

Department of Legislative Services  
Maryland General Assembly

FISCAL NOTE  
Revised

Senate Bill 177 (The President. *et al.*) (Administration)

Budget and Taxation

---

**Environment - Linked Deposit - Use in Maryland Water Quality and Drinking  
Water Revolving Loan Fund Programs**

---

This Administration bill authorizes the Maryland Department of the Environment (MDE) Water Quality Financing Administration and the State Treasurer to establish a linked deposit loan program within the Water Quality and Drinking Water Revolving Loan Funds for the purposes of providing loans at or below the prevailing market rate to private landowners for nonpoint source pollution control projects.

The bill establishes the loan application process and the Administration's and lender's responsibilities. In addition, the bill provides that a linked deposit loan is not a debt of the State or a pledge of the credit of the State.

---

**Fiscal Summary**

**State Effect:** None. Total revenues and expenditures of the Water Quality and Drinking Water Revolving Loan Funds would not change. The bill's requirements could be handled with existing budgeted resources.

**Local Effect:** Minimal. Potential reduction in interest expense and debt service for local governments that may be eligible to borrow funds from the Water Quality and Drinking Water Revolving Loan Fund Programs.

**Small Business Effect:** A small business impact statement was not provided by the Administration in time for inclusion in this fiscal note. A revised fiscal note will be issued when the Administration's assessment becomes available.

---

## Fiscal Analysis

**State Effect:** The bill will allow MDE to purchase certificates of deposit from local banks at or below the prevailing market rate so that the bank can in turn offer lower interest rate loans to finance nonpoint source pollution control projects. Because persons will be able to get loans from their bank rather than MDE and at a lower rate, it could result in more pollution control projects being undertaken. As a point of reference, in fiscal 1997 MDE made \$10.3 million in loans from the Water Quality Revolving Loan Fund. MDE estimates that \$33.6 million in loans will be made in fiscal 1998, and \$24.2 million in fiscal 1999. MDE also estimates that loans from the Drinking Water Revolving Loan Fund will total \$15.7 million in fiscal 1998 and \$7.7 million in fiscal 1999.

MDE advises that the linked deposit program will generate approximately \$1.0 million in loans.

Any administrative savings incurred by MDE as a result of not having to directly process loans are not expected to be significant. The State Treasurer's Office could handle any additional activities with existing resources.

---

**Information Source(s):** Maryland Department of the Environment; State Treasurer; Baltimore City; Montgomery, Prince George's and Talbot counties

**Fiscal Note History:** First Reader - February 16, 1998  
lc Revised - Senate Third Reader - March 27, 1998  
Revised - Enrolled Bill - April 17, 1998

---

Analysis by: Mike Sanelli  
Reviewed by: John Rixey

Direct Inquiries to:  
John Rixey, Coordinating Analyst  
(410) 841-3710  
(301) 858-3710