

BILL ANALYSIS

C.S.H.B. 4114
By: Bell, Cecil
Natural Resources
Committee Report (Substituted)

BACKGROUND AND PURPOSE

It has been reported that municipalities or municipally owned utilities are able to establish higher utility rates for certain entities that qualify for sales tax or property tax exemptions, such as churches, nonprofit organizations, and independent school districts, compared to other entities receiving comparable services, which effectively eliminates the tax benefits experienced by these exempt entities. C.S.H.B. 4114 seeks to address this and other municipal water and sewer services issues by setting out provisions relating to the provision of water and sewer services by a municipality.

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. 4114 amends the Local Government Code to authorize a nonprofit entity or governmental entity located inside the service area of a municipality or municipally owned utility to contract with that municipality or utility to purchase water and wastewater service capacity or to obtain water and wastewater services. The bill authorizes a municipality or municipally owned utility to recover capital costs from a nonprofit entity or governmental entity related to the purchase of water or wastewater service capacity by that entity or the provision of water or wastewater services to that entity. The bill authorizes a nonprofit entity or governmental entity to construct and operate water or wastewater facilities on the entity's property for use by only that entity. The bill prohibits another entity from requiring a municipality or municipally owned utility to impose a water or wastewater service charge to recover an amount owed to the other entity. The bill prohibits a municipality or municipally owned utility from establishing a rate applicable only to entities that qualify for a sales tax or property tax exemption that is based solely on the tax-exempt status of the entities and that is higher than a rate established for entities that receive comparable utility services.

EFFECTIVE DATE

September 1, 2019.

COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.H.B. 4114 may differ from the original in minor or nonsubstantive ways, the

following summarizes the substantial differences between the introduced and committee substitute versions of the bill.

The substitute includes a condition on the prohibition against a municipality or municipally owned utility establishing a higher rate applicable only to entities that qualify for a sales tax or property tax exemption making the prohibition applicable if the rate is based solely on the tax-exempt status of the applicable entities.

The substitute includes provisions relating to procurement of municipal water and sewer services and a prohibition regarding recovery of third-party costs.