

HB94_CBF_Support_ErikFisher.pdf

Uploaded by: Fisher, Erik

Position: FAV



CHESAPEAKE BAY FOUNDATION

Environmental Protection and Restoration
Environmental Education

HB 94

Environment – Water Quality Revolving Loan Fund – Use of Fund

Date: March 24, 2021

To: Senate Education, Health,
and Environmental Affairs Committee

Position: Support

From: Erik Fisher, AICP, Assistant Director

Chesapeake Bay Foundation (CBF) **SUPPORTS** HB 94, which would allow the Water Quality Revolving Loan Fund (WRF) to back bonds and other debt issued by local governments to install clean water practices.

Maryland's counties and towns are working to meet substantial water pollution reduction obligations

Maryland's Clean Water Blueprint places significant responsibility with local governments to increase natural filters, reduce polluted runoff, and address septic system effluent. State-issued "MS4" permits require urban and suburban jurisdictions to retrofit previously untreated hardened surfaces – or complete other projects to offset their impact. The Blueprint also provides rural jurisdictions with pollution reduction goals to address stormwater, septic systems, and restore wetlands, shorelines, and stream buffers.

Expanding local capacity to fund pollution-reduction projects is critical to meet clean water goals by 2025

Data from the Chesapeake Bay Program show that progress reducing pollution from stormwater and septic systems is significantly off-track.¹ In addition, progress to install natural filters in the landscape is lagging.² A recent analysis by the Department of Legislative Services shows that the state currently invests less than \$15M in stormwater practices annually, a mere 3% of total Bay-related funding provided.³ Additional financing capacity at the local level would encourage the use of long-lasting, cost-effective green infrastructure practices that provide important co-benefits for climate, public health, and community character.

HB 94 provides local governments with a proven and voluntary financing tool to accelerate key projects

The WRF is an established, historically stable funding source. An existing authorization allows the WRF to back local borrowing for wastewater treatment works. Expanding this authorization would allow Maryland's counties and towns to leverage federal funding to strengthen local borrowing capacity for a broader array of clean water projects. With pollution-reduction upgrades at wastewater treatment plants nearly complete, it is timely and appropriate to offer this same tool to accelerate the remaining work.

CBF urges the Committee's FAVORABLE report on HB 94. For more information, contact Robin Jessica Clark, Maryland Staff Attorney, at rclark@cbf.org and 443.995.8753.

¹ Chesapeake Bay Foundation. "[CBF Report – The State of the Blueprint](#)." May 28, 2019.

² Maryland Department of the Environment, "Appendix B – Sector Reports," in Maryland's Final Phase III WIP (2019).

³ Department of Legislative Services, Analysis of the FY 2019 Maryland Executive Budget (2018).

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HB 94 – Environment – Water Quality Revolving Loan

Uploaded by: Kerr, Cait

Position: FAV

Wednesday March 24, 2021

TO: Paul Pinsky, Chair of Education, Health, and Environmental Affairs Committee; and Committee Members

FROM: Caitlin Kerr, The Nature Conservancy, Conservation & Climate Policy Analyst

POSITION: Support HB 94 – Environment – Water Quality Revolving Loan Fund – Use of Fund

The Nature Conservancy (The Conservancy) supports HB 94 offered by Delegate Stein. HB 94 enables local governments and qualifying entities to exercise increased flexibility in using the Clean Water State Revolving Fund (CWSRF) guarantee facility when issuing bonds that will be backed by the State Revolving Loan Fund (SRF) credit enhancement. Currently, the SRF guarantee facility is narrowly implemented in our state to provide backing solely for wastewater treatment plant upgrades. The list of eligible projects under the Environmental Protection Agency's (EPA) guidelines for the CWSRF program extends far beyond wastewater treatment plants. For example, eligible projects per these guidelines can focus on reducing nonpoint source pollution like stormwater runoff, implementing plans that protect and manage forests, and improving estuaries' health. Enabling a wider range of projects in Maryland to qualify for loans backed by the SRF guarantee facility will enhance water quality and provide additional co-benefits such as improved air quality, increased wildlife habitat, and climate change mitigation.

In 2013, the State of New York began a similar, innovative approach to finance and refinance loans to support energy efficiency improvements for residential, small business, and non-profit owned buildings. Credit enhancement from their SRF was crucial to securitize energy efficiency loan portfolios, which were relatively new and had limited data for rating the payment performance. With the support of an AAA rating guaranteed by the New York State Environmental Facilities Corporation, the entity which manages the SRF program for the state, the New York State Energy Research and Development Authority raised \$24.3 million in 2013 in its first issuance of revenue bonds. These were to finance loans for consumers across New York to implement residential energy efficiency improvements, without detracting from traditional SRF loan capacity. Passing HB 94 will allow Maryland to achieve similar success by expanding access to credit enhancement for many innovative water quality improvement projects, including those that implement nature-based solutions, resulting in environmental and public health improvements for our state.

