

Chairman McColley, Vice Chair Schuring, Ranking Member Williams and members of the Senate Energy and Public Utilities Committee, thank you for providing the Northeast Ohio Regional Sewer District (NEORS D) the opportunity to submit written testimony regarding our concerns with SB 193, which prohibits political subdivisions from placing a lien on property for unpaid water and wastewater charges.

As background, NEORS D is a rate-payer funded political subdivision that is responsible for regional sewage treatment and stormwater management services to Cleveland and the surrounding 61 suburban communities across 355 square miles of the Lake Erie watershed and portions of 4 counties. Our facilities include the area's sewer interceptor network and three sewage treatment facilities. In addition to our daily operation and maintenance, NEORS D also manages a \$3 Billion, 25-year Consent Decree that will reduce the total volume of raw sewage discharges from 4.5 billion gallons to 494 million gallons annually.

We appreciate Senator Williams' intent with this Bill - to help her constituents, our customers, who are struggling to pay their bills. We share her concerns about poverty and high foreclosure rates and continue to work on these issues locally and nationally, including providing cost savings programs to our eligible low-income customers that can reduce their wastewater rates by 40% or more. We are frequently reviewing, updating, and improving these programs to ensure that the neediest in our community are getting the financial relief they need while also building awareness for the programs and the eliminating barriers for low-income customers to access those programs. We will continue to explore additional cost savings opportunities for our customers including pursuing grant funding for low-income assistance.

Sponsor proponent testimony stated, "water bills as low as \$300 has been sent to the county auditor for a water lien." This is true, but it conflates two separate processes. The certification of delinquent water and wastewater charges does NOT necessarily lead to foreclosure. In fact, in most counties, tax foreclosures only commence after years of *property tax* delinquency. While liens for delinquent water and wastewater charges are sometimes present, along with years of delinquent property taxes, we have not been presented with a single example of a foreclosure initiated solely because of water or wastewater liens and absent delinquent taxes. In Cuyahoga County, the County Prosecutor's current policy and past practice is to not initiate foreclosure when special assessments such as water and wastewater liens are the only delinquency on the property.

For many decades, the Ohio General Assembly has provided Ohio's local governments - its counties, municipalities and regional water and sewer districts - with the right of certification, an inexpensive and administratively efficient means of collecting unpaid wastewater and drinking water charges. Water and wastewater services are provided to customers on credit, meaning the service is provided and the charges are collected later. It is simply unfair to our paying customers to take away our most efficient collections tool, with virtually no additional administrative expense. Certification also provides a means of securing this delinquent debt and protecting the local government providers in case the customer subsequently files for bankruptcy protection.

Proponents of this measure suggest that if the lien mechanism is eliminated, then we can just sue the delinquent customers to collect outstanding charges. Let's put that into perspective. NEORSRSD has roughly 330,000 customer accounts. In 2019, NEORSRSD certified approximately 10,000 accounts, over two separate certification cycles, for over \$6 million in delinquencies. After suspending certifications because of COVID, NEORSRSD this year certified charges on approximately 8,900 accounts totaling over \$10 million in delinquencies. Again, customer payments for our services is our only source of revenue and necessary to provide wastewater services to over 1 million Ohioans. It is not feasible, nor would it make economic sense, for the NEORSRSD (or any county or municipality) or its paying customers, to file this volume of lawsuits every year. Nor could the court system handle that volume of litigation. Furthermore, even if litigation were a practical option, the customers intended to benefit from HB 193 would then have the added expense of defending a lawsuit.

A debt collection agency has also been suggested as an alternative to certification. Local governments that provide water and wastewater services and maintain this critical infrastructure solely through collection of its charges, should not be forced to pay a debt collector 50% or 60% of its revenue when the General Assembly long ago saw the wisdom in granting certification as a reasonable and efficient means of collection.

