

School Districts in Fiscal Emergency



**2025 Report to the
Ohio General Assembly**

March 2025



**Department of
Education &
Workforce**

Table of Contents

TABLE OF CONTENTS 1

Executive Summary 2

Legislative Background 2

Supports for School Districts 2

Annual Statistics 3

 Districts in Fiscal Emergency as of March 26, 20253

 Districts Released from Fiscal Emergency since April 1, 20244

 Mt. Healthy City School District4

Summary..... 6

Exhibit A: Alphabetical History of School Districts in Fiscal Emergency 8

Exhibit B: School Districts in Fiscal Emergency by Declaration Date..... 9

Executive Summary

[Ohio law](#) outlines measures for assisting school districts experiencing fiscal distress through the five-year forecast examination process and the establishment of a graduated system of fiscal oversight (fiscal caution, fiscal watch, and fiscal emergency). This process provides school districts the opportunity to correct and improve fiscal practices and budgetary conditions while also providing clear consequences for continued fiscal insolvency. The law also requires an annual report and recommendations to the General Assembly on school districts in fiscal emergency. This report does not recommend any changes to the Ohio Revised Code related to school districts in fiscal emergency.

Legislative Background

In 1996, the 121st Ohio General Assembly established Ohio Revised Code [Chapter 3316](#) which created procedures for placing districts exhibiting potential insolvency under fiscal oversight through the declaration of fiscal watch or fiscal emergency. In 2001, the 123rd General Assembly expanded the scope of fiscal designations by creating the category of fiscal caution as the initial level of fiscal oversight. As stated in [Ohio law](#), the intent of the statute is to enact procedures, provide powers, and impose restrictions to assure fiscal integrity of school districts.

The General Assembly also requires an annual report on the progress of the school district to eliminate fiscal emergency conditions, failures of the school district to comply with the requirements, and recommendations for further actions to attain the objectives of the law, including any legislative action needed to make provisions of law more effective for their purposes, or to enhance revenue raising or financing capabilities of school districts. As of the date of this report, there is one school district in fiscal emergency. This report does not recommend any changes to the Ohio Revised Code related to school districts in fiscal emergency.

Supports for School Districts

Through the five-year forecast examination process and during fiscal caution and fiscal watch, the Ohio Department of Education and Workforce (“Department”) provides technical assistance to school districts experiencing fiscal distress with the goal of restoring fiscal solvency without a declaration of fiscal emergency. The process to identify potential deficits that may result in a declaration of fiscal caution, fiscal watch, or fiscal emergency and the steps taken to avoid them are discussed in greater detail on the Department’s [website](#).

In the event the Auditor of State declares a school district to be in a state of fiscal emergency, a financial planning and supervision commission is created to develop, adopt, and implement a financial recovery plan to restore both fiscal integrity and fiscal solvency.

Financial planning and supervision commission duties and services for districts in fiscal emergency include:

- Five-member commission meets monthly or as needed.
- Monitors district operations with potential financial implications.
- Re-establishes the fiscal integrity of the district.
- May grant itself the same authorities as the board of education to accomplish the task of fiscal solvency, including but not limited to:
 - Contracting for services;
 - Purchasing;
 - Employment contracts;
 - Issuance of debt;
 - Cost reductions; and
 - Staffing levels.
- Within 120 days, the commission adopts a financial recovery plan that addresses, but is not limited to, the following:
 - Solvency assistance fund advancements;
 - Staff reductions and shared services;
 - Establishment of procedures for monitoring annual appropriation of funds through a monthly cash flow analysis by the district administration and board of education;
 - Establishment of procedures for encumbering funds as purchase orders wherein the district administration and treasurer work jointly; and
 - Adoption by the local board of education of an appropriation measure consistent with the five-year forecast and the financial recovery plan.

Since the General Assembly established the process for fiscal oversight, 43 districts have been declared and 42 have been released from fiscal emergency (Exhibit A). This fact is mentioned to note the effectiveness of the system currently in place, which gives confidence to districts as they enter fiscal emergency. The average length of time a district is in fiscal emergency is approximately 3.5 years. This timeline is dependent on a district's cooperation and compliance with the financial planning and supervision commission's requests, as well as the district's ability to amend its respective financial practices to regain the fiscal solvency and financial integrity necessary for release.

