TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL MEMORANDUM

HB 779 – SB 749

April 1, 2015

SUMMARY OF ORIGINAL BILL: Declares that, for any street deannexed by a city on or after May 1, 1998, the city shall submit a map of the deannexed area to the Commissioner of Finance and Administration for the purpose of the Commissioner revising and reallocating funds to the appropriate city or county. Prohibits a municipality from deannexing certain territory, including roads, streets, and right-of-ways, without two-thirds vote of the county legislative body. Requires consent by a majority of voters for a municipality to deannex territory. Establishes procedures for county election commission to conduct a vote for deannexation after ten percent or more of registered voters in the municipality petition the county election commission that an election be held for such purpose. Removes current provision stating that three-fourths of voters have to assent to deannexation. Removes language from statute stating that the effective date for any contraction is the date of the ordinance, and replaces it with language stating when the contraction is done by election.

FISCAL IMPACT OF ORIGINAL BILL:

Local Revenue – Net Impact – Not Significant/Permissive

Local Expenditures – Net Impact – Not Significant/Permissive

Other Fiscal Impact – Permissive shifts in revenue and expenditures from one local government entity to another. The extent of any such shifts cannot be determined and are dependent upon the unknown, permissive, and future actions of cities and counties.

SUMMARY OF AMENDMENT (005281): Deletes and rewrites the bill in its entirety. Authorizes municipalities to propose by resolution annexation of territory that does not adjoin the boundary of the main part of the municipality, without extending the corporate limits of that territory, if the territory proposed for annexation is entirely contained within a municipality's urban growth boundary and is either used for industrial or commercial purpose or is owned by one or more governmental entities. Requires consent of the property owners. Requires the plan of service to be included in the resolution. Requires an inter-local agreement between the relevant county and the municipality to provide relevant services.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase Local Revenue – Exceeds $10,000/Permissive

Increase Local Expenditures – Exceeds $10,000/Permissive

Assumptions for the bill as amended:

- The amended bill is permissive in nature.
- This amended bill pertains strictly to local government matters, and therefore the impact to state operations is estimated to be not significant.
- Based on information from the County Technical Advisory Service (CTAS), the fiscal impact of including county input through inter-local agreements for services and infrastructure is estimated to be not significant.
- The Municipal Technical Advisory Service (MTAS) reports that this bill will likely increase both revenue and expenditures for municipalities. The extent of any such impacts are unknown and dependent upon factors such as the number of municipalities who actually annex relevant non-adjoining areas, the amount of property annexed, the value of property annexed, and the amount of necessary services subsequently rendered by counties and municipalities.
- Given the extent of unknown factors, determining a precise impact to local government is difficult; however, the permissive and recurring increases, in both local revenue and local expenditures, is reasonably estimated to exceed $10,000 per year statewide.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

Jeffrey L. Spalding

Jeffrey L. Spalding, Executive Director

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