The only other remaining alternative to certification is water service disconnection of those customers with long-standing unpaid charges. NEORSRSD works diligently with customers to avoid such service disconnections. Using this as an alternative to certification is an undesirable outcome, more disruptive to customers-in-need, and far more expensive. Think of the staff needed in any big city to physically disconnect the water at 10,000 properties and then, if successful, reconnect them after payment. Then possibly repeat it all again every 6 months. The rate hikes that would be necessary to retain that staffing level would also not be in the best interests of customers.

Local governments, providers of water and wastewater critical infrastructure, need a mechanism to ensure customers pay their bills. At NEORSRSD, we deploy a robust process intended to provide our customers due process and ample opportunity to make payment arrangements or enroll in our affordability programs. We build in many layers of help between the first late payment and certification. Typically, an NEORSRSD account identified for possible certification is several months or more delinquent, depending on the circumstances, and have received multiple delinquency notices. They have also failed to make a payment plan arrangement or have not adhered to the terms of such a plan. Prior to certifying the delinquent charges, we send the customer a letter, informing them of their status and that continued delinquency may result in certification. We also encourage them to contact us to make arrangements and inform them of our affordability programs. Continued delinquency results in another letter, giving the customer one last chance to make arrangements by a specified date after which, the charges will be certified. We also routinely conduct administrative hearings if requested by customers.

NEORSRSD does not collect tax revenue. We were not eligible, nor did we receive any direct funding through the state from the various Federal COVID spending Bills. NEORSRSD's only source of funding

is the collection of our service charges. SB 193 would, at best cause us to use a collection agency and collect 50% or less of the amount we collect now. At worst, it will leave us with no viable means of collection. We understand why some would think this good for the neediest in our communities, but ultimately, it hurts them even more because future rate adjustments will need to account for that lost revenue, compounding the issue of affordability. But an ineffective means of collection will also tempt the able, but unwilling, to avoid paying their bills. If there is no recourse for unpaid bills, there is no incentive for customers, including those who have the financial resources, to pay their fair share for water and wastewater services.

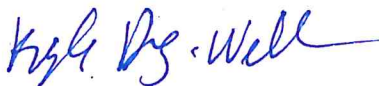
We applaud Senator Williams for her efforts the find water affordability solutions on behalf of the neediest in our communities. But we believe that a better approach includes federal and state programs to help those in need pay for water and wastewater services rendered. Such programs, like similar energy and food assistance programs, simultaneously help the customers while paying the utility and grocery providers for their goods and services. SB 193 will only make it harder to collect delinquent charges. Ultimately, this increases uncollectable revenue and costs everyone, especially our paying customers, more.

As mentioned earlier in our testimony, we are continually working on the issue of water affordability which is why we have four long-standing internal cost savings programs designed to help those who struggle to afford our services, receive the relief they need. We are constantly reviewing, updating, and improving those programs as we receive feedback from our customers. In January 2022, we updated our affordability program to include relief to renters and increased the eligibility threshold which qualifies a customer for assistance from 200% the federal poverty level (FPL) to 250% FPL. We also conduct various outreach efforts such as hosting resource fairs throughout our service territory and forging partnerships with various organizations to promote our cost savings programs as well as connect customers with resources based on eligibility to obtain assistance to pay their delinquent bills. In addition to this outreach, we advocate for low-income assistance at the state and federal level as well as participate in existing low-income assistance programs.

We would be happy to work with the Sponsor to find a solution that secures debt to local governments for water and wastewater services provided and helps to address the concerns that prompted SB 193. Thank you again for providing us with the opportunity for written testimony. We hope you take our comments under consideration as SB 193 moves through the legislative process.

If you have any questions, comments, or concerns, please feel free to contact our Legislative Affairs Manager, Danielle Giannantonio at [giannantoniod@neorsd.org](mailto:giannantoniod@neorsd.org) or (216) 409-9715.

Sincerely,



Kyle Dreyfuss-Wells  
CEO, Northeast Ohio Regional Sewer District