

Department of Legislative Services
Maryland General Assembly
2007 Session

FISCAL AND POLICY NOTE
Revised

House Bill 667

(Montgomery County Delegation and Prince George's
County Delegation)

Environmental Matters

Education, Health, and Environmental Affairs

**Washington Suburban Sanitary District - System Development Charge -
Exemptions
MC/PG 116-07**

This bill authorizes the Montgomery and Prince George's county councils to grant a full or partial exemption from the system development charge imposed by the Washington Suburban Sanitary Commission (WSSC) to nonprofit youth services organizations. The exemption is limited to \$80,000. The Montgomery and Prince George's county councils must report to the General Assembly by June 30, 2009 on the entities receiving an exemption since the inception of the authority and a five-year action plan on improving the process of granting such exemptions.

The bill takes effect July 1, 2007 and terminates June 30, 2009.

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: Overall minimal, but potential meaningful for a nonprofit youth services organization if it is exempted from paying the system development charge.

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; and
- 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. It has a total budget of \$757.1 million (\$502.1 operating budget and \$255.0 capital budget) in fiscal 2007, over 400,000 customer accounts, and serves an area of around 1,000 square miles. It operates three reservoirs, two water filtration plants, and six wastewater treatment plants.

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 \$35.6 million in fiscal 2006.

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 eight-year period from fiscal 1999 to 2006, each county had the ability to grant an aggregate of \$4.0 million in exemptions. As of June 30, 2006, Montgomery County had granted \$2.1 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. **Appendix 1** 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.

Exhibit 1
Current Exemptions from System Development Charge

	<u>Exemptions Granted</u>	<u>Exemptions Unused</u>
Montgomery County	\$2.1 million	\$1.9 million
Prince George’s County	0.9 million	3.1 million
Total	\$3.0 million	\$5.0 million

The fiscal impact of the bill’s reporting requirement should be minimal and absorbable within existing resources for both Montgomery and Prince George’s counties.

Additional Information

Prior Introductions: Similar bills were introduced during 2005 and 2006. HB 602 of 2005 and HB 1088 of 2006 were both withdrawn before receiving a hearing in 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 8, 2007
ncs/hlb Revised - House Third Reader - March 28, 2007

Analysis by: Joshua A. Watters

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

Appendix 1
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	267,659	50,000	317,659
2006	50,000	10,238	41,919	102,157
Total	\$611,554	\$1,108,596	\$428,476	\$2,148,626

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	46,892	0	46,892
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
2006	0	0	0	0
Total	\$227,240	\$594,311	\$50,000	\$871,551

Source: Washington Suburban Sanitary Commission
