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Natural Resources, Environment, Tourism and Outdoor Recreation Committee
By: Gary A Brown, Director of City of Detroit Water and Sewerage Department

Honorable Chair Pohutsky and Committee members, my name is Gary Brown, and I am Director of the Detroit Water and Sewerage Department. I am speaking to you today as one of the many water utility leaders in this state who support this package of water affordability bills and to make a strong business case for passage.

Most municipal water utilities are funded solely by the revenues they collect through billing. They do not receive property tax revenue like other municipal departments. Each fiscal year, every water utility determines its revenue requirements to operate its system and fund infrastructure projects for the year, such as removal of lead service lines and preventing water loss in the distribution system. But utilities must also deal with budget challenges due to uncollected revenue, which prevents them from performing planned and emergency infrastructure maintenance, repair, and replacement projects.

Collecting from every customer has a public health impact. When we collect full bill payments, we can optimally deliver clean water and collect and manage wastewater. When customers do not pay their bill, current state laws allow utilities to collect delinquent debt by enforcing a statutory lien on property and sending it to foreclosure, or filing lawsuits against our customers, or shutting off their water. These remedies are strong incentives to pay—if those customers have the financial ability to do so. These collection tools are not effective for households who do not have the ability to pay their entire bill.

When all other remedies fail, the only way to recover that uncollected revenue is to place it on the books as a bad debt expense. Then, raise rates accordingly the next year to recover the loss. Raising rates affects every customer and exacerbates the problem for low income households. This circular process of passing debt onto customers who cannot pay makes absolutely no sense.

Based on experience with our DWSD Lifeline Plan, if you give the low income customer a bill they can afford, they will pay—they will contribute to the cost of operational and infrastructure needs. However, water utilities of all sizes around the state need a dedicated funding source to pay the rest of the bill to support their budgets and deliver services. No utility can cover the cost of a separate affordability program through its local customer base. We need this legislation to establish a stable and reliable funding source, as well as a centralized affordability program so water providers, large and small, can protect public health.

As a nation, we do not expect the electric and gas utilities to forego upgrades to their systems due to uncollected revenue—those utilities have received a subsidy for years for their affordability programs through LiHEAP. This legislation puts Michigan on the map as the first state in the nation to understand access to water is as vital as gas and electric service—and should be deemed more vital as a public health requirement.

I am happy to answer any questions you may have. Thank you.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Gary A. Brown".

Gary A Brown, Director