

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
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**FISCAL IMPACT STATEMENT**

**LS 6492**

**BILL NUMBER: SB 167**

**DATE PREPARED:** Feb 25, 1999

**BILL AMENDED:** Feb 25, 1999

**SUBJECT:** Terms and conditions of annexations.

**FISCAL ANALYST:** Beverly Holloway

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**FUNDS AFFECTED:**     **GENERAL**  
                          **DEDICATED**  
                          **FEDERAL**

**IMPACT:** Local

**Summary of Legislation:** (Amended) This bill requires (rather than allows) municipalities to include certain terms and conditions in an annexation ordinance.

This bill requires (rather than allows) municipalities to impound certain property taxes collected from annexed territory. The impounded taxes must be used to provide additional services not specified in the annexation plan.

A municipality: (1) that adopts an annexation ordinance before July 1, 1999; (2) that proves a fiscal plan before July 1, 1999; and (3) whose annexation ordinance is effective after July 1, 1999, is not required to amend its ordinance or fiscal plan but is required to: (1) create terms and conditions of the annexation fairly calculated to make the annexation equitable to the property owners and residents of the municipality and the annexed territory; and (2) with regard to territory that meets certain population and subdivision requirements, impound in a special fund all of the municipal property taxes imposed on the annexed territory for at least three years after the annexation takes effect.

If a municipality attempts unsuccessfully to annex territory, the municipality may not make further attempts to annex the territory for four years. (Current law provides that if a municipality attempts unsuccessfully to annex territory, the municipality may not make further attempts to annex the territory for two years.)

A municipality is required to mail notice of an annexation to the owners of property within the annexed territory not later than 60 days before the public hearing on the annexation. The municipality is required to publish notice of the public hearing at least 60 days before the date of the hearing.

This bill provides that a municipality may not adopt an annexation ordinance within 30 days after the public hearing on the annexation.

A municipality is required to adopt a fiscal plan before the annexation ordinance is adopted.

**Effective Date:** July 1, 1999.

**Explanation of State Expenditures:**

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** (Revised) This bill requires a municipality to provide by mail a written notice of the public hearing concerning a proposed annexation to each owner of real property whose real property is located within the territory proposed to be annexed. The notice is to be mailed 60 days before the date of the hearing. The bill does not specify the type of mailing method (i.e., certified mail, first class mail, bulk mail) to be used. The fiscal impact is dependent on the mailing method used and the number of real property owners located within the territory proposed to be annexed.

Currently, if a municipality attempts unsuccessfully to annex territory, the municipality may not make further attempts to annex the territory for two years. This bill would change from two years to four years the time in which a municipality may attempt to annex territory that the municipality had previously been unsuccessful in annexing. When territory is annexed, services need to be extended to that territory. The extension of services to this new territory would create additional expenditures for the municipality. The cost of extending services to the annexed territory would occur if the annexation is successful after the four year waiting period.

**Explanation of Local Revenues:** (Revised) Under current law, an annexation ordinance **may** include terms and conditions to make an annexation equitable to property owners in the municipality and in the annexed area. Municipal property taxes on the annexed area **may** be impounded for up to three years, to be used for the extension of services and benefits to the annexed area. This bill **requires** these taxes to be impounded for up to three years, to be used to expedite the extension of services or to provide additional services not in the annexation plan.

This bill could result in annexed taxpayers receiving municipal services faster than under current law. It may also put financial constraints upon a municipality that may otherwise have spent the taxes from annexation on more general needs.

The annexation of property broadens the property tax base which tax rates are based on. The existing taxpayers in the municipality usually would experience a rate reduction and the annexed taxpayers usually experience a rate hike. If the municipality is successful in annexing territory after the four year waiting period, the tax shifts would occur.

**State Agencies Affected:**

**Local Agencies Affected:** Annexing municipalities.

**Information Sources:**