

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

**FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION**

**April 8, 2015**

**TO:** Honorable Jim Keffer, Chair, House Committee on Natural Resources

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

**IN RE:** **HB2852** by Nevárez (Relating to municipal rates for water and sewer service charged to public school districts.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB2852, As Introduced: an impact of \$0 through the biennium ending August 31, 2017.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

**General Revenue-Related Funds, Five-Year Impact:**

<b>Fiscal Year</b>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2016	\$0
2017	\$0
2018	\$0
2019	\$0
2020	\$0

**All Funds, Five-Year Impact:**

<b>Fiscal Year</b>	<b>Probable (Cost) from <i>Water Resource Management</i> 153</b>	<b>Change in Number of State Employees from FY 2015</b>
2016	(\$1,108,164)	14.0
2017	(\$1,108,164)	14.0
2018	(\$1,108,164)	14.0
2019	(\$1,108,164)	14.0
2020	(\$1,108,164)	14.0

## **Fiscal Analysis**

The bill would amend the Water Code to require a municipality owned utility that provides water or sewer services to a public school district to charge the district the lowest rate the utility charges a business or nonprofit organization. The bill specifies that the legislature finds the imposition of water fees for water service based on a number of students or employees of a public school district violates the Texas Constitution. The bill would prohibit the municipality from charging for services based on the number of students or employees in a public school district. The public school district may appeal the rates charged to the district by filing a petition with the Public Utility Commission (PUC). Under the provisions of the bill, PUC would be required to hear the appeal de novo and the municipality would be required to establish proof that the rates are just and reasonable. The PUC would be required to fix the rates charged by the municipality and the municipality may not increase those rates without the approval of the PUC.

## **Methodology**

Based on information provided by the Public Utility Commission, it is estimated that implementing the provisions of the bill would result in approximately 10 to 15 additional water rate cases each fiscal year, requiring an additional 14.0 full-time equivalent (FTEs) positions. The agency estimates that implementation would require recurring costs of \$780,000 in salaries, \$252,564 in related support and benefit costs, and \$75,600 in other related operating expenses each fiscal year.

## **Local Government Impact**

School districts might experience reduced costs as a result of lower rates for water and sewer usage if the districts were paying a higher rate than the lowest rate that a municipally-owned utility charges a commercial business or nonprofit organizations. Districts might also experience reduced costs if they had previously been subjected to fees not charged to commercial business or fees based on the number of district students or employees.

The City of Arlington reported no fiscal impact to the city is anticipated.

The City of Austin reported the ability of a school district to appeal rates to the Public Utility Corporation (PUC) would require significant attorney fees and have a negative fiscal impact to the city; however the amount cannot be determined.

**Source Agencies:** 473 Public Utility Commission of Texas, 701 Central Education Agency

**LBB Staff:** UP, SZ, SD, EK, JLi, JBi