

Department of Legislative Services
Maryland General Assembly
2000 Session

FISCAL NOTE

House Bill 692 (Prince George's County Delegation and Montgomery County Delegation)
Commerce and Government Matters

Washington Suburban Sanitary Commission - Asset Sale
PG/MC 20-00

This bill grants the Washington Suburban Sanitary Commission (WSSC) permission to sell all of its assets. The WSSC will establish the procedures for the sale and accept an acquisition proposal from a public utility that provides short-term and long-term benefits to ratepayers, equitably allocates economic benefits between shareholders and ratepayers, and does not adversely affect competition. The WSSC must also consider whether an acquisition proposal: (1) maintains or improves on WSSC's services as well as its financial and management conditions; (2) is fair to WSSC employees, ratepayers, counties and municipalities, taxpayers, and entities regulated by WSSC; (3) benefits the State and local economies; (4) preserves the jurisdiction of the sanitary district; and (5) provides measures to prevent adverse consequences that may result from the sale. The WSSC shall offer all its assets at an announced public sale and sell its assets to a responsible bidder whose acquisition proposal meets the bill's requirements and addresses all of its considerations. The WSSC may reject all bids if it determines that no bids are satisfactory and that it is in the best interest of the WSSC to reject the bids.

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

Fiscal Summary

State Effect: None.

Local Effect: The value of the WSSC has been estimated at \$3 billion and the amount needed to erase its debt has been estimated at \$1 billion. The bill, however, does not discuss the disbursement of funds received by the sale of the WSSC. The WSSC could review proposals with existing resources.

Small Business Effect: Potential meaningful.

Analysis

Current Law: The WSSC is a public utility operating in Montgomery and Prince George's counties and is governed by State laws. The WSSC is not authorized to sell its assets.

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. In its September 1999 report, the task force did not recommend a specific privatization option but did urge the General Assembly, Montgomery and Prince George's counties, and the WSSC to continue examining privatization and other restructuring options.

Small Business Effect: The WSSC utilizes programs to assure small and minority businesses the opportunity to participate in construction projects, supply delivery, and services contracts. If the WSSC is sold, the new operator might not continue these practices. In addition, any sale of WSSC might change the rate schedule, thereby affecting all ratepayers, including small businesses, in the sanitary district. It is not known how rates would be affected, though the proposed legislation requires that the WSSC consider the impact on rates before accepting a bid. If the legislation results only in the WSSC examining bids and does not result in a sale, there would be no effect on small businesses.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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drg/jr

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