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Bill Analysis

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Primary Sponsors: Reps. Bird and Newman

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SUMMARY

Annexation

- Requires an expedited annexation or a municipality-initiated annexation to serve the general good, as determined by the board of county commissioners.
- Modifies various aspects of the expedited type 2 annexation procedure, including the following:
 - Requires the annexed territory to remain in the township only if the township provides services to the territory.
 - Reduces, from 500 to 200, the maximum acreage of the territory proposed for annexation.
 - Increases, from 5% to 20%, the amount of a contiguous boundary the municipal corporation must share with the territory proposed for annexation.
- Requires the State Board of Education to transfer territory annexed by a municipal corporation under an expedited type 2 annexation to the city, local, or exempted village school district that primarily serves the municipal corporation to which territory is annexed.
- Requires the school district from which the territory is transferred to permit students living in the transferred territory who previously enrolled in the district in the 9th grade or higher to re-enroll in the district under the district's open enrollment policy until the student completes the 12th grade.

Ethics

- Requires cities managers, assistant city managers, village administrators, and assistant village administrators to file a financial disclosure statement.

Community reinvestment areas

- Extends school board approval requirements to residential improvements in community reinvestment areas.

DETAILED ANALYSIS

Annexation

The bill modifies various aspects of annexation law: adding a requirement that an expedited annexation or a municipal-initiated annexation of contiguous public property serves the general good; modifying the expedited type 2 annexation process and factors; and requiring the transfer of students to the school district that primarily serves the municipal corporation to which territory is annexed after an expedited type 2 annexation.

General good

The bill modifies Ohio's three types of expedited annexation (type 1, type 2, and type 3), as well as the municipal-initiated procedure for annexing contiguous public property, to require the annexation to serve the general good. The county is required under the bill to reject an annexation that does not serve the general good.

Expedited

Expedited annexations are initiated by a petition signed by 100% of the landowners in the territory proposed for annexation. Currently, the county is required to approve the annexation if certain factors are met, as detailed in the following table:

Expedited annexation factors			
Factor	Type 1	Type 2	Type 3
The petition satisfied legal requirements	✓	✓	✓
The persons who signed the petition are owners and the number of owner signatures constituted all of the owners of real estate in the territory	✓	✓	✓
The municipal corporation and the township both sign an agreement (either an annexation agreement or a cooperative economic development agreement)	✓		
The territory does not exceed 500 acres (200 acres under the bill)		✓	
The territory shares a contiguous boundary with the municipal corporation for a continuous length of at least 5% of the perimeter of the territory (20% under the bill)		✓	

Expedited annexation factors			
Factor	Type 1	Type 2	Type 3
The annexation will not create an unincorporated area of the township that is completely surrounded by the territory proposed for annexation		✓	
The project qualifies as a significant economic development project			✓
The municipality to which annexation is proposed has filed an adopted ordinance specifying what services it will provide and an approximate date by which it will provide the services to the territory proposed for annexation (under the bill, for type 2, must include all services generally provided)		✓	✓
No street or highway will be divided or segmented by the boundary line between the township and the municipal corporation that creates a road maintenance problem unless the municipality agrees to assume the maintenance		✓	✓

The bill adds another factor applicable to all three expedited types: the board must find that, on balance, the general good of the territory proposed to be annexed will be served, and the benefits to the territory proposed to be annexed and the surrounding area will outweigh the detriments to the territory proposed to be annexed and the surrounding area if the annexation is granted.¹ This mirrors a factor currently utilized for traditional annexations, unchanged by the bill.²

Even when the county approves an annexation under current law without evaluating the factors (i.e., when the township does not object), the bill would require the county to determine whether the general good is served.

Municipality-initiated

The bill makes the same change with respect to annexations initiated by the municipal corporation itself. This type of annexation can only be used when the property is contiguous and owned by the state, the county, or the municipal corporation itself. Currently, if the territory is owned by the petitioning municipal corporation, the board of county commissioners must grant the annexation; if the territory is owned by a county, the board may grant or deny the annexation (there are no factors and no specified basis upon which the board makes its decision); and if the territory is owned by the state and the Director of Administrative Services consents, the board

¹ R.C. 709.022(A), 709.023(E)(8), and 709.024(D) and (F)(6).

