

**Report to North Carolina House of Representatives Finance Committee**

**Presented by Subcommittee on Deannexation  
(Representatives Butler, Ross and Scott)**

## **PART I**

### **MEMORANDUM**

**To:** Senior Chair Julia Howard

**From:** Reps. Deborah Butler, Stephen Ross, and Paul Scott

**Re:** Modernizing North Carolina's Municipal Deannexation Process

**Date:** March 6, 2026

#### **Overview**

At present, North Carolina's deannexation process is entirely vested in the General Assembly. Property may only be removed from municipal boundaries through local legislation. There is no standing statutory administrative process, no uniform standards, and no structured local review mechanism.

As a result, deannexation decisions are inherently political, inconsistent, and dependent upon legislative intervention rather than predictable legal criteria. This framework places the General Assembly in the position of adjudicating highly localized boundary disputes without a standardized evidentiary record or procedural safeguards.

Several states, including Tennessee and Georgia, have adopted statutory frameworks that delegate deannexation authority to municipalities and property owners under defined procedures. These models offer useful guidance for reform.

This memorandum outlines (1) current North Carolina practice, (2) comparative approaches in Tennessee and Georgia, and (3) recommended structural reforms for consideration.

#### **Current North Carolina Structure**

- Deannexation requires a local act of the General Assembly.
- There is no general statute authorizing municipal contraction.
- Property owners cannot petition a municipality directly for removal.
- There is no required referendum of affected residents.
- Legislative discretion is effectively unlimited.

This structure results in:

- Politicization of local land-use and tax questions.
- Inconsistent standards statewide.
- Uncertainty for municipalities, counties, and property owners.
- Burdening the General Assembly with hyper-local matters.

### **Lessons from Other States**

**Tennessee** provides:

- Municipal-initiated deannexation by ordinance.
- Referendum rights for affected residents upon petition.
- Defined petition thresholds.
- Clear notice and recording requirements.
- Bar on repetitive proposals.

**Georgia** provides:

- Property-owner-initiated petitions.
- County consultation and, in certain cases, consent.
- Municipal approval required unless specific harm findings are made.
- Parcel and boundary limitations to prevent abuse.

Both states:

- Remove routine deannexation from the state legislature.
- Establish objective statutory criteria.
- Incorporate local accountability.
- Provide procedural clarity and judicial review.

## **Policy Considerations for North Carolina**

Reform could:

1. Delegate deannexation authority to municipalities.
2. Allow owner-initiated petitions under defined conditions.
3. Provide referendum safeguards for affected residents.
4. Require fiscal impact review and service transition planning.
5. Preserve judicial review for procedural compliance.
6. Prohibit repetitive or piecemeal petitions.

Such reform would maintain municipal fiscal stability while depoliticizing the process and restoring uniform governance standards.

## **Recommendation**

We recommend consideration of a general statute authorizing structured deannexation procedures incorporating:

- Municipal ordinance authority.
- Owner petition pathways.
- Referendum safeguards.
- County consultation.
- Written findings standards.
- Judicial review.
- Recording and transparency requirements.

This approach would modernize North Carolina's framework while respecting local control and fiscal responsibility.

## **PART II**

### **SIDE-BY-SIDE COMPARISON**

| <b>Feature</b>                  | <b>North Carolina</b>               | <b>Tennessee</b>                        | <b>Georgia</b>                            |
|---------------------------------|-------------------------------------|-----------------------------------------|-------------------------------------------|
| Who has authority?              | General Assembly only               | Municipality by ordinance               | Municipality via owner petition process   |
| Owner-initiated process?        | No                                  | Limited (certain properties)            | Yes (all owners must consent)             |
| Municipal authority to deannex? | No standing authority               | Yes                                     | Yes                                       |
| Referendum option?              | No                                  | Yes (upon voter petition)               | No automatic referendum                   |
| Petition threshold              | Not applicable                      | ~10–15% of voters to trigger referendum | 100% of property owners                   |
| County involvement              | None required                       | Notice only                             | County consent or review required         |
| Standards for approval          | Political discretion                | Public interest + fiscal review         | Cannot deny absent specific harm findings |
| Judicial review                 | Limited to constitutional challenge | Yes                                     | Yes                                       |
| Repetition limits               | None                                | Two-year bar                            | Reannexation restrictions                 |
| Process transparency            | Legislative bill process            | Statutory notice + hearing              | Petition + review procedure               |

