



State of Oregon Department of Environmental Quality

Draft Fiscal Impact Statement

Clean Water State Revolving Fund 2022 Rulemaking

Advisory Committee Meeting #3

Statement of fiscal and economic impact

Fiscal and economic impact

The CWSRF 2022 rulemaking will enable the program to meet new federal requirements and priorities under the Bipartisan Infrastructure Law (BIL) passed in November 2021. BIL will provide the CWSRF program more funding for below-market interest rate loans and requires the program to provide more principal forgiveness for eligible borrowers.

BIL will provide an estimated \$125,324,381 of additional supplemental capitalization grant funding for the Oregon CWSRF program over the next five years. BIL requires 49% of this funding to be awarded as principal forgiveness.

DEQ's Clean Water State Revolving Fund program estimates positive fiscal and economic impacts from the proposed rule changes to the CWSRF. Proposed rule changes focus on:

Principal forgiveness – to allow the program flexibility to meet new federal requirements under the Bipartisan Infrastructure Law and any new federal capitalization grant requirements. The rule changes would remove limits of principal forgiveness on a per loan basis to enable the program to increase the amount of principal forgiveness on a per loan basis and meet new federal requirements for the program under BIL.

Affordability criteria – to remove detail from rule to allow the program to incorporate environmental justice metrics into affordability criteria to be determined and documented in the program's intended use plan, which would meet federal requirements.

Project ranking and scoring – to remove detail from rule and document details of project ranking and scoring in the program's intended use plan, which would meet federal requirements.

Intended Use Plan – to remove detail from rule regarding project ranking and scoring and include details of project ranking and scoring in the program's intended use plan, which would meet federal requirements.

The rule changes regarding principal forgiveness and affordability criteria would likely have positive fiscal impacts on communities. The proposed rule changes would enable the

program to increase amount of principal forgiveness awarded on a per loan basis for eligible borrowers that meet affordability criteria, including economically distressed communities. This would likely have a direct fiscal impact by providing more subsidy in the form of principal forgiveness for loans, making financing for water pollution control projects more affordable, and reduce debt burden on communities, particularly economically distressed communities.

In addition, the rule changes would allow flexibility for the program to incorporate additional environmental justice metrics into affordability criteria to further benefit economically distressed, water pollution burdened and health burdened communities. These metrics are being determined with input from the CWSRF standing advisory committee.

The CWSRF program itself would not experience significant fiscal impacts as a direct result of the rule changes and would maintain perpetuity of the fund. No other DEQ programs would be impacted.

The rule changes would likely have indirect economic benefits to the general public and indirect economic benefits to large and small business owners. CWSRF provides financing at below market-rates to eligible public agencies for water pollution control projects and Community Development Financial Institutions for septic system repair, replacement or connection to public sewer. BIL will provide an additional \$20,271,000 for below-market rate interest financing in FFY22, increasing the amount of affordable financing for communities to plan, design and construct water pollution control projects.

There may be indirect economic benefits to business owners including contractors that may be involved with planning, development and construction of projects funded by CWSRF. CDFIs and their sub borrowers would have access to affordable below-market rate loans that would assist with repairs and potentially generate business activity near the project locations, including hiring septic system repair companies and purchasing equipment.

Statement of Cost of Compliance

State agencies

DEQ

Direct Impacts

The revolving nature of the loan fund makes the Clean Water State Revolving Fund program self-sustaining in terms of program administration and administrative costs. The proposed rules would have no fiscal impacts to the program and no impacts to other DEQ programs.

Indirect impacts

No known indirect impacts.

Local governments

Direct impacts

The proposed rule changes would likely result in a direct fiscal impact on eligible public agencies for financing under the CWSRF program, including local governments, municipalities, special districts, and intergovernmental agencies. The rule changes would allow the program to provide more below-market rate financing to local governments for water pollution control projects, and more principal forgiveness for loans to borrowers that meet affordability criteria, including economically distressed communities.

