

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 6604
BILL NUMBER: SB 192

DATE PREPARED: Dec 16, 2001
BILL AMENDED:

SUBJECT: Revolving Loan Funds.

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FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: This bill designates the Budget Agency to manage and administer all aspects of the Wastewater and Drinking Water Financial Assistance Programs and supplemental funds, and directs the Budget Agency to designate the Department of Environmental Management (IDEM) to manage and administer environmental aspects of the programs. The bill amends certain aspects of the administration of the programs by the Budget Agency. It voids certain rules relating to the programs. This bill also repeals certain joint administrative responsibilities of the Budget Agency and IDEM with respect to the programs.

Effective Date: July 1, 2002.

Explanation of State Expenditures: The state revolving loan funds (SRFs) are currently administered jointly by the Budget Agency and IDEM with IDEM responsible for the environmental aspects of the programs and the Budget Agency responsible for the financial aspects. The SRF programs provide low interest loans to political subdivisions for wastewater projects and to political subdivisions and private and non-profit entities for drinking water projects. Loans completed for publicly owned wastewater and drinking water projects have equaled \$859,700,617 (as of April 2001).

The number of SRF loans has increased in recent years. After closing an average of about 7 loans for \$33 M per year from FY92 to FY98, the Budget Agency closed 31 loans for \$170 M in FY99 and 81 loans for \$354 M in FY2000. The Budget Agency closed at least 26 loans for \$102 M in FY2001. The total SRF loan portfolio for waste water and drinking water included 186 loans for about \$853 M as of December 2001.

The Supplemental Fund is used to make grants and loans. The majority are grants. Prior to 1995, Build Indiana Funds were used to fund projects. In 1995, \$28.2 M was appropriated to the fund. In 1999, \$40 M was appropriated to the fund. Interest rates for loans ranged from 0% to 4%.

Four budget analysts at the State Budget Agency administer the State Revolving Loan Funds and the

Supplemental Fund. Three analysts are paid through the Indiana Transportation Finance Authority. The fourth analyst serves as a consultant under contract. Costs for the four analysts equal about \$160,000 per year. Approximately 10 staff administer the SRF program for IDEM. Under the proposal the Budget Agency would administer all aspects of the SRF program. Among other responsibilities, the Budget Agency must develop and use a priority ranking system to achieve optimum water quality consistent with the water quality goals of the state and the federal Clean Water Act and Safe Drinking Water Act. According to the proposal, the Budget Agency may bypass procedures to render program assistance efficiency which could marginally reduce operating costs.

The Budget Agency may amend certain rules to implement the proposal. Legislative Services Agency would be required to void certain rules. These agencies should be able to absorb any additional expenditures associated with this provision given their current budgets.

(Updated information will be provided.)

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Budget Agency, Legislative Services Agency, and the Department of Environmental Management.

Local Agencies Affected: Political Subdivisions.

Information Sources: Rich Emery, and Matt Martin, State Budget Agency, State Revolving Loan Program, 232-0759.