

Department of Legislative Services
Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE

House Bill 1623 (Delegate Carr) Economic Matters

Local Government - Street Lighting Equipment

This bill establishes the price that a local government must pay to purchase overhead street lighting equipment from an electric company. For equipment that is at least 40 years old, the price is set at \$25 for each incandescent or mercury vapor luminaire, including the lamp, ballast, globe, and light-sensitive switch, and \$25 for each mounting arm or bracket. For equipment under 40 years old, the price is based on the fair market value excluding any contributions made by local governments that aided in the construction of the street lighting equipment.

Fiscal Summary

State Effect: None.

Local Effect: Potential decrease in local government expenditures relating to the purchase and maintenance of street lighting equipment. Revenues would not be affected.

Small Business Effect: Potential minimal.

Analysis

Current Law: Upon request of a local government, an electric company is required to sell some or all of its street lighting equipment located within the local jurisdiction at a price equal to fair market value. Any dispute between a local government and an electric company regarding the purchase of street light equipment must be submitted to the Public Service Commission for resolution.

Background: PSC advises that no local governments have requested assistance to resolve a dispute regarding the purchase of street lighting equipment. The Maryland

Municipal League (MML) notes the some local governments have attempted to negotiate with electric companies to purchase streetlights but have not been able to reach an agreement on the terms of sale or an appropriate price.

Chapters 554 and 555 of 2007 authorized local governments to purchase and maintain street lighting equipment. A May 2007 letter from the Attorney General indicated that although the bill was approved for constitutionality, it was noted that the bill must be administered properly to ensure the right to just compensation protected by the United States and Maryland Constitutions. Just compensation must be provided before the government can take private property. The bill provided for compensation based on fair market value, which is usually construed to mean just compensation. If a dispute arises as to the value paid by the government, the Attorney General notes that local governments may use their condemnation power to obtain control of the necessary equipment if they cannot come to an agreement with the electric company.

Local Fiscal Effect: MML advises that for metered streetlights on metal poles without overhead high voltage lines attached, maintenance is competitive and local governments have a choice of the maintenance service provider. This competition allows the municipality to save money on maintenance costs, select from a wide array of choices for lamp and luminaire, and facilitate potentially faster response to reports of streetlight outages. Because of distance restrictions regarding high voltage lines, this option is not currently available in the case of streetlights on wooden poles with overhead high voltage lines attached that are owned by electric companies.

Establishing a set price for a local government to purchase street lighting equipment that is over 40 years old would facilitate the purchasing process for some local governments. If the set price is lower than the price which would otherwise be negotiated, a local government may recognize some savings when purchasing street lighting equipment over 40 years old. Local governments could also realize savings when purchasing newer street lighting equipment because the bill specifies that “fair market value” must exclude any contributions made by a local government to aid in the construction of the street lighting equipment.

If maintenance costs decrease as a result of local governments purchasing equipment and choosing a maintenance service provider, expenditures could also decrease.

Small Business Effect: If a local government purchases street lighting equipment and contracts with a small business for the maintenance of the street lighting equipment, small businesses could be positively impacted.

Additional Information

Prior Introductions: None.

Cross File: SB 1012 (Senator Madaleno) - Education, Health, and Environmental Affairs.

Information Source(s): Maryland Municipal League, Public Service Commission, Department of Legislative Services

Fiscal Note History: First Reader - March 25, 2008
mam/hlb

Analysis by: Erik P. Timme

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