
Detailed Fiscal Analysis

The bill revises municipal annexation law. The bill changes the requirements for a municipality to annex land outside of its boundaries. The bill places new restrictions on when and how annexation must occur and sets forth new processes that must be followed and steps which must be taken before annexation can occur. The bill would have varying effects on the number of annexations approved by boards of county commissioners. The overall impact on municipal and township revenues and expenditures would vary from county to county and would depend on factors such as existing relations between townships and municipalities within a county.

The following outlines the major provisions contained within the bill:

UNDER CURRENT LAW

No minimum contiguous boundary requirement.

The annexation must be to the general good of the territory seeking to be annexed.

No provision regarding “the community as a whole”.

UNDER THE BILL

Petition for annexation is invalid unless at least 10% of the perimeter of the territory is contiguous with the boundary of the municipal corporation, the board of county commissioners determines that the territory is “otherwise sufficiently connected to the municipality” to meet the intent of the 10% requirement, or if all affected townships have passed a resolution by unanimous vote approving the waiver of the 10% rule.

The bill maintains this provision.

The annexation must not be detrimental to the community as a whole. This provision is met when:

1) All parties have signed an annexation agreement.

Or

2) The annexation meets several criteria including; that the territory to be annexed is not a “strip or corridor”, the annexation could not be characterized as “a balloon on a string”, no street or highway will be divided - unless the city agrees to pay for all of the maintenance, and no incompatible uses will be permitted unless certain conditions are met.

The bill establishes specific parameters which must be met in order for an annexation to be allowed to occur. However, the bill also grants more decision making authority to the county commissioners. It is not certain that the bill’s provisions would make annexations harder to achieve, but any comprehensive alterations to the annexation laws would result in an increase in the amount of litigation for a period of time. The costs of increased litigation would be borne by the parties involved.

County Costs

The bill allows boards of county commissioners to establish fees to cover the costs incurred in annexation proceedings. County commissioners are not currently allowed to charge for annexation proceedings. Under the bill, the responsibilities of the county commissioners with regard to annexation proceedings are greatly expanded along with the ability to charge “reasonable” fees. Therefore, some counties may experience an increase in expenditures and a gain in revenues.

LBO Survey

In 1995, the Legislative Budget Office conducted a survey (of all 88 counties) on the number of annexations which have occurred over the past five years. With thirty-seven of the eighty-eight counties responding, 957 annexations have been filed with boards of county commissioners over the past five years. This amounts to over 190 annexations per year, or an average of 26 annexations per county (over the five year period from 1990 to 1994, inclusive). Of these annexations, 877 were approved by the county commissioners. Finally, of the 957 annexations filed with boards of county commissioners, a total of 286 entities opposed one or more of the annexations. Of the annexations opposed, one was opposed by a city, 3 by villages, 192 by townships, 83 by individuals, and 7 by other entities including school districts.

Conclusion

The survey conducted by LBO shows that a large number of annexations occurred over five years. However, the number of annexations and the number of annexations opposed do not provide us with enough information to make a judgment about the potential fiscal impact of the bill’s provisions. While any change in annexation law would result in a period of uncertainty as political subdivisions struggle to understand new provisions, the bill in granting more discretion to boards of county commissioners may have the effect of limiting annexations in some areas of the state while having little or no effect on the number of annexations occurring in other portions of the state.

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