

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION**

**April 8, 2013**

**TO:** Honorable Troy Fraser, Chair, Senate Committee on Natural Resources

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE:** SB1162 by Watson (Relating to requirements for the purchase or acquisition of a water or sewer system.), **As Introduced**

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| <p><b>No significant fiscal implication to the State is anticipated.</b></p> |
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The bill changes the requirements related to the sale, transfer, or merger of water or sewer systems. The bill would require utilities to file applications for the sale, transfer or merger of a system electronically, and the Texas Commission on Environmental Quality (TCEQ) would be required to post the applications on its website within 30 days after the application is filed. The bill would require utilities to provide additional information when providing joint/written notice of filing a application for a sale, transfer, or merger if the transaction would involve more than one utility, water supply or sewer service corporation (WSC), or a political subdivision's water or sewer system. The bill would also allow the TCEQ's executive director to waive notice requirements under certain circumstances. The TCEQ would also be required to provide a public hearing if 10 percent of a utility or a WSC's customers make a written request for a hearing, and the TCEQ's executive director could request hearings in certain cases.

The bill would have an effective date of September 1, 2013. The bill's provisions would only apply to STM applications filed with the TCEQ on or after January 1, 2014. If the TCEQ's water utility program would transfer to another agency, the bill's provisions would apply to that agency.

The TCEQ reports that passage of the bill would allow water and sewer utility customers to protest rate changes as part of a sale, transfer, or merger application. Under current law, rates can change after an entity is acquired by a WSC or political subdivision without an application filed with the TCEQ. The TCEQ therefore expects that passage of the bill could result in additional contested case hearing requests. In addition, the agency expects some additional costs would be incurred because the agency would be required to consider additional financial, managerial and technical issues when determining whether a sale, transfer, or merger would be in the public interest. In addition, the TCEQ could incur some costs associated with posting applications for sales, transfers, and mergers on its website.

This analysis assumes that any additional costs incurred by the TCEQ in implementing the bill's provisions could be absorbed within existing resources.

## **Local Government Impact**

Local governments providing water and/or sewer service could see increases in costs associated with contested case hearings related to applications for the sale, transfer, or merging of utilities upon passage of the bill. This analysis assumes such costs could be recovered through rate increases passed on to customers.

**Source Agencies:** 582 Commission on Environmental Quality

**LBB Staff:** UP, SZ, TL