

Planning and Development Committee

JOINT FAVORABLE REPORT

Bill No.: SB-128

AN ACT CONCERNING FORECLOSURE, ASSIGNMENT AND OTHER ENFORCEMENT ACTIONS FOR UNPAID SEWER ASSESSMENTS AND

Title: OTHER FEES AND CHARGES.

Vote Date:

Vote Action:

PH Date: 2/25/2022

File No.:

***Disclaimer:** The following JOINT FAVORABLE Report is prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and does not represent the intent of the General Assembly or either chamber thereof for any purpose.*

SPONSORS OF BILL:

Sen. Martin M. Looney, 11th Dist.

Rep Michael A. Winkler, 56th Dist.

Reasons for the Bill: Setting a dollar amount of \$10,000 and by law given 15 years to collect the delinquent sewer charges is difficult for municipalities and regional water authorities because based on their sewer rate it often takes a lot more than 15 year Statutory time to collect the debt.

Joint Favorable Substitute, LCO No. 3631: A lien filed for any unpaid assessment, liens filed by the tax collector, liens for any unpaid connection, liens filed by the tax collector or collector of sewerage system connection, liens for any assessment of benefits amount that is not paid within thirty days and liens filed by a regional sewer authority must exceed \$4,000.00

RESPONSE FROM ADMINISTRATION/AGENCY:

None Expressed.

NATURE AND SOURCES OF SUPPORT:

Sen Martin M. Looney, 11th Dist. Some sewer authorities in our state use abusive and predatory debt collection practices. The Greater New Haven Water Pollution Control Authority (GNWPCA) has a well-documented history of using its collection authority to foreclose on homes for small debts. It appears that the GNWPCA is an outlier among utilities in its use of this "nuclear option" with customers. For example, according to a 2017 article: "United Illuminating, Southern Connecticut Gas and Connecticut Natural Gas, all owned by

AVANGRID, do not initiate foreclosure proceedings against customers to recover delinquent payments, nor have they done so historically," said spokesperson Edward Crowder. When the gas and electric companies are unable to resolve payment issues, they may contract with a collector. Likewise, foreclosing on a property is a "last resort" for the South Central Connecticut Regional Water Authority, said communications manager Kate Powell. "It is far better for all parties involved to reach an amicable agreement". In 2008, the Authority filed a foreclosure action for a debt of less than \$800.00. In 2017, one home was foreclosed upon by the GNWPCA for a debt of less than \$2,000.00, that home was sold for \$9,000.00 It appears that in 2020, during the pandemic, the GNWPCA foreclosure process revved back up. One homeowner with an unpaid bill of \$1,200, had penalties and fees attached such that his bill was over \$7,000 and the Authority is taking foreclosure action. SB 128 would provide much needed protection for our constituents from these predatory collection practices. Sewer authorities can and should follow the lead of other utilities and use less draconian methods of debt collection.

Jeff Gentes, Connecticut Fair Housing Center: WPCAs in Bridgeport, Sprague, Stonington and Suffield have continued the practice of foreclosing based on amounts that are less than \$2,000 and quite often are less than \$1000. In other words, these sewer lien authorities can turn a \$1000 or \$2000 bill into \$4000 or \$5000 overnight. Either the homeowner must pay this doubled or even quadrupled amount or face foreclosure because of this unconscionable abuse of government power. While banks sometimes pay the bill, they demand repayment and threaten their own foreclosure. Sewer authorities have options. They can bring collection actions they can wait until the home is sold or refinanced while earning 18% interest. If they truly need funds for projects, they can use these secured liens as collateral when bonding. There is no excuse for threatening someone's home over so little money, especially given that the most abusive authorities (Bridgeport and Greater New Haven) collect annual revenues of more than \$40MM.

Tom Mongellow, Connecticut Bankers Association: As interest accrues on delinquent sewer assessments at a rate of 18% per year, the amount can grow quickly and make it difficult for a homeowner to resolve these liens. This can have a disproportionately negative impact on a homeowner, the equity in their home and any lender that may have a mortgage on the property (which by law is subordinate to an assessment lien). CBA thinks that foreclosure is a tool that should be rarely used in the context of sewer assessment liens. By establishing a \$10,000 threshold, SB 128 would make the foreclosure option for delinquent sewer assessments a much more reasonable enforcement tool.

