

Department of Legislative Services
Maryland General Assembly
2017 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 320

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

Environment and Transportation

Finance

Washington Suburban Sanitary Commission - Connection Pipe Emergency
Replacement Loan Program
MC/PG 109-17

This bill requires the Washington Suburban Sanitary Commission (WSSC) to establish a Connection Pipe Emergency Replacement Loan Program. WSSC may not provide, or at any time have outstanding, more than \$1 million in total loans through the program. WSSC must include \$100,000 annually in the commission's budget for the program for fiscal 2019 through 2028.

The bill takes effect July 1, 2017, and terminates June 30, 2028.

Fiscal Summary

State Effect: None.

Local Effect: WSSC expenditures increase by \$100,000 annually in FY 2018 through 2028 for funding the loan program. Expenditures also increase for administering the loan program, including recording, holding, and processing liens, depending on the number of loans issued under the program. Revenues increase upon repayment of loans. WSSC may not provide or have outstanding more than \$1.0 million in total loans at any one time. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: None.

Analysis

Bill Summary: The purpose of the program is to provide loans to residential customers to finance the replacement of malfunctioning pipes. The loan program must include (1) eligibility requirements for participation in the program, including eligibility requirements for customers applying to receive a loan through the program, the type of connection pipe that is being installed to replace the existing connection pipe and the type of malfunction and pipe replacement emergency that qualifies for the program; (2) a requirement that a customer receive notification or have certification that there is an active leak in a pipe; (3) loan terms and conditions, including an interest rate repayment schedule and an administrative processing fee; (4) a requirement that the replacement of malfunctioning pipes under the program be performed by a plumber licensed by the commission; and (5) a prohibition on the commission from replacing malfunctioning pipes under the program.

Loans under the program may not exceed \$5,000, and a customer may not receive more than one loan at a time.

Customers who are provided loans must repay a loan through a separate charge on the customer's water and sewer bill or by another method determined by the commission. 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 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. WSSC is required to record a lien in the land records of the county where the property is located. A lien must secure payment of a loan, including the principal, interest, late charges, cost of collection, and reasonable attorney's fees. Liens must be enforced in accordance with the Maryland Contract Lien Act. A lien may not take priority over a lien, mortgage, deed of trust, or other security interest that is (1) already attached to the property at the time the lien established under this program is recorded or (2) given to secure a loan to purchase the property subject to the lien or refinance a loan that is already attached to the property at the time the lien is recorded.

The bill establishes the Connection Pipe Emergency Replacement Fund, administered by WSSC, to provide funding for the connection pipe emergency 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 and the administration of the program.

Current Law: WSSC does not have a Connection Pipe Emergency 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 more than 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 more than 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 over 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.

Local Fiscal Effect: WSSC expenditures increase by \$100,000 annually in fiscal 2018 through 2028 for funding the loan program. Expenditures also increase for administering the loan program. WSSC revenues increase upon repayment of the loans through the charge 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. Individual loans may not exceed \$5,000. Under the bill, WSSC may not provide or have outstanding more than \$1.0 million in total loans at any one time.

Additional Information

Prior Introductions: HB 1552 of 2016 passed the House and received a favorable with amendments report from the Senate Finance Committee; however, the bill was recommitted to the Senate Finance Committee and no further action was taken. HB 910 of 2015 passed the House and Senate with amendments. The House refused to concur with the Senate amendments and a conference committee was appointed; however, no further action was taken.

Cross File: None.

Information Source(s): Montgomery and Prince George's counties; Washington Suburban Sanitary Commission; Department of Legislative Services

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