Ohio Municipal Electric Association (OMEA)
Opponent Testimony on Senate Bill 118
Before the Senate Local Government Committee
June 24, 2025

Chair O'Brien, Vice Chair Gavarone, Ranking Member Smith, and members of the Senate Local Government Committee, thank you for the opportunity to provide opponent testimony on Senate Bill 118, a measure which will negatively impact municipal utilities and the customers they serve.

The Ohio Municipal Electric Association (OMEA) serves as the legislative liaison for 80 Ohio municipal electric communities and for American Municipal Power (AMP), the Columbus based, non-profit wholesale power supplier and services provider to more than 130 municipal electric systems in nine states. Ohio's municipal electric systems account for approximately 5% of the electric sales in Ohio and serve approximately 400,000 residential, commercial and industrial customers. Ohio municipal electric systems range in size from Cleveland Public Power with 73,000 meters to the City of Toledo with one meter. The majority of our member communities are villages. As non-profit entities, municipal electric systems exist to provide reliable, affordable electric service to their customer-owners. Ohio's municipal electric systems are locally owned, managed and governed.

The core issue raised by proponents of Senate Bill 118 are situations where a property owner is unaware that a tenant has accrued unpaid utility services at the property. Rather than addressing that issue, the bill simply shifts the liability and administration of collecting unpaid charges from for-profit landlords to non-profit municipal utilities. We believe that this logic is fundamentally flawed for several reasons.

First, the property owner/landlord has a direct course of action for getting utility payments from their tenants. This direct, contractual line of communication via rental agreements with their tenants to ensure bills are paid, with a potential eviction notice or deposit retention should the notices go unheard, is the most effective way to ensure payment. Municipalities do not have such authority and, if certain requirements are met, are required to utilize the property lien process to obtain eventual payment. The use of the property lien is a measure of last resort and is not widely used.

Secondly, the municipal utility's participation in the landlord's for-profit venture is solely as a service provider to a specific address. When providing these services, the municipal utility has already paid for the labor, supplies and other expenses to provide service to a residence for the financial benefit of the landlord. Additionally, the municipal utility does not have a say in who does or does not occupy these properties, which is a business decision solely left up to the landlord.

We do not believe that it is unreasonable that a landlord, who has a direct interest in the property, would be required to either pay the unpaid amount or utilize their own legally afforded recourses to ensure the bill is paid.

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Senate Bill 118 also amends current law as it relates to collecting unpaid utility bills from owner-occupied dwellings. The imposition of burdensome, time-consuming and costly requirements provides little to no incentive for customers to make timely payments. This will ultimately lead to higher rates for the utility's other customers.

Under Senate Bill 118, a municipal utility would have to establish from scratch a burdensome legal process to recoup unpaid utility costs. Doing so would expend more municipal (ratepayer) resources to collect these unpaid amounts. This also assumes that many of these amounts would be eventually paid to make the municipal utility whole. However, due to the length and costs associated with the legal process, many of these costs will never be directly recovered. Instead, other municipal customers will have to absorb these costs via increased utility rates.

Per the LSC Fiscal Note on SB 118: "It is unclear whether the expense of pursuing this remedy would exceed the amount to be collected in many cases. Because of that uncertainty, it is plausible to assume that unpaid rates for many accounts would simply never be collected. While some municipal service providers would lose revenue under these circumstances, given that recouping unpaid rates via property liens can take years or decades, it is difficult to determine how or if these changes would impact cash flow for municipal service providers overall."[1]

Additional concerns with Senate Bill 118 include:

- **Infringement upon Home Rule Authority** – By codifying specific methods by which a municipal utility could collect unpaid bills, Senate Bill 118 violates the Home Rule authority provided to municipalities via the Ohio Constitution (Article XVIII).

- **Does nothing to address the offending party in question** - Nothing in Senate Bill 118 addresses the stated reason this legislation is needed: habitual offenders who accrue utility bills, skip payment, and then begin service at a new address.

- **Other reasonable options are available without dramatically altering the Ohio Revised Code** – Solutions such as "double billing", where both the tenant and the landlord are sent the same utility bill so that the property owner/landlord can address the potential lack of payment in a timely manner, has been proposed previously. Property owners/landlords also have the option today to include utility fees within their rent payments. Again, these are direct methods of collection that can be utilized today for the nonpayment of utility charges and do not shift the burden of services rendered upon the non-profit municipal utility service provider or other customers.

- **Retention of 10% of collected amounts for lien servicing** – The bill requires that 10% of lien amounts be collected by the County Treasurer and withheld from the municipal utility. At best, under the current version of Senate Bill 118, a municipal utility can expect to only recover 90% of the accrued utility service charges, ensuring that they cannot be made fully whole for the services that they have provided. We fail to see the need for a 10% fee for the placement of a lien, let alone how the 10% figure was calculated or why this service was singled out for a special assessment from the county for services it is already required to provide.

- **Changes the municipal lien process for ALL utilities (electric and natural gas included)** – Last year, an amendment was added in the House that would place additional notification requirements and waiting periods before a lien may be placed upon a

[1] Page 2, Ohio LSC Fiscal Note & Impact Statement SB 118 (As Introduced)

property. The amendment was included in language upon a utility charge that is approved by a Board of Public Affairs. This global change to Ohio law that remains in SB 118 would impact the municipal lien process for electric and natural gas utilities as well. Imposing these additional requirements will further ensure that a vast majority of these charges are never collected.

Ultimately, Senate Bill 118 if enacted in its current form will result in higher utility rates for customers. It is fundamentally unfair to ask other ratepayers to subsidize the accounts of unpaid utility customers. Doing so establishes a problematic and costly precedent with respect to services provided by local governments.

Thank you, Chair O'Brien and members of the Senate Local Government Committee, for allowing us the opportunity to present opponent testimony to Senate Bill 118. We encourage you to oppose Senate Bill 118 and to seek solutions that do not penalize municipal utilities or their responsible customers.