

GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2009

Legislative Fiscal Note

BILL NUMBER: House Bill 950 (First Edition)

SHORT TITLE: Union Annexation and ETJ Referenda.

SPONSOR(S): Representative Blackwood

FISCAL IMPACT					
	Yes ()	No (X)	No Estimate Available ()		
	<u>FY 2009-10</u>	<u>FY 2010-11</u>	<u>FY 2011-12</u>	<u>FY 2012-13</u>	<u>FY 2013-14</u>
REVENUES	-	-	-	-	-
EXPENDITURES	-	-	-	-	-
POSITIONS (cumulative):	-	-	-	-	-
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: N/A					
EFFECTIVE DATE: This bill is effective when it becomes law.					

BILL SUMMARY:

House Bill 950 repeals Parts 2 and 3 of Article 4A of GS Chapter 160A and creates new provisions for annexation by petition. The bill requires a public hearing on annexation and sets notice requirements for the hearing. The bill requires a referendum of qualified voters in the area proposed to be annexed, as well as majority support in that referendum prior to adoption of the annexation ordinance. The bill also adds the same referendum process to the adoption of ordinances extending municipal extraterritorial jurisdiction. HB 950 is only applicable to Union County and municipalities located therein, and is applicable to annexations and extensions of jurisdiction made on or after January 1, 2005, unless extension of waterlines required by such annexation was completed by March 1, 2009 (and those annexations are repealed effective June 30, 2010, unless approved by referendum prior to that date).

Source: Bill Digest H.B. 950 (03/31/0200).

ASSUMPTIONS AND METHODOLOGY:

This bill would have no fiscal impact upon the State; instead, the expenses incurred by this bill would be the responsibility of the governing body requesting such a referendum. The costs of a

referendum process would include items such as advertisement of a public notice, ballot preparation, personnel to conduct the election, and the facilities necessary for said election; these costs will vary according to municipality.

Annexations or extensions of jurisdiction made after January 1, 2005 for which extension of all waterlines required was completed by March 1, 2009 are repealed effective June 30, 2010, unless approved by referendum prior to that date. The repeal of such areas would have a fiscal impact on the municipalities involved (see below), but would have no fiscal impact on the State.

Although there is no fiscal impact to the State, there are also municipal revenues and expenditures generated by annexation. North Carolina annexation statutes require that municipal services be extended to a newly annexed area on substantially the same basis and in the same manner as such services are provided within the annexing community. The one-time and annual costs for provision of municipal services to newly-annexed areas may in some cases be offset by the increase in revenue generated by the addition of new property and citizens. In other cases, the one-time costs necessary to fund annexation-related expenditures may need to be supported by new tax revenues or other funding sources. The varying potential fiscal impact on municipalities annexing extraterritorial jurisdiction (ETJ) areas depends primarily on the terms of the specific annexation. For illustrative purposes, the chart below provides two examples of the range of potential costs incurred by municipalities through annexation. This data comes from the Centralina Council of Governments' two recent annexation impact reports on the Union County municipalities of Indian River and Salisbury:

	INDIAN TRAIL	SALISBURY
Population to be annexed	902	1,699
REVENUES	Annual Increase	Annual Increase
Ad Valorem Taxes	\$ 138,654	\$ 648,572
Motor Vehicle Tax	\$ 9,209	\$ 5,740
Local Option Sales Tax	\$ 5,859	\$ 235,081
Cablevision Franchise Tax	\$ 7,261	\$ -
Beer & Wine Tax	\$ 3,455	\$ -
Utility Franchise Tax	\$ 29,730	\$ 117,571
Planning Revenue	\$ 5,313	\$ -
Powell Bill Funds & Investment Interest	\$ 19,925	\$ 74,096
Stormwater Fees	\$ 22,894	\$ -
Total Annual Revenue	\$ 242,300	\$ 1,081,060
EXPENSES		
Police/Public Safety	\$ -	\$ 222,740
Fire	\$ -	\$ 246,740
Street Lights	\$ 24,510	\$ 5,280
Solid Waste	\$ 58,129	\$ 165,905
Street Maintenance	\$ -	\$ 122,437
Administrative Services	\$ 4,459	\$ -
Water & Sewer	\$ -	\$ -
Payment to Water/Sewer Fund	\$ -	\$ 293,439
Stormwater	\$ 32,815	\$ -
Landscape Operations	\$ -	\$ 2,339
Traffic Operations	\$ -	\$ 1,193
Animal Control	\$ -	\$ -
Parks & Recreation	\$ -	\$ -
Total Annual Expenses	\$ 119,913	\$ 1,060,073
One-time Startup Costs (Year One)		
Solid Waste Services	\$ 177,844	\$ 4,590
Police	\$ -	\$ 182,748
Fire	\$ -	\$ 51,410
Traffic Operations	\$ -	\$ 2,863
Streets	\$ -	\$ 310,481
Zoning Enforcement	\$ -	\$ 18,540
Year 1 Revenue	\$ 242,300	\$ 1,081,060
Year 1 Expenses	\$ 297,757	\$ 1,651,692
Net	\$ (55,457)	\$ (570,632)
Year 2 Revenue	\$ 242,300	\$ 1,081,060
Year 2 Expenses	\$ 119,913	\$ 1,060,073
Net	\$ 122,387	\$ 20,987

As shown in the two examples above, some municipalities may be able to recoup the losses of one-time first-year expenditures within a short span of time, while other municipalities may require other funding sources to support the increased costs of municipal services caused by annexation.

SOURCES OF DATA: State Board of Elections, Centralina Council of Governments

TECHNICAL CONSIDERATIONS:

There are two sections labeled “Section 2.” The “Section 2” on Page 3, Line 35 should be changed to “Section 5,” and subsequent sections should be renumbered accordingly.

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