

# ANDRÉ JACQUE

STATE REPRESENTATIVE • 2<sup>nd</sup> ASSEMBLY DISTRICT

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P.O. Box 8952  
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TO: Members of the Assembly Committee on Housing and Real Estate  
FROM: Representative André Jacque  
DATE: Tuesday, February 18, 2014  
RE: Assembly Bill 725

Chairman Murtha and Committee Members:

Thank you for your consideration of AB 725, which will provide requested flexibility for municipal utilities and safeguards for landlords when non-property owners fail to pay municipal utility bills.

I first became aware of the need for legislation in this area while working for the City of Green Bay in the Planning Department and Mayor's Office. While legislation has addressed this issue in past sessions, AB 725 and its Senate companion reflect a collaborative, balanced approach with extensive participation from stakeholders from municipalities and municipal utilities as well as property owners and is a process that began over two years ago prior to the introduction of Assembly Substitute Amendment 1 to 2011 AB 182.

Currently, as you are likely aware, if a municipal utility provides utility service to a property and payment for the service is in arrears, the utility has a lien on the property and may have arrearages inserted as a tax on the property if the certain procedures are followed. While the bill before you today does not disallow utilities from using the arrearage collection procedure for a rental dwelling, it does provide some new common sense procedures for both utilities and landlords to follow when dealing with past due or unpaid bills in order to encourage payment to a utility or reimbursement to a landlord.

For example, this bill provides that, if the municipal utility uses the arrearage collection procedure for a rental dwelling unit and provides a notice of arrearage to the owner, the municipal utility also has a lien on property of the tenant who is responsible for the arrearage provided the lienholder has filed accordingly. Also, for an arrearage paid by a property owner on behalf of a tenant, the municipality must transfer a lien on a tenant's property to the property owner. This bill also allows an owner of a rental unit to request that a municipal utility terminate electric service to a rental dwelling unit if the tenant's utility charges are past due and the tenant has received certain notices. Additionally, it establishes tools for utilities:

1. A municipal utility must refuse to establish electric utility service at a rental dwelling unit rented by a tenant if the tenant has outstanding past-due charges for utility service from the municipal utility, and must inform the owner of the rental unit of the past-due charges upon the owner's request.
2. A municipal utility is not required to offer a customer who is a tenant at a rental dwelling unit a deferred payment agreement.
3. A municipal utility may adopt application, deposit, disconnection, or collection rules and practices that distinguish between customers based upon whether the customer is an owner or a lessee of the property receiving utility service where the possibility exists for unpaid bills of a tenant to become a lien.
4. Under the bill, if a municipality or owner of a rental dwelling unit has a lien against a tenant for unpaid utility services, the municipality or property owner may certify that debt, which will be placed on CCAP.

Again, thank you for your consideration, and I welcome any questions you may have.



**Wisconsin Rural Water Association**

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February 17, 2014

Assembly Committee on Housing and Real Estate

Representative Murtha, Chair  
Representative Sanfelippo, Vice-Chair  
Representative Nass  
Representative Murphy  
Representative Jagler

Representative Swearingen  
Representative Young  
Representative Bewley  
Representative Genrich

Dear Representatives:

As you know, current law allows municipal utilities to place unpaid customer's utility bills on the tax rolls at the end of each year. This process has worked very well throughout the years to keep utility rates lower for all customers and makes sure that bill paying customers are not subsidizing the costs of those who don't.

The Wisconsin Rural Water Association and our 585 municipal water & wastewater system members go to great lengths to help our customers keep their accounts up-to-date and support the current process as an important and effective tool in doing so.

In the past, legislation has been introduced to take away the ability of municipal utilities to use the tax roll collection process, legislation that we and our member communities have strongly opposed. However, over the last several months Representative Jacque and Senator Lasee worked together with various stakeholders, including the Wisconsin Rural Water Association, to see if legislation could be drafted that addressed the concerns of all parties.

The result of this process is the Substitute Amendment to AB 725/ SB 517, legislation that provides rental property owners with additional tools to keep tenant accounts up-to-date, and facilitate collections and reimbursement of unpaid balances. And while it does include additional requirements for municipal utilities and local governments throughout the collection process, it does maintain their ability to use the tax roll collection process.

The Wisconsin Rural Water Association supports the Substitute Amendment to AB 725/SB 517 and would like to thank Representative Jacque and Senator Lasee for including us and affected stakeholders throughout the development of this legislation, and their efforts in developing compromise legislation that addresses our primary concerns.

Sincerely,

A handwritten signature in black ink, appearing to read "David Lawrence", is written over a horizontal line.

David Lawrence  
Executive Director  
Wisconsin Rural Water Association



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**TO: Members of the Assembly Housing and Real Estate Committee**  
**FROM: Zachary T. Bloom, Executive Director**  
**DATE: February 17, 2014**  
**RE: MEUW Testimony on Assembly Bill 725 – relating to collection of certain utility arrearages by a municipal utility and the provision of municipal utility service to tenants.**

My name is Zachary Bloom and I am the Executive Director of the Municipal Electric Utilities of Wisconsin. MEUW serves all 82 Wisconsin communities that own and operate an electric utility. Combined our utilities distribute about 11 percent of Wisconsin's electric load to nearly 280,000 residential, commercial, industrial and farm customers.

