CONFIDENTIAL
LEGISLATIVE BILL REVIEW FORM: 2014

Bill Number: _____ **Name of Bill:** _____

Agency/Dept.: ANR/DEC **Author of Bill Review:** Bryan Redmond

Date of Bill Review: 11/19/13 **Status of Bill (check one):**

☐ **Upon Introduction** ☐ **As passed by 1st body** ☐ **As passed by both bodies** ☐ **Fiscal**

Recommended Position:

☒ **Support** ☐ **Oppose** ☐ **Remain Neutral** ☐ **Support with modifications identified in #8 below**

Analysis of Bill

1. **Summary of bill and issue it addresses.** *Describe what the bill is intended to accomplish and why.*
   Changes will accomplish two things; recognize a third party financial institution in the administration of the On-site Wastewater and Potable Water Revolving fund, and allow to pay administrative expenses directly from the fund.

2. **Is there a need for this bill?** *Please explain why or why not.* Yes. Currently the statute recognizes the Vermont Municipal Bond Bank (VMBB), and the Economic Development Authority in the case of loans to privately owned public water systems, as the administrator of all funds authorized in Chapter 120. Neither of these entitities have experience administering residential mortgage loans. The program has been designed to include the services of a third party private lending institution with expertise in this area and a minimal adminstrative role of the VMBB. Both Facilities Engineering Division and the VMBB agree it is most efficient to eliminate their role as administrator of the Wastewater and Potable Water Revolving Loan Fund.

3. **What are likely to be the fiscal and programmatic implications of this bill for this Department?**
   We are in process of signing an agreement with the Opportunities Credit Union to provide underwritting and servicing functions to the program. While hiring an independent contractor to perform these functions come at a cost to the program, the interest rate has been designed to off-set the cost of the servicing fee charged to the program. The Opportunities Credit Union specializes in working with under-served populations and has trained staff that will work directly with borrowers on repayment of our loans and help them organize and improve their financial situation. This is a loan program for high risk (unbankable) borrowers and we feel the involvement of Opportunities in this area will increase probability of repayment on our loans.

4. **What might be the fiscal and programmatic implications of this bill for other departments in state government, and what is likely to be their perspective on it?** We have consulted with the Department of Financial Regulation and the have reviewed the draft contract between the State and Opportunities Credit Union (they regulate Opportunities Credit Union) for compliance with the banking regulations. After a few minor comments they have approved of the proposed contract. We have consulted with the Department of Finance and Management and have agreed to report the fund activity directly into the State's VISION system. In the early stages of program set-up, staff met with the Treasure's Office to discuss contracting with a third party private financial institution for this program. They agreed that given the nature of the

program and the fact the State does not have expertise in administering residential mortgage loans that contracting with a private banking instution made sense. I believe we have reached out to the other Agencies potentially effected by this program and have agreement on moving forward with the program as proposed.

5. **What might be the fiscal and programmatic implications of this bill for others, and what is likely to be their perspective on it?** *(for example: public, municipalities, organizations, business, regulated entities, etc.)* I've met with the Vermont Municipal Bond Bank and the Vermont Economic Deveopment Authority and they support contracting with an independent third party financial institution in the admnistration of this fund. I've met with the President of the Vermont Bankers Association and he supports contracting for service with a private financial institution. Finally, I believe the borrowers (public) will benefit from the expertise and counseling offered by the Opportunities Credit Union to improve an individual or families financial situation.

6. **Other Stakeholders:**

   6.1 Who else is likely to support the proposal and why? The Vermont Municipal Bond Bank (VMBB). As the statute is written the VMBB is responsible for the administration of this fund but they have limited to no expertise in residential mortgage loans. I believe the Vermont Bankers Association would support the bill. While Opportunities Credit Union is not a member, the RFP for services was sent directly to five Vermont banking institutions with no positive response. The proposed change is not specific to the Opportunities Credit Union and leaves open the possibilty for other financial institutions to bid on the contract in the future.

   6.2 Who else is likely to oppose the proposal and why? I do not foresee any opposition to this bill.

7. **Rationale for recommendation:** *Justify recommendation stated above.* These changes are needed to reflect the design of the program, which is the responsibility of the program and is not perscriptive in statute. The Agency does not have the in-house expertise to administer a residential mortgage loan program and needs to contract this expertise through a private financial institution.

8. **Specific modifications that would be needed to recommend support of this bill:** *Not meant to rewrite bill, but rather, an opportunity to identify simple modifications that would change recommended position.*

Commissioner has reviewed this document: ______________ ***Date:*** 11/22/13

Secretary has reviewed this document: ______________ ***Date:*** 11·26·13

Please return this bill review as a Microsoft Word document to Drusilla.roessle@state.vt.us

Proposed Changes to Chapter 120 for On-site Loan Program

§4753(b) - Each of such funds shall be established and held separate and apart from any other funds or moneys of state and shall be used and administered exclusively for the purpose of this chapter with the exception of transferring funds from the Vermont drinking water planning loan fund and the Vermont drinking water source protection fund to the Vermont environmental protection agency (EPA) drinking water state revolving fund, and from the Vermont pollution control revolving fund to the Vermont environmental protection agency (EPA) pollution control revolving fund, when authorized by the secretary. These funds shall be administered by the bond bank on behalf of the state, except that the fund shall be administered by VEDA concerning loans to privately-owned water systems under subdivision (a)(3) of this section and may be administered by another financial institution contracted by the State concerning loans to individuals for failed wastewater systems and potable water supplies under subdivision (a)(10) of this section. The funds shall be invested in the same manner as permitted for investment of funds belonging to the state or held in the treasury.

§4757 – In addition to providing a source of funds from which loans may be made to municipalities under this chapter, each fund created under section 4753 of this chapter may be used for one or more of the following purposes:

(1) to make loans, to refund bonds or notes of a municipality issued after March 7, 1985 for sewerage works, or after July 1, 1993 for water supply systems for the purpose of financing the construction of any capital improvements or management program described in section 4753 and certified under section 4756 of this title;

(2) to guarantee or insure, directly or indirectly, the payment of notes or bonds issued or to be issued by a municipality for the purpose of financing the construction of any capital improvement or management program described in section 4754 of this title and certified under section 4756;

(3) to guarantee or insure, directly or indirectly, funds established by municipalities for the purpose of financing construction of any capital improvement described in section 4754 of this title;

(4) to invest available fund balances, and to credit the net interest income thereon to the particular fund providing investment funds; and

(5) to pay the costs of the bond bank, VEDA and the agency associated with the administration of each fund; provided, however, that no more than four percent of the aggregate of the highest fund balances in any fiscal year shall be used for such purposes, and that a separate account be established outside the drinking water state revolving fund for such purposes. As used in this subsection, costs shall include fiscal, clerical, administrative and issuance expenditures directly attributable and allocated to the maintenance implementation and administration of the loan funds created under this chapter. (Added 1987, No. 75, § 1; amended 1997, No. 62, § 71, eff. June 26, 1997.)

6) To pay administrative costs directly from the Vermont wastewater and potable water revolving loan fund for loans awarded under Section 4753(a)(10) of this title.