

**Department of Legislative Services**  
 Maryland General Assembly  
 2010 Session

**FISCAL AND POLICY NOTE**

House Bill 73

(Chair, Environmental Matters Committee)(By Request -  
 Departmental - Environment)

Environmental Matters

Education, Health, and Environmental Affairs

**Environment - Water Quality Revolving Loan Fund - Use of Funds**

This departmental bill expands the authorized uses of the Maryland Water Quality Revolving Loan Fund to include providing financial assistance in the form of grants, negative interest loans, forgiveness of principal, subsidized interest rates, and any other form of financial assistance authorized or required under various federal laws.

**Fiscal Summary**

**State Effect:** Federal fund revenues increase by an estimated \$49.0 million in FY 2012 and \$47.0 million in FY 2013 as the Maryland Department of the Environment (MDE) qualifies for Water Quality Revolving Loan Fund assistance. In the absence of the bill, MDE will no longer qualify for such funds. Potential significant increase in federal fund revenues annually thereafter, depending on future federal actions. Federal fund expenditures increase as funding is distributed to local governments. State expenditures increase by \$9.8 million in FY 2012, \$9.4 million in FY 2013, and potentially significant amounts annually thereafter to provide the required 20% match on federal funds.

(in dollars)	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
FF Revenue	\$0	\$49,000,000	\$47,000,000	-	-
FF Expenditure	\$0	-	-	-	-
GF/SF Exp.	\$0	\$9,800,000	\$9,400,000	-	-
Net Effect	\$0	\$39,200,000	\$37,600,000	\$0	\$0

*Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect*

**Local Effect:** Local government revenues increase by as much as \$58.8 million in FY 2012, \$56.4 million in FY 2013, and a potentially significant amount annually thereafter. Local government expenditures increase by a corresponding amount to fund water quality infrastructure projects.

**Small Business Effect:** MDE has determined that this bill has minimal or no impact on small business (attached). Legislative Services disagrees with this assessment as discussed below.

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## Analysis

**Current Law:** The Maryland Water Quality Revolving Loan Fund, which is administered by the Water Quality Financing Administration in MDE 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. Chapter 168 of 2009 expanded the authorized use of the fund to include grants, negative interest loans, forgiveness of principal, subsidized interest rates, and other forms of assistance as authorized or required by the American Recovery and Reinvestment Act of 2009 (ARRA).

**Background:** The federal fiscal 2010 budget and the proposed federal fiscal 2011 budget provide additional types of financial assistance for state Water Pollution Control Revolving Funds similar to that provided by ARRA. However, current law does not allow the Maryland Water Quality Revolving Loan Fund to accept grants, loan principal forgiveness, and other forms of assistance from such sources. MDE advises that a similar provision is already permitted under the Maryland Drinking Water Revolving Loan Fund.

Legislative Services advises that federal funds authorized in the federal fiscal 2010 budget are not available for the Maryland Water Quality Revolving Fund until 2012.

**Small Business Effect:** Additional federal funding for the Maryland Water Quality Revolving Loan fund could have a potentially significant impact on small businesses hired for funded projects.

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## Additional Information

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Department of Budget and Management, Maryland Department of the Environment, Department of Legislative Services

**Fiscal Note History:** First Reader - February 2, 2010  
mpc/lgc

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## ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

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

BILL NUMBER: HB 73

PREPARED BY: Maryland Department of the Environment

### PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

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

The proposed legislation will have no impact on small business in Maryland.