Annual Statistics

DISTRICTS IN FISCAL EMERGENCY AS OF MARCH 26, 2025

<u>District</u>	<u>County</u>	<u>Date Declared</u>	<u>Duration</u>
Mt. Healthy City School District	Hamilton	April 4, 2024	12 months

DISTRICTS RELEASED FROM FISCAL EMERGENCY SINCE APRIL 1, 2024

<u>District</u>	<u>County</u>	<u>Date Declared</u>	<u>Date Released/Duration</u>
None			

MT. HEALTHY CITY SCHOOL DISTRICT

Mt. Healthy City School District is completing its first year of fiscal emergency.

District demographic information for Mt. Healthy City School District is as follows:

- FY24 cash balance was **\$4,007,519**, which was **6.60%** of its FY24 expenses.
- ADM (student population) has **declined by 35.06%** between FY19 and FY24.
- Property values have **increased by 78.9%** between Tax Year 2018 and Tax Year 2023.
- Tax Year 2023 Class 1 millage rate is **23.82 mills**.

The district advanced to fiscal emergency over the course of eleven months. On May 31, 2023, the district's retiring treasurer submitted the district's required spring five-year forecast update which projected positive general fund balances in the current fiscal year 2023 (\$10,486,974) and the next fiscal year FY24 (\$2,679,953) and a general fund deficit in the third projected year FY25 (-\$4,367,503). The Department notified the district of the FY25 deficit and required the district to submit a written plan to address it. The district's newly hired treasurer and superintendent developed the required plan, which was approved by Mt. Healthy CSD Board of Education ("Board") and submitted to the Department in August 2023. Three months later, on Nov. 29, 2023, the district's FY24 fall five-year forecast submission reflected significant erosion of the district's financial position projecting general fund balance deficits in the current fiscal year FY24 (-\$5,062,643), the next fiscal year FY25 (-\$20,549,721), and the third projected year FY26 (-\$37,809,244). The Department declared the district to be in fiscal caution (Dec. 20, 2023) and required the district to submit a financial recovery plan (FRP) to address the projected deficits by Feb. 18, 2024.

On Feb. 12, 2024, the Board updated its five-year forecast to project a -\$7,442,000 current fiscal year deficit; the Board approved a resolution stating the district was unable to develop the required fiscal caution FRP to address the projected deficits and requested the state immediately place Mt. Healthy CSD in fiscal emergency. On Feb. 23, 2024, the Auditor of State ("Auditor") declared the district in fiscal watch and commenced field work to certify the district's current fiscal year general fund deficit, a prerequisite to a declaration of fiscal emergency.

On April 5, 2024, the Auditor certified the district's current fiscal year general fund deficit at -\$10,758,000, which was 25.7% of the district's prior fiscal year actual total revenue, and declared the district to be in a state of fiscal emergency. On April 15, 2024, the Office of Budget and Management's Controlling Board approved solvency assistance of \$10,758,000 to pay outstanding obligations and enable the district to remain solvent through fiscal year-end. On April 19, 2024, members of the Financial Planning and Supervision Commission for Mt.

Healthy City School District (“Commission”) were appointed, and the first meeting of the Commission was held on May 9, 2024.

Since the declaration of fiscal emergency and the formation of the Commission, the following significant events have occurred:

- **May 9, 2024** – First commission meeting. Commission adopts by-laws, adopts Part I of its FRP, which establishes the initial level of fiscal and management control, and directs the district to accurately reflect all reductions implemented prior to fiscal emergency in the May 2024 five-year forecast.
- **May 16, 2024** – Ohio Auditor of State releases a performance audit of the district that recommends \$8,233,000 of savings based on comparisons to the district’s peer groups and identifies up to an additional \$7.7 million of savings that may be achieved if the district eliminates the subsidy for extracurricular activities, implements a base and step salary freeze, and moves to state minimum teacher and building administrator levels.
- **May 29, 2024** – District submits required FY24 spring five-year forecast update, which reflects receipt of solvency assistance of \$10,758,000 with repayment occurring over the next two fiscal years, as well as expenditure reductions the district implemented between November 2023 and April 2024 to be in compliance with the district’s bargaining unit agreements, which require notification of reductions in force to be issued prior to April 15 of each year. Despite implementation of over \$8,900,000 in FY25 board-approved reductions, the May 2024 forecast for FY25 still projects a structural deficit at Line 6.010 (expenditures exceeding revenues) of -\$13,820,744 and a FY25 general fund balance deficit of -\$13,379,422.
- **June 5, 2024** – Commission holds special meeting to discuss FRP requirements and authorizes the Department to prepare a draft based on prior FRPs and the Commission’s discussion.
- **June 20, 2024** – District’s treasurer, assistant treasurer, and one contracted fiscal staff person leave the district. District contracts with North Coast Shared Services Alliance (NCSSA) for interim treasurer and staffing services.
- **June 28, 2024** – The Commission approves the required fiscal emergency FRP, which directs the district to develop a combination of revenue enhancements and expenditure reductions such that the net impact of these actions fully eliminates the district’s May 2024 projected FY25 deficit spending of -\$13,820,744 by August 2024, which is within 120 days of the declaration of fiscal emergency as required by statute.
- **Aug. 29, 2024** – The District requests and the Commission grants an extension of the FRP Part II requirements due date to coincide with the October 2024 meetings of the Board and the Commission.
- **Oct. 1, 2024** – The role of Treasurer transitions from an interim appointment to the permanent appointment of a different individual who is also contracted through NCSSA.
- **Oct. 15, 2024** – The Board approves an FRP workbook, an accompanying memo, and a variety of supporting analytical reports intended to be fully responsive to the FRP Part II requirements due in October 2024.

