

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE
Revised

House Bill 1139

(Montgomery County Delegation and Prince George's
County Delegation)

Environmental Matters

Education, Health, and Environmental Affairs

**Washington Suburban Sanitary Commission - System Development Surcharge -
Exemptions
MC/PG 104-09**

This bill extends authorization for Montgomery and Prince George's counties to exempt nonprofit youth services organizations from system development charges imposed by the Washington Suburban Sanitary Commission (WSSC) until December 31, 2010. The bill also expands this exemption to include nonprofit organizations that primarily provide recreational and educational programs and services to youth.

The bill takes effect July 1, 2009, and terminates until December 31, 2010.

Fiscal Summary

State Effect: None.

Local Effect: WSSC finances are not directly affected by expanding the eligibility for exemptions from the system development charge.

Small Business Effect: Overall minimal, but potential meaningful for a nonprofit youth services organization if it is exempted from paying the system development charge.

Analysis

Current Law: Montgomery and Prince George's county councils are authorized to grant a full or partial exemption from the system development charge imposed by WSSC to

nonprofit organizations that exclusively provide youth services. The exemption amount is limited to \$80,000 and is scheduled to terminate June 30, 2009.

State law currently provides for several other exemptions to the WSSC system development charge. A full or partial exemption must be granted for public sponsored or affordable housing as jointly defined and agreed upon by the county councils. In addition, a full or partial exemption may be granted for:

- revitalization projects;
- residential property located in a mixed retirement development as defined in the zoning ordinance of Prince George's County;
- residential property located in a planned retirement community as defined in the zoning ordinance of Montgomery County;
- other elderly housing; and
- properties used for biotechnology research and development or manufacturing.

Background: WSSC is the eighth largest water and wastewater utility in the country, providing water and sewer services to 1.8 million residents in Montgomery and Prince George's counties. It has over 460,000 customer accounts, serves an area of around 1,000 square miles, and currently employs more than 1,500 people. The agency operates four reservoirs, two water filtration plants, and six wastewater treatment plants. Additionally, the Blue Plains Water Pollution Control Plant handles as much as 169 million gallons per day under a cost sharing agreement with WSSC. The agency maintains nearly 5,500 miles of water main lines and over 5,300 miles of sewer main lines.

Local Fiscal Effect: The system development charge is imposed on new development as a method to pay for capital expenses needed to accommodate growth in the bi-county area. It is reviewed and updated annually by the county councils.

The county councils have established a \$500,000 per county annual limit on exemptions to the system development charge, with any unused portion allowed to carryover to future years indefinitely. This restriction first became effective in fiscal 1999. Over a 10-year period from fiscal 1999 through 2008, each county had the ability to grant an aggregate \$5.0 million in exemptions. As of June 30, 2008, Montgomery County had granted \$2.5 million in exemptions and Prince George's County had granted \$1.3 million. Both jurisdictions have the capacity to grant additional exemptions from the system development charge without exceeding the current limitations set forth in fiscal 1999.

Exhibit 1 shows the amount of exemptions granted in each county and the amount that has been carried over to future years. **Appendix 1** shows the amount of exemptions granted by category for each year since that time. In Montgomery County, 27% of the

exemptions were for elderly housing, 53% for revitalization projects, and 20% for biotechnology projects. In Prince George's County, 18% of the exemptions were for elderly housing, 73% for revitalization projects, and 10% for biotechnology projects.

WSSC advises that there have been no exemptions issued to nonprofit youth services organizations in either county.

Exhibit 1
Current Exemptions from System Development Charge

	<u>Exemptions Granted</u>	<u>Exemptions Unused</u>
Montgomery County	\$2.5 Million	\$2.5 Million
Prince George's County	\$1.3 Million	\$3.7 Million
Total	\$3.8 Million	\$6.2 Million

Additional Information

Prior Introductions: HB 926 of 2008 was introduced and assigned to the House Environmental Matters Committee but was withdrawn before receiving a hearing.

Cross File: None.

Information Source(s): Prince George's County, Montgomery County, Washington Suburban Sanitary Commission, Department of Legislative Services

Fiscal Note History: First Reader - March 23, 2009
mcp/mwc Revised - House Third Reader - March 31, 2009

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Appendix 1
Exemptions to System Development Charges by Category

Montgomery County

<u>Fiscal</u>	<u>Elderly Housing</u>	<u>Revitalization Projects</u>	<u>Biotech Projects</u>	<u>Total Exemptions</u>
1999	\$44,800	\$0	\$117,766	\$162,566
2000	100,280	41,941	0	142,221
2001	171,940	0	63,898	235,838
2002	137,636	222,251	33,302	393,189
2003	56,898	121,740	121,591	300,229
2004	50,000	444,767	0	494,767
2005	0	267,659	50,000	317,659
2006	50,000	10,238	41,919	102,157
2007	56,540	101,150	0	157,690
2008	0	96,607	64,891	161,498
Total	\$668,094	\$1,306,353	\$493,367	\$2,467,814

Prince George's County

<u>Fiscal</u>	<u>Elderly Housing</u>	<u>Revitalization Projects</u>	<u>Biotech Projects</u>	<u>Total Exemptions</u>
1999	\$0	\$0	\$0	\$0
2000	87,636	25,374	0	113,010
2001	0	46,892	0	46,892
2002	40,850	42,444	0	83,294
2003	98,754	65,044	0	163,798
2004	0	327,896	0	327,896
2005	0	86,661	50,000	136,661
2006	0	0	0	0
2007	0	350,000	0	350,000
2008	0	0	74,556	74,556
Total	\$227,240	\$944,311	\$124,556	\$1,296,107

Source: Washington Suburban Sanitary Commission