TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL MEMORANDUM

SB 641 – HB 943

March 28, 2017

SUMMARY OF ORIGINAL BILL: Prohibits a municipality from deannexing certain territories without a two-thirds vote of the county legislative body. Authorizes municipalities to contract territory limits by approval of a majority, rather than three-fourths, of qualified voters. Sets forth requirements for a county election commission to conduct a vote for deannexation under certain circumstances in instances where 20 percent of voters that reside within an area petition the county election commission to hold an election for such purpose. Specifies the types of debt on which the municipality is authorized to continue to levy and collect taxes after a territory is deannexed.

FISCAL IMPACT OF ORIGINAL BILL:

Other Fiscal Impact – To the extent a previously-annexed municipal territory is deannexed, shifts in revenue and expenditures between local entities may occur. The extent and timing of any such shifts cannot be reasonably quantified.

SUMMARY OF AMENDMENT (006374): Deletes and replaces language of the original bill such that the substantive change is to prohibit municipalities that have adopted an ordinance prior to January 1, 2018, to complete a deannexation plan, from petitioning the county election commission to hold an election for deannexation.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Unchanged from the original fiscal note.

Assumptions for the bill as amended:

- The municipal territories required to have approval by a two-thirds vote of the county legislative body prior to deannexation are: a street, highway, avenue, boulevard, publicly-owned right-of-way, bridge, tunnel, public parking area, or any other public way dedicated to public use and maintained for general public travel.
- Deannexation elections will be held during the regular election cycle. Any increase in state or local expenditures is estimated to be not significant.

- Under current law, pursuant to Tenn. Code Ann. § 6-51-204(a), a municipality may continue to levy and collect taxes on property in the excluded territory to pay the excluded territory's portion of any debt contracted prior to the exclusion.
- This legislation specifies that only general obligation debt issued during the annexed period, unfunded pension obligations and other unfunded post-employment benefit (OPEB) obligations incurred, or for which the excluded territory became partially or wholly liable at any time during the annexed period, are debts a municipality may continue to enforce and collect taxes on after a property is deannexed.
- In instances where a municipal territory is deannexed, there will be a shift in the responsibility of the provision of certain services from the municipality to the county. The cost associated with the provision of services is dependent on the current services provided to county residents, the timing of any such deannexation, and the number and location of deannexed properties. In addition, there may be a shift in revenue from the municipality to the county. Any fiscal impact resulting from a municipal deannexation cannot be reasonably quantified.
- Based on information provided by the Departments of Revenue, Finance and Administration, and Transportation, any fiscal impact to state operations is estimated to be not significant.

CERTIFICATION:

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

Krista M. Lee RNC

Krista M. Lee, Executive Director

/amj