

Department of Legislative Services
Maryland General Assembly
2000 Session

FISCAL NOTE

House Bill 1011 (Prince George's County Delegation and Montgomery County
Delegation)

Commerce and Government Matters

**Washington Suburban Sanitary Commission - Task Force on Privatization -
Implementation of Recommendations
PG/MC 10-00**

This bill codifies the recommendations of the Task Force on Washington Suburban Sanitary Commission (WSSC) Privatization. It establishes two bicounty committees: a nine-member committee on privatization options and a 15-member committee on WSSC ancillary services. The bill also requires a memorandum of understanding (MOU) to clarify the competitive action program (CAP) currently underway at the WSSC and to quantify the program's goals.

This bill is effective July 1, 2000, and sunsets September 30, 2005.

Fiscal Summary

State Effect: None.

Local Effect: Decisions made by the committees may eventually have a major impact on Prince George's County, Montgomery County, and the WSSC. However, there would be no significant impact in the next couple of years. The committees could be established with existing resources.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: The bill establishes a committee on WSSC ancillary services to develop an implementation plan for the transfer of WSSC's ancillary services to Montgomery and Prince George's counties. The services that the plan will address include: (1) certain facility planning responsibilities; (2) cross connection/backflow prevention inspections; (3) examination and licensing of gas fitters; (4) fats, oils, and grease program inspections; (5) gas fitting permits and inspections; (6) on-site water/sewer system approvals and inspections; (7) plumbing permits and inspections; (8) examination and licensing of master plumbers; and (9) any other ancillary services performed by the WSSC that the committee deems appropriate for transfer. The bill requires that the committee report on their plans by December 15, 2000, and that any legislation needed to implement the plan be included in the report.

The bill also requires the Montgomery County Executive, the Prince George's County Executive, and the WSSC to execute an MOU outlining a CAP designed to reduce the WSSC's controllable operations and management costs. The MOU will set in writing the program's quantifiable objectives, its strategies for achieving the objectives, and a timetable for attainment of the objectives. In addition, annual reports discussing the program's progress must be submitted to Prince George's and Montgomery counties.

Finally, the bill creates a committee on privatization options that will continue the work done by the Task Force on Privatization. It will examine the advantages and disadvantages of several privatization options and will oversee the work of the committee on WSSC ancillary services and the WSSC implementation of the CAP. By December 15, 2002, the committee must submit a report that includes its evaluation of the privatization options, any legislation needed to implement its plans, and a recommendation for its future role in the implementation process.

Current Law: The WSSC is a public utility operating in Montgomery and Prince George's counties and is governed by State law. The WSSC is not authorized to sell its assets. Aside from its primary function as a water and wastewater utility, the WSSC provides to the counties in its district several ancillary services related to its water service functions. Although not required by law, the WSSC has been executing a CAP since 1997.

Background: Chapter 713 of 1998 established the Task Force on Privatization of the Washington Suburban Sanitary Commission to examine the possibility of privatizing some or all of the WSSC's assets. The task force was created in response to concerns over the WSSC's rising debt and increasing rates, as well as perceptions that its organizational structure leads to political deadlocks and internal inefficiencies. Although it did not make a

specific recommendation about the privatization of the WSSC, the task force did have three main suggestions: (1) that WSSC ancillary services be transferred to Montgomery and Prince George's counties; (2) that the WSSC continue its CAP; and (3) that the General Assembly, the counties, and the WSSC continue to examine privatization.

Local Fiscal Effect: It is likely that if ancillary services are transferred from the WSSC to Prince George's and Montgomery counties, the funding sources and some personnel would also be transferred. While this would require additional expenditures, fees are charged for the services, so the net effect would probably be minimal. It is assumed that the counties would balance new revenues and expenditures by adjusting fees up or down to appropriately cover costs. The WSSC estimates that it spent about \$6.4 million in fiscal 1999, including overhead costs, to fund ancillary service provision. Not including overhead costs such as management and office space, the WSSC estimates its costs at \$4.1 million. In fiscal 1999, fees collected from ancillary services totaled \$4.6 million, and in fiscal 1998, the fees generated \$3.3 million.

The WSSC has been executing the CAP since fiscal 1997 with the goal of reducing the fiscal 1996 levels of controllable operations and management costs by \$25 million by the end of fiscal 2002. To date, the WSSC estimates that costs have been reduced by \$10.3 million.

The committee on privatization options will consider five different privatization scenarios, and several of the scenarios would have an impact on county finances and operations. However, without knowing what recommendation the committee might make, a fiscal effect cannot be reliably forecasted.

Small Business Effect: The impact of committee decisions and the CAP cannot be forecasted at this time. As with the impact on local governments, the creation of the committees does not by itself affect small businesses. However, some of the recommendations from the committees may have an impact. For example, the jurisdiction for licensing plumbers and pipefitters might change and a fiscal effect, positive or negative, may result. Additionally, some of the WSSC privatization options might have significant impacts on small businesses.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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