

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE
Revised

House Bill 489
Appropriations

(Allegany County Delegation)

Budget and Taxation

**Allegany County - Upper Potomac River Commission - Savage River Dam -
Borrowing Authority**

This bill alters the borrowing authority of Allegany County relating to the Upper Potomac River District. Allegany County may issue bonds and incur debt on behalf of the Upper Potomac River Commission to maintain and repair infrastructure within the river district in accordance with the county's current borrowing procedures, as specified in State law for counties operating under the Code Home Rule form of government. The bill also repeals the requirement that a special tax be levied within the river district to repay the bonds and that the issuance of such bonds be approved by the voters in the county.

The bill takes effect June 1, 2009.

Fiscal Summary

State Effect: None.

Local Effect: Allegany County receives bond proceeds to fund infrastructure improvements within the Upper Potomac River District. Allegany County debt service expenditures increase by an undetermined amount.

Small Business Effect: None.

Analysis

Current Law: Allegany County may issue bonds or debt up to \$200,000 for the acquisition, construction, or maintenance of lands, structures, buildings, dams, and other

drainage structures in the Upper Potomac River District. Prior to any bond issuance or borrowing, the county commissioners must submit the capital outlay to a vote of the qualified voters in the county. The interest rate of bonds must be less than 5% and have a term to maturity of 15 years or less. Interest on bonds issued is exempt from all State, county, and municipal taxation in the State of Maryland. Allegany County is required to levy a special tax on property in the county to meet all the interest and principal payments due on these bonds.

Background: The Upper Potomac River Commission (UPRC) operates the Savage River Dam in Garrett County. Funding for operation of the Savage River Dam is provided by Allegany County and other downstream users. In addition to operating the dam, UPRC operates a facility that treats industrial wastewater from the NewPage paper mill and municipal wastewater treatment facilities that serve several towns.

According to a 2008 report prepared by the UPRC, the Interstate Commission on the Potomac River Basin, the U.S. Army Corps of Engineers, and the Maryland Department of Environment, UPRC discovered a significant malfunction with one of the gates used to control flows from the outlet structure of the Savage River Dam. One of the gates was stuck in the closed position, eliminating ability to control outflow through half of the facility's outlet structures. After an investigation, the resulting recommendation was to replace all four control gates in the outlet structure of the dam. The existing gates were installed during the original construction of the facility and have been in service since 1952.

On Thursday February 12, 2009, Allegany County approved a plan to solicit bids for design and fabrication for the Savage River Dam gate replacement project.

Local Fiscal Effect: The estimated cost to replace all four gates of the Savage River Dam is nearly \$6 million. Allegany County and three major water suppliers in the Washington, DC area typically fund operations and maintenance for Savage River Dam. The three major water suppliers are Fairfax Water, the Washington Suburban Sanitary Commission, and the Washington Aqueduct Division of the U.S. Army Corps of Engineers.

The amount of county funding needed to make the necessary repairs will depend on the amount of funding provided by other major water suppliers and any federal funds the project is eligible for. Allegany County debt service expenditures increase by an undetermined amount, dependant on the amount of bonds issued and the terms of the issuance.

Additional Information

Prior Introductions: None.

Cross File: SB 450 (Senator Edwards) - Budget and Taxation.

Information Source(s): Upper Potomac River Commission, Department of Legislative Services

Fiscal Note History: First Reader - February 17, 2009
ncs/mwc Revised - House Third Reader - March 27, 2009

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