

Department of Legislative Services
Maryland General Assembly
1999 Session

FISCAL NOTE

House Bill 591 (Montgomery County and Prince George's County Delegations)
Commerce and Government Matters

WSSC - Subdivision Lines - Inspection and Fees
MC/PG 19-99

This bill limits the charges that the Washington Suburban Sanitary Commission (WSSC) may assess against owners and developers who install subdivision lines to 7.5% of the actual contract price for construction and installation of the lines. This limitation applies to all direct and indirect costs incurred by the WSSC. The bill also prohibits the WSSC from requiring the purchase of materials for subdivision line construction from the WSSC or from a source designated by the WSSC. The bill's provisions do not apply to authorizations for service for: (1) which an application for water and sewer service is made with the WSSC on or before June 30, 1999; (2) which the WSSC enters into a contract for construction of subdivision lines with notice to proceed on or before June 30, 2001; and (3) the relief of health hazards.

The bill is effective July 1, 1999.

Fiscal Summary

State Effect: None.

Local Effect: Indeterminate impact on WSSC revenues and expenditures.

Small Business Effect: Potential meaningful.

Fiscal Analysis

Local Effect: The WSSC currently charges 100% of its costs for review and inspection of construction of subdivision lines to developers with no maximum charge. The bill limits the amount the WSSC could charge to 7.5% of the "actual contract price" that developers pay for subdivision lines. The fiscal impact to the WSSC will depend upon the actual contract price

that the developer pays and the costs incurred by the WSSC for review and inspection of the construction. WSSC advises that the average subdivision line construction project has to be reviewed 1.25 times before it is approved. The charges that are assessed vary widely depending on the project, therefore, the WSSC is unable to provide a reliable estimate of its costs for review and inspection. It is assumed that the WSSC will recover 100% of its costs up to the maximum cap of 7.5%. To the extent that WSSC's costs for review and inspection exceed the cap, revenues could decrease by an indeterminate amount.

In order to determine the actual contract price for construction of subdivision lines, WSSC advises that audits would have to be performed on each construction contract entered into by developers. There are an average of 200 subdivision line construction projects each year. Assuming each project would require an independent audit by an outside CPA firm at a cost of \$5,000 per audit, expenditures would increase by \$1.0 million each year according to the WSSC. WSSC further advises that any expenditure increases would be passed on to consumers in the form of increased water and sewer rates.

The Department of Legislative Services advises that the cost of these audits would be part of overhead costs and be included in the 7.5% maximum cap, thus these costs could be recovered as part of the fees from developers. In addition, only those audit costs that exceed the cap would be passed on to consumers.

Small Business Effect: Developers that submit plans multiple times could have lower costs. The level of cost savings will depend upon the comparison of the WSSC's actual expenses and 7.5% of the contract cost. In addition, any expenses of the WSSC above the 7.5% cap could be passed on to consumers in the form of higher rates.

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

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