

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: June 10, 2010
POSITION: Neutral
SPONSOR: East Bay Municipal Utility District and Alameda County

BILL NUMBER: SB 1035
AUTHOR: L. Hancock

BILL SUMMARY: Municipal Utility District: Delinquent Charges

Existing law authorizes a municipal utility district (MUD) providing water and/or sewer service to require the owner of record of real property within the MUD to pay the charges for services rendered to a lessee or tenant. However, if the owner fails to make these payments, the MUD is prohibited from placing a lien on the property.

This bill would establish procedures, and a sunset date of January 1, 2016, for a MUD to collect delinquent fees and charges by placing a lien on the residential property for the furnishing of water or sewer service to the residential property. In addition, any MUD that places a lien on such properties, on or before December 31, 2014, is required to submit a specified report to the Assembly and Senate Committees on Judiciary and on Local Government by January 1, 2015.

FISCAL SUMMARY

This bill would have no fiscal impact on the state.

Finance concludes that the bill would not impose a state reimbursable mandate because local auditors and recorders, who are required to take certain actions regarding collection measures requested by a MUD, could charge fees to the MUD to finance their costs of implementing the collection measures. Therefore, the "self-financing authority" in Section 3 of the bill is appropriate. Additionally, the bill requires the MUD to pay all applicable recording fees.

COMMENTS

The Department of Finance is neutral on this bill because it would have no fiscal impact on the state and involves a policy issue on which we are neutral.

The need for this bill stems from the fact that when water bills are not paid, MUDs are forced to either shut off water service or subsidize the cost of continued water service by charging other ratepayers more for water service. When water is not available to maintain landscaped exteriors, neighborhoods may take on a blighted appearance, potentially reducing property values. While water and sewer municipal utility districts are currently prohibited from filing liens against property owners for failing to pay their bills, this bill would allow all MUDs (excluding electric) to place the delinquent utility charges on the real property tax roll as a lien, if certain requirements are followed. Allowing a MUD to file a lien on the property is intended to encourage the property owner to pay the charges that are due.

We note that a similar bill (AB 1333, Hancock) was vetoed by the Governor last year.

(Continued)

Analyst/Principal Date Program Budget Manager Date
(0600) K. DaRosa Karen Finn

Department Deputy Director Date

Governor's Office: By: Date: Position Approved
Position Disapproved

BILL ANALYSIS Form DF-43 (Rev 03/95 Buff)

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**SUMMARY OF CHANGES**

Amendments to this bill since our analysis of the April 20, 2010 version are minor and do not alter our position. The amendments require a MUD to pay all applicable recording fees, and to submit a report to the Assembly and Senate Local Government Committees, in addition to the Judiciary Committees.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							Fund Code
	LA	(Dollars in Thousands)							
	CO	PROP							
	RV	98	FC	2009-2010	FC	2010-2011	FC	2011-2012	
8660/PUC	SO	No		----- No/Minor Fiscal Impact -----					0462
<u>Fund Code</u>	<u>Title</u>								
0462	Publ Utilities Comm Utilities Reimb Acct								