

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: H.B. 1361

SHORT TITLE: Annex and Incorporation Revision

SPONSOR(S): Representative Starnes

FISCAL IMPACT

Yes () No () No Estimate Available (X)

FY 1998-99 FY 1999-00 FY 2000-01 FY 2001-02 FY 2002-03

REVENUES

No General Fund Impact

EXPENDITURES

Potential Impact on Municipalities Can Not Be Estimated

PRINCIPAL DEPARTMENT(S) &

PROGRAM(S) AFFECTED: Municipalities, Joint Legislative Commission on Municipal Incorporations.

EFFECTIVE DATE: November 1, 1998.

BILL SUMMARY: The bill revises the municipal annexation laws and changes the criteria to be considered by the Joint Legislative Commission on Municipal Incorporations. The bill prohibits the Commission from making a positive recommendation unless the entire area meets the criteria for development under GS 160A-36(c) or 160A-48(c), and the plan for incorporation includes at least two of the following services: police protection, fire protection, garbage collection or disposal, water distribution, sewer collection or disposal, street maintenance or construction, street lighting, and citywide planning and zoning. The bill also addresses the issue of present-use property in the annexed area, and tightens the requirements for annexation. The bill allows some municipalities to provide septic service instead of sewer lines, for a period of time, and still meet the sewer requirements. The bill also provides for tax relief if services are not provided within sixty days, and outlines the resident notification process.

ASSUMPTIONS AND METHODOLOGY: Because the bill deals exclusively with municipal incorporations, it should have no impact on the General Fund. It does, however, have the potential to have four fiscal impacts on municipalities.

First, if a municipality fails to provide the annexed area with services similar to those enjoyed by the rest of the municipality, annexed residents can petition for relief from city taxes. Under the bill, municipalities have sixty days to begin providing similar services. This could create a liability for municipalities should they not provide services in a timely manner.

Second, by tightening the requirements for annexation, the bill limits the municipalities ability to annex. As such, the bill makes it more difficult to collect the property tax revenue that would come to the city as a result of annexation.

Third, the bill may ease the burden on cities who want to annex by allowing cities to provide septic maintenance and repair service, rather than sewer lines, to remote areas. However, sewer lines must be provided once sewer service is provided to properties “similarly situated.”

Finally, the bill limits the ability of a city to annex and tax an area that does not meet particular present-use property tax criteria. This could have an impact on annexation decisions and the associated revenue stream.

TECHNICAL CONSIDERATIONS: No estimate is available for municipalities as it is unclear how many communities will take advantage of the new legislation, and how effective they will be at carrying out its requirements.

FISCAL RESEARCH DIVISION

733-4910

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DATE: July 1, 1998



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