NATURE AND SOURCES OF OPPOSITION:

The individuals listed below oppose the proposed bill as written because it would exclude municipalities, regional water and sewer authorities from enforcement actions for recovering sewer use charges and assessments on delinquent accounts because the delinquent principal on such accounts would never exceed ten thousand dollars and the fifteen year statutory collection time would have lapsed. They request that action be based upon the amount of years delinquent rather than the dollar amount owed, providing reasonable protections while maintaining their ability to utilize foreclosures, assignments and other enforcement actions.

Melissa Alden, Tax Collector, Putnam
Brenda Carter, Tax Collector, Middlebury
Denise Dill, Tax Collector, East Haddam
William Donlin, Legislative Co-Chair, CT Tax Collectors Association
Scott Ferguson, Tax Collector, Danbury
Nicholas Guido, Tax Clerk, Shelton
Cory Gumbrewicz, Tax Collector, Milford
Rebecca Juchert-Derungs, Tax Collector, Morris, Goshen, Canaan
Peter Juszczyński, Tax Collector, Windsor Locks
David Kluczowski, Tax Collector, Enfield
Patricia Kratochvil, Tax Collector, East Windsor Locks
Jane LaMorte, Collector of WPCA Revenues, Stafford
Patricia Monahan, Revenue Collector, Killingly
Christine Silansky, Tax Collector, Canton
Michelle Wyatt, Tax Collector, Colchester
Darlene Tynan, Tax Collector, Wolcott. Ms. Tynan also noted that Wolcott offers a payment plan for those in need
Amy Atamian, Redding Water Pollution Control Commission – Specifically requests amending the proposed guardrail to be a threshold of \$10,000 or 3 years or more delinquent before any enforcement action
GNHWCPA – Also note that their financial advisors have stated under this proposed legislation their credit rating will be reduced and the bill will have a negative impact on rate payers
Luna Goslee, Tax Collector, Torrington – also references that municipalities that sell tax liens for sewer assessments/usage will be paid less by third party buyers in the bidding process and the risk for not collecting the total amount of the delinquency will be greater.
Jeff Lemay, President, CWPAA – strongly advocates that each wastewater utility should set its own threshold for starting foreclosure
Lisa Madden, Revenue Collector, Somers - Also requests the dollar threshold be drastically be reduced
Nelson Malwitz, Chairman, Brookfield WPCA – Also requests the dollar amount be reduced to \$4,000

Donna Hamzy-Carroccia, Advocacy Manager, Connecticut Conference of Municipalities

(CCM): Ms. Hamzy Carroccia testified that last year, stakeholders agreed to establish a working group to make recommendations to the General Assembly. CCM encourages members to oppose SB 128 as written and favorably report the language attached as a strike all amendment.

Betsy Gara, Executive Director, Connecticut Council of Small Towns: In Ms. Gara's testimony, she noted that in situations where a property owner is delinquent on sewer charges along with property taxes, the \$10,000 cap may preclude the delinquent sewer bill from being assigned along with the property tax lien, making it unlikely that the sewer department will be able to collect these debts. Last session there had been efforts to address these concerns, to include a working group to develop and make recommendations to the General Assembly regarding the feasibility of setting threshold for liens, debt collection, bond ratings best collection practices for collection of unpaid sewer and water assessments. COST would be happy to work with various interested parties.

Christopher R. Stone, The Metropolitan District Commission: The MDC is opposed to SB 128 as written. The term "enforce" is not defined in the bill and as a result, it could be interpreted broadly to include any action such as the commencement of an action in Superior Court to collect the assessment and it might include a letter sent to the homeowner advising the homeowner that the assessment is outstanding. The MDC suspects that the intent of the provisions of SB 128 is to prohibit the foreclosure of a lien on the property as opposed to other measures that might be taken. If that is the case, the bill should be amended to change the word "enforce" to "foreclosure" in order to provide the necessary clarity.

Jeffrey B. Sienkiewicz, counsel, Allingham, Readyoff & Henry, LLC: The proposed bill creates major financial and administrative barriers to effective financing and management of municipal sewer systems and should not be adopted.

Reported by: Maureen O'Reilly

Date: March 24, 2022