We commend Delegate Stein on introducing this bill, which would incentivize innovative solutions to environmental challenges and increase flexibility for local governments and other qualifying entities in issuing these bonds.

Therefore, we urge a favorable report on HB 94.

Prince George's County Testimony on HB 94.pdf

Uploaded by: Lineman, Nancy

Position: FAV



THE PRINCE GEORGE'S COUNTY GOVERNMENT

OFFICE OF THE COUNTY EXECUTIVE

BILL: HB 0094 - Environment - Water Quality Revolving Loan Fund - Use of Fund

SPONSOR: Delegate Stein

HEARING DATE: March 24, 2021

COMMITTEE: Education, Health, and Environmental Affairs

CONTACT: Intergovernmental Affairs Office, 301-780-8411

POSITION: SUPPORT

The Office of the Prince George's County Executive **SUPPORTS House Bill 0094**, which altering the conditions under which the Maryland Water Quality Revolving Loan Fund may be used to guarantee, or purchase insurance for, bonds, notes, or other evidences of obligation issued by a local government under certain circumstances.

The county supports the bill because the proposed amendment to Section 9-1605(d)(3) only applies to local governments that currently use the SRF program to guarantee, or purchase insurance for, bonds, notes, etc. that finance all or a portion of the cost of their wastewater facilities. Currently, DOE-SMD only uses SRF funds pursuant to the loan provisions in Section 9-1605(d)(1).

HB0094 may positively impact DOE-SMD if the County decides to use the SRF program as a source of guarantee for bonds, notes, etc. because the proposed amendment to Section 9-1605(d)(3) deletes the requirement to finance all or a portion of a wastewater facility. That means the non-treatment works (water quality restoration) projects DOE-SMD performs would be support direct participation pursuant to the amendment and support the County's mandates under the NPDES MS4 Permit.

We respectfully ask for a favorable report.

AFF Testimony on HB0094 - March 24 2021.pdf

Uploaded by: Sherman, Robert

Position: FAV



American Forest Foundation

March 24, 2021

Testimony to the Committee on Education, Health, and Environmental Affairs

From: Robert Sherman, Policy Manager, American Forest Foundation

Re: HB 0094 - Environment - Water Quality Revolving Loan Fund - Use of Fund

Position: SUPPORT

The American Forest Foundation (AFF) strongly supports HB 0094. HB 0094 would allow for the marshalling of private capital from institutional markets to make critical investments in forest conservation in Maryland, helping to achieve state-wide carbon reduction goals while enhancing the state's clean water and without costing taxpayers.

AFF, in partnership with The Nature Conservancy, is currently piloting a program called the Family Forest Carbon Program, which would allow small family landowners to access carbon markets and provide them with financial incentives to implement conservation practices that sequester carbon and protect clean water.

Maryland alone has nearly 150,000 private and family forest owners with 1.2 million acres of forest. Maryland's forest-based sector provides employment for over six thousand people, generating a payroll of more than \$324 million, and outdoor recreation generates nearly \$10 billion dollars in consumer spending every year. Maryland's forests also provide massive clean air and water benefits, which while difficult to directly quantify, are critical to the health of Maryland communities and the state's economy.

To scale the Family Forest Carbon Program (FFCP) in Maryland, which would bring millions of dollars to rural families, protect water systems, and reduce the state's carbon footprint, there is a need for private capital which AFF plans to raise from the green bond market. A key component of issuing rated bonds that appeal to the bond market is to ensure the that appropriate level of credit enhancement, or assurance, for the bonds is furnished.

The guarantee provision under the current Clean Water State Revolving Fund (SRF) is our best option for a financing agreement whereby the guarantor promises to meet the borrower's obligations if it defaults on a loan. With the passage of HB 0094, Maryland's SRF program could guarantee a bond or other financial agreement for an entity such as the Family Forest Carbon Program. In the event of a default, the SRF would meet the terms of the Program's bond, thereby assuring bond investors that their investment is protected.

Due to the guarantee, the Program's bond, as a new entrant to the bond market, would adopt the favorable credit rating of the state's SRF program. As SRF programs are typically AAA rated, the

guarantee can therefore be a powerful tool in reducing the interest rate for the Program, meaning capital from private markets can flow more easily.

Unless the Program defaults on the bond, an event which is extraordinarily unlikely, the SRF would not be on the hook for any cash outlays, and the guarantee provision can be recycled for use by other programs and entities. If the guarantee product security is established as subordinate to the lending program, guarantee capacity is not created at the expense of loan capacity. Future SRF loan capacity would not be adversely impacted.

For these reasons, we fully support HB 0094 and want to highlight two sections in particular: firstly, the removal of “for the purpose of financing all or a portion of the cost of a wastewater facility” which would broaden the application of the SRF guarantee provision and allow other non-point source clean water projects to be supported by the SRF.

Secondly, the inclusion of “to serve as a guarantee for long-term Pay for Success contracts, green bonds, or environmental impact bonds by any public, private, or nonprofit entity for the purchase of outcomes that provide a water quality benefit.” This new language will allow for new sources of private capital to invest in Maryland’s clean water and forest carbon without increasing taxpayer burden.

We thank the Maryland House of Delegates for their unanimous approval of this bill, which will bring investment to rural Maryland, provide a significant water quality benefit, and play a role in the urgent effort to reduce the state’s overall carbon footprint.

Therefore, we urge a favorable report on HB 0094.



HB 94 - Water Quality Fund SENATE.pdf

Uploaded by: Fiore, Justin

Position: FWA



Maryland Municipal League

The Association of Maryland's Cities and Towns

TESTIMONY

March 24, 2021

Committee: Senate Education, Health, and Environmental Affairs

Bill: HB 94 – Environment – Water Quality Revolving Loan Fund – Use of Fund

Position: Support

Reason for Position:

The Maryland Municipal League supports House Bill 94, which would expand the potential uses for the Water Quality Revolving Loan Fund (WQRLF). Now that the vast majority of municipal wastewater facilities have been upgraded, MML is glad to see this Fund's benefits extend to other water quality projects.

For these reasons, the Maryland Municipal League supports HB 94 and respectfully requests a favorable committee report.

FOR MORE INFORMATION CONTACT:

Scott A. Hancock	Executive Director
Angelica Bailey	Director, Government Relations
Bill Jorch	Director, Research & Policy Analysis
Justin Fiore	Manager, Government Relations

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HB0094_MDE_LOI_Senate.pdf

Uploaded by: abbott, tyler

Position: INFO



Maryland

Department of the Environment

Larry Hogan
Governor

Boyd Rutherford
Lieutenant Governor

Ben Grumbles
Secretary

March 24th, 2021

The Honorable Paul G. Pinsky, Chair
Senate Education, Health, and Environmental Affairs Committee
2 West, Miller Senate Office Building
Annapolis, MD 21401

Re: House Bill 94 – Environment – Water Quality Revolving Loan Fund – Use of Fund

Dear Chairman Pinsky and Members of the Committee:

The Maryland Department of the Environment (MDE) has reviewed House Bill 94, entitled *Environment – Water Quality Revolving Loan Fund – Use of Fund* and would like to provide additional information regarding this bill.

This bill expands the use of guarantee authority under the Clean Water State Revolving Fund (CWSRF). Currently the state statute limits the use of guarantee authority to obligations “*issued by a local government for the purpose of financing all or a portion of a wastewater facility . . .*” The existing state statute restricts MDE from using the guarantee authority for the full range of uses permitted under federal law. House Bill 94, including the sponsor’s amendments, would align state statute with federal statute and broaden the use of guarantee authority to include any eligible project type under federal law, not just wastewater facilities.

Guarantee authority is one of the uses of funding under the CWSRF. A guarantee is a component of a financing agreement whereby a guarantor promises to meet the borrower’s obligations if it defaults on a loan. In the CWSRF a state program can guarantee a bond or other financial agreement for another entity. Due to this guarantee, the entity’s bond will adopt the credit rating of the CWSRF program which is typically AAA rated. The guarantee can be a powerful tool to lowering the interest rate of the entity receiving the guarantee. The guaranteed bond is secured by the entity’s own repayment mechanism, with the CWSRF’s cash flows as an underlying security. If the entity defaults on its debt, the CWSRF would be required to step in and cover the debt service on the bond, per the guarantee agreement. The guarantee can therefore provide the entity with a lower interest rate by offering the CWSRF’s higher credit rating. At the same time, unless the entity defaults on the bond, the CWSRF would not have to make any actual cash outlays in support of the project and the state would gain the environmental benefits of the project.

Thank you for your consideration. We will continue to monitor House Bill 94 during the Committee’s deliberations, and I am available to answer any questions you may have. Please feel free to contact me at 410-260-6301 or by email at tyler.abbott@maryland.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "Tyler Abbott", written over a horizontal line.

Tyler Abbott

cc: The Honorable Dana Stein