

BILL ANALYSIS

C.S.H.B. 5303
By: Kuempel
Natural Resources
Committee Report (Substituted)

BACKGROUND AND PURPOSE

The Springs Hill Water Supply Corporation holds a certificate of convenience and necessity issued by the Public Utility Commission of Texas that authorizes the corporation to provide retail water service to its service area, which includes Guadalupe County and a small portion of Wilson County. The corporation's board of directors recently found that it was necessary and desirable for the corporation to convert to a special utility district. Multiple water supply corporations have been converted to special utility districts pursuant to legislation enacted by the legislature. Converting to a special utility district would provide many benefits, including the ability to sell low-interest, tax-exempt bonds; eligibility for more exemptions from sales taxes; participation in cooperative purchasing programs; improved ability to enter into water contracts; and the ability to attract a more competitive workforce. These benefits would allow for the generation of additional revenue and the provision of better service without raising customer rates. C.S.H.B. 5303 seeks to address this issue by providing for the creation of the Springs Hill Special Utility District.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

C.S.H.B. 5303 amends the Special District Local Laws Code to create the Springs Hill Special Utility District in Guadalupe and Wilson Counties.

C.S.H.B. 5303, if the district's creation is not confirmed at a confirmation and initial directors' election held before September 1, 2026, sets the bill's provisions relating to the district to expire September 1, 2027, and dissolves the district on September 1, 2026, except that the district is required to do the following:

- pay any debts incurred;
- transfer to Guadalupe or Wilson County, as appropriate, any district assets that remain after the payment of debts; and
- maintain the district's organization until all debts are paid and remaining assets are transferred.

C.S.H.B. 5303 sets out temporary provisions set to expire September 1, 2027, that, among other provisions, requires the Springs Hill Water Supply Corporation, if the district's creation is confirmed, to transfer the corporation's assets, debts, and contractual rights and obligations to

the district. The bill establishes that, following the transfer, a certain certificate of convenience and necessity is considered to be held by the district and requires the corporation's board of directors to commence dissolution proceedings of the corporation and to notify the Texas Commission on Environmental Quality (TCEQ) of the corporation's dissolution and the Public Utility Commission of Texas (PUC) of the certificate's transfer to the district. The bill requires the PUC, on receipt of the notice, to note in its records that the certificate is held by the district and reissue the certificate in the district's name without further application, notice, or hearing. The bill establishes that a person, party, or entity does not have any right of protest, objection, or administrative review of the transfer under these provisions of the bill.

C.S.H.B. 5303 provides for a temporary board of directors of the district composed of the following persons:

- James Martin;
- Irene Moreno-Ybarra;
- Bernard Mueller;
- Deborah Magin;
- Keith Steffen; and
- Michael Andrews.

C.S.H.B. 5303 provides for the district's territory, governance, and powers and duties. The bill authorizes the district to charge an initial water service impact fee that is not greater than the impact fee charged by the corporation on September 1, 2023, under the corporation's tariff. The bill exempts the district's initial water service impact fee from certain statutory provisions relating to the financing of capital improvements required by new development and authorizes the district to amend the fee but only as provided by those provisions as approved by the TCEQ or as otherwise provided by law.

C.S.H.B. 5303 expressly prohibits the district from exercising the power of eminent domain if the bill does not receive a two-thirds vote of all the members elected to each house.

EFFECTIVE DATE

September 1, 2023.

COMPARISON OF INTRODUCED AND SUBSTITUTE

While C.S.H.B. 5303 may differ from the introduced in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.

With regard to the district's temporary board of directors, the substitute replaces Steve Ramsey in the introduced with Irene Moreno-Ybarra and, whereas the introduced had named Keith Steffens, the substitute instead names Keith Steffen.

Whereas the introduced authorized the district to charge a water service impact fee that is not greater than the capital recovery fee charged by the corporation on October 26, 2021, under the corporation's tariff, the substitute instead authorizes the district to charge an initial water service impact fee that is not greater than the impact fee charged by the corporation on September 1, 2023, under the corporation's tariff. Whereas the introduced provided certain authorization for the district to increase the water service impact fee, the substitute instead provides certain authorization for the district to amend that fee.

Whereas the introduced provided for the bill's possible immediate effect, contingent on receiving the requisite constitutional vote, the substitute only provides for the bill to take effect September 1, 2023, with no possibility for immediate effect.