



www.lsc.ohio.gov

# OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research  
and Drafting

Legislative Budget  
Office

H.B. 117  
134<sup>th</sup> General Assembly

## Fiscal Note & Local Impact Statement

[Click here for H.B. 117's Bill Analysis](#)

**Version:** As Introduced

**Primary Sponsor:** Rep. Brinkman

**Local Impact Statement Procedure Required:** Yes

James Clark-Stewart, Economist, and other LBO staff

### Highlights

- The bill allows petitioners to initiate territory transfers between school districts under certain conditions. These transfers, if executed, will likely shift school district revenues, expenditures, indebtedness, and other resources, and may affect state funding. Such effects will depend on the circumstances of the territory transfers and the affected districts.
- The bill also creates an elections process for determining if the proposed transfers will occur. These elections, depending on their timing, have the potential to impose significant costs on applicable school districts.

### Detailed Analysis

The bill allows for the transfer of school district territory in an eligible township, city, or village to an adjacent school district, through a petition and vote of electors residing in the territory proposed to be transferred. To be eligible, a township, city, or village must contain the territory of two or more school districts. The statewide number of school districts with an eligible township, city, or village is not known, but could be large. A limited review of property tax levy abstracts published by the Department of Taxation suggests it is not unusual for a school district to contain an eligible township, city, or village. Nevertheless, the fiscal effects of the bill will primarily hinge on the number of petitions and questions submitted to voters, the type of election in which the question appears, the outcome of the election, and the characteristics of the territory and districts involved. Additional details are provided below.

### Effects on school districts and state aid

The bill may lead to a shift in district revenues, expenditures, indebtedness, and other resources if territory transfer proposals are approved by voters. The bill has the potential to affect

school district revenues in two principal ways. The first is by changing districts' tax bases and tax revenues. If voters approve a territory transfer under the bill's provisions, the tax bases of the two districts affected would change accordingly, with one gaining and the other losing taxable property (and income, in the case of districts with income taxes). The magnitude of any impact will depend on the circumstances of the territory transferred.

Secondly, the gain or loss of territory may also increase or decrease state foundation aid to the affected districts. In general, state foundation aid to a school district is primarily driven by a district's enrollment, per-pupil property values and income levels, and any provisions limiting or guaranteeing funding levels. A territory transfer may result in a district having more or fewer students. Combined with changes in taxable property values and income levels in the affected districts, this, in turn, may also change the district's wealth as measured by the school funding formula. Per-pupil foundation aid is generally higher for districts with lower wealth per pupil. The current school funding formula, in effect for FY 2022 and FY 2023, is subject to a phase-in and contains various funding guarantees, both of which limit large swings in a district's state funding. The school funding formula will be calculated in a manner determined by the General Assembly for FY 2024 and each fiscal year thereafter.

Expenditures of the affected districts may increase or decrease depending on how the territory transfer affects the educational obligations of the districts. Additionally, both districts affected by the territory transfer, as well as the township, city, or village, must execute an equitable distribution of funds and indebtedness between the districts.

There may be some administrative costs generated for affected school districts and the Department of Education (the administrative arm of the State Board of Education) to comply with various required clerical procedures. For example, if voters approve a transfer, the bill requires the township, city, or village to enter into negotiations with the district gaining territory regarding terms of the transfer. The district gaining territory must file with the State Board the proposal and a copy of any formal agreement based on the negotiations. The bill specifies that the district does not have to enter into an agreement, but it is unclear whether the transfer may proceed without an agreement. The State Board must approve the filed proposal and provide written notification of that approval to both affected districts.

## **Elections-related effects**

The bill's new school district territory transfer process could result in additional election related costs for the impacted school district that is losing territory. Electors residing in a school district's territory that is located within a township, city, or village split between two or more school districts may petition for the transfer of territory to another school district. If the petitioners have acquired sufficient signatures, the county board of elections must certify the petition to the school district losing the territory. That district board must file the proposal, including a map of the territory's boundaries, with the State Board of Education, and certify the proposal with the applicable county board of elections. Once the applicable county boards of elections have certified the proposal, the boards must submit the proposal to voters with the territory at a special election on the day of the next general or primary election at least 90 days after the certification, or at a special election specified on the certification, which is also at least 90 days after the certification.

If the territory question appears on the ballot at the same time as a primary or general election, the direct election costs to the school district related to this question would include ballot advertising costs and the additional costs associated with adding this question to the ballot. The ballot advertising costs would largely depend on the length of the ballot issue. Any additional costs related to adding the question to the ballot are related to extra printing costs for ballots and programming of voting machines.

If the territory question appears on the ballot during a special election, with no other questions on the ballot, the school district would be responsible for paying all the costs associated with that election. Overall, these election costs vary per precinct depending on the precinct location, and the number of voters in the precinct. Generally speaking, these costs vary from \$800 to \$1,000 in rural areas and approximately \$1,600 to \$2,000 in larger urban precincts.