

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 7071**

**BILL NUMBER:** HB 1287

**NOTE PREPARED:** Apr 9, 2021

**BILL AMENDED:** Apr 8, 2021

**SUBJECT:** Water or Wastewater Service.

**FIRST AUTHOR:** Rep. Pressel

**FIRST SPONSOR:** Sen. Ford Jon

**BILL STATUS:** 2<sup>nd</sup> Reading - 2<sup>nd</sup> House

**FUNDS AFFECTED:**     **GENERAL**  
                              **DEDICATED**  
                              **FEDERAL**

**IMPACT:** Local

**Summary of Legislation:** (Amended) *Extension of Water or Wastewater Service:* 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 provides that the extension of service 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 50% or more of the customers who could be served by the extension of service would enable the utility to fully recover the weighted cost of debt and depreciation expense attributable to the cost of the main extension for the extension of service. The bill provides that if a water or wastewater utility determines that an extension of service 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.

*Property Improvements:* It provides that if a property owner makes an improvement to the property owner's dwelling, the property owner is not required to upgrade or discontinue use of the property's septic tank soil absorption system or to connect to a sewer system if the improvement does not include the addition of a bedroom or bedroom equivalent and the property owner receives a written determination from a qualified inspector that the septic tank soil absorption system is not failing.

*Removal of Tract From Conservancy District:* The bill provides that if a tract of land is located within the boundaries of a conservancy district established for sewage purposes, no structure located on the tract of land is connected to or served by the conservancy district's sewage service, the tract of land has been annexed by a municipality that will provide sewer service to the tract of land, and other conditions are met, the owner of the tract of land may petition the court that established the conservancy district for the removal of the tract

of land from the boundaries of the conservancy district.

**Effective Date:** (Amended) July 1, 2021.

**Explanation of State Expenditures:**

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** *Extension of Water or Wastewater Service:* 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.

*Property Improvements:* To the extent that fewer property owners are required to connect to a district's sewer system as a result of the bill, there could be an indeterminable impact on costs municipal water and wastewater utilities.

(Revised) *Removal of Tract From Conservancy District:* The bill could increase work for courts as the bill allows the owner of a tract of land, with certain criteria, to petition the court to be removed from the conservancy district established for sewage system purposes. The court is required to hold a hearing on the petition and remove the tract from conservancy district (if all conditions are met and the petition is proper).

**Explanation of Local Revenues:** (Revised) *Exemption from Special Benefits Tax:* The bill could minimally reduce special benefits tax revenues for certain conservancy districts by exempting a tract of land that is only partially located within its boundaries and is not connected to or served by the conservancy district's sewage service.

(Revised) *Removal of Tract From Conservancy District:* If the court removes a tract from a conservancy district, the tract of land and all improvements on it would be exempt from any special benefits tax and from assessments for exceptional benefits or maintenance and operations.

(Revised) *Additional Information* - There are currently 42 conservancy districts that were established for sewage system purposes. Of these conservancy districts, 26 also have other purposes for which they were established, and 16 were established exclusively for sewage system purposes.

**State Agencies Affected:**

**Local Agencies Affected:** Municipal utilities; Conservancy districts established for sewage collection purposes; courts.

**Information Sources:** [https://www.in.gov/dnr/water/files/con\\_dist\\_dir.pdf](https://www.in.gov/dnr/water/files/con_dist_dir.pdf)

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