- **Oct. 24, 2024** – The Commission disapproves the district’s FRP workbook and accompanying memo because it does not resolve the FY25 projected deficit spending. The Commission requires the District to resubmit the FRP workbook in Nov. 2024 and to adopt the five-year forecast reflecting the FRP as the district’s required FY25 fall five-year forecast, due no later than Nov. 30, 2024.
- **Nov. 21, 2024** –
 - The Commission approves a revised FRP workbook and accompanying narrative that captures all the expenditure reductions implemented by the District through Nov. 12, 2024, but notes the revenue enhancements and expenditure reductions identified by the Board and the superintendent are not sufficient to eliminate the District’s projected FY25 deficit at Line 6.010, which remains at -\$9,600,603 (including the FY25 solvency assistance repayment).
 - The Commission directs the Board and superintendent to eliminate the district’s projected FY25 deficit at Line 6.010 while continuing to provide adequate education to the students of Mt. Healthy CSD, and requires the treasurer to incorporate any additional plan items into the FRP workbook approved on this date (see above) and directs the district to update the five-year forecast to reflect the additional reductions for approval at the December 2024 Board and Commission meetings.
- **Nov. 26, 2024** – NCSSA treasurer of record and supporting office staff resign.
- **Dec. 19, 2024** –
 - District hires third treasurer since fiscal emergency was declared.
 - The District’s FRP is again not sufficient to eliminate the District’s projected FY25 deficit at forecast Line 6.010, which remains at -\$9,600,603; therefore, the Commission directs the Board, superintendent, and treasurer to prepare two FRP workbooks. The first workbook should show any additional reductions the district may identify and the additional solvency assistance needed to resolve the current fiscal year deficit (FY25) with subsequent payback over the next two years. The second workbook should show solvency payback over ten years and will identify revenue enhancements or expenditure reductions in FY25 and FY26 sufficient to restore a positive cash balance at the end of FY26.
 - Additionally, the Commission advises that it will not ask for solvency assistance to be paid back over a longer period if the current administration cannot or will not develop a FRP demonstrating that the longer payback and recovery plan implementation will result in elimination of deficit spending, enabling the district to restore solvency.

Summary

Mt. Healthy’s Board of Education and Administrators have all acknowledged the district’s fiscal emergency and dedicated much time and effort to identify and implement reductions to restore fiscal solvency since fiscal oversight was established, which was only eleven months ago; however, they remain unable or unwilling to resolve the district’s projected deficits. Significant turnover in the treasurer’s position and other fiscal staff during the last twelve months has further complicated restoration of both fiscal solvency and fiscal integrity. The Commission’s Dec. 2024 directive anticipates an additional need for solvency assistance in

FY25 and a request to extend repayment of the FY24 solvency assistance over a longer period. The Auditor of State's office is currently examining the district's FY25 projections for certification, a requirement when asking for solvency assistance.

The Department appreciates the partnerships and working relationships it has developed with the Attorney General's Office, the Auditor of State's Office, and the Office of Budget and Management. This collaboration allows the Department to better serve districts in fiscal emergency and help restore fiscal integrity. The Office of Budget and School Funding at the Ohio Department of Education and Workforce continues to monitor all districts within the state, assisting them as needed with the goal of preventing fiscal caution, watch, and emergency.

