

**Department of Legislative Services**  
Maryland General Assembly  
2006 Session

**FISCAL AND POLICY NOTE**

House Bill 1088 (Prince George's County Delegation and Montgomery County Delegation)  
Environmental Matters

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**Washington Suburban Sanitary District - System Development Charge - Exemptions**  
**PG/MC 115-06**

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This bill provides an exemption 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, 2006.

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**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.

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**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
- 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 facilities, and three reservoirs. The commission's budget for fiscal 2006 totals \$759.2 million, with operating expenses totaling \$494.3 million and capital expenses totaling \$264.8 million. 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.

**Local Fiscal Effect:** The system development charge is imposed on new development as a method to pay for capital expenses needed to accommodate growth in the bi-county area. It is reviewed and updated annually by the county councils. First imposed in fiscal 1994, the system development charge generated \$36.6 million in fiscal 2005.

The county councils have established a \$500,000 per county annual limit on exemptions to the system development charge, with any unused portion allowed to carry over to future years indefinitely. This restriction first became effective in fiscal 1999. Over the seven-year period from fiscal 1999 to 2005, each county had the ability to grant an aggregate of \$3.5 million in exemptions. As of June 30, 2005, Montgomery County had granted \$2.0 million in exemptions and Prince George's County had granted \$0.9 million. Both jurisdictions have the capacity to grant additional exemptions from the system development charge without exceeding the current limitations set forth in fiscal 1999.

**Exhibit 1** shows the amount of exemptions granted in each county and the amount that has been carried over to future years. **Exhibit 2** shows the amount of exemptions granted by category for each year since that time. In Montgomery County, 28% of the exemptions were for elderly housing, 52% for revitalization projects, and 20% for biotechnology projects. In Prince George's County, 26% of the exemptions were for elderly housing, 68% for revitalization projects, and 6% for biotechnology.

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**Exhibit 1**  
**Current Exemptions from System Development Charge**

	<u>Exemptions Granted</u>	<u>Exemptions Unused</u>
Montgomery County	\$2.0 million	\$1.5 million
Prince George's County	0.9 million	2.6 million
<b>Total</b>	<b>\$2.9 million</b>	<b>\$4.1 million</b>

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

**Montgomery County**

<u>Fiscal Year</u>	<u>Elderly Housing</u>	<u>Revitalization Projects</u>	<u>Biotech Projects</u>	<u>Total Exemptions</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	137,636	222,251	33,302	393,189
2003	56,898	121,740	121,591	300,229
2004	50,000	444,767	0	494,767
2005	0	197,277	50,000	247,277
<b>Total</b>	<b>\$561,554</b>	<b>\$1,027,976</b>	<b>\$386,557</b>	<b>\$1,976,087</b>

**Prince George's County**

<u>Fiscal Year</u>	<u>Elderly Housing</u>	<u>Revitalization Projects</u>	<u>Biotech Projects</u>	<u>Total Exemptions</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
2005	0	86,661	50,000	136,661
<b>Total</b>	<b>\$227,240</b>	<b>\$586,639</b>	<b>\$50,000</b>	<b>\$863,879</b>

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## **Additional Information**

**Prior Introductions:** An identical bill, HB 602, was introduced at the 2005 session. The bill was withdrawn before receiving a hearing from the House Environmental Matters Committee.

**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 - March 22, 2006  
mll/hlb

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