

**Department of Legislative Services**

Maryland General Assembly

2005 Session

**FISCAL AND POLICY NOTE**

House Bill 602 (Montgomery County Delegation and Prince George's County Delegation)  
Environmental Matters

---

**Washington Suburban Sanitary District - System Development Charge - Exemptions  
MC/PG 104-05**

---

This bill provides additional exemptions from the system development charge imposed by the Washington Suburban Sanitary Commission (WSSC) for property owned by tax exempt entities and for projects that include a commitment for the preservation of open space. Eligible tax exempt entities include an organization, institution, association, society, or corporation with a tax exemption under Section 501 (C) (3) of the Internal Revenue Code. Eligible preservation projects must conform to the definitions, conditions, and requirements as jointly agreed on by the county councils of Montgomery and Prince George's counties.

The bill takes effect July 1, 2005.

---

**Fiscal Summary**

**State Effect:** None.

**Local Effect:** WSSC finances would not be directly affected by expanding the eligibility for exemptions from the system development charge.

**Small Business Effect:** Potential meaningful.

---

**Analysis**

**Current Law:** State law currently provides for several exemptions to the WSSC system development charge. A full or partial exemption must be granted for public sponsored or

affordable housing as jointly defined and agreed upon by the county councils. In addition, a full or partial exemption may be granted for revitalization projects, residential property located in a mixed retirement development as defined in the zoning ordinance of Prince George's County, residential property located in a planned retirement community as defined in the zoning ordinance of Montgomery County, other elderly housing, or properties used for biotechnology research and development or manufacturing.

**Background:** WSSC is among the 10 largest water and sewer utilities in the country, providing water and sewer services to 1.6 million residents in Montgomery and Prince George's counties. WSSC operates two water filtration plants, six wastewater treatment plants, and four reservoirs. The commission's budget for fiscal 2005 totals \$690.9 million, of which \$465.3 million is for operating expenses and \$225.6 million is for capital expenses. WSSC is governed by a six-member commission with three members appointed by the county executive in each county and confirmed by the respective county council.

The system development charge is imposed on new development as a method to pay for capital expenses needed to accommodate growth. It is reviewed and updated annually by the county councils. First imposed in fiscal 1994, the system development charge generated \$35.0 million in revenues in fiscal 2003 and \$37.7 million in fiscal 2004.

**Local Fiscal Effect:** Beginning in fiscal 1995, Montgomery and Prince George's counties have established a \$500,000 per county annual limit on system development charge exemptions, with the unused portion carried over to future years indefinitely. As of June 30, 2004, Montgomery County had granted \$1.6 million in exemptions, and Prince George's County had granted \$0.7 million. Each county, however, has the ability to grant an aggregate of \$3 million in exemptions over the six-year period (\$500,000 annually for six years). As shown in **Exhibit 1**, both jurisdictions have the capacity to grant additional exemptions from the system development charge without exceeding the current limitations set in 1999. **Exhibit 2** shows the amount of exemptions granted by category for each year since that time. In Montgomery County, 36% of the exemptions were for elderly housing, 43% for revitalization projects, and 21% for biotechnology projects. In Prince George's County, 31% of the exemptions were for elderly housing and 69% were for revitalization projects.

---

**Exhibit 1**  
**Current Exemptions from System Development Charge**  
**As of June 30, 2004**

	<u><b>Exemptions Granted</b></u>	<u><b>Exemptions Unused</b></u>
Montgomery County	\$1.6 million	\$1.4 million
Prince George's County	0.7 million	2.3 million
<b>Total</b>	<b>\$2.3 million</b>	<b>\$3.7 million</b>

---

**Exhibit 2**  
**Current SDC Exemptions by Category**

**Montgomery County**

<u><b>Fiscal Year</b></u>	<u><b>Elderly Housing</b></u>	<u><b>Revitalization Projects</b></u>	<u><b>Biotech Projects</b></u>	<u><b>Total Exemptions</b></u>
1999	\$44,800	\$0	\$117,766	\$162,566
2000	100,280	41,941	0	142,221
2001	171,940	0	63,898	235,838
2002	138,810	222,251	33,302	394,363
2003	56,898	121,740	121,681	300,319
2004	50,000	283,811	0	333,811
<b>Total</b>	<b>\$562,728</b>	<b>\$669,743</b>	<b>\$336,647</b>	<b>\$1,569,118</b>

**Prince George's County**

<u><b>Fiscal Year</b></u>	<u><b>Elderly Housing</b></u>	<u><b>Revitalization Projects</b></u>	<u><b>Biotech Projects</b></u>	<u><b>Total Exemptions</b></u>
1999	\$0	\$0	\$0	\$0
2000	87,636	25,374	0	113,010
2001	0	39,220	0	39,220
2002	40,850	42,444	0	83,294
2003	98,754	65,044	0	163,798
2004	0	327,896	0	327,896
<b>Total</b>	<b>\$227,240</b>	<b>\$499,978</b>	<b>\$0</b>	<b>\$727,218</b>

---

**Small Business Effect:** Additional small businesses may be eligible to receive a full or partial exemption from the system development charge. Montgomery County has set a \$50,000 limit per dwelling on the amount of the allowable exemption. There is no per dwelling exemption limit in Prince George's County.

---

### **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

**Fiscal Note History:** First Reader - February 17, 2005  
mp/hlb

---

Analysis by: Hiram L. Burch Jr.

Direct Inquiries to:  
(410) 946-5510  
(301) 970-5510