

Department of Legislative Services
Maryland General Assembly
2021 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 94

(Delegate Stein)

Environment and Transportation

Education, Health, and Environmental Affairs

Environment - Water Quality Revolving Loan Fund - Uses of Fund

This bill expands the authorized uses of the guarantee authority under the Maryland Water Quality Revolving Loan Fund (WQRLF) by repealing the restriction that WQRLF be used only to guarantee, or purchase insurance for, bonds, notes, or other evidences of obligation issued by a local government *for the purpose of financing all or a portion of the cost of a wastewater facility*, if such action would improve credit market access or reduce interest rates. The bill also authorizes WQRLF to be used (1) to provide loan guarantees for similar revolving funds established by municipalities or intermunicipal agencies and (2) to serve as guarantee for long-term pay for success contracts, green bonds, or environmental impact bonds by any public, private, or nonprofit entity for the purchase of outcomes that provide a water quality benefit. **The bill takes effect July 1, 2021.**

Fiscal Summary

State Effect: There is no material impact on State finances. The Maryland Department of the Environment (MDE) can implement the bill's changes with existing resources. MDE notes that it has not historically used WQRLF to provide guarantees for local obligations to improve credit market access or reduce interest rates.

Local Effect: Potential meaningful benefit to the extent that local governments are able to obtain a WQRLF guarantee for a wider array of projects and are able to obtain better interest rates for water quality projects. This could make projects more affordable.

Small Business Effect: Minimal.

Analysis

Current Law: WQRLF, which is administered by MDE's Water Quality Financing Administration, was created in 1988 to provide low-interest loans to public entities for wastewater and other water quality capital projects. Other assistance is provided through purchasing, guaranteeing, or refinancing debt. Authorized uses of the fund include grants, negative interest loans, forgiveness of principal, subsidized interest rates, and other forms of assistance as authorized or required by specified federal statute.

Among other things, WQRLF can be used to guarantee or purchase insurance for bonds, notes, or other evidences of obligation issued by a local government *for the purpose of financing all or a portion of the cost of a wastewater facility*, if such action would improve credit market access or reduce interest rates.

The federal Water Pollution and Control Act (33 U.S.C.A. § 1383) authorizes, unless otherwise limited by state law, for a state's water pollution control revolving fund to be used to guarantee, or purchase insurance for, local obligations where such action would improve credit market access or reduce interest rates.

Local Fiscal Effect: Local governments are among the primary recipients of assistance from WQRLF and could benefit from the bill to the extent that a local government is able to access MDE's guarantee authority for a wider variety of projects. For a local government that obtains this benefit, the likely result would be lower interest rates and overall costs for qualifying projects. However, MDE notes that it anticipates that most local governments will continue to apply for traditional loan funding and will not utilize the guarantee authority affected by the bill.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Baltimore City; Caroline, Montgomery, and Prince George's counties; cities of Annapolis and Bowie; Maryland Department of the Environment; Department of Legislative Services

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