

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

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**FISCAL IMPACT STATEMENT**

**LS 7191**

**BILL NUMBER:** HB 1245

**NOTE PREPARED:** Jan 5, 2022

**BILL AMENDED:**

**SUBJECT:** Connections to Water and Sewer Systems.

**FIRST AUTHOR:** Rep. Pressel

**BILL STATUS:** As Introduced

**FIRST SPONSOR:**

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

**IMPACT:** State & Local

**Summary of Legislation:** The bill prohibits a local unit or a water or wastewater utility from charging or collecting from a property owner a connection fee that: (1) is established after June 30, 2022; and (2) includes contributions in aid of construction.

The bill provides that if a local unit or a utility charges a property owner a connection fee that is established after June 30, 2022, and that is based, in whole or in part, on contributions in aid of construction, the property owner may file with the Indiana Utility Regulatory Commission (IURC), not later than 30 days after the date the connection fee is first imposed on the property owner, a petition challenging the connection fee. It provides that if the IURC determines the connection fee is based in whole or in part on contributions in aid of construction, the IURC shall invalidate the connection fee.

The bill amends the Indiana Code section setting forth the powers of a regional water, sewer, or solid waste district to eliminate the authority of a district to adopt an ordinance providing for a penalty of up to \$100 for a property owner's failure to connect to a sewer system operated by the district. It provides that any such ordinance adopted by a district before July 1, 2022: (1) may not be enforced; and (2) is void and of no effect; after June 30, 2022.

**Effective Date:** July 1, 2022.

**Explanation of State Expenditures:** *Indiana Utility Regulatory Commission (IURC):* This bill increases the workload of the IURC to the extent that petitions are filed in accordance with the bill's provisions. The bill's requirements are within the agency's routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

Additional Information - The operating budget of the IURC is funded by regulated utilities operating in Indiana. The rate at which to bill the utilities is based on the agencies' budgets, less reversions, divided by the total amount of gross intrastate operating revenue received by the regulated utilities for the previous fiscal year. Based on this formula, utilities are currently billed approximately 0.12% of their gross intrastate operating revenues to fund the IURC.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** Municipal water and wastewater fees may have a lower basis for rate setting when contributions in aid of construction are eliminated. Existing fees may be reviewed and reduced, if a petition is filed with the IURC. [Contributions in aid of construction include money, services, or property received at no cost to the municipality.]

The bill eliminates the ability for a regional water, sewage, or solid waste district to adopt an ordinance imposing a penalty on a property owner for failing to connect to a sewer system operated by the district, and prohibits a district from enforcing any existing fees or penalties for a property owner's failure to connect to a sewer system operated by the district. The provisions in the bill may result in lowering the potential number of new customers. Any loss of new customers would result in the loss of additional revenues. The elimination of current penalties of up to \$100 for not connecting will also result in local revenue losses. The potential revenue impact is indeterminable, but likely minimal.

**State Agencies Affected:** Indiana Utility Regulatory Commission.

**Local Agencies Affected:** Municipally owned water and wastewater utilities; Regional water, sewage, or solid waste districts.

**Information Sources:**

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