

## BILL ANALYSIS

Senate Research Center  
88R10098 ANG-D

S.B. 1110  
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Business & Commerce  
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As Filed

### AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Many municipally owned utilities (MOU) direct a portion of electricity revenue annually to a general fund for use by the city.

Little is known about how general fund transfer revenues are used by cities once they are redirected from an MOU to a city government. The percentage directed to be transferred is often included in an MOU's cost of service study that determines customer rates, even if the transfer results in the MOU raising rates.

There have been instances where a city required a large transfer of revenue from the MOU to their general fund, putting the utility in debt, which caused the utility to raise customer rates. Had the city not required such a large transfer, there would be no need to raise customer rates to fill the budget deficit.

S.B. 1110 prevents a city from transferring revenue to their general fund from an MOU if the transfer would result in a deficit for the utility or a rate increase for customers. S.B. 1110 also prevents MOUs from including these general fund transfers as part of the MOU's cost of service study.

As proposed, S.B. 1110 amends current law relating to the authority of a municipality to transfer revenue of a municipal utility to the general fund of the municipality.

### RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

### SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subchapter Z, Chapter 552, Local Government Code, by adding Section 552.915, as follows:

Sec. 552.915. PROHIBITION ON TRANSFER OF MUNICIPAL UTILITY REVENUE. (a) Defines "municipal utility" and "utility system."

(b) Prohibits a municipality, notwithstanding any other law, from transferring revenue from a municipal utility to the general fund of the municipality if the transfer would result in a rate increase or financial deficit for the municipal utility.

(c) Prohibits a municipal utility from including transfers of revenue from a municipal utility to the general fund of the municipality in the municipal utility's cost of service study.

SECTION 2. Effective date: September 1, 2023.