

**Department of Legislative Services**  
Maryland General Assembly

**FISCAL NOTE**

House Bill 827 (Prince George's County and Montgomery County Delegations)  
Commerce and Government Matters

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**Washington Suburban Sanitary Commission - Water and Sewer Subdivision Lines  
and System Development Charge  
PG/MC 27-98**

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This bill increases the maximum system development charge imposed by the Washington Suburban Sanitary Commission (WSSC) on new development. The bill requires the owner or developer of a property to construct subdivision water and sewer lines at their own expense unless: (1) application for service is made prior to June 30, 1999 and the WSSC issues a notice to proceed prior to June 30, 2001; or (2) an authorization for service is for the relief of health hazards. The bill also authorizes the owner or developer of a residential property to pay the system development charge imposed by WSSC in installments. The installment payment schedule shall be established by the Montgomery and Prince George's County Councils. The bill provides that any unpaid portion of a system development charge is a lien against the property.

The bill takes effect July 1, 1998.

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**Fiscal Summary**

**State Effect:** None.

**Local Effect:** WSSC revenues could increase by \$59.8 million over a five-year period (FY 1998 through FY 2002). WSSC expenditures for debt service and revenues from the annual front foot benefit charge each could decrease by \$2.8 million annually, beginning in FY 2000.

**Small Business Effect:** Meaningful impact on small businesses.

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## Fiscal Analysis

**Local Revenues:** This legislation increases the maximum system development charge imposed on new development by the WSSC from \$160 to \$254 per fixture unit. The WSSC may adjust the maximum charge in future years by the rate of inflation. At present, approximately 7,500 new residential units are constructed annually in the bi-county region. The WSSC assumes that the proposed legislation would neither stimulate nor depress residential development in the two counties. However, it is anticipated that the new maximum surcharge will increase the filing of plumbing permits in fiscal 1998 in order for developers to avoid the fee increase. Accordingly, this would generate \$39.5 million in additional revenue in fiscal 1998. This estimate is based on the following:

- 10,500 additional new units in fiscal 1998 (at the \$160 rate); and
- 23.5 fixtures per household unit.

Since plumbing permits remain in effect for more than a year, the number of plumbing permits filed in fiscal 1999 will decrease. For example, it is estimated that there will be 10,500 additional new households in fiscal 1998 and 1,000 new households in 1999, with the number climbing to 4,500 in fiscal 2000 and 6,500 in fiscal 2001 and stabilizing at 7,500 per year thereafter. The projected revenue effect in future years is illustrated below.

	Revenues Under <u>Current Law</u>	Revenues Under <u>Proposed Legislation</u>	<u>Difference</u>
Fiscal 1999	\$28.2 million	\$ 6.0 million	(\$22.2 million)
Fiscal 2000	\$28.2 million	\$26.9 million	(\$1.3 million)
Fiscal 2001	\$28.2 million	\$38.8 million	\$10.6 million
Fiscal 2002	\$28.2 million	\$44.8 million	\$16.6 million
Fiscal 2003	\$28.2 million	\$44.8 million	\$16.6 million

In addition, the legislation requires all water and sewer pipelines or facilities necessary to provide service to a development in the Washington Suburban Sanitary District to be constructed by the owner or developer of the property at the owner's own expense. The WSSC is responsible for constructing new water and sewer subdivision lines in the Washington Suburban Sanitary District. Currently, the WSSC issues approximately \$40 million in bonds each year to cover construction costs. To pay for debt service expenses, the WSSC imposes an annual front foot benefit charge on owners of new residential, commercial, or industrial development. This bill would require property owners or developers to construct new water and sewer subdivision lines, thus eliminating the need for the WSSC to issue bonds. Since the WSSC's debt service expenditures would decrease by \$2.8 million each year, the WSSC would not need to impose a benefit charge on property owners.

**Small Business Effect:** Imposing a higher maximum system development charge on new

development would increase construction costs in the bi-county area. A \$2,200 increase in the system development charge (\$94 increase multiplied by 23.5 fixtures per dwelling) represents 1.3% of the median home price in Montgomery County and 1.7% in Prince George's County. To the extent that increased housing costs reduce construction starts and/or profit margins, small business construction activity could be reduced in Prince George's and Montgomery counties. However, assuming the aggregate housing demand within the State remains constant, any reduction in construction activity in Montgomery and Prince George's counties would be offset by increased construction activity in other jurisdictions.

In addition, this bill would shift the cost of constructing subdivision lines in the Washington Suburban Sanitary District in certain cases to the builder or developer, many of which are small businesses. A portion, or all of the higher costs resulting from constructing subdivision lines would be passed along to home/property buyers resulting in an increase in the cost of housing. In addition, since the construction projects would be awarded outside of the WSSC procurement guidelines, this bill could reduce the number and amount of contracts going to minority-owned firms.

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

**Fiscal Note History:** First Reader - March 17, 1998

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