NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: H.B. 964

SHORT TITLE: Municipal Incorporation Process

SPONSOR(S): Representative Jarrell

FISCAL IMPACT

Yes ( ) No ( ) No Estimate Available (X)

	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04
REVENUES	**No General Fund Impact**				
	See Assumptions and Methodology				

PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Local Government Commission, Joint Legislative Commission of Municipal Corporations, Department of Revenue, and potential local governments.

EFFECTIVE DATE: Section 1 of this act applies with respect to municipalities for which the Joint Legislative Commission on Municipal Corporations makes recommendations on or after the date this act becomes law. The remainder of this act is effective when it becomes law.

BILL SUMMARY: The bill makes several changes to the municipal incorporation process. First, it requires communities petitioning for incorporation to state, in the petition, that they will provide at least four key municipal services. Current law requires that they provide two services. The services that qualify under the bill are police protection, fire protection, solid waste collection or disposal, water distribution, street maintenance, street construction or right-of-way acquisition, street lighting, and zoning. In order to provide qualifying policy protection the municipality must provide the service directly or contract with another area to provide the service. If contracting occurs, the area providing service must be compensated for their effort. Second, the petitioning community must promise to levy an ad valorem tax of at least $0.20 per $100.00 of accessed value. The tax must be levied within three fiscal years of incorporation. The current minimum rate is $0.05 per $100.00 of accessed value.

Next the bill modifies the population requirement. Under current law a potential municipality must have a permanent population of 100 or more. The bill retains that standard, but also requires a population density of at least 250 person per square mile. Seasonal residents can be included in the density estimate. Forth, the bill requires the petitioning community to report on the fiscal impact incorporation would have on existing communities. Specifically, it requires an analysis of the potential diversion of existing local taxes or State-shared revenues from existing local governments to the new municipality. Finally, it prohibits distribution of the local portion of sales tax, beer and wine tax, and gross receipts tax to the municipality unless they met the above requirements, and all others in G.S. 136-41.2.

ASSUMPTIONS AND METHODOLOGY: Overall the bill increases the requirements for a community to incorporate as a municipality. Because the bill deals with the incorporation requirements for new communities, there will be no significant impact on existing communities. Over time, the bill may have some impact on the proportion of sales, beer and wine, and gross receipts taxes an existing community receives. By making it more difficult to incorporate the bill may allow existing community to retain a larger portion these taxes, since the funds will not be siphoned off to a new community. The bill also has the potential to increase the tax residents of a new community pay, since it increases the minimum tax a municipality can levy. Finally, the bill could increase expenditures for public services, since it requires new communities to provide more services than existing law. However, because Fiscal Research can not accurately predict incorporations, or the services a new community might provide, with or without the bill, we can not accurately estimate the potential fiscal impact of the legislation. The bill will have no impact on the State's General Fund. The only potential impact is at the local level.

FISCAL RESEARCH DIVISION 733-4910
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