Indirect impacts

Indirect impacts to local governments may include an increase in infrastructure projects with more affordable financing to improve water quality, public health and economic development opportunities in communities throughout Oregon.

Public

Direct impacts

The general public is not eligible to borrow CWSRF loan funds directly. There would be no direct impacts to the public from the proposed rule changes.

Indirect impacts

While unable to borrow directly from the CWSRF loan program, members of the general public would likely be indirectly impacted as a result of the below-market rate loans and loan subsidy from the CWSRF loan program in the form of principal forgiveness, particularly for ratepayers in economically distressed communities that receive CWSRF financing and principal forgiveness. Contractors could see an indirect impact with an increase in new contracts for construction creating additional economic benefits for the public.

Large businesses - businesses with more than 50 employees

Direct impacts

The proposed rules would have no direct economic impact on large businesses because they are not eligible to borrow CWSRF loan funds. No known direct impacts.

Indirect impacts

There may be indirect beneficial economic impacts to businesses located in, or providing services in, the areas near a project funded by the CWSRF. Manufacturers, suppliers, and construction-related businesses may benefit from an increase in contracts if they are hired to work on a project funded by the CWSRF.

Small businesses – businesses with 50 or fewer employees

ORS 183.336 Cost of Compliance Effect on Small Businesses

The effect of the proposed rules on small businesses would be identical to the effect on large businesses, as described above.

1. Estimated number of small businesses and types of businesses and industries with small businesses subject to proposed rule.

No direct impacts. Small businesses are not eligible to borrow the program's funds. Engineering and construction-related businesses may benefit from an increase in contracts with funding under the CWSRF, which would increase over the next five years.

2. Projected reporting, recordkeeping and other administrative activities, including costs of professional services, required for small businesses to comply with the proposed rule.

No additional activities are required to comply with the proposed rules. The Bipartisan Infrastructure Law will require additional reporting for borrowers funded by CWSRF. Oregon CWSRF will conduct additional reporting and recordkeeping specific to BIL funds. which is not directly a result of the rule changes.

3. Projected equipment, supplies, labor and increased administration required for small businesses to comply with the proposed rule.

No additional resources are required for compliance with the proposed rules.

4. Describe how DEQ involved small businesses in developing this proposed rule.

No small businesses directly participated in developing the proposed rules because the rules do not directly affect them. CWSRF has convened a rulemaking advisory committee representing diverse stakeholders including local governments, state and federal agencies, non-profit organizations, associations, utilities involved with providing health, housing, energy and environmental services for communities throughout Oregon, including tribes and farmworker populations. The committee will continue serving as a standing advisory committee beyond the rulemaking to continue providing guidance for the CWSRF program. The rulemaking process provides opportunity for public comment at each meeting and will issues public notice for a public hearing on proposed rule changes in October 2022.

Documents relied on for fiscal and economic impact

Document title	Document location
EPA guidance and policy memos for the Clean Water State Revolving Fund loan program	DEQ Headquarters, 700 NE Multnomah, Suite 600, Portland, OR 97232
Clean Water State Revolving Fund Advisory Committee Documents, Meeting Summary, Presentations	Oregon CWSRF 2022 Rulemaking Webpage

Housing cost

As ORS 183.534 requires, DEQ evaluated whether the proposed rules would have an effect on the development cost of a 6,000-square-foot parcel and construction of a 1,200-square-foot detached, single-family dwelling on that parcel.

DEQ determined the proposed rules would have no effect on the development costs because the proposed rules only affect the cost of lending CWSRF loan funds to eligible borrowers as public agencies for water quality and infrastructure projects and CDFIs for septic system repair, replacement or connection to sewer. There is no direct impact on housing cost.

Alternative formats

DEQ can provide documents in an alternate format or in a language other than English upon request. Call DEQ at 800-452-4011 or email deqinfo@deq.state.or.us.