMARY**

- Requires the Department of Education to pay each school district that has an outstanding emergency school loan the amount needed to pay off the loan (but includes no appropriation for the department to make the payments).
- Requires a school district that receives a payment to repay the full amount to the state, interest-free, within 20 years.
- Requires a district making such repayments to pay the state at least 50% of any unencumbered cash balance it has in its general fund at the close of any fiscal year; and provides that this payment must be made before the district credits funds to its reserve balance account.

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**CONTENT AND OPERATION**

**Paying off emergency school loans**

(secs. 3313.484 and 3313.485)

Under former law, if a school district faced an operating deficit in a fiscal year, it could apply for state backing of an emergency loan from a private financial institution. Repayment of a loan obtained in this manner was made directly from the district's basic state aid payments. The program was declared unconstitutional by the Ohio Supreme Court in 1997 in the DeRolph case. *DeRolph v. State*, 78 Ohio St.3d 193 (1997). The bill concerns the loans that were taken out by school districts before the repeal of the emergency loan law that are still outstanding.

Under the bill, the Department of Education is required to pay each school district that has an outstanding emergency loan the cost of paying off the loan. A school district that receives such a payment must repay the full amount to the state,

with no interest, within 20 years. Repayments must be sent to the Superintendent of Public Instruction, to be deposited in the state treasury to the credit of the General Revenue Fund. A district can repay the full amount prior to the end of the 20-year repayment period. Since districts will no longer be paying interest on the loans, the bill repeals an existing provision requiring the Department of Education to pay interest subsidies to school districts each year for interest paid by the district on an emergency loan in excess of a 2% interest rate.

The bill does not include an appropriation to the department. If the bill is enacted, an appropriation will have to be made before the department can pay districts the amounts of the outstanding loans.

**Repayment supersedes reserve balance account requirement**

(sec. 5705.29)

A district making repayments under the bill is required to pay the state at least 50% of any unencumbered cash balance it has in its general fund at the close of a fiscal year. This requirement supersedes the provisions of existing law concerning the building up and maintaining by the district of a reserve balance account. Specifically, if a district has an unencumbered cash balance in its general fund at fiscal year's end, it must pay the state 50% of that balance for repayment purposes before crediting funds to its reserve balance account to build up the account to the required 5%-of-general-fund level. In any fiscal year in which a district is repaying the state pursuant to the bill's provisions, the balance in the district's reserve balance account can be less than the otherwise-required 5% of general fund revenue for the most recently concluded fiscal year.

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**HISTORY**

ACTION	DATE	JOURNAL ENTRY
Introduced	01-28-99	p. 121

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