² R.C. 709.033, not in the bill.

must grant the annexation. The bill requires the county to determine whether the general good is served by the annexation, including in cases where the property is county-owned.³

Expedited type 2 process and factors

The bill modifies various aspects of the expedited type 2 annexation procedures and factors.

Initial consideration by municipal corporation

Currently, the municipal corporation to which annexation is proposed can reject the annexation, but only after the process has proceeded through numerous steps;⁴ an initial objection only forces the county to evaluate the factors (listed in the table above) to determine if they are met. If so, the county approves the annexation and notifies the municipal corporation.⁵ Then, the municipal corporation can reject (or accept) the annexation. The bill, instead, allows a municipal corporation to refuse to consider the annexation (a decision the municipal corporation must make within 20 days of the petition being filed); this ends the process (by forcing the county to deny the annexation).⁶

Township objection

The township's opportunity to object is unchanged by the bill, except the bill gives the township an extra five days to respond (30, instead of 25 as under current law, from when the petition was filed).⁷ Under continuing law, if the township objects, the county must evaluate the factors (listed in the table above) and either approve or deny the annexation depending on whether those factors are met. The only change the bill makes to this part of the process is to give the county up to 90 days (instead of 45 as under current law) to make its determination.⁸

Municipal services

If the municipal corporation agrees to consider the annexation, the process proceeds as under current law, with the municipal corporation adopting a resolution/ordinance about which services the municipal corporation will provide in the annexed territory. However, the bill draft requires the municipal corporation to agree to provide all services generally available within the municipal corporation's existing boundaries; current law lets the municipal corporation choose which services the municipal corporation will provide. The bill does allow a municipal corporation to satisfy the requirements via agreements with the county, township, or another political subdivision that demonstrate the ability to provide the required services in the future.⁹

³ R.C. 709.16.

⁴ R.C. 709.04 (applies via R.C. 709.021), not in the bill.

⁵ R.C. 709.023(G). See also R.C. 709.033(C)(1), not in the bill.

⁶ R.C. 709.023(C)(1) and (D).

⁷ R.C. 709.023(D).

⁸ R.C. 709.023(E) and (F).

⁹ R.C. 709.023(C)(2) and (E)(6).

The resolution/ordinance regarding services still must be adopted within 20 days, as under current law, but the bill gives the municipal corporation an additional ten days to provide the resolution/ordinance to the county.¹⁰

Failure to respond

Currently, if a municipal corporation or township does not respond (to give its consent or make an objection), that is considered a consent. The bill changes this to being considered a refusal (by the municipal corporation to consider the annexation) or objection (by the township).¹¹

Acreage and contiguous boundary

The bill changes the maximum acreage requirement: currently the territory proposed for annexation cannot exceed 500 acres; the bill reduces this to 200. The bill also increases, from 5% to 20%, the amount of a contiguous boundary the municipal corporation must share with the territory proposed for annexation.¹²

Territory remaining in township

After a type 2 annexation is approved, current law prohibits the annexed territory from being removed from the township (unless otherwise agreed to in an annexation agreement or cooperative economic development agreement (CEDA)).¹³ Under the bill, this prohibition applies *only if township services are provided within the annexed territory* (an annexation agreement or CEDA could still be used to exclude the territory). In other words, the territory could be excluded under the bill if the township no longer provides services to the territory. The bill does not specify what types of services qualify.

The bill further specifies that, if services are provided and the territory remains in the township (as well as the municipal corporation), the residents in that territory only pay property taxes that support the provided services.¹⁴ This potentially implicates Section 2 of Article XII of the Ohio Constitution, which states, in part, “Land and improvement thereon shall be taxed by uniform rule according to value. . . .” This “uniform rule” generally requires that all real property be assessed for taxation in a uniform manner, at a uniform rate (subject to any authorized exemptions), and at a uniform percentage of its “true” value. The Ohio Supreme Court opined that the uniform rule requires tax rates to be uniform within the jurisdiction to which the tax applies.¹⁵

¹⁰ R.C. 709.023(C).

