

# HOUSE BILL 1417

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EMERGENCY BILL

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By: **Chair, Environmental Matters Committee (By Request – Departmental – Environment)**

Introduced and read first time: February 25, 2009

Assigned to: Rules and Executive Nominations

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## A BILL ENTITLED

1 AN ACT concerning

2 **Water Quality and Drinking Water Quality Revolving Loan Funds – Use of**  
3 **Funds**

4 FOR the purpose of authorizing the use of the Maryland Water Quality Revolving  
5 Loan Fund and the Maryland Drinking Water Revolving Loan Fund to provide  
6 assistance in the form of grants, negative interest loans, forgiveness of  
7 principal, subsidized interest rates, and any other form of financial assistance  
8 as authorized or required by the American Recovery and Reinvestment Act of  
9 2009; making this Act an emergency measure; and generally relating to the use  
10 of revolving loan funds in the Department of the Environment.

11 BY repealing and reenacting, with amendments,  
12 Article – Environment  
13 Section 9–1605, 9–1605.1, and 9–1606  
14 Annotated Code of Maryland  
15 (2007 Replacement Volume and 2008 Supplement)

16 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
17 MARYLAND, That the Laws of Maryland read as follows:

18 **Article – Environment**

19 9–1605.

20 (a) (1) There is a Maryland Water Quality Revolving Loan Fund. The  
21 Water Quality Fund shall be maintained and administered by the Administration in  
22 accordance with the provisions of this subtitle and such rules or program directives as  
23 the Secretary or the Board may from time to time prescribe.

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1           (2) The Water Quality Fund is a special, continuing, nonlapsing fund  
2 which is not subject to § 7–302 of the State Finance and Procurement Article and  
3 which shall be available in perpetuity for the purpose of providing financial assistance  
4 in accordance with the provisions of this subtitle and Title VI of the Federal Water  
5 Pollution Control Act.

6           (3) Subject to the provisions of any applicable bond resolution  
7 regarding the holding or application of amounts in the Water Quality Fund, the  
8 Treasurer shall separately hold, and the Comptroller shall account for, the Water  
9 Quality Fund.

10           (4) (i) Except as provided in subparagraph (ii) of this paragraph,  
11 and subject to the provisions of any applicable bond resolution governing the  
12 investment of amounts in the Water Quality Fund, the Water Quality Fund shall be  
13 invested and reinvested in the same manner as other State funds.

14           (ii) The Administration, in cooperation with the Treasurer, may  
15 establish a linked deposit program to carry out the purposes of this subtitle and Title  
16 VI of the Federal Water Pollution Control Act.

17           (5) Any investment earnings shall be retained to the credit of the  
18 Water Quality Fund.

19           (6) The Water Quality Fund shall be subject to biennial audit by the  
20 Office of Legislative Audits as provided for in § 2–1220 of the State Government  
21 Article.

22           (b) There shall be deposited in the Water Quality Fund:

23           (1) Federal capitalization grants and awards or other federal  
24 assistance received by the State pursuant to Title VI of the Federal Water Pollution  
25 Control Act and any funds transferred to the Water Quality Fund pursuant to § 302 of  
26 the federal Safe Drinking Water Act;

27           (2) Funds appropriated by the General Assembly for deposit to the  
28 Water Quality Fund;

29           (3) Payments received from any borrower in repayment of a loan,  
30 including amounts withheld by the State Comptroller and paid to the Administration  
31 pursuant to a pledge made by a borrower under § 9–1606(d) of this subtitle or § 7–222  
32 of the State Finance and Procurement Article;

33           (4) Net proceeds of bonds issued by the Administration;

34           (5) Interest or other income earned on the investment of moneys in the  
35 Water Quality Fund; and

1           (6) Any additional moneys made available from any sources, public or  
2 private, for the purposes for which the Water Quality Fund has been established.

3           (c)   **(1)** [The Administration may from time to time establish accounts and  
4 subaccounts within the Water Quality Fund as may be deemed desirable to effectuate  
5 the purposes of this subtitle, to comply with the provisions of any bond resolution, or  
6 to meet any requirement of the Federal Water Pollution Control Act or rules or  
7 program directives established by the Secretary or the Board.] **THE**  
8 **ADMINISTRATION MAY ESTABLISH ACCOUNTS AND SUBACCOUNTS WITHIN THE**  
9 **WATER QUALITY FUND AS MAY BE CONSIDERED DESIRABLE TO:**

10                           **(I)   EFFECTUATE THE PURPOSES OF THIS SUBTITLE;**

11                           **(II)   COMPLY WITH THE PROVISIONS OF ANY BOND**  
12 **RESOLUTION;**

13                           **(III)   MEET THE REQUIREMENTS OF ANY FEDERAL LAW, OR**  
14 **OF ANY FEDERAL GRANT OR AWARD TO THE WATER QUALITY FUND; OR**

