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## FISCAL IMPACT REPORT

SPONSOR: Heaton DATE TYPED: 02/22/01 HB 644  
 SHORT TITLE: Municipal Utility Permanent Fund SB \_\_\_\_\_  
 ANALYST: Padilla

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY01	FY02	FY01	FY02		
	NFI		NFI		

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files  
 Secretary of State  
 Public Regulation Commission

No Response  
 Department of Finance and Administration (DFA)

### SUMMARY

#### Synopsis of Bill

House Bill 644 enacts a new section of law to authorize a municipality’s governing body to establish a municipal utility permanent fund for each utility owned and operated by the municipality, the income of which can be used for the operation, maintenance and improvement of the utility.

#### Significant Issues

Municipal utilities include gas, water, sewer and electric services.

The bill provides the following:

- A municipal utility permanent fund would comprise money from the sale of municipal utility assets or any part of the unappropriated cash surplus of the utility in excess of fifty percent of the prior fiscal year’s municipal utility budget.
- Investments of the fund would be made pursuant to current statute governing municipal investments.

– The fund’s earnings could be used for any purpose related to the operation, maintenance and improvement of the utility or could flow back to the fund.

– The municipality’s voters would have to approve any expenditure of money in the fund in a special election.

**FISCAL IMPLICATIONS**

This bill contains no appropriations and has no fiscal impact on state government.

**ADMINISTRATIVE IMPLICATIONS**

Municipalities would be responsible for managing the fund and administering the elections necessary to gain voter approval of expenditure of the fund.

**OTHER SUBSTANTIVE ISSUES**

A municipality currently has the authority to establish a “local government permanent fund,” into which can be deposited an amount of the municipality’s general fund surplus. Income from the local government permanent fund can be used for any purpose of the municipality, subject to voter approval.

The provisions in the bill regarding elections are identical to the election provisions for voter approval of expenditure from a municipality’s permanent fund.

LP/njw