

**Wednesday March 24, 2021**

**TO:** Paul Pinsky, Chair of Education, Health, and Environmental Affairs Committee; and Committee Members

**FROM:** Caitlin Kerr, The Nature Conservancy, Conservation & Climate Policy Analyst

**POSITION:** Support HB 94 – Environment – Water Quality Revolving Loan Fund – Use of Fund

The Nature Conservancy (The Conservancy) supports HB 94 offered by Delegate Stein. HB 94 enables local governments and qualifying entities to exercise increased flexibility in using the Clean Water State Revolving Fund (CWSRF) guarantee facility when issuing bonds that will be backed by the State Revolving Loan Fund (SRF) credit enhancement. Currently, the SRF guarantee facility is narrowly implemented in our state to provide backing solely for wastewater treatment plant upgrades. The list of eligible projects under the Environmental Protection Agency's (EPA) guidelines for the CWSRF program extends far beyond wastewater treatment plants. For example, eligible projects per these guidelines can focus on reducing nonpoint source pollution like stormwater runoff, implementing plans that protect and manage forests, and improving estuaries' health. Enabling a wider range of projects in Maryland to qualify for loans backed by the SRF guarantee facility will enhance water quality and provide additional co-benefits such as improved air quality, increased wildlife habitat, and climate change mitigation.

In 2013, the State of New York began a similar, innovative approach to finance and refinance loans to support energy efficiency improvements for residential, small business, and non-profit owned buildings. Credit enhancement from their SRF was crucial to securitize energy efficiency loan portfolios, which were relatively new and had limited data for rating the payment performance. With the support of an AAA rating guaranteed by the New York State Environmental Facilities Corporation, the entity which manages the SRF program for the state, the New York State Energy Research and Development Authority raised \$24.3 million in 2013 in its first issuance of revenue bonds. These were to finance loans for consumers across New York to implement residential energy efficiency improvements, without detracting from traditional SRF loan capacity. Passing HB 94 will allow Maryland to achieve similar success by expanding access to credit enhancement for many innovative water quality improvement projects, including those that implement nature-based solutions, resulting in environmental and public health improvements for our state.

We commend Delegate Stein on introducing this bill, which would incentivize innovative solutions to environmental challenges and increase flexibility for local governments and other qualifying entities in issuing these bonds.

**Therefore, we urge a favorable report on HB 94.**