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Education, Energy, and the Environment
2 West Miller
Senate Office Building
Annapolis, Maryland 21401

Dear Chair Feldman,

The Anne Arundel County Department of Public Works (DPW) strongly opposes Senate Bill 556 – Water and Sewage Disposal Companies – Rate Consolidation and Limited-Income Mechanisms. While the intent of ensuring utility affordability is commendable, this bill presents a significant threat to the fiscal stability of the Anne Arundel County's Utility Fund and our ability to maintain critical infrastructure.

This legislation ignores the fundamental reality that Maryland's water service providers do not use a uniform billing model. Jurisdictions use a complex mix of ad valorem taxes, fixed account fees, and volumetric usage rates. Forcing consolidation onto these distinct, localized frameworks is administratively impossible and would lead to inequitable billing for Anne Arundel residents.

Anne Arundel County's water and sewer rates are insufficient to cover existing debt service requirements. We are in a cycle of intensive annual reviews to bridge this gap and SB 556 complicates this effort. The bill's move toward Public Service Commission (PSC) oversight of rate consolidation interferes with the County's ability to set rates based on specific, localized infrastructure needs. We cannot afford a "one-size-fits-all" consolidation when our debt is tied to specific local assets and unique geographical challenges.

The mandate for "Limited-Income Mechanisms" creates an administrative layer for income verification and billing adjustments that the County is not currently equipped to fund. Diverting revenue from our already-strained Utility Operating Fund to manage these programs will further exacerbate our debt service gap.

If the County is restricted in how it adjusts rates due to mandated PSC "protections" or consolidation rules, it risks falling below required debt service coverage ratios. This would lead to credit downgrades, making future infrastructure bonds significantly more expensive for all taxpayers.

For Anne Arundel County, water and sewer service is not a profit-driven enterprise, it is a critical public health utility funded by those who use it. SB 556 introduces regulatory uncertainty at a time when we need maximum flexibility to ensure our system remains solvent.

I respectfully urge the Committee to give SB 556 an unfavorable report.

Sincerely,

A handwritten signature in black ink that reads "Karen Henry". The signature is written in a cursive style.

Karen Henry
Director

cc: Members of the Senate Education, Energy, and the Environment Committee