

AUDITOR OF STATE BULLETIN 97-013

July 22, 1997

TO: SCHOOL DISTRICT TREASURERS
SCHOOL DISTRICT SUPERINTENDENTS
BOARD OF EDUCATION PRESIDENTS
INDEPENDENT PUBLIC ACCOUNTANTS

SUBJECT: SCHOOL DISTRICT ANTICIPATED OPERATING DEFICITS

The purpose of this bulletin is to inform all school districts of potential time constraints if they anticipate borrowing against their spending reserve or through the emergency school advancement program (state loan program) for fiscal year 1998.

The Supreme Court of Ohio decision in *DeRolph v. State* 78 Ohio St. 3d 193 (1997), declared the statutes governing these borrowing options to be unconstitutional. Any spending reserve or state loan program borrowing must occur prior to March 24, 1998. No provision currently exists for borrowing under these options after this date.

The Ohio Department of Education issued guidelines on June 6, 1997 for applying for spending reserve borrowing authority. Their guidelines require school districts to apply for their spending reserve by January 1, 1998.

The State Loan Program process requires involvement of the school district, the Office of the Auditor of State, the State Department of Education, the State Controlling Board and local lending institutions. Each group involved must meet certain deadlines in order for the borrowing to be finalized before March 24, 1998.

Due to the requirements placed on school districts under Ohio Rev. Code Section 5705.412, certain deadlines are automatically imposed on districts that anticipate operating deficits. Ohio Rev. Code Section 5705.412 requires districts to attach a "certificate of adequate revenues" to appropriation measures. This requirement does not apply to temporary appropriation measures if all of the following apply:

- (A) The amount appropriated does not exceed twenty-five per cent of the total amount from all sources available for expenditure from any fund during the preceding fiscal year;
- (B) The measure will not be in effect on or after the thirtieth day following the earliest date on which the district may pass an annual appropriation measure;
- (C) An amended official certificate of estimated resources for the current year, if required, has not been certified to the board of education under Ohio Rev. Code Section 5705.36(B).

In most districts, this statute imposes a deadline around October 1 to secure State authorization to borrow over year end. If authorization to borrow is not received by this time, a district may be faced with having to pass a temporary appropriation measure which could not be certified under Section 5705.412 of the Revised Code.

School districts faced with a projected operating deficit need to submit a copy of a resolution to initiate the process to this office and the Ohio Department of Education by August 15, 1997. Districts that determine they have a projected deficit after this date must submit their request no later than December 1, 1997. Requests received after this date will not have sufficient time to finalize the borrowing by March 24, 1998. Any school district in this position will need to resolve their financial crisis through some other means.

Mail the resolutions to:
Auditor of State's Office
Local Government Services
Attn: Financial Forecast Information
Post Office Box 1140
Columbus, Ohio 43216-1140

Should you have any questions concerning this bulletin, please contact Local Government Services Division staff at (800) 345-2519 or (614) 466-4717.