

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS
FISCAL IMPACT STATEMENT**

LS 6942
BILL NUMBER: SB 241

NOTE PREPARED: Feb 5, 2026
BILL AMENDED: Feb 3, 2026

SUBJECT: Utility Service Enhancement Improvement Costs.

FIRST AUTHOR: Sen. Koch
FIRST SPONSOR: Rep. Soliday

BILL STATUS: 2nd Reading - 2nd House

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: The bill amends the statute that authorizes a conservancy district providing water service to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission (IURC) if the conservancy district serves less than 2,000 customers, so as to authorize a withdrawal from the IURC's jurisdiction if the conservancy district serves less than 3,000 customers.

Rural Economic Development: It also amends the existing statute authorizing alternative regulatory procedures for water or sewer utilities with customer bases not exceeding specified numbers to include within the scope of the statute a procedure that promotes economic development opportunities in rural areas while providing just and reasonable protections to a utility's existing ratepayers.

Workforce Housing Tap Fees: The bill prohibits a water or wastewater utility (utility) from charging or collecting a capacity related fee or a tap fee to an eligible customer for connecting workforce housing to the utility's water or wastewater system (system) under certain circumstances. It provides that if the utility determines that the extension of service to the workforce housing will not result in a positive contribution to the utility's overall cost of service over a 20 year period, the utility may charge and collect from the eligible customer a capacity related fee or a tap fee that does not exceed the difference between: (1) the otherwise applicable capacity related fee or tap fee; minus (2) the contribution to the utility's overall cost of service over a 20 year period that will result from the extension of service to the workforce housing. The bill provides that for purposes of these provisions, an "eligible customer" means a not-for-profit organization that: (1) has entered into an agreement with the Indiana housing and community development authority under which the person will construct workforce housing in Indiana; and (2) seeks to connect the workforce housing to the system of a utility under the terms of a special contract with the utility.

Chemical and Power Costs: This bill authorizes a water or wastewater utility that is eligible under existing law to recover costs for service enhancement improvements (eligible utility) to adjust the statutory adjustment tracker to reflect certain per unit chemical and power costs if those costs have increased or decreased by more than 3% over the two most recent years. This bill provides that if the costs: (1) have increased by more than 3% over the two year period, the amount of the adjustment shall be included in the adjustment rider as an expense; or (2) have decreased by more than 3% over the two year period, the amount

of the adjustment shall be included in the adjustment rider as a credit. It also provides that an eligible utility is not required to seek preapproval of a plan from the IURC in order to seek recovery of the costs of chemicals and power. It requires an eligible utility for which the IURC has issued an order approving an adjustment rider for the recovery of chemical or power costs to file a petition for a change in its adjustment amount: (1) not later than 30 days after the end of each 12 month period after the date of the IURC's order approving the adjustment rider; and (2) until the IURC issues an order in the eligible utility's next general rate case. It also specifies that the costs of chemicals and power may be recovered in full and without deferring 20% of the costs for recovery as part of the eligible utility's next general rate case.

Effective Date: July 1, 2026.

Explanation of State Expenditures: *Rural Economic Development:* The bill expands the rules the IURC can adopt and the orders it can issue with respect water or sewer utilities to include those that promote economic development opportunities in rural areas while providing just and reasonable protections to a utility's existing ratepayers. The IURC's workload may increase to hold hearings and issue more rules and standards.

Chemical and Power Costs: The workload of the IURC may increase in reviewing submitted cost documentation regarding chemical and power cost rider adjustments for water utilities. The commission must also hold a hearing and issue an order on the petition no later than 60 days after filing.

Explanation of State Revenues: *Chemical and Power Costs:* The revenues on sales taxes for water service may increase or decrease if several water utilities undergo chemical or power cost rider adjustments. [The sales tax revenue from water service in FY 27 is expected to be between \$76.4 M and \$86.7 M. In FY 28 it's estimated to be between \$79.5 M and \$90.2 M. Sales tax revenue is deposited in the state General Fund (99.838%), Commuter Rail Service Fund (0.131%), and Industrial Rail Service Fund (0.031%)]

Explanation of Local Expenditures: *Chemical and Power Costs:* This bill allows municipal water utilities to include an adjustment rider in their billing if chemical or power costs increase or decrease by 3% or more. The workload of these utilities will increase in recording and submitting documentation of these costs to the IURC and serving a copy of the petition to the Office of Utility Consumer Counselor.

Explanation of Local Revenues: *Chemical and Power Costs:* Municipal water utilities' revenues may increase or decrease if they undergo the bill's adjustment rider for chemical or power costs. These costs will likely vary by individual utility.

Workforce Housing Tap Fees: The bill makes it so that water utilities may not charge a tap fee for workforce housing developments that will provide a net profit to the utility over 20 years. Municipal water utilities' revenues will likely decrease as a result of a prohibition or reduced legal amount on tap fees for eligible workforce housing.

State Agencies Affected: IURC.

Local Agencies Affected: Municipal water utilities.

Information Sources: Department of State Revenue, Sales tax by NAICS code, 2019-2025; State Forms 56465

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