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OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research
and Drafting

Legislative Budget
Office

S.B. 193
134th General Assembly

Fiscal Note & Local Impact Statement

[Click here for S.B. 193's Bill Analysis](#)

Version: As Introduced

Primary Sponsor: Sen. Williams

Local Impact Statement Procedure Required: Yes

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Highlights

- Prohibits local governments from placing a tax lien and foreclosing on property when water service charges are unpaid.
- Political subdivisions may see an increase in uncollectible accounts, which could equal between 0.5% and 1.0% of operating revenues, depending on the characteristics of their respective customer bases.

Detailed Analysis

The bill prohibits local governments from placing a tax lien and foreclosing on property for unpaid water service charges.

A municipal corporation, county, or regional water and sewer district may establish charges for providing water service. Currently, if the charges are not paid, the subdivision may collect the unpaid charges by suing the property owner or other responsible party or by certifying the unpaid amount to the county auditor, who places the unpaid amount on the tax list and attempts to collect the amount in the same manner as property taxes. If an unpaid amount is placed on the tax list and the charges remain unpaid, the subdivision can subsequently foreclose on the property.

Under the bill, a political subdivision could not collect unpaid water charges by placing a lien on the tax list or subsequently foreclosing on the property. The subdivision could still file a lawsuit to collect such charges.

Fiscal effect

In Ohio, around 4,800 public water systems serve approximately 11 million people daily. The bill does not apply to state-regulated public utilities, which collectively serve about

500,000 customers. The bill would apply to the majority of Ohio water customers because it applies to those served by “a municipal corporation, county, or regional water and sewer district.” Since these are not state-regulated utilities, LBO does not have comprehensive statistics about their uncollectible accounts or use of property tax liens.

According to survey information from the Ohio Environmental Protection Agency, the 2019 average annual residential water rate in Ohio was \$697.¹ Therefore, LBO assumes a property tax lien for a given customer would typically be less than \$1,000.

State-regulated water companies cannot place a lien against a property for unpaid utility bills. The utility may issue a disconnection order, and it may recover uncollectible amounts from the entire customer base through regulated utility rates. One possible source for estimating the fiscal impact of the bill is to examine the uncollectible accounts of a water company. Data for a portion of service territories from Ohio’s largest, state-regulated waterworks company shows that uncollectible accounts equaled \$391,078 for the year ending December 31, 2021, or 0.57% of revenues for that year.² The utility served 89,065 total customers within the given territories, so the average uncollectible balance was \$4.39 per customer. Despite this recent experience, the utility generally assumes 1.0% of all annual operating revenues will be lost to uncollectible accounts.

The bill will have varying impacts on municipal corporations, counties, and regional water and sewer districts. The local revenue loss for those subdivisions depends on the incidence of unpaid water bills among their customers, the types of customers (i.e., residential, commercial, or industrial) that do not pay their service charges, and the effectiveness of their collection efforts other than liens on property. Nevertheless, experiences from one Ohio utility suggest local revenue losses could range from 0.50% to 1.0% of annual revenues; or otherwise stated as losses ranging from \$3.87 to \$7.75 per customer.

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¹ Refer to [2019 Sewer and Water Rate Survey](#) released in December 2021, which is available on the [Ohio EPA’s website](#).

² Refer to Section C of [Application Request to Increase Water Rates and Charges filed by Aqua Ohio, Inc. \(PDF\)](#) in Public Utilities Commission of Ohio Case No. 21-0595-WW-AIR, which is available on the [Commission’s website](#).