



Ohio Legislative Service Commission

Jason Glover

Fiscal Note & Local Impact Statement

Bill: H.B. 556 of the 131st G.A.

Date: May 24, 2016

Status: As Introduced

Sponsor: Reps. Duffey and Bishoff

Local Impact Statement Procedure Required: Yes

Contents: Permits school districts that are parties to an annexation agreement to make the boundaries of the district permanent

State Fiscal Highlights

- No direct fiscal effect on the state.

Local Fiscal Highlights

- The bill specifies that any school district board that is a party to an annexation agreement on or after the effective date of the bill may pass a resolution to make its boundaries permanent. The bill would, therefore, remove any incentive for such a district to participate in an annexation agreement that requires it to compensate another district in order to maintain its boundaries.
- The only annexation agreement that is currently in place is between the Columbus City School District (CSD) and nine of its neighboring suburban school districts. This agreement is typically referred to as the win/win agreement. Overall, Columbus CSD receives net revenue of about \$4.9 million per year from the suburban districts under the terms of the current agreement.
- However, the current win/win agreement will expire on May 31, 2016, before the effective date of the bill. Any district that wants to make its boundaries permanent under the bill's provision must enter into a new agreement before that date. The terms of any new agreement will determine the fiscal effect of the bill.

Detailed Fiscal Analysis

Under continuing law, certain urban and suburban school districts may enter into an annexation agreement that controls the transfer of territory that is annexed by the city served by the urban school district. The only annexation agreement that is currently in place is between the Columbus City School District (CSD) and nine of its neighboring suburban school districts. It is typically referred to as the win/win agreement. This agreement was entered into initially in 1986 and is renewable under its own terms every six years. The current agreement is set to expire on May 31, 2016.

The current win/win agreement provides that Columbus CSD will not request the transfer of territory in suburban school districts that had been annexed by the city of Columbus prior to 1986. In return, each suburban district makes an annual payment to Columbus CSD equal to 1% of the noninflationary increase in the assessed value of commercial and industrial real property and public utility TPP (i.e., the value of new improvements in those classes of property) located in the annexed territory since 1986. Yet, Columbus CSD must provide annual payment to the districts that have a lower valuation per pupil than Columbus CSD (currently, Canal Winchester Local School District (LSD), Groveport Madison LSD, and Hamilton LSD) of 0.4% of the assessed value of such property located in territory annexed after 1986. The agreement limits the amount of the payments through application of a cap mechanism. It also provides that, except for certain "protected" territory, all future annexations of land into the city of Columbus will result in that annexed land being transferred to Columbus CSD.

The following table shows the FY 2015 payment amounts for the districts that are party to the win/win agreement. As the table shows, most of the nine participating suburban school districts are making net payments to Columbus CSD. Although Hamilton LSD owes Columbus CSD for payments under the territory annexed prior to 1986, Columbus CSD owes more to Hamilton LSD for territory annexed after 1986. The net result is a payment of almost \$250,000 from Columbus CSD to Hamilton LSD. Gahanna Jefferson CSD is part of the agreement but is not currently making any payments. Overall, Columbus CSD receives net revenue of about \$4.9 million per year under the terms of the current agreement.

Win/Win Agreement Payments, FY 2015			
School District	Payment Due to Columbus CSD	Payment Owed by Columbus CSD	Net Payment to Columbus CSD
Dublin CSD	\$1,150,434	\$0	\$1,150,434
Hilliard CSD	\$1,150,434	\$0	\$1,150,434
Southwestern CSD	\$1,150,434	\$0	\$1,150,434
Groveport Madison LSD	\$854,763	\$150,339	\$704,424
Westerville CSD	\$511,083	\$0	\$511,083
New Albany-Plain LSD	\$485,551	\$0	\$485,551
Canal Winchester LSD	\$63,969	\$55,316	\$8,653
Gahanna Jefferson CSD	\$0	\$0	\$0
Hamilton LSD	\$135,775	\$380,229	(\$244,454)
TOTAL	\$5,502,443	\$585,884	\$4,916,559

The bill specifies that any school district board that is a party to an annexation agreement on or after the effective date of the bill may pass a resolution to make its boundaries permanent. The bill would, therefore, remove any incentive for a district to participate in an annexation agreement that requires it to compensate another district in order to maintain its boundaries. Based on the terms of the current agreement, if all suburban districts decided to discontinue the agreement, the aggregate decrease in expenditures among the suburban districts and the corresponding net loss in revenue to Columbus CSD would be about \$4.9 million per year.

However, as the bill requires a district to be a party to an agreement on the bill's effective date and the current agreement will expire before that date, any suburban district that wants to take advantage of the bill's provision must enter into a new agreement with Columbus CSD. The terms of any new agreement will determine the fiscal effect of the bill.