

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 938 - SB 851

March 10, 2023

SUMMARY OF BILL: Authorizes owners of real property used primarily for agricultural purposes, who reside in a territory previously annexed by a municipal ordinance, to petition the municipality to deannex such property if some portion of the property lies within one mile of the existing municipal boundaries.

Requires the municipality to determine any debt amount owed within 30 days of receiving the petition and provides that the deannexation of the property is operative 90 days after the municipality receives the petition. Specifies the type of debt on which the municipality is authorized to continue to levy and collect taxes after a territory is deannexed.

Provides that a municipal utility is not required to cease providing services in the territory excluded from the municipality's corporate limits.

FISCAL IMPACT:

Other Fiscal Impact –The extent and timing of any mandatory decrease in local revenue due to the condensing of the period for which a municipality may continue to levy and collect taxes after a territory is deannexed cannot be reasonably quantified.

Assumptions:

- Public Chapter 707 (PC 707) of the 108th General Assembly, which amended Tenn. Code Ann. § 6-51-104(a), established that a property being used primarily for agricultural purposes may be annexed only with the written consent of the property owner or owners.
- The proposed legislation will allow owners of property used primarily for agricultural purposes that was annexed by ordinance upon the initiative of the municipality prior to the effective date of PC 707 to deannex from that municipality.
- Under the proposed legislation, the municipality must determine the debt amount owed, if any, within 30 days of receiving the petition of deannexation.
- 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.
- The proposed legislation authorizes a municipality to continue to levy and collect taxes on property in the excluded territory to pay the excluded territory's proportion of any

HB 938 - SB 851

debt newly contracted after the territory was annexed and prior to the exclusion so that a property owner is only responsible for any debt incurred while the property was municipal territory.

- Given the condensed period for which a municipality may continue to levy and collect taxes, there may be a mandatory decrease in local revenue equal to the forgone property tax previously collected minus any debt-related property tax that is levied. The extent and timing of any decrease to local revenue cannot be determined.
- Typically, 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, and thus, a shift in revenue from the municipality to the county.
- The proposed legislation specifies that a municipal utility is not required to cease providing electrical service, sanitary sewer service, other utility services, or street lighting services in the territory excluded from the municipality's corporate limits. Since these utility providers are authorized to provide such services and collect fees, it is assumed that that they will continue to do so. Therefore, no fiscal impact to local government is expected.

CERTIFICATION:

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



Krista Lee Carsner, Executive Director

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