

**Department of Legislative Services**  
Maryland General Assembly  
2014 Session

**FISCAL AND POLICY NOTE**

Senate Bill 101 (Chair, Education, Health, and Environmental Affairs  
Committee)(By Request - Departmental - Environment)  
Education, Health, and Environmental Affairs Environmental Matters

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

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This departmental bill expands the authorized uses of the Maryland Drinking Water 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.

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**Fiscal Summary**

**State Effect:** Federal fund revenues are maintained beginning in FY 2015 as the Maryland Department of the Environment (MDE) continues to qualify for federal Drinking Water Revolving Loan Fund assistance. Federal fund and special fund matching expenditures are also maintained beginning in FY 2015.

**Local Effect:** Local government revenues are maintained beginning in FY 2015 due to the continued federal fund assistance received by the State for distribution to local government drinking water projects.

**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.

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**Analysis**

**Current Law/Background:** The Drinking Water Revolving Loan Fund was created in 1993 to provide below-market-rate loans for drinking water projects. The 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. The federal Safe Drinking Water Act requires all community water systems to demonstrate the managerial, technical, and financial capacity to maintain the system prior to receiving a drinking water loan.

The Drinking Water Revolving Loan Fund receives federal capitalization grants and other funding from the U.S. Environmental Protection Agency and offers below-market-rate loans to eligible borrowers, thus ensuring the perpetuity of the revolving fund. The fiscal 2014 budget includes \$22.0 million for the Drinking Water Revolving Loan Fund, comprised of \$8.8 million in revolving special funds, \$10.4 million in new federal funds, and \$2.8 million in new general obligation bonds to satisfy the required matching funds.

Chapter 384 of 2010 similarly expanded the authorized uses of the Maryland Water Quality Revolving Loan Fund to include providing several forms of financial assistance from various federal sources.

Chapter 384, thereby, maintained federal funding for the Maryland Water Quality Revolving Loan Fund in fiscal 2012. The Maryland Water Quality Revolving Loan Fund is used to provide below-market-rate loans to public entities for wastewater and other water quality capital projects.

**State Fiscal Effect:** While information regarding the federal Drinking Water Revolving Loan Fund allotments for federal fiscal 2014 is not yet available, MDE anticipates receiving an amount that is comparable to the \$13.06 million appropriated in federal fiscal 2013. Thus, the bill is anticipated to maintain the full federal appropriation in fiscal 2015, which may amount to approximately \$13 million. Consequently, Drinking Water Revolving Loan Fund expenditures, including State 20% matching funds, are anticipated to be maintained each year, beginning in fiscal 2015.

**Local Fiscal Effect:** Local governments are among the primary recipients of assistance from the Drinking Water Revolving Loan Fund. As such, the bill maintains full funding from the Drinking Water Revolving Loan Fund for local governments that own or operate projects or facilities eligible for assistance beginning in fiscal 2015; expenditures to support these projects or facilities are also maintained.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - January 10, 2014  
mlm/lgc

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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 101

PREPARED BY: 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

N/A