

Department of Legislative Services  
Maryland General Assembly  
2018 Session

FISCAL AND POLICY NOTE  
Third Reader

House Bill 1409  
Ways and Means

(Delegate M. Washington, *et al.*)

Budget and Taxation

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Baltimore City – Tax Sales of Real Property – Water Liens  
(Water Taxpayer Protection Act)

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This bill repeals the authority of the Mayor and City Council of Baltimore City to sell real property solely to enforce a lien for unpaid charges for water and sewer services. The bill must be construed to apply only prospectively and may not be applied to any liens attached to real property before the bill's effective date. **The bill takes effect July 1, 2018.**

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Fiscal Summary

**State Effect:** None.

**Local Effect:** Baltimore City revenues decrease, likely by a significant amount, as discussed below. Baltimore City expenditures for debt service may increase significantly.

**Small Business Effect:** Minimal.

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Analysis

**Bill Summary:** The bill does not affect other rights or remedies of Baltimore City to collect unpaid charges for water and sewer services, except that Baltimore City may not acquire real property by means of execution of a judgment for failure by the owner to pay the water and sewer service charge.

**Current Law:** In Baltimore City, the mayor and city council may not sell a property solely to enforce a lien for unpaid charges for water and sewer service unless (1) for a property other than owner-occupied residential property, the lien is for at least \$350 or, for an

owner-occupied residential property, the lien is for at least \$750, and (2) the unpaid charges for water and sewer service are at least three quarters in arrears.

Generally, the mayor and city council may enforce a lien on a property other than owner-occupied residential property for unpaid water and sewer service that is less than \$350, if the property is being sold to enforce another lien. Additionally, the mayor and city council may enforce a lien on owner-occupied residential property for unpaid water and sewer service that is less than \$750 if the property is being sold to enforce another lien.

**Background:** The Baltimore Department of Public Works (BDPW) offers several programs to [assist qualifying customers](#) who are unable to pay their water bills. Options include bill adjustments, payment plans, or financial assistance. BDPW also provides specified credits and fee exemptions for financial hardship. However, in response to questions related to other proposed legislation, Baltimore City advised that delinquency rates of property owners on payment plans for delinquent water bills remain between 50% and 60% per year.

Baltimore City advises that there is a moratorium on sending *owner-occupied* property to tax sale to enforce unpaid water bills in the city, and that no property has been foreclosed due only to water liens in the past two years.

**Local Fiscal Effect:** Baltimore City revenues will decrease due to the restrictions on tax sale proceedings to enforce liens due to water and sewer charges. In fiscal 2017, through the *threat* of foreclosure and the potential for the property being sold at a tax sale, Baltimore City recovered a significant amount of delinquent water and sewer charges. Baltimore City sent approximately 7,000 water-only final bill and legal notices, representing a total of \$13.3 million in delinquent accounts. Approximately 5,200 of those accounts, representing \$9.3 million, were paid prior to tax sale. Subsequently, Baltimore City recovered approximately \$6.4 million corresponding to the metered water portion of combined delinquent accounts through tax sale.

Additionally, repealing the statutory authority of Baltimore City to sell real property solely to enforce a lien for unpaid charges for water and sewer services may harm utility bond ratings, resulting in higher debt servicing costs.

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## Additional Information

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Baltimore City; Judiciary (Administrative Office of the Courts); State Department of Assessments and Taxation; Department of Legislative Services

**Fiscal Note History:** First Reader - February 22, 2018  
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