## **Key Observations**

- NC is the only state among the three where deannexation is exclusively legislative.
- Tennessee emphasizes voter participation and referendum safeguards.
- Georgia emphasizes unanimous property-owner consent and county coordination.
- Both TN and GA limit arbitrary decision-making through statutory findings.

## **PART III**

### **MODEL LEGISLATION**

#### **AN ACT TO ESTABLISH A UNIFORM PROCESS FOR MUNICIPAL DEANNEXATION**

##### **SECTION 1. PURPOSE.**

The purpose of this Act is to establish a uniform statutory procedure for the contraction of municipal boundaries, ensuring transparency, fiscal responsibility, local accountability, and procedural fairness.

##### **SECTION 2. MUNICIPAL AUTHORITY TO DEANNEX.**

A municipality may remove contiguous territory from its corporate limits by ordinance adopted in accordance with this Act.

The governing board shall adopt a resolution of intent, publish notice, mail notice to affected property owners and registered voters, and conduct at least one public hearing prior to adoption.

The board shall make written findings that:

1. Deannexation serves the public interest;
2. Municipal service obligations will be concluded or transitioned in an orderly manner.
3. The action will not materially impair fiscal stability or bonded indebtedness.

### **SECTION 3. REFERENDUM UPON PETITION.**

Within 60 days following adoption of a deannexation ordinance, a petition signed by at least 25% of registered voters residing in the affected territory may request a referendum.

Upon certification of a sufficient petition, the question shall be submitted to the voters residing in the territory at the next general election.

If a majority vote in favor, the ordinance becomes effective as scheduled.

If a majority vote against, the ordinance is void and substantially similar territory may not be proposed for deannexation for the following two years.

### **SECTION 4. DEANNEXATION OF PROPERTY BY OWNER PETITION.**

All owners of record of contiguous property within municipal limits may petition the municipality for deannexation.

The petition shall include a legal description, boundary map, and disclosure of current municipal services.

The governing board shall approve the petition, provided all of the procedural requirements have been met, unless it finds that deannexation would:

1. Create an unincorporated island;
2. Materially impair public health or safety;
3. Substantially impair municipal fiscal stability.
4. Negatively affect any bonded indebtedness.
5. Create a fiscal burden on remaining taxpayers.

Any denial must include written findings of fact.

### **SECTION 5. COUNTY CONSULTATION.**

Prior to final action, the municipality shall provide notice to the county governing board.

County consent shall be required if deannexation would transfer significant service obligations or materially impact county expenditures.

## **SECTION 6. EFFECTIVE DATE AND TRANSITION.**

Deannexation shall become effective at the beginning of the next fiscal quarter following approval.

Municipal taxes shall be prorated.

Utility service contracts may continue unless otherwise agreed.

## **SECTION 7. RECORDING AND NOTICE.**

Upon effectiveness, the municipality shall record the ordinance with the register of deeds and transmit copies to the Secretary of State, the Local Government Commission, and the county tax assessor.

## **SECTION 8. JUDICIAL REVIEW.**

Any aggrieved party may seek judicial review within 30 days. Review shall be limited to procedural compliance and whether findings are supported by substantial evidence.

## **SECTION 9. LIMITATION ON REPETITIVE PETITIONS.**

Substantially similar territory may not be the subject of a petition or ordinance under this Act for two years following denial or referendum rejection.

## **Closing Observation**

This framework:

- Removes deannexation from legislative case-by-case politics.
- Establishes predictable standards.
- Protects municipal fiscal health.
- Preserves voter and property-owner rights.
- Aligns North Carolina with modern state practice.

Respectfully Submitted:

Representatives Butler, Ross, and Scott