

The Win-Win Agreement: 2010 Extension

What is the Win-Win Agreement?

The Territorial Annexation (Win-Win) Agreement is a comprehensive annexation agreement originally negotiated in 1986 between several suburban school districts and the Columbus City Schools. It has been extended for three six-year terms (beginning in 1992, 1998, and 2004) and will automatically extend for another six year term beginning July 1, 2010 unless one of the participating districts chooses to withdraw.

The Agreement provides that Columbus City Schools will not request the transfer of territory located in the City of Columbus from the suburban school districts into the Columbus City School District, and each suburban district will make an annual payment to the Columbus City Schools based on one per cent of the growth in commercial property valuation occurring in that territory. 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 the Columbus City Schools.

In brief, the Win-Win Agreement provides suburban school districts with boundary stability while allowing Columbus City Schools to share in the growth of non-residential tax revenue flowing from the territory previously annexed into the City of Columbus.

A Brief History

Before 1955, state law provided that when a city annexed surrounding land from unincorporated townships, the land was automatically transferred into the city’s school district. Thus, when a city like Columbus grew by annexation, the corresponding city school district grew at the same rate and the school district boundaries stayed the same as the city boundaries. In 1955, however, the law was amended so that when a city annexed land, the land no longer automatically transferred to the city school district. Instead, the city school district had to request the transfer and the state board of education had to approve it. For many years, the City of Columbus annexed land and expanded the city’s municipal boundaries, but the Columbus City Schools did not request territory transfers as the annexations occurred. Thus the boundaries of the Columbus City School District did not expand. Over time, this resulted in large amounts of land being added to the City of Columbus but continuing to be served by the suburban school districts in which the territory had always been located.

For many years, school district borders in Franklin County therefore remained relatively stable, despite the fact that Columbus City Schools had the right to request the state board of education to transfer the annexed territory into the district at any given time. However, as the annexed areas served by the suburban districts were developed, resulting in increased tax revenue, Columbus City Schools began to take another look at the territory transfer request process. In 1971, the state board of education approved a transfer of tax-rich annexed land along Route 33 (Dublin Road) from the Grandview Heights City School District into Columbus City Schools, prompting worries that more territory transfers might follow.

Suburban districts became concerned that Columbus City Schools would request transfers of tax-rich commercial and industrial property only, leaving the suburban districts with less

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revenue but the same number of students. Residents who bought homes in the annexed areas were concerned that their properties would be transferred from the suburban district in which they had chosen to live into the Columbus City School District. At best, it was a time of great uncertainty for suburban districts and residents; at worst, it was described as near-hysteria. Annexed territory that was served by suburban school districts accounted for approximately forty percent of the land within the city of Columbus, so potential territory transfers affected a significant number of residents.

When Columbus City Schools announced that it was considering a request for the transfer of territory of all annexed land into the school district, the legislature put a temporary moratorium on such transfers. In 1986, the legislature indicated to the schools that it would not extend the moratorium, prompting Columbus City Schools and the suburban districts to seek a comprehensive solution to the problem. The Win-Win Agreement, so named because of the “win-win” negotiation process engaged in by the participating school districts, established a comprehensive annexation and territory transfer agreement that was agreed to be in the mutual interest of all the parties. Effective in 1986, amended slightly in 1992, and extended with only alterations to the capped payments in 1998 and 2004, the Win-Win Agreement provides stability to the boundaries of the districts and, in exchange, compensates Columbus City Schools for its agreement not to seek transfer of territory that would otherwise expand its tax base. The Agreement effectively put an end to the border wars and uncertainty and allowed districts and residents to plan more effectively for the future.

What Happens If the Agreement Is Terminated?

By its terms, the Win-Win Agreement automatically extends itself every six years, and the parties to the Agreement are not required to take any action for the extension to occur. If a school district wishes to opt out of the Agreement, it may give notice to the other parties during a two-month window near the end of each six-year extension. The next termination period runs from April 1, 2010 through May 31, 2010. If any district opts out of the Agreement, Columbus City Schools has the option of terminating the Agreement. Thus, if one district terminates, it could result in the termination of the Agreement for all other parties. If no district acts, the Agreement will continue through at least 2016.

If the Agreement is terminated, suburban districts will no longer be required to make annual payments to Columbus City Schools and Columbus City Schools will have the right to request a transfer of any or all annexed territory into the Columbus City School District, as was proposed prior to the time of the original Agreement. Any transfer of territory into Columbus City Schools would have a significant impact on the suburban districts and their residents:

1. Loss of Border Stability

Loss of border stability makes it harder for a school district to plan for the future, because the district could lose a significant portion of its tax base, student population, and facilities. The loss of border stability may also affect property values in areas that are subject to transfer. Fluctuating property values could further complicate planning for the future.

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2. Less Revenue

Any transfer of territory will result in less property tax revenue for the suburban school district. Additionally, it raises the possibility that Columbus City Schools, with state board approval, could “cherry pick” tax-rich commercial and industrial property without seeking the transfer of residential territory, leaving the suburban district with less revenue but the same number of students. Territory transfers could affect the amount of revenue per student, requiring suburban districts to cut back on programs and services to their remaining students. Further complicating the financial picture, when a territory transfer occurs, the funds and indebtedness are required to be equitably divided between the districts by the state board of education, a process that involves additional uncertainty.

3. Loss of District-Owned Property (School Buildings)

If the territory to be transferred includes real property owned by the suburban district, such as a school building, ownership of that property is transferred as well. The suburban district must be compensated by Columbus City Schools for the true value of any such property, buildings, and improvements, with deductions based on the associated loss of students, as calculated by the state board of education. The compensation must be placed in the suburban district’s sinking fund or bond retirement fund. Losing school buildings may necessitate redistricting students or building additional facilities.

4. Fewer Students

If Columbus City Schools chose to request the transfer of residential property, this would reduce the number of students served by the suburban school districts. (Note that this does not involve “giving students back” to Columbus City Schools; the Win-Win territory has always been served by the suburban districts and has never been part of Columbus City Schools.) Depending on the number of students leaving the district, this could have significant effects. For example, the suburban district may be left with too many staff members, thus requiring lay-offs. Likewise there could be either too many students left in the suburban district to be served by remaining buildings, thus requiring the construction of additional facilities, or there could be too few students to occupy the remaining buildings, thus necessitating building closures.

5. Other Consequences

Termination of the Win-Win Agreement may have other consequences for suburban districts. For example, termination of the Agreement would affect participation in the Franklin County Educational Council, which was created by the Agreement and operates cooperative programs, such as the Metro Early College Program. Recently, it has been suggested that the Educational Council create a task force to study additional ways in which the participating school districts can benefit from shared programs and services. For example, the idea of creating an inter-district transportation agreement leading to a more efficient, less costly manner of transporting students between districts has been proposed. The opportunity for collaboration

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through the Educational Council would be affected, and possibly lost, by termination of the Agreement.

Transfers of territory may also have an effect on board membership if a suburban district's school board members live in the area to be transferred to Columbus City Schools. School board members are required by law to live in the school district they serve. If their residence is transferred to another school district, they would lose their position on the school board. The district would then be left with a board vacancy for each board member who resides in the transferred territory.

Conclusion

If the Win-Win Agreement remains in place, the participating suburban school districts will continue to pay a portion of the tax revenues resulting from their valuation growth and district boundaries will remain stable. If the Agreement terminates, the districts risk the transfer of residents and students and the loss of revenue-producing territory, subject to the approval of the state board of education. Districts should carefully weigh any benefits of termination against the possible consequences before deciding to terminate the Agreement.