

Detailed Fiscal Analysis

Fiscal Watch and Fiscal Emergency School Districts

This bill authorizes the Auditor of State to conduct performance audits of school districts in a state of fiscal watch or fiscal emergency. The following table distinguishes between fiscal watch and fiscal emergency conditions.

CHARACTERISTICS	FISCAL WATCH	FISCAL EMERGENCY
<i>Operating Fund Deficit</i>	The school district's operating deficit exceeds eight per cent of the school district's general fund revenue for the preceding fiscal year	The district does not have enough funds to pay its debts, or the district's operating deficit exceeds 15% of its general fund revenue for the preceding fiscal year
<i>Past Spending and Future Improvements</i>	The unencumbered cash balance in the school district's general fund at the close of the preceding fiscal year, was less than eight per cent of the expenditures made for the preceding fiscal year	The school board does not submit an acceptable plan of the district's improvement to the state superintendent within 120 days of the fiscal watch declaration
<i>Social Characteristics</i>	Residents have not voted in favor of a school levy	The school district has an average daily membership of more than 10,000 students

Declarations of either condition are given by the Auditor of State, but under current law, the Auditor does not have explicit authority to order that performance audits of school districts be done.

Currently 11 school districts are under fiscal watch and four are under fiscal emergency. Ever since designations of fiscal watch and fiscal emergency began, no school district has been undesignated as such. More than half of these schools have been certified under fiscal watch or emergency since late 1996. The rest joined the Auditor's list in 1997. The following is a list of schools which have been declared under fiscal emergency and fiscal watch:

FISCAL EMERGENCY

SCHOOL DISTRICT	COUNTY
1. Youngstown City	Mahoning
2. Cleveland City	Cuyahoga
3. Ledgemont Local	Geauga
4. Osnaburg Local	Stark

FISCAL WATCH

SCHOOL DISTRICT	COUNTY
1. Bloom-Carroll	Fairfield
2. Canton Local	Stark
3. North Royalton	Cuyahoga
4. East Liverpool	Columbiana
5. Avon Lake	Lake
6. Switzerland of Ohio Local	Monroe
7. Massillon City	Stark
8. Groveport Madison Local	Franklin
9. Madison Local	Richland
10. Coventry Local	Summit
11. New Lexington City	Perry

Of the above school districts, only for Cleveland City and Youngstown City districts have performance audits been undertaken. H.B. 117 of the 121st General Assembly required the Auditor to complete a performance audit of the Cleveland City School District. After S.B. 310 of the 121st G.A., which established the Fiscal Watch/Fiscal Emergency Program, and after the Auditor's declaration of Youngstown City School District under Fiscal Emergency, the Youngstown City School District officials requested a performance audit be done for that school district.

Differences in Costs Between Previous Performance Audits and New Audits

The performance audits to be undertaken as a result of this bill are not expected to be as comprehensive, thus not as expensive, as previous audits. The office of the Auditor of State proposes one audit to be done each fiscal year. These audits will focus on problems in one or a few departments within the school district and are estimated to cost about \$70,000 each. The Cleveland and Youngstown City School District audits were long-term audits which dealt with problems in multiple departments and involved extensive research. Cleveland City School District's performance audit cost over \$1,000,000 and the Youngstown audit cost over \$150,000.

All expenses of the audits will be covered by the state either from the Department of Education or from the Controlling Board's Emergency Purposes Fund.

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