15                           **(IV)   MEET ANY RULES OR PROGRAM DIRECTIVES**  
16 **ESTABLISHED BY THE SECRETARY OR THE BOARD.**

17           **(2)** [Such] **THE** accounts and subaccounts **ESTABLISHED UNDER**  
18 **PARAGRAPH (1) OF THIS SUBSECTION** may include:

19                           **[(1)] (I)**    A federal receipts account;

20                           **[(2)] (II)**   A State receipts account;

21                           **[(3)] (III)**   A management and administration expense account;

22                           **[(4)] (IV)**   A bond proceeds account;

23                           **[(5)] (V)**    An account to segregate a portion or portions of the revenues  
24 or corpus of the Water Quality Fund as security for bonds of the Administration;

25                           **[(6)] (VI)**    A loan repayment account; and

26                           **[(7)] (VII)**   An investment earnings account.

27           (d) Amounts in the Water Quality Fund may be used only:

28                           (1) To make loans, on the condition that:

29   (i) The loans are made at or below market interest rates,  
30 including interest free loans, at terms not to exceed 20 years;

1 (ii) Annual principal and interest payments will commence not  
2 later than 1 year after completion of any wastewater facility and all loans will be fully  
3 amortized not later than 20 years after project completion;

4 (iii) The local government borrower will establish a dedicated  
5 source of revenue for repayment of loans;

6 (iv) In the case of a wastewater facility owned by a borrower  
7 other than a local government, the borrower will provide adequate security for  
8 repayment of loans; and

9 (v) The Water Quality Fund will be credited with all payments  
10 of principal and interest on all loans;

11 (2) To buy or refinance debt obligations of local governments at or  
12 below market rates, if such debt obligations were incurred after March 7, 1985;

13 (3) To guarantee, or purchase insurance for, bonds, notes, or other  
14 evidences of obligation issued by a local government for the purpose of financing all or  
15 a portion of the cost of a wastewater facility, if such action would improve credit  
16 market access or reduce interest rates;

17 (4) As a source of revenue or security for the payment of principal and  
18 interest on bonds issued by the Administration if the proceeds of the sale of such bonds  
19 will be deposited in the Water Quality Fund;

20 (5) To earn interest on Water Quality Fund accounts;

21 (6) To establish a linked deposit program to promote loans for  
22 controlling nonpoint sources of pollution and protecting the quality of the waters of the  
23 State;

24 (7) For the reasonable costs of administering the Water Quality Fund  
25 and conducting activities under Title VI of the Federal Water Pollution Control Act;  
26 [and]

27 (8) For any other purpose authorized by Title VI of the Federal Water  
28 Pollution Control Act or § 302 of the federal Safe Drinking Water Act; **AND**

29 **(9) TO PROVIDE FINANCIAL ASSISTANCE IN THE FORM OF**  
30 **GRANTS, NEGATIVE INTEREST LOANS, FORGIVENESS OF PRINCIPAL,**  
31 **SUBSIDIZED INTEREST RATES, AND ANY OTHER FORM OF FINANCIAL**  
32 **ASSISTANCE AS AUTHORIZED OR REQUIRED BY THE AMERICAN RECOVERY AND**  
33 **REINVESTMENT ACT OF 2009, AS MAY BE AMENDED AND SUPPLEMENTED.**

1 (e) The costs of administering the Water Quality Fund shall be paid from  
2 federal capitalization grants and awards, from bond sale proceeds, and from amounts  
3 received from borrowers pursuant to loan agreements, and not from any State moneys  
4 appropriated to the Fund, except general funds of the State used to match federal  
5 capitalization grants and awards to the Water Quality Fund.

6 9-1605.1.

7 (a) (1) There is a Maryland Drinking Water Revolving Loan Fund. The  
8 Drinking Water Loan Fund shall be maintained and administered by the  
9 Administration in accordance with the provisions of this subtitle and such rules or  
10 program directives as the Secretary or the Board may from time to time prescribe.

11 (2) The Drinking Water Loan Fund is a special, continuing,  
12 nonlapsing fund which is not subject to § 7-302 of the State Finance and Procurement  
13 Article and which shall be available in perpetuity for the purpose of providing  
14 financial assistance in accordance with the provisions of this subtitle and the federal  
15 Safe Drinking Water Act.

16 (3) Subject to the provisions of any applicable bond resolution  
17 regarding the holding or application of amounts in the Drinking Water Loan Fund, the  
18 Treasurer shall separately hold, and the Comptroller shall account for, the Drinking  
19 Water Loan Fund.

