

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

301 State House
(317)232-9855

FISCAL IMPACT STATEMENT

LS 6492
BILL NUMBER: SB 167

DATE PREPARED: Apr 8, 1999
BILL AMENDED: Apr 7, 1999

SUBJECT: Terms and conditions of annexations.

FISCAL ANALYST: Beverly Holloway
PHONE NUMBER: 232-9851

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.

This bill requires an advisory board to be appointed to advise the municipality on the provision of services to the annexed area.

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.)

This bill provides that a municipality shall hold a public hearing on an annexation not earlier than 60 days after the date the annexation ordinance is introduced. A municipality may adopt an annexation ordinance not earlier than 30 or not later than 60 days after the public hearing on the annexation.

Regarding certain annexations, written notice of the annexation must be sent at least 60 days before the date of the public hearing by certified mail to the landowners in the territory proposed to be annexed. The bill specifies the information that must be included in the written notice sent to landowners in the area proposed to be annexed. Notice of the public hearing is required to be published at least 60 days before the hearing.

For municipalities other than cities in St. Joseph County, a remonstrance petition must contain the signatures of at least 65% of the owners of land in the annexed territory or the owners of more than 75% of the assessed valuation of land in the annexed territory. (Current law provides that a remonstrance petition must contain the signatures of a majority of owners of land in the annexed territory or the owners of more than 75% in assessed valuation of the land in the annexed territory.) A remonstrance petition filed in an annexation by a city in St. Joseph County must contain the signatures of the majority of owners of land in the annexed territory or the owners of more than 75% in assessed valuation of the land in the annexed territory. The period for filing a remonstrance is extended from 60 days to 90 days.

A court is required to order an annexation not to take place if certain requirements are met. (Under current law, the court may order an annexation not to take place only if these requirements are met in an annexation by a city in St. Joseph County.)

This bill specifies that a municipality must adopt a written fiscal plan for certain annexations. It also specifies additional information that must be included in the fiscal plan. A requirement currently in the law that the fiscal plan include the plan for hiring the employees of other governmental entities whose jobs will be eliminated by the proposed annexation is removed under the provisions of this bill.

This bill provides that all municipalities must provide noncapital and capital services to an annexed area that are equivalent to services provided within the municipality regardless of similar topography, patterns of land use, and population density. (Current law requires municipalities other than cities in St. Joseph County to provide services to the annexed area that are equivalent to those services provided within the municipality that have similar topography, patterns of land use, and population density.)

This bill provides that the Secretary of State and township trustee must receive annexation and disannexation filings.

Effective Date: July 1, 1999.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures: (Revised) This bill requires an advisory board to be appointed to advise the municipality on the provision of services to the annexed area. A member of the board may not receive a salary but may receive reimbursement for necessary expenses incurred in the performance of the member's respective duties. This bill does not specify which entity or budget is to pay for these expenses.

This bill requires that the notice of a public hearing of specific annexations must be sent by certified mail to persons owning real property within the territory proposed to be annexed. The cost of sending an article certified mail through the U.S. Postal Service is \$2.78 (\$1.35 for certification; \$0.33 postage; and \$1.10 for a return signed certification card). This bill could increase the number of individuals who would be required to receive notice of a proposed annexation. Implementation of the provisions of this bill would increase the

cost to a municipality. The fiscal impact of this bill is indeterminable.

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.

This bill provides that for municipalities other than cities in St. Joseph County, a remonstrance petition must contain the signatures of at least 65% of the owners of land in the annexed territory or the owners of more than 75% of the assessed valuation of land in the annexed territory. (Current law provides that a remonstrance petition must contain the signatures of a majority of owners of land in the annexed territory or the owners of more than 75% in assessed valuation of the land in the annexed territory.) Additionally, a remonstrance petition filed in an annexation by a city in St. Joseph County must contain the signatures of the majority of owners of land in the annexed territory or the owners of more than 75% in assessed valuation of the land in the annexed territory. Extends the period for filing a remonstrance from 60 days to 90 days. Requires a court to order an annexation not to take place if certain requirements are met. (Under current law, the court may order an annexation not to take place only if these requirements are met in an annexation by a city in St. Joseph County.) The additional 30 days could give remonstrators more time to organize the number of landowners necessary to successfully appeal the annexation. If the appeal is successful the property owners would not receive municipal services. The fiscal impact of this provision is dependent on the outcome of a remonstrance.

This bill provides that a court is required to order an annexation not to take place if certain requirements are met. (Under current law, the court may order an annexation not to take place only if these requirements are met in an annexation by a city in St. Joseph County.) Under this provision the property owners would not receive municipal services.

A municipality is required to provide noncapital services to an annexed territory within one year and capital services to the annexed territory within four years after the effective date of the annexation, in the same manner as those services are provided to areas within the corporate boundaries, regardless of similar topography, patterns of land use, or population density. (Current law requires a municipality to provide noncapital services to the annexed territory within 1 year capital services to the annexed territory within three years after the effective date of the annexation, in the same manner as those services are provided to areas within the corporate boundaries regardless of similar topography, patterns of land use, or population density.)

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. The impounded taxes must be expended not later than five years after the annexation becomes effective.

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.

If a remonstrance petition is filed and the appeal to an annexation is successful or if a court rules that an annexation should not take place, the property owners of the proposed annexed territory would not have to pay the increased property taxes.

State Agencies Affected: Secretary of State.

Local Agencies Affected: Annexing municipalities; Township trustee.

Information Sources: