STATE OF MARYLAND
MARYLAND DEPARTMENT OF THE ENVIRONMENT
Ben Grumbles, Secretary

BILL NO: **Senate Bill 349**

COMMITTEE: **Education, Health, and Environmental Affairs**

POSITION: **Support**

TITLE: **Environment – Drinking Water Revolving Loan Fund – Use of Funds**

BILL ANALYSIS: This legislation makes changes to the Maryland Drinking Water Revolving Loan Fund to conform state law to federal law as amended by America's Water Infrastructure Act of 2018. The changes include increasing the maximum eligible loan terms, as well as increasing the maximum additional subsidy. These changes will allow the Department to offer longer loan terms and additional subsidy to its borrowers, thus making projects more affordable.

Specifically, the legislation increases the maximum eligible loan terms from 20 to 30 years for standard loans, and from 30 to 40 years for disadvantaged communities. This legislation also increases the maximum loan subsidy that can be offered to disadvantaged communities. Federal law was amended to increase the maximum loan subsidy that can be offered to disadvantaged communities from 30% to 35% of the annual capitalization grant each state receives from EPA. A minimum additional subsidy of 6% was also established if sufficient applications for loans are received. Loan subsidy takes the form of loan forgiveness, grant, or negative interest rates.

POSITION AND RATIONALE:

MDE supports Senate Bill 349. This legislation is necessary to conform state law to federal law and was identified by EPA during MDE's most recent program review as a requirement for the Department to pursue. Additionally, these changes will enable the Department to offer local governments longer loan terms, as well as greater additional subsidy, thereby making projects more affordable for local governments. This could be particularly helpful to local governments right now as many of them have had their water revenues negatively impacted from the current pandemic due utilities eliminating shutoffs for non-payment, increased delinquencies as a result of high unemployment rates, and reductions in non-residential water demand and associated revenues.

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