This past summer, MEUW was a part of a stakeholder group that provided input to the Wisconsin Realtors Association's initial concepts to provide additional tools for their members to mitigate the impacts of delinquent utility bills. Municipal utilities have used the ability to place unpaid utility bills on the property tax rolls for over 100 years. Current law governing this issue was established over 15 years ago and continues to work well. That law provides that municipal utilities may place an unpaid municipal utility bill on the property tax bill at the end of the year. In the case of a rental property, a municipal utility may only use the tax roll process if the utility provides notice directly to the landlord when delinquent accounts arise.

Retaining the tax roll collection process helps municipal utilities keep their rates low by ensuring the cost of unpaid utility bills is not absorbed by all ratepayers. MEUW's Accounting & Customer Service Committee does an outstanding job administering education programs throughout the year to educate our members on the various tools available to collect delinquent utility charges. These opportunities vary from seminars and conferences on accounting, customer service, and collection procedures, to customer service roundtables where utility customer service and billing staff address timely topics. Our members are well versed on the PSC's service disconnection rules, as well as the overall tax roll process. Several state agencies, including the Public Service Commission, assist us in educating our members on all the collection tools available.

AB 725 and its Senate Companion bill, SB 517, aim to give landlords and municipal utilities even more tools to track and collect from tenants with delinquent utility accounts by providing landlords with earlier notice of delinquent accounts, access to the names of habitual delinquent payers, a process to request the cancellation of electric service for delinquent accounts, and a mechanism for landlords to collect debts from delinquent tenants.

[-MORE-]

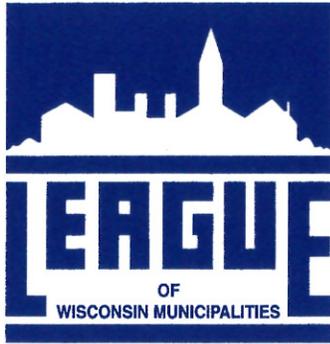
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*Our Mission: To lead, unify, advance and protect the interests of municipally owned utilities.*



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MEUW is appreciative of the opportunity to work with the bill authors on the drafting of AB 725 and SB 517 and thank the bill authors for preserving the ability for our members to continue to use the property tax collection process.



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To: Assembly Committee on Housing and Real Estate  
From: Curt Witynski, Assistant Director, League of Wisconsin Municipalities  
Date: February 18, 2014  
Re: AB 725, Relating to the Process for Collecting Delinquent Tenant Municipal Utility Charges

The League of Wisconsin Municipalities supports AB 725, providing municipal utilities with additional tools for collecting delinquent tenant municipal utility charges. Over the last year the League has participated in discussions with the Wisconsin Realtors Association, the Municipal Electric Utilities of Wisconsin, and an association of municipal water utilities regarding the collection of a tenant customer's delinquent utility bills. Under current law, a municipal utility may place a customer's delinquent utility bills on the property tax rolls of the property provided with utility service. This collection process is long established and cost effective. The League has consistently supported maintaining the authority of municipalities to place delinquent utility bills on the property tax rolls. Landlords, however, have worked with legislators in the past to introduce legislation removing this collection option.

This session, Senator Lasee and Representative Jacque pulled together stakeholders to discuss whether a compromise on landlord concerns could be reached. AB 725 is the result of those discussions. It represents compromise legislation that retains the authority of municipalities to place delinquent utility charges on the property tax rolls, while providing utilities with additional tools to help ensure that tenant customers pay their utility charges. The bill also includes a mechanism for landlords to obtain a lien against a tenant's assets if the landlord pays the delinquent utility bill on the customer's behalf.

The League urges you to vote in support of recommending passage of AB 725. Thanks for considering our comments.

February 18, 2014

*HAND DELIVERED*

Assembly Committee on Housing and Real Estate

Representative Murtha, Chair  
Representative Sanfelippo, Vice-Chair  
Representative Nass  
Representative Murphy  
Representative Jagler

Representative Swearingen  
Representative Young  
Representative Bewley  
Representative Genrich

**RE: Support for ASA 1 to AB 725**

Dear Representatives:

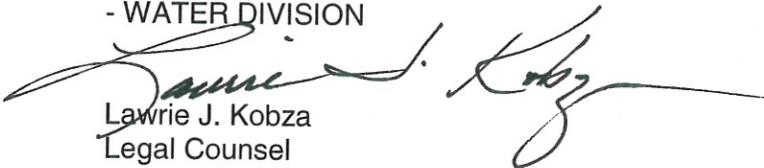
Under current law, a municipal utility may place a customer's delinquent utility bills on the property tax rolls of the property provided with utility service. This collection process is long established and cost effective. It keeps utility rates lower for all customers. The Municipal Environmental Group - Water Division (MEG - Water), an association of 60 municipal water systems that advocate on issues involving water supply, strongly supports maintaining the authority of municipal utilities to place delinquent utility bills on the property tax rolls.

