
Betty Montgomery Auditor of State

Bulletin 2006-003

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TO: School District Treasurers
ESC Treasurers
Community School Finance Officers
Colleges and Universities
College Foundations
Independent Public Accountants

FROM: Betty Montgomery
Auditor of State of Ohio

SUBJECT: School Districts Participation in Self-Insurance Programs for Health Care Benefits, Joint Programs, and Group Life Insurance

The purpose of this Bulletin is to clarify the position of the Auditor of State's Office (AOS) regarding the ability of school districts to establish self-insurance programs for health care benefits, to join health care consortiums, and to establish group life insurance per Ohio Rev. Code § 9.833.

As part of the FY 2006-07 Biennial Budget Bill (HB 66), the Legislature sought to reduce costs and to lessen administrative burdens in the provision of school district health care benefits. As a result, the Legislature made numerous changes to Ohio Rev. Code § 9.833 and related sections of the law¹ and considered establishing a statewide health care plan (Centralized Public School Employees' Health Care Benefit System) in which all school districts would be required to participate. In order to facilitate the establishment of this statewide healthcare plan, a reference to "school districts" was deleted from the definition of "political subdivision" in Ohio Rev. Code § 9.833, thus denying them of their existing rights to establish self-insurance programs for health care benefits, to join with other political subdivisions to form joint programs, or to establish group life insurance.

As the proposal was discussed in greater detail, however, the Legislature decided to delay any action until a study commission could be established to examine the issue at length and provide recommendations for future action. More specifically, HB 66 includes language that (1) describes the charge of the committee; (2) identifies who would be appointed to the committee; and (3) sets a timeline in which the committee would be expected to produce results and recommendations. As a result of these changes including the delays associated with the creation of the statewide health plan, there has been some confusion among school districts regarding their current authority under Ohio Rev. Code § 9.833.

¹ Other related changes are made to Ohio Rev. Code sections 9.833, 9.90, 3311.19, 3313.12, 3313.202, 3313.33, 4117.03, and 4117.08

It is important to note that the Legislature included another provision in HB 66 (Ohio Rev. Code § 611.03) indicating that the amendments made to Ohio Rev. Code § 9.833 and several of the other sections dealing with school district health care plans (with the exception of the creation of the study committee described above) do not take effect until specifically enacted in future legislation. Therefore, Ohio Rev. Code § 611.03 essentially negates the amendments mentioned above and maintains current law. Presumably, after the recommendations of the study committee described above are provided to the General Assembly, the Legislature may choose to enact the changes already contemplated in these sections or make additional changes as appropriate.

Thus, it is the AOS's position that due to the delayed effective dates of the amendments included in HB 66, school districts remain political subdivisions for the purposes of establishing health care consortiums, forming joint programs, and establishing group life insurance under Ohio Rev. Code § 9.833.

If you have any questions regarding the information presented in this Bulletin, please contact the AOS Accounting & Auditing Support Group at (800) 282-0370.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Ohio Auditor of State