

Department of Legislative Services
Maryland General Assembly
2021 Session

FISCAL AND POLICY NOTE
Third Reader

Senate Bill 349

(Chair, Education, Health, and Environmental Affairs
Committee)(By Request - Departmental - Environment)

Education, Health, and Environmental Affairs

Environment and Transportation

Environment – Drinking Water Revolving Loan Fund – Use of Funds

This departmental bill makes changes to the statute governing the Maryland Drinking Water Revolving Loan Fund (DWRLF) to conform State law to federal law. The bill increases the maximum term limit for loans made from DWRLF and increases the maximum amount of loan subsidies that can be issued to disadvantaged communities. In addition, the bill increases the time period after the completion of a drinking water facility when annual principal and interest payments begin. Finally, the bill clarifies the authorized uses of funds in DWRLF to include uses authorized or required by relevant provisions of the federal Safe Drinking Water Act (SDWA). **The bill takes effect July 1, 2021.**

Fiscal Summary

State Effect: There is no material fiscal impact on State finances. The Maryland Department of the Environment (MDE) can implement the bill's changes with existing resources.

Local Effect: Meaningful benefit for local governments that have access to longer loan terms and/or additional subsidies under the bill. These changes will make projects more affordable for local governments, particularly in the long term.

Small Business Effect: MDE has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment.

Analysis

Bill Summary:

The bill specifies that, for loans made at or below market rates from DWRLF, loan terms cannot exceed 30 years, or with respect to disadvantaged communities, the lesser of 40 years after completion of the project or the design life of the project; under current law, the maximum loan term is generally 20 years. The bill also increases the time period after the completion of a drinking water facility when annual principal and interest payments begin (from one year to 18 months). Finally, the bill repeals a provision that limits loan subsidies for disadvantaged communities from exceeding 30% of the annual federal capitalization grant received for DWRLF and instead specifies that they must comply with SDWA and any federal appropriations or authorization acts. (Under SDWA, the total amount of loan subsidies made to disadvantaged communities generally may not exceed 35% of the annual capitalization grant received by the state.)

Current Law/Background:

DWRLF was created in 1993 to provide below-market-rate loans for drinking water projects. The revolving loan fund provides financial assistance for a wide variety of projects to facilitate compliance with national primary drinking water standards that protect or improve the quality of the State's drinking water resources. MDE's Water Quality Financing Administration (WQFA) oversees DWRLF, which receives federal capitalization grants and other funding from the U.S. Environmental Protection Agency (EPA).

Under current law, all loans must be fully amortized within 20 years of the completion of any drinking water facility (except as specified), and annual and interest payments must begin within one year of completion of the facility. For loan subsidies for disadvantaged communities, which can include loan forgiveness, the loan subsidy amount cannot exceed 30% of WQFA's annual federal capitalization grant. To qualify as a disadvantaged community, a community must meet one of the following criteria: (1) have a median household income that is less than 70% of Maryland's median household income; (2) have county unemployment in the upper 1/3 percentile; (3) have population decline since the last census; or (4) identify a project that is located in, or that benefits, an MDE environmental benefits district.

According to MDE, the bill is necessary to conform State law to federal law, as noted by EPA in its most recent program review. Recent federal legislation (America's Water Infrastructure Act of 2018) made changes to DWRLF, including increasing loan terms and increasing subsidy amounts to disadvantaged communities. The bill makes corresponding changes to State law. MDE anticipates that the bill's changes will make projects more

affordable for local jurisdictions by providing longer loan terms and increasing loan forgiveness options for disadvantaged communities.

Local Fiscal Effect:

Local governments are among the primary recipients of assistance from DWRLF. Under the bill, MDE can offer local governments longer loan terms and additional subsidies, which will make drinking water projects more affordable. The bill also increases the time period after the completion of a drinking water facility when annual principal and interest payments begin, which reduces initial project costs.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Maryland Department of the Environment; Department of Legislative Services

Fiscal Note History: First Reader - January 11, 2021
rh/lgc Third Reader - February 2, 2021

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Environment – Maryland Drinking Water Revolving Loan Fund –
Use of Funds

BILL NUMBER: SB 349

PREPARED BY: Jeffrey Fretwell

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

 X WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL
BUSINESS

OR

 WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL
BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

This legislation will have minimal impact on Maryland small businesses.