

Department of Legislative Services  
Maryland General Assembly  
2015 Session

FISCAL AND POLICY NOTE  
Revised

House Bill 910 (Montgomery County Delegation and Prince George's  
County Delegation)

Environment and Transportation

Finance

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Washington Suburban Sanitary Commission - Polybutylene Connection Pipe  
Replacement Loan Program  
MC/PG 116-15

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This bill requires the Washington Suburban Sanitary Commission (WSSC) to establish a Polybutylene Connection Pipe Replacement Loan Program. WSSC may not provide more than \$1 million in loans through the program.

The bill takes effect October 1, 2015, and terminates September 30, 2025.

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Fiscal Summary

**State Effect:** None.

**Local Effect:** WSSC expenditures increase depending on the number of loans issued under the program. Revenues increase upon repayment of loans. WSSC may not provide more than \$1.0 million in total loans. **This bill imposes a mandate on a unit of local government.**

**Small Business Effect:** None.

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Analysis

**Bill Summary:** The purpose of the program is to provide loans to residential customers to finance the replacement of malfunctioning polybutylene pipes on customer property located in the commission's service area that connect from service connections to customer residences. The loan program must (1) provide for eligibility requirements for participation

in the program, including eligibility requirements for the type of connection pipe that is being installed to replace the existing polybutylene connection pipe and customers applying for a loan through the program; (2) provide for loan terms and conditions; (3) require that the replacement of malfunctioning polybutylene pipes under the program be performed by a licensed plumber; and (4) prohibit the commission from replacing malfunctioning polybutylene pipes under the program.

Customers who are provided loans must repay a loan through a separate charge on the customer's water and sewer bill. WSSC may not set a charge greater than an amount that allows the commission to recover the costs associated with financing the loan and administering the program. A person who acquires property subject to a charge assumes the obligation to pay the charge.

Each loan provided under the program must be a lien against the property on which the malfunctioning polybutylene pipe has been replaced that continues until the loan is paid in full to the commission. The commission is the sole holder of the lien.

The bill establishes the Polybutylene Connection Pipe Replacement Fund, administered by WSSC, to provide funding for the polybutylene connection pipe replacement loan program. The fund consists of (1) money appropriated by the commission from ratepayer funds only; (2) any investment earnings of the fund; and (3) any other money from any other source accepted for the benefit of the fund. The fund may be used only for providing loans through the program.

**Current Law:** WSSC does not have a Polybutylene Connection Pipe Replacement Loan Program.

**Background:** WSSC is among the largest water and wastewater utilities in the country, providing water and sewer services to 1.8 million residents in Montgomery and Prince George's counties. It has over 460,000 customer accounts, serves an area of around 1,000 square miles, and currently employs more than 1,500 people. The commission operates three reservoirs, two water filtration plants, and six wastewater treatment plants. The six wastewater treatment facilities, as well as the Blue Plains Advanced Wastewater Treatment Plant, handle over 200 million gallons of wastewater per day. The commission maintains nearly 5,600 miles of water main lines and nearly 5,500 miles of sewer main lines.

WSSC reports that 20 years ago, there were several class action lawsuits against the makers of polybutylene pipe that were ultimately settled in favor of property owners. These settlements provided coverage of a specified percentage of the replacement costs of faulty pipes. WSSC advises that this bill will provide customers who were not part of these prior

settlements to have access to a loan program to assist with the cost of replacing their polybutylene pipes.

**Local Fiscal Effect:** WSSC expenditures may increase depending on the number of loans issued under the loan program. WSSC revenues increase upon repayment of the loans through the surcharge imposed on customer water and sewer bills. The amount of the increase cannot be reliably estimated, but depends on the number of customers using the loan program and the repayment schedule of each loan. Under the bill, WSSC may not provide more than \$1.0 million in total loans over the 10 year life of the program.

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### **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 - March 23, 2015  
md/hlb Revised - House Third Reader - April 6, 2015  
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