

Department of Legislative Services  
Maryland General Assembly  
2011 Session

FISCAL AND POLICY NOTE

Senate Bill 131 (Senator Brinkley)  
Education, Health, and Environmental Affairs

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Maryland Water Quality Revolving Loan Fund - Loan Forgiveness

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This bill expresses the intent of the General Assembly that the use of funds from the Maryland Water Quality Revolving Loan Fund (WQRLF) for loan principal forgiveness, as authorized or required by the American Recovery and Reinvestment Act of 2009 (ARRA) or other specified federal laws, be construed to apply to loans made on or after January 1, 2010.

The bill takes effect June 1, 2011.

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Fiscal Summary

**State Effect:** None. The Maryland Department of the Environment (MDE) already has the authority to provide loan forgiveness when specified federal laws provide for it. However, MDE advises that, under current federal law, the only projects that qualify for loan forgiveness consideration must have been on the ARRA funding list or the federal fiscal 2010 Intended Use Plan (IUP) list. Because the federal fiscal 2010 grant award/IUP approval was made on September 29, 2010, only projects on the federal fiscal 2010 IUP list that close loans on or after that date are eligible.

**Local Effect:** None.

**Small Business Effect:** None.

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Analysis

**Current Law:** WQRLF is administered by the Water Quality Financing Administration within MDE, which 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 ARRA or other specified federal laws, including federal appropriation or authorization acts.

**Background:** President Obama signed ARRA into law in February 2009. The law's provisions support various State programs to, among other things, preserve and create jobs and invest in environmental protection and other infrastructure that provide long-term economic benefits. In Maryland, ARRA appropriations totaled \$4.5 billion over the fiscal 2009 to 2011 period, and MDE oversaw the distribution of \$121.6 million to 82 water quality, drinking water, and "green infrastructure" projects, the applications for which were due by January 29, 2010. To maximize the stimulative effect of ARRA, states were required to meet strict deadlines for appropriating funds, which often required selecting only "shovel ready" projects for funding. Thus, federal funds were required to be obligated to projects ready to start construction by February 16, 2010. MDE's application process for federal stimulus funding ended February 28, 2009.

MDE notes that the federal Fiscal 2010 Appropriations Act authorized funding for principal loan forgiveness. Pursuant to this law, the U.S. Environmental Protection Agency awarded a federal fiscal 2010 grant to MDE on September 29, 2010, for forgiveness of principal of loans made on or after that date to assist projects identified on the WQRLF IUP. The loan forgiveness provisions of that federal Act apply only to loans on the federal fiscal 2010 IUP.

IUP describes how the annual federal capitalization grant, matching State funds, and special funds consisting of loan repayments will be used for the design and construction of water quality capital projects as required by the federal Clean Water Act.

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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 - February 4, 2011  
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