

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

**LS 6891**

**BILL NUMBER:** HB 1107

**NOTE PREPARED:** Jan 26, 2010

**BILL AMENDED:** Jan 26, 2010

**SUBJECT:** IURC Review of Certain Water Rates.

**FIRST AUTHOR:** Rep. Battles

**FIRST SPONSOR:**

**BILL STATUS:** CR Adopted - 1<sup>st</sup> House

**FUNDS AFFECTED:**  GENERAL  
 DEDICATED  
 FEDERAL

**IMPACT:** State

**Summary of Legislation:** This bill provides that: (1) a municipality that operates a water utility; or (2) users of the waterworks located outside the corporate boundaries of the municipality; may petition the Utility Regulatory Commission (IURC) under certain circumstances for review and revision of the rates and charges imposed on the users. It requires the IURC to prescribe the form and content of the petition. It provides that a petition is deemed approved if the IURC does not approve or disapprove the petition within 120 days. The bill also authorizes the IURC to adopt rules.

**Effective Date:** July 1, 2010.

**Explanation of State Expenditures:** (Revised) The IURC may experience increased administrative costs as a result of this bill, but the provisions should be able to be accomplished within existing resources. They will have to prescribe a petition form, and depending on the extent to which petitions occur as a result of this bill, will have to review and revise rates and charges as necessary. The provisions of this bill only apply to users located outside of the corporate boundaries of the municipality, and their rates must exceed by more than 25% the rates imposed on users located within the corporate boundaries.

**Explanation of State Revenues:** To the extent that petitions for revisions of rates and charges are approved by the IURC, there could be a change in Utility Receipts Tax (URT), Utility Services Use Tax (USUT), and Sales Tax revenues. This impact is indeterminable.

**Background:** The rate for both the URT and USUT is 1.4%. The URT is calculated on the gross receipts of all entities providing the retail sale of utility services in Indiana. The USUT is imposed on the retail

consumption of utility services in Indiana. Both the URT and USUT are deposited in the state General Fund.

Sales Tax revenue is deposited in the state General Fund (99.178%), the Public Mass Transportation Fund (0.670%), the Commuter Rail Service Fund (0.123%), and the Industrial Rail Service Fund (0.029%).

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** (Revised) Municipalities may need to review and seek revision of water utility rates and charges. These provisions only apply to users located outside of the corporate boundaries of the municipality, and their rates must exceed by more than 25% the rates imposed on users located within the corporate boundaries.

**State Agencies Affected:** IURC.

**Local Agencies Affected:** Municipalities.

**Information Sources:**

**Fiscal Analyst:** Jessica Harmon, 317-232-9854.