

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

200 W. Washington, Suite 301  
Indianapolis, IN 46204  
(317) 233-0696  
<http://www.in.gov/legislative>

**FISCAL IMPACT STATEMENT**

**LS 6028**

**BILL NUMBER:** HB 1018

**NOTE PREPARED:** Mar 1, 2006

**BILL AMENDED:** Mar 1, 2006

**SUBJECT:** Water Utilities.

**FIRST AUTHOR:** Rep. Robertson

**FIRST SPONSOR:** Sen. Hershman

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

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

**IMPACT:** State

**Summary of Legislation:** (Amended) This bill requires a nonprofit water utility that is reconstituted as a water authority to have an annual audit by a certified public accounting firm and to keep the audit report on file. The bill provides that the water authority is not subject to audit or examination by the State Board of Accounts, to the examination guidelines and reporting requirements of the State Board of Accounts, or to certain statutes that apply to political subdivisions. The bill also provides that certain conservancy districts that provide water service are subject to Indiana Utility Regulatory Commission (IURC) procedures for withdrawal of a utility from IURC jurisdiction. This bill provides for the participation of freeholders in that procedure.

**Effective Date:** July 1, 2006.

**Explanation of State Expenditures:** (Revised) This bill provides that conservancy districts which:

- (1) provide water service as of January 1, 2006; and
  - (2) the total number of freeholders provided water service by the district is less than 4,000;
- are subject to Indiana Utility Regulatory Commission (IURC) procedures for withdrawal of a utility from IURC jurisdiction. The increased cost in regulating these conservancy districts will be offset by the districts' payment of Public Utility Fees (see *Explanation of State Revenues*).

Allowing freeholders (landowners within the district of the utility) to participate in the procedure for withdrawal of a utility from IURC jurisdiction is not expected to have a fiscal impact on the IURC.

**Explanation of State Revenues:** The Public Utility fees are deposited in the Public Utility Fund. The operating budgets of the IURC and the OUCC are funded by regulated utilities operating in Indiana. The IURC

determines the rate at which to bill the utilities based on the two agencies' budgets, less reversions, divided by the total amount of gross intra- state operating revenue received by the regulated utilities for the previous fiscal year. Based on this formula, utilities are currently billed approximately 0.10% of their gross intra-state operating revenues to fund the IURC and OUCC. In FY 2005, fees from the utilities and fines generated approximately \$11.7 M.

**Explanation of Local Expenditures:** This bill clarifies that having certified public accounting firms perform audits for water authorities is an accepted practice. The State Board of Accounts does not audit water authorities. The bill also clarifies that water authorities constituted from nonprofit water utilities are not subject to certain statutes pertaining to public agencies.

**Explanation of Local Revenues:**

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

**Local Agencies Affected:**

**Information Sources:**

**Fiscal Analyst:** Adam Brown, 317-232-9854.