

Department of Legislative Services
Maryland General Assembly
2015 Session

FISCAL AND POLICY NOTE
Revised

House Bill 1234

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

Environment and Transportation

Finance

Washington Suburban Sanitary Commission - Customer Assistance Program
MC/PG 107-15

This bill requires the Washington Suburban Sanitary Commission (WSSC) to establish a Customer Assistance Program to provide financial assistance with water and sewer bills to eligible ratepayers by July 1, 2015. The commission must establish income eligibility standards for ratepayers and these standards must be applied uniformly throughout the sanitary district. The program must be funded from commission revenues.

The bill takes effect June 1, 2015.

Fiscal Summary

State Effect: None.

Local Effect: WSSC water and sewer charges may increase to fund the program; administrative expenditures may increase by a minimal amount. The WSSC proposed FY 2016 budget includes \$1.74 million for the program. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: None.

Analysis

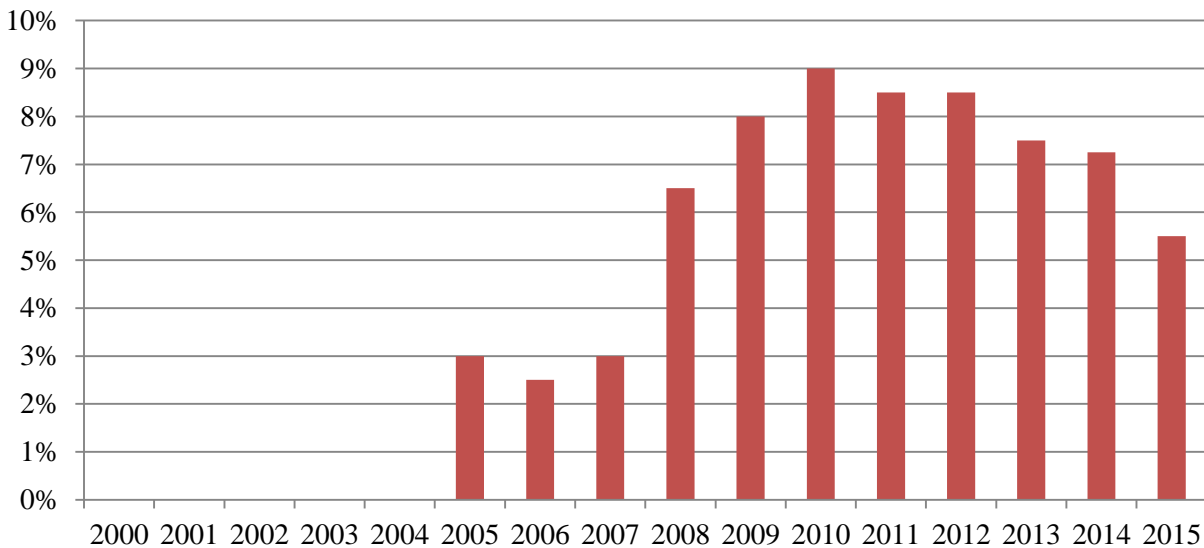
Current Law: WSSC does not operate a Customer Assistance Program.

Background: After no rate increases between fiscal 1999 and 2004, WSSC customers have faced 11 consecutive years of rate hikes, ranging between 2.5% and 9.0%.

In fiscal 2013 customers paid a 7.5% increase; the fiscal 2014 budget included an average water and sewer rate increase of 7.25%; and, the approved fiscal 2015 budget includes a 5.5% increase. The rate increase in fiscal 2015 will be used to fund water and sewer operating expenses. The proposed fiscal 2016 budget includes a 1.0% combined water and sewer rate increase. Prior to any rate increase, WSSC water and sewer rates are reviewed by the Montgomery and Prince George’s county councils after briefings to each county council as well as public hearings. The county councils may alter items in the annual budget submitted by WSSC and must approve the annual budget on or before June 1 of each year. However, if an impasse occurs between the two county councils, the WSSC proposed budget along with the proposed rate increases are deemed adopted. **Exhibit 1** shows the average combined water and sewer rate increases since fiscal 2000.

This bill is based on recommendations of the WSSC Bi-County Infrastructure Working Group that examined ways to fund infrastructure improvements while mitigating the effects on lower income ratepayers.

Exhibit 1
WSSC Average Combined Water and Sewer Rate Increases



Source: Washington Suburban Sanitary Commission

WSSC is among the largest water and wastewater utilities 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 commission operates three reservoirs, two water filtration plants, and six wastewater treatment plants. The six wastewater treatment facilities, as well as the Blue Plains Advanced Wastewater Treatment Plant, handle over 200 million gallons of wastewater per day. The commission maintains nearly 5,600 miles of water main lines and nearly 5,500 miles of sewer main lines.

Local Fiscal Effect: Beginning in fiscal 2016, WSSC will update its rate structure to collect funds for infrastructure investment through a modified “ready to serve” charge through the existing Account Maintenance Fee (AMF) that is included on customer water and sewer bills. The AMF is based upon meter sizes and currently starts at \$11, per quarter, for small residential meter sizes. Based on recommendations of the Bi-County Infrastructure Working Group, WSSC will shift how it bills customers for infrastructure improvements. As part of the restructuring, the AMF will now include two components – the current \$11 fee for certain operating expenses and an infrastructure component to specifically pay for infrastructure needs, such as repairing and replacing water mains. The quarterly fees for both components are based on meter size. For many residential customers, the operating component of the AMF will increase from \$11 to \$16 in fiscal 2016 and from \$16 to \$22 in fiscal 2017. The infrastructure fee is a new component and will be based upon meter size, beginning at \$5.50 for the small residential meters. This fee will double to \$11 in fiscal 2017. The infrastructure component fee will then be frozen until fiscal 2022.

In order to mitigate the potential effects on lower income customers, WSSC will implement a customer assistance program. The commission’s proposed fiscal 2016 budget includes \$1.74 million for the program. Based on a 2012 study by the Maryland Alliance for the Poor, the commission advises that there are approximately 17,000 customers in the sanitary district that may be eligible for the program. The commission reports that the program will be modeled after the Maryland Energy Assistance Program, which is administered by the Department of Human Resources.

Additional Information

Prior Introductions: HB 975 of 2014 was withdrawn prior to receiving a hearing from the House Environmental Matters Committee.

Cross File: None.

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

Fiscal Note History: First Reader - March 23, 2015
min/hlb Revised - House Third Reader - April 7, 2015

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