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WSSC's Stimulus Share Is Debated

State Had Decided Suburbs Too Wealthy for Grants

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As of yesterday morning, the utility that oversees the crumbling water system in Montgomery and Prince George's counties wasn't going to receive a dime in federal stimulus grants because the state had decided the two Washington suburbs were too wealthy.

But by the end of the day, state officials promised to reconsider their funding formula after an outpouring of complaints from local officials and members of Maryland's congressional delegation.

Under current state plans, the Washington Suburban Sanitary Commission would qualify only for low-interest loans to replace decaying pipes more quickly. But WSSC officials said the heavily leveraged agency can't take on more debt without a bigger increase in its 1.8 million customers' water and sewer rates -- something local public officials have vowed to avoid because of the economic downturn.

"I'm shocked that WSSC isn't at the front of the line for receiving [grant] funds," said Montgomery County Council member Nancy Floreen (D-At Large), whose committee oversees WSSC and its problem water pipes. "We need help as much as anyone, particularly considering our extraordinary water main break problems recently."

More loans wouldn't help significantly, they said. WSSC has \$1.3 billion in debt. The utility plans to spend \$157 million this fiscal year, about one-third of its operating budget, to pay off part of that, said Thomas C. Traber, WSSC's chief financial officer.

Dawn Stoltzfus, a spokeswoman for the Maryland Department of the Environment, said yesterday that the state is reconsidering a plan to reserve half of the expected \$123 million in water and sewer funds for grants to lower-income areas, such as Baltimore and rural areas of Western Maryland. State plans called for paying out the other half as loans, with no interest for disadvantaged communities and a 1 percent interest rate for wealthier ones, such as Montgomery and Prince George's.

The problem, local officials said, is that the Washington suburbs might be relatively well-off, but their water pipes are failing miserably. More than 4,000 WSSC pipes have burst or leaked in the past two years. Major breaks have prompted boil-water advisories that have shut down schools and businesses, and after a large water main exploded in December near River Road, motorists had to be rescued from a torrent of water.

Stoltzfus said the agency is still sorting through more than 500 applications for federal stimulus money for water and sewer projects. She said the state followed its traditional policy of reserving grant money for areas with median household incomes of less than \$47,810.

Because of the outcry over plans to do the same with the stimulus money, she said, the state is "still looking at" whether it will limit the federal grants to lower-income areas.

"That was our original thinking, but the process may change," Stoltzfus said. "We know there are other interpretations of the [federal stimulus] law." She said the state will release the list of projects that will receive money -- either from grants or loans -- by next Friday.

But Montgomery and Prince George's officials say the law requires no interpretation. "Nothing in this legislation bars the state from giving WSSC grant money," said Rep. Chris Van Hollen (D-Md.). He said he, Rep. Donna Edwards (D-Md.) and Sen. Barbara A. Mikulski (D-Md.) planned to fax a letter to Gov. Martin O'Malley last night.

Members of Prince George's and Montgomery's state delegations also wrote to O'Malley (D) yesterday protesting the grant plans.

"I don't believe it was the intent of the federal government to disregard the needs of citizens who happen to live in areas that on paper have higher incomes," said Del. Melony G. Griffith (D-Prince George's), who signed the letter.

WSSC officials have said they cannot speed up their current pipe replacement plan, which they say would take 200 years, without a major infusion of money. They applied for \$75 million worth of stimulus projects, including replacing aging pipes they say are rupturing with increasing frequency and have delivered discolored water.

"If we got stimulus money with grants, we could do a lot more" to repair the aging system and stimulate jobs, said Traber, of the WSSC. "If we get loans, we could do a little more."

Paying back a loan, even at 1 percent, would require raising rates beyond the 9 percent increase proposed for the next fiscal year, he said.