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Beachwood City School District Board of Education v. Warrensville Heights City School District Board of Education

Supreme Court of Ohio - September 6, 2022 - N.E.3d - 2022 WL 4074673 - 2022-Ohio-3071

Plaintiff school district filed complaint against defendant school district for promissory estoppel, unjust enrichment, conversion, fraud, and two counts of breach of contract, and sought monetary damages, declaratory judgment, and permanent injunction in relation to agreements between school districts under which they would share tax revenue from territory annexed by plaintiff's city.

The Court of Common Pleas granted defendant's motion for summary judgment. Plaintiff appealed. The Court of Appeals reversed and remanded. Defendant sought discretionary review.

The Supreme Court held that:

- Approval by state board of education was not required to validate agreement;
- Fiscal-certificate requirement of statute governing expenditures of political subdivisions did not apply; and
- Fiscal-certificate requirement of statute governing school district expenditures did not apply.

Approval by state board of education was not required to validate agreement between school districts to share tax revenue generated from nonresidential and nonagricultural property within territory annexed by city, pursuant to which agreement school district associated with city withdrew its request to transfer territory to itself, and thus agreement was enforceable; while prior version of statute charging state board of education with approving or disapproving transfers of territory required that a division of funds and "indebtedness incident thereto," for a transfer of school-district territory, be completed in manner prescribed by the statute, including obtaining board approval, a division of funds could not be incident to a nonexistent transfer of school-district territory.

Agreement between school districts to share tax revenue generated from nonresidential and nonagricultural property within territory annexed by city did not involve an "expenditure" of money within meaning of prior version of statute governing authority of political subdivisions to enter into contracts involving such expenditures, and thus statute's requirement that fiscal certificate be attached did not apply; agreement simply allocated collectable tax revenue between districts, and district's entitlement under agreement to collect 70% of tax revenue from relevant portions of territory did not require it to expend the other 30% to be diverted to other district, but instead county treasurer would pay agreed-on percentages of tax revenue directly to districts.

Prior version of statute governing school district expenditures and requiring that fiscal certificate be attached to contracts adopted by school district applied only to contracts involving expenditures of money, and thus certificate requirement did not apply to agreement between school districts to share tax revenue generated from nonresidential and nonagricultural property within territory annexed by city; certification addressed school district's ability to satisfy its financial commitments while maintaining adequate educational program, consequence for failing to attach certificate when

required was that no payment under contract was to be made, and other actions for which certificate was required under statute involved commitments to spend money.

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