

Department of Fiscal Services  
Maryland General Assembly

FISCAL NOTE  
Revised

House Bill 912 (Montgomery County and Prince George's County Delegations)  
Commerce and Government Matters Referred to Budget and Taxation

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Washington Suburban Sanitary Commission - Equipment - Bond Authorization  
MC/PG 16-97

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This amended legislation authorizes the Washington Suburban Sanitary Commission (WSSC) to issue bonds for the acquisition or purchase of capital equipment. This legislation takes effect June 1, 1997.

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Fiscal Summary

**State Effect:** None.

**Local Effect:** WSSC expenditures could decrease by \$62,500 on each \$1 million of acquisition costs over a four-year financing period. WSSC revenues would not be affected.

**Small Business Effect:** Potential minimal effect on small businesses as discussed below.

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Fiscal Analysis

**Local Expenditures:** The WSSC currently has to use more expensive methods of acquiring capital equipment, such as commercial leases. This legislation would enable the WSSC to purchase certain equipment with bonds which carry an interest rate approximately 2.5% less than commercial leases, thereby saving the WSSC approximately \$62,500 on each \$1 million of acquisition costs over a four-year financing period. Since the WSSC spends approximately \$3 million annually on capital equipment, cost savings could total \$187,500 over a four-year financing period.

**Small Business Effect:** Enabling the WSSC to acquire capital equipment through issuing bonds could reduce the potential profits of equipment vendors. Currently, the WSSC

acquires many of its capital equipment through commercial leases with vendors, who impose finance charges averaging 6%. This results in an estimated finance charge of \$150,000 over a four-year period on each \$1 million of acquisition. This legislation will enable the WSSC to issue bonds with finance charges averaging 3.5% or \$87,500 over a four-year period on each \$1 million of acquisition. Accordingly, some profits generated from finance charges could shift from equipment vendors (who may be small businesses) to bond holders. In addition, through realizing a reduction in finance charges, the WSSC could purchase more equipment with its existing budgeted resources. This could result in additional demand for capital equipment, thereby providing vendors with more business and revenue.

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**Information Source(s):** Washington Suburban Sanitary Commission, Department of Fiscal Services

**Fiscal Note History:** First Reader - March 10, 1997

nrd Revised - House Third Reader - March 24, 1997

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