

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

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FISCAL IMPACT STATEMENT

LS 7071

BILL NUMBER: HB 1287

NOTE PREPARED: Jan 5, 2021

BILL AMENDED:

SUBJECT: Water or Wastewater Service for Underserved Areas.

FIRST AUTHOR: Rep. Pressel

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: The bill allows a water or wastewater utility to extend service to a developed but underserved area without a deposit from customers if the extension of service will result in a positive contribution to the utility's overall cost of service over a 20 year period. It defines "developed but underserved area" as an area in which prospective service would be provided predominantly to existing and occupied structures that receive water from private wells or from which wastewater is disposed of through onsite private systems such as septic tanks.

The bill provides that a water or wastewater utility's extension of service to a developed but underserved area will be considered as resulting in a positive contribution to the utility's overall cost of service over a 20 year period to the extent that rates to be paid by at least one-half of the customers who could be served by the extension of service would enable the utility to fully recover the cost of serving those customers, including the utility's pretax return. It also provides that if a water or wastewater utility determines that an extension of service to a developed but underserved area will not result in a positive contribution to the utility's overall cost of service over a 20 year period, the utility may require a deposit or other adequate assurance of performance from the customers to be served by the extension of service.

Effective Date: July 1, 2021.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures: The bill expands existing statute regarding the extension of water or

wastewater service to include developed but undeserved areas, and provides criteria on how a utility shall determine whether an extension of service results in a positive contribution to the utility's overall cost of service. To the extent that municipal utilities make use of these new provisions, local units could experience some increased short-term costs in expanding service to these additional areas. However, any fiscal impact resulting from the bill is indeterminable.

Explanation of Local Revenues:

State Agencies Affected:

Local Agencies Affected: Municipal utilities.

Information Sources:

Fiscal Analyst: Olivia Smith, 317-232-9869.