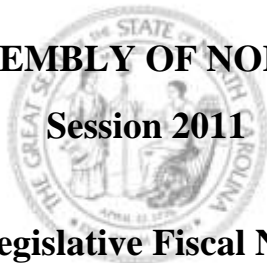


GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2011

Legislative Fiscal Note

BILL NUMBER: House Bill 845 (Third Edition)

SHORT TITLE: Annexation Reform Act of 2011.

SPONSOR(S): Representatives LaRoque, Dollar, and Owens

	FISCAL IMPACT				
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2011-12</u>	<u>FY 2012-13</u>	<u>FY 2013-14</u>	<u>FY 2014-15</u>	<u>FY 2015-16</u>
REVENUES:					
Municipalities					
EXPENDITURES:					
Municipalities					
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED:	NC Municipalities				
EFFECTIVE DATE:	This act is effective when it becomes law.				

BILL SUMMARY:

The proposed committed substitute for House Bill 845 makes substantive changes to the involuntary annexation process for all municipalities.

Section 1 of the bill repeals Part 2 of Article 4A of Chapter 160A of the General Statutes, Annexation of Cities of Less than 5,000.

The bill creates a new Part 7, Involuntary Annexation by Municipalities, within Article 4A of GS Chapter 160A, authorizing the governing board of any municipality to extend the municipality’s corporate limits under proposed Part 7. This includes definitions applicable to Part 7, and Section 2 through 6 of this bill present recodifications of existing statutory language.

Section 7 of the bill repeals Part 3 of Article 4A of Chapter 160A of the General Statutes, Annexation by Cities of 5,000 or More.

This proposed legislation would require the municipality to offer to each eligible property owner in proposed annexation areas water or sewer service, or both, at no cost other than usage-based fees. A majority of residents in the affected area must opt in to receive this benefit.

This bill allows for property owners to petition to deny annexations. If at least 60% of eligible property owners in a proposed annexation area sign such a petition, the annexation will be terminated, and the municipality may not adopt a resolution of consideration for the same area for at least 36 months.

ASSUMPTIONS AND METHODOLOGY:

Expenditures

This proposed legislation would require the municipality to offer to each eligible property owner in proposed annexation areas water or sewer service, or both, at no cost other than usage-based fees. A majority of residents in the affected area must opt in to receive this benefit. Municipalities will face the increased expenses of water and sewer hookups to every residence in annexed areas, if 50% or more of the property owners choose this option. Because the incidence of these proposals and intentions of residents cannot be known at this point, it is not possible to estimate the expenses required to meet this need.

Revenues

This bill allows for property owners to petition to deny annexations. If at least 60% of eligible property owners in a proposed annexation area sign such a petition, the annexation will be terminated, and the municipality may not adopt a resolution of consideration for the same area for at least 36 months. By indefinitely delaying the effective date of potential annexations, the bill would postpone the collection of property taxes from annexed areas. G.S. 160A-58.10 allows for collection of property taxes from property owners in annexed areas on a prorated basis.

Therefore, the bill will result in reduced property tax revenues for any municipalities that are forced to stop annexations under the new petition method. Several other revenue sources would potentially be impacted by the delay of annexations because they are distributed based on population, sales or operation of businesses within municipal boundaries. These sources include local option sales and use taxes, privilege license taxes, videoprogramming taxes, gasoline taxes (Powell Bill funds), utility franchise taxes, excise tax on piped natural gas and beer and wine taxes.

Because the property values, population, sales and other data upon which the revenue attributable to annexed areas is not known, it is not possible to estimate the amount of tax revenue that would be lost due to the delay of annexations.

TECHNICAL CONSIDERATIONS: None

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DATE: May 12, 2011



Signed Copy Located in the NCGA Principal Clerk's Offices