Exhibit A: Alphabetical History of School Districts in Fiscal Emergency

History of School Districts in Fiscal Emergency as of March 2024				
District Name	County	Declaration Date	Release Date	# of Emergency Months
<u>Barnesville Exempted Village School District</u>	Belmont	12/18/2003	2/28/2008	50
<u>Beaver Local School District</u>	Columbiana	2/11/2010	2/21/2012	24
<u>Bellaire Local School District</u>	Belmont	12/31/2009	4/17/2017	87
<u>Bettsville Local School District*</u>	Seneca	2/6/2014	6/30/2014	4
<u>Bristol Local School District</u>	Trumbull	10/14/2003	12/5/2006	37
<u>Brookfield Local School District</u>	Trumbull	5/14/2013	4/13/2018	58
<u>Brooklyn City School District</u>	Cuyahoga	4/28/1999	4/4/2002	35
<u>Cloverleaf Local School District</u>	Medina	1/24/2012	1/27/2015	36
<u>Coventry Local School District</u>	Summit	12/4/2015	6/21/2021	66
<u>East Cleveland City School District</u>	Cuyahoga	3/12/2003	5/24/2011	98
<u>East Knox Local School District</u>	Knox	2/5/2015	3/7/2017	25
<u>East Liverpool City School District</u>	Columbiana	12/18/2003	3/24/2009	63
<u>Federal Hocking Local School District</u>	Athens	5/21/2007	3/1/2012	57
<u>Huron City School District</u>	Erie	5/13/2004	5/24/2006	24
<u>Jackson-Milton Local School District</u>	Mahoning	4/20/1998	7/27/2001	39
<u>Jefferson Township Local School District</u>	Montgomery	8/11/2008	4/14/2011	32
<u>Ledgemont Local School District</u>	Geauga	3/27/1997	4/11/2002	60
<u>Ledgemont Local School District*</u>	Geauga	11/9/2010	6/30/2015	55
<u>Liberty Local School District</u>	Trumbull	7/11/2011	12/1/2014	40
<u>Little Miami Local School District</u>	Warren	7/13/2010	5/22/2013	34
<u>Lordstown Local School District</u>	Trumbull	12/8/2000	7/15/2004	43
<u>Mansfield City School District</u>	Richland	12/17/2013	12/20/2016	36
<u>Massillon City School District</u>	Stark	9/30/1999	4/18/2002	30
<u>McDonald Local School District</u>	Trumbull	10/15/2009	2/28/2012	28
<u>Mentor Exempted Village School District</u>	Lake	2/4/2004	2/4/2005	12
<u>Monroe Local School District</u>	Butler	5/9/2012	9/25/2014	28
<u>Mt Healthy City School District</u>	Hamilton	4/5/2024	Present	-
<u>New Lexington City School District</u>	Perry	9/17/1997	10/12/2000	36
<u>Niles City School District</u>	Trumbull	2/26/2019	1/27/2022	35
<u>Northridge Local School District</u>	Licking	3/14/2000	2/19/2002	23
<u>Olmsted Falls City School District</u>	Cuyahoga	3/11/1999	1/6/2000	9
<u>Sheffield-Sheffield Lake City School District</u>	Lorain	1/11/2005	5/31/2006	16
<u>Shelby City School District</u>	Richland	4/7/2005	5/1/2008	36
<u>Southern Local School District</u>	Meigs	11/8/1999	4/22/2009	113
<u>Springfield City School District</u>	Clark	2/28/2005	3/19/2009	48
<u>Springfield Local School District</u>	Summit	2/11/2000	7/10/2001	16
<u>Springfield Local School District</u>	Summit	5/16/2007	11/22/2011	54
<u>Struthers City School District</u>	Mahoning	5/11/2005	11/27/2007	30
<u>Switzerland of Ohio Local School District</u>	Monroe	6/9/1998	3/26/2002	45
<u>Trimble Local School District</u>	Athens	1/31/2001	6/9/2005	52
<u>Vermilion Local School District</u>	Erie	3/24/1999	8/18/2000	16
<u>Youngstown City School District</u>	Mahoning	9/20/1996	3/30/2001	54
<u>Youngstown City School District</u>	Mahoning	11/16/2006	3/29/2011	52
AVERAGE TIME IN FISCAL EMERGENCY				41.33
Grey denotes first and last districts in emergency				
* Fiscal emergency terminated because district's territory was transferred to another school district				

Exhibit B: School Districts in Fiscal Emergency by Declaration Date

History of School Districts in Fiscal Emergency as of March 2024				
District Name	County	Declaration Date	Release Date	# of Emergency Months
Youngstown City School District	Mahoning	9/20/1996	3/30/2001	54
Ledgemont Local School District	Geauga	3/27/1997	4/11/2002	60
New Lexington City School District	Perry	9/17/1997	10/12/2000	36
Jackson-Milton Local School District	Mahoning	4/20/1998	7/27/2001	39
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Shelby City School District	Richland	4/7/2005	5/1/2008	36
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