

Fiscal Note & Local Impact Statement

122nd General Assembly of Ohio

BILL: H.B. 90

DATE: May 28, 1997

STATUS: As Introduced

SPONSOR: Rep. Fox

LOCAL IMPACT STATEMENT REQUIRED: Yes

CONTENTS: The electors of a territory annexed by a municipality will determine the school district to which the territory will belong, unless an annexation agreement is in effect

State Fiscal Highlights

STATE FUND	FY 1998	FY 1999	FUTURE YEARS
General Revenue Fund			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Potential increase or decrease	Potential increase or decrease	Potential increase or decrease

- The state could potentially incur increased or decreased requirements for state aid to the affected districts, depending on changes in their eligibility specifications for types of state aid.
- Other administrative expenses associated with the state's actions concerning such transfers would be minimal.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 1998	FY 1999	FUTURE YEARS
School districts			
Revenues	Potential gain or loss	Potential gain or loss	Potential gain or loss
Expenditures	Potential increase or decrease	Potential increase or decrease	Potential increase or decrease

- School districts could potentially see substantial fiscal effects from the transfers of territories. A given district could gain local and/or state revenues or incur losses of either or both. It could also incur increased or decreased total expenditures or expenditures per pupil. The provisions in current law for negotiating the fiscal results of such a transfer would be repealed, thereby increasing the possibility of significant swings in school district fortunes as a result of the yes-or-no elections.



Detailed Fiscal Analysis

Currently, when all of a school district's territory is annexed to a municipality (city or village), such territory is automatically transferred to the city's or village's school district. When the annexed territory is just part of a district, the transfer requires the approval of the state board of education unless the district containing the affected territory is party to an annexation agreement.

The bill would change this language to say that such a transfer of either all or part of a district's territory would require the approval of the territory's electors. However, this requirement would not apply if the district containing the affected territory is party to an annexation agreement with the city school district; in this case the transfer would take place automatically unless the agreement states otherwise or unless the agreement does not specify how the annexed territory is to be dealt with.

The election process would begin after the territory is annexed by the municipal corporation. Within 90 days after the annexation, the state board of education would be required to certify a transfer proposal to the boards of elections of the counties containing the affected territory. The boards of elections would place the proposal on the ballots at the next regular election or at a special election, either one occurring not less than 75 days after the certification. The electors qualified to vote would be those residing in the affected territory. If the transfer were approved, the state board would make the transfer; if the transfer were not approved, the territory would not be transferred.

The bill would repeal the authority for a non-urban school district to negotiate the terms of a transfer with another district and then seek state approval of the transfer.

State fiscal effects

The bill's elimination of the requirement that the state board of education approve the transfer of territory that comprises only part of a school district would have little or no fiscal effect on the state. The bill's requirement that the state board adopt rules governing the negotiations of non-annexation transfers of territory between school districts also should have little or no fiscal effect.

A major potential fiscal effect upon the state could be occasioned by changes in districts' needs for state aid caused by the realignment of pupil populations and/or property valuations between school districts. For example, a district's loss of high-valuation property could cause it to become newly eligible for equity aid. However, the statewide school foundation basic allowance, being ADM-based, would probably not change significantly.

Local fiscal effects

Since the bill's provisions would ensure that the ultimate authority over the annexed territory's school district affiliation would reside with the territory's electors, the bill would enable those electors to exert a major influence over the potential fiscal result of the annexation. It is difficult to know on what bases electors might decide. It is likely that different issues may hold voters interest from case to case. Each case could have different circumstances.

If, for example, the territory annexed by the municipality were highly productive of school district tax revenues while containing few pupils, a vote by the territory's electors to join the municipal school district would cause the suburban district to lose a significant revenue source while retaining most of its pupils. This situation would most likely adversely affect the suburban district's budget. At the same time, the municipality would gain the benefit of other taxes from the annexed territory while the municipal school district would incur only a minor additional education burden.

As another example, if the annexed territory were chiefly residential and were to have a relatively low property valuation, a vote by the territory's electors to join the municipal school district could cause the municipal district to gain a large number of students without also gaining additional local property tax revenues proportionate to its current per-pupil revenues. This situation would most likely adversely affect the municipal district's budget. At the same time, the suburban district would now have fewer students but at a relatively small loss of local revenues.

Thus, the fiscal results of a property transfer could be substantial, since they are determined by such major factors as the number of pupils in the affected territory and the territory's property valuation, as well as potential building and transportation requirements. All of these factors can have significant effects on a district's local revenues, state aid and necessary expenditures. Further, the bill's provision for an up-or-down vote on a proposed transfer creates the possibility, given these factors, of major swings in the fortunes of school districts.

Such swings might not occur at present because current language allows for the two affected districts to negotiate arrangements to ameliorate undesirable effects of a transfer. For example, current language (which the bill would repeal) provides that districts involved in negotiations concerning transfers of property may agree to share revenues from the property, establish cooperative programs between the participating districts, and establish mechanisms for the settlement of any future boundary disputes.

Compared to the potential effects of the transfer of both students and property between districts, the financial costs of holding an election on the question of the transfer of school district territory are minimal compared to the potential fiscal effects mentioned above.

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