20 (4) (i) Except as provided in subparagraph (ii) of this paragraph,  
21 and subject to the provisions of any applicable bond resolution governing the  
22 investment of amounts in the Drinking Water Loan Fund, the Drinking Water Loan  
23 Fund shall be invested and reinvested in the same manner as other State funds.

24 (ii) The Administration, in cooperation with the Treasurer, may  
25 establish a linked deposit program to carry out the purposes of this subtitle and the  
26 federal Safe Drinking Water Act.

27 (5) Any investment earnings shall be retained to the credit of the  
28 Drinking Water Loan Fund.

29 (6) The Drinking Water Loan Fund shall be subject to biennial audit  
30 by the Office of Legislative Audits as provided for in § 2-1220 of the State Government  
31 Article.

32 (7) The Administration shall operate the Drinking Water Loan Fund  
33 in accordance with §§ 9-1616 through 9-1621, inclusive, of this subtitle.

34 (b) There shall be deposited in the Drinking Water Loan Fund:

35 (1) Federal grants and awards or other federal assistance received by  
36 the State for the purpose of making loans to borrowers for water supply systems and

1 any funds transferred from the Water Quality Fund pursuant to § 302 of the federal  
2 Safe Drinking Water Act;

3 (2) Funds appropriated by the General Assembly for deposit to the  
4 Drinking Water Loan Fund;

5 (3) Payments received from borrowers for deposit to the Drinking  
6 Water Loan Fund in repayment of a loan, including amounts withheld by the State  
7 Comptroller and paid to the Administration pursuant to a pledge made by a borrower  
8 under § 9-1606(d) of this subtitle or § 7-222 of the State Finance and Procurement  
9 Article;

10 (4) Net proceeds of bonds issued by the Administration;

11 (5) Interest or other income earned on the investment of moneys in the  
12 Drinking Water Loan Fund; and

13 (6) Any additional moneys made available from any sources, public or  
14 private, for the purposes for which the Drinking Water Loan Fund has been  
15 established.

16 (c) The Administration may from time to time establish accounts and  
17 subaccounts within the Drinking Water Loan Fund as may be deemed desirable to  
18 effectuate the purposes of this subtitle, to comply with the provisions of any bond  
19 resolution, to meet the requirements of any federal law, or of any federal grant or  
20 award to the Drinking Water Loan Fund, or to meet any rules or program directives  
21 established by the Secretary or the Board.

22 (d) Amounts in the Drinking Water Loan Fund may be used only:

23 (1) To make loans at or below market rates on the condition that:

24 (i) The local government borrower will establish a dedicated  
25 source of revenue;

26 (ii) In the case of a water supply system owned by a borrower  
27 other than a local government, the borrower shall provide adequate security for the  
28 repayment of the loan;

29 (iii) The Drinking Water Loan Fund will be credited with all  
30 payments of principal and interest on all loans; and

31 (iv) Annual principal and interest payments will commence not  
32 later than 1 year after completion of any drinking water facility and, except as  
33 provided in § 130 of the federal Safe Drinking Water Act, all loans will be fully  
34 amortized not later than 20 years after project completion;

1           (2) To buy or refinance debt obligations of local governments issued by  
2 a local government for the purposes of financing all or a portion of the cost of a water  
3 supply system at or below market rates, if such debt obligations were incurred after  
4 July 1, 1993;

5           (3) To guarantee or purchase insurance for bonds, notes, or other  
6 evidences of indebtedness issued by a local government for the purposes of financing  
7 all or a portion of the cost of a water supply system, if such action would improve  
8 credit market access or reduce interest rates;

9           (4) As a source of revenue or security for the payment of principal and  
10 interest on bonds issued by the Administration if the proceeds of the sale of such bonds  
11 will be deposited in the Drinking Water Loan Fund;

12           (5) To earn interest on Drinking Water Loan Fund accounts;

13           (6) For the reasonable costs of administering the Drinking Water Loan  
14 Fund and conducting activities under any federal law that may apply to federal  
15 deposits to the Drinking Water Loan Fund;

16           (7) To establish a linked deposit program for loans in accordance with  
17 this subtitle and the federal Safe Drinking Water Act;

18           (8) For loan subsidies for disadvantaged communities as provided by  
19 the federal Safe Drinking Water Act, including but not limited to loan forgiveness,  
20 provided that such loan subsidies shall not exceed 30% of the annual federal  
21 capitalization grant received by the Administration; [and]

22           (9) For any other purpose authorized for any federal funds deposited  
23 in the Drinking Water Loan Fund including, without limitation, any purpose  
24 authorized by the federal Safe Drinking Water Act, including source water protection  
25 expenditures eligible for assistance from the Drinking Water Loan Fund; **AND**