¹¹ R.C. 709.023(D).

¹² R.C. 709.023(E)(3) and (4).

¹³ R.C. 709.023(H). Usually, a municipal corporation can conform the boundary to exclude the township from annexed territory, resulting in the cessation of township authority in the territory. See R.C. 503.07.

¹⁴ R.C. 709.023(H).

¹⁵ *Exchange Bank of Columbus v. Hines*, 3 Ohio St. 1 (1853).

School districts

The bill requires the municipal corporation to notify the affected school districts (the one serving the territory proposed for annexation and the one serving the adjacent territory, as applicable) about the municipal corporation's decision to consider or not consider the annexation.¹⁶

Transfer of school district territory

The bill requires the State Board of Education to transfer territory annexed to a municipal corporation under an expedited type 2 annexation to the city, local, or exempted village school district that primarily serves the municipal corporation to which the territory was annexed, if that district is different from the district that was serving the territory before the annexation. The territory transfer must take effect on the first day of July occurring at least 180 days after the effective date of the annexation.

The bill also requires the school district from which the territory is transferred to permit any student who resides in the annexed territory, and who was enrolled in the district in the 9th grade or higher prior to the annexation, to re-enroll in the district until the student completes the 12th grade. Specifically, a district's open enrollment policy must permit such students to re-enroll regardless of whether the district's policy otherwise prohibits the enrollment of students from other districts. A student who re-enrolls in a district in this manner is considered an adjacent district student for enrollment reporting and transportation services.¹⁷

Ethics

The bill adds city managers, assistant city managers, village administrators, and assistant village administrators to the list of people required to complete a financial disclosure statement.¹⁸ The filing fee is \$35. Under existing law unchanged by the bill, a person making less than \$16,000 only includes information about sources of income/gifts if the amount exceeds \$500.¹⁹

Community reinvestment areas

Continuing law allows a county, municipality, or limited home rule township to designate community reinvestment areas (CRAs) where increased property values from residential, commercial, or industrial development projects, whether for remodeling or new construction, may be exempted from property tax for a certain amount of time. Exemption percentages for commercial and industrial projects are set by agreement between the project owner and the local government that approved the CRA.

¹⁶ R.C. 709.023(C).

¹⁷ R.C. 3311.222.

¹⁸ R.C. 102.02.

¹⁹ R.C. 102.022, not in the bill.

An agreement granting a CRA exemption to such a project that proposes to exempt more than 75% of the project's value must first be approved by the appropriate city, local, or exempted village school district unless exceptions are met. The exceptions apply if the board of education adopted a resolution waiving its right to approve such agreements or if the district will be compensated by the local authority or the project owner in an amount that would hold the district harmless for excess revenue forgone as a result of the exemption percentage above the 75% threshold. If the owner or local authority agrees to compensate the school district, it must make payments to any applicable joint vocational school district (JVSD) at the same rate or amount and under the same terms received by the city, local, or exempted village school district.²⁰

Residential projects in CRAs receive a uniform exemption percentage, set in the resolution or ordinance approving the CRA. And residential property owners are currently able to obtain an exemption by applying only to a local "housing officer" designated by the local authority. The housing officer verifies that a project qualifies for the exemption and forwards notice to the county auditor to apply the exemption. The bill, however, extends school board approval requirements to residential CRA projects, subject to the same exemptions to school board approval and JVSD compensation as apply for commercial and industrial projects. Under the bill, the housing officer forwards applications for residential projects to the school board for approval after determining the applicant meets all qualifications for an exemption.²¹

HISTORY

Action	Date
Introduced	02-18-25

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²⁰ R.C. 3735.671(A)(2) and (3), not in the bill.

²¹ R.C. 3735.67; R.C. 3735.671(A) and (B), not in the bill.