In the past, landlords have raised concerns about this collection process. Representative Jacque and Senator Lasee have pulled together stakeholders to discuss whether a compromise on landlord concerns could be reached. MEG - Water participated in these discussions along with the Wisconsin Realtors Association and other stakeholders.

Assembly Substitute Amendment 1 to AB 725 represents compromise legislation that retains the authority of municipal utilities to place delinquent utility charges on the property tax rolls -- which is critical to MEG - Water -- while providing landlords with additional notice and other tools to help ensure that tenant customers pay their utility charges.

While this compromise will result in some additional burdens being placed upon municipal utilities and local and county governments, MEG - Water's Steering Committee has determined that the benefit of retaining the ability to place delinquent utility charges on the property tax rolls is outweighed by these additional burdens. Therefore, MEG - Water supports Assembly Substitute Amendment 1 to AB 725.

MUNICIPAL ENVIRONMENTAL GROUP  
- WATER DIVISION

  
Lawrie J. Kobza  
Legal Counsel

cc: MEG - Water Members



**To:** All Legislators

**From:** Tom Larson, Vice President of Legal and Public Affairs  
Joe Murray, Director of Government Affairs

**Date:** February 15, 2014

**RE:** SB 517/AB 725 -- Limiting a landlord's liability for a tenant's unpaid municipal utility bills

The Wisconsin REALTORS® Association supports SB 517/AB 725, legislation aimed at limiting a landlord's responsibility for a tenant's unpaid municipal water and electric bills, and making tenants more accountable for their own bills.

### **Background**

Under current law, municipal-owned utilities are allowed to collect unpaid charges for utility service by placing a lien on the property served. This authority applies to municipal water, sewer, electric, natural gas, and telecommunication services. While the landlord is entitled to receive notice of the tenant's unpaid utility services, the notice requirement is ineffective because a municipal utility can choose to notify the landlord after the payment is late by one billing cycle, which is often every 3 to 6 months.

As a result, unsuspecting landlords in Wisconsin have been required to pay thousands of dollars because a tenant failed to pay their municipal utility bills for several months, and then left town without making a payment. To make matters worse, unless a landlord spends more money to obtain a judgment from a court (which would have little value if the tenant moved to a different state), the landlord has no way of collecting this debt from the tenant or notifying future landlords about this tenant's poor payment history.

### **SB 517/AB 725**

To remove this burden from landlords, SB 517/AB 725 would allow landlords to limit their financial exposure by holding tenants more accountable for their unpaid bills. Specifically, this legislation attempts to lessen the burden currently placed on landlords by:

- **Providing landlords with earlier notice (14 days) of missed payments by tenants –** Because current law allows municipal utilities to notify landlords after payment is late by one billing cycle and tenants can rack up large utility bills over a several month period, current notice requirements are inadequate to protect landlords from significant losses. Landlords need to be notified early in the process to avoid being held responsible for large unpaid utility bills generated by tenants. Requiring landlords to be notified within 14 days after a tenant fails to make a payment will provide landlords with the opportunity to address this issue directly with the tenant before the unpaid bill increases further.

- **Allowing landlords to request electric utility service to be shut off** – Under current law, a landlord is not authorized to demand that utility service be shut off, even if the tenant has a large past due bill. (The utility may, but is not required to, honor the landlord's request.) Therefore, the landlord has no way to stop additional charges from being added to the bill. (Note – SB 517/AB 725 does not change the current prohibition on shutting off utilities between November 1 and April 15.)
- **Allowing, but not requiring, municipal utilities to enter into deferred payment agreements** – Current law requires municipal utilities to offer tenants with unpaid bills a deferred payment agreement, which allows tenants to make partial payments for a period of time while still continuing to receive utility service. While this is an effective program to help some tenants make it through a difficult time (e.g., job loss, illness, divorce), other tenants “game the system” by entering into these agreements and, for example, making partial payments only until November 1, which is the beginning of a 5 ½ month period in which utility service cannot be shut off. At which time, they stop making payments and incur even higher unpaid utility bills, which the landlord ultimately must pay. Moreover, these tenants can continue to engage in this deceptive practice over and over again because the municipal utility is required to offer these tenants a deferred payment agreement. To help prevent further abuses of deferred payment agreements, SB 517/AB 725 provides municipal utilities with discretion to not offer such agreements to tenants who have demonstrated unscrupulous behavior in the past.
- **Creating a system to track tenants who don't pay their bills.** Currently, if a landlord pays a tenant's unpaid utility bill to avoid having a lien placed on the property, the municipal utility's records will show that the tenant does not have an outstanding balance on their bill. This allows tenants to avoid any accountability for unpaid bills, and allows tenants to repeat this behavior by moving from one apartment to another. To address this problem, SB 517/AB 725 authorizes landlords to post unpaid tenant utility bills on CCAP so that future landlords will be aware of the tenant's utility payment history and to discourage tenants from not paying their utility bills.

We encourage you to support SB 517/AB 725. If you have questions, please contact us at (608) 241-2047.