26           **(10) TO PROVIDE FINANCIAL ASSISTANCE IN THE FORM OF**  
27 **GRANTS, NEGATIVE INTEREST LOANS, FORGIVENESS OF PRINCIPAL,**  
28 **SUBSIDIZED INTEREST RATES, AND ANY OTHER FORM OF FINANCIAL**  
29 **ASSISTANCE AS AUTHORIZED OR REQUIRED BY THE AMERICAN RECOVERY AND**  
30 **REINVESTMENT ACT OF 2009, AS MAY BE AMENDED AND SUPPLEMENTED.**

31           (e) The costs of administering the Drinking Water Loan Fund shall be paid  
32 from federal grants and awards, from bond sale proceeds, and from amounts received  
33 from borrowers pursuant to loan agreements, and may not be paid from any State  
34 moneys appropriated to the Drinking Water Loan Fund, except general funds of the  
35 State used to match federal grants and awards to the Drinking Water Loan Fund.

36 9-1606.

1 (a) A loan made by the Administration shall be evidenced by a loan  
2 agreement. Loans made from the Water Quality Fund, **EXCEPT FOR LOANS MADE IN**  
3 **ACCORDANCE WITH § 9-1605(D)(9) OF THIS SUBTITLE**, shall be subject to the  
4 provisions of § 9-1605(d)(1) of this subtitle. Loans made from the Drinking Water  
5 Loan Fund, **EXCEPT FOR LOANS MADE IN ACCORDANCE WITH § 9-1605.1(D)(10)**  
6 **OF THIS SUBTITLE**, shall be subject to the provisions of § 9-1605.1(d)(1) of this  
7 subtitle. Subject to the provisions of any applicable bond resolution, the  
8 Administration may consent to the modification, with respect to rate of interest, time  
9 of payment of any installment of principal or interest, security, or any other term of  
10 any loan agreement or loan obligation. In connection with any security received by or  
11 owned by the Administration, including any loan obligations, the Administration may  
12 commence any action to protect or enforce the rights conferred upon it by any law or  
13 loan agreement or loan obligation.

14 (b) Notwithstanding any other provision of public general or public local law,  
15 charter, or ordinance, a borrower may issue and sell loan obligations to the  
16 Administration:

17 (1) At private sale, without public bidding;

18 (2) Without regard to any limitations on the denomination of such  
19 obligations; and

20 (3) At any interest rate or cost or at any price that the borrower  
21 considers necessary or desirable.

22 (c) A borrower may pay any fees or charges necessary to enable the  
23 Administration to sell its bonds, including any fees for the insurance of its loan  
24 obligations or bonds of the Administration, or to provide any other guarantee, credit  
25 enhancement, or additional security for any such loan obligations or bonds.

26 (d) Notwithstanding any other provision of public general or public local law,  
27 charter, or ordinance, a borrower may agree with the Administration to pledge any  
28 moneys that the borrower is entitled to receive from the State, including the  
29 borrower's share of the State income tax, to secure its obligations under a loan  
30 agreement. The State Comptroller and the State Treasurer shall cause any moneys  
31 withheld under such a pledge to be paid to, or applied at the direction of, the  
32 Administration.

33 (e) Each loan agreement shall contain a provision whereby the borrower  
34 acknowledges and agrees that the borrower's loan obligation is cancelable only upon  
35 repayment in full and that neither the Administration, the Secretary, nor the Board is  
36 authorized to forgive the repayment of all or any portion of the loan, except for loans to  
37 disadvantaged communities, pursuant to the federal Safe Drinking Water Act, **AND**  
38 **LOANS MADE IN ACCORDANCE WITH §§ 9-1605(D)(9) AND 9-1605.1(D)(10) OF**  
39 **THIS SUBTITLE.**

1           (f)     In the event of a default on a loan obligation by a borrower other than a  
2 local government, the Administration may place a lien against property of the  
3 borrower securing the loan which, subject to the tax liens of the federal, State, and  
4 local governments, shall have the same priority and status as a lien of the State for  
5 unpaid taxes under §§ 14–804 and 14–805 of the Tax – Property Article. The  
6 Administration may exercise the same rights and powers in enforcing such lien and  
7 collecting funds for the payment of amounts in default under the loan obligation as the  
8 State may exercise in collecting unpaid taxes under Title 14, Subtitle 8 of the Tax –  
9 Property Article.

10           SECTION 2. AND BE IT FURTHER ENACTED, That this Act is an emergency  
11 measure, is necessary for the immediate preservation of the public health or safety,  
12 has been passed by a yea and nay vote supported by three–fifths of all the members  
13 elected to each of the two Houses of the General Assembly, and shall take effect from  
14 the date it is enacted.