



**House
Legislative
Analysis
Section**

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FINANCING POLLUTION CONTROL

**House Bills 4872-4877
House Joint Resolution P**

**Sponsor: Rep. Thomas C. Mathieu
Committee: Conservation, Recreation
& Environment**

Complete to 11-29-91

**A SUMMARY OF HOUSE BILLS 4872-4877 AND HOUSE JOINT RESOLUTION P,
AS INTRODUCED 5-28-91**

The bills would make statutory and constitutional changes to provide a way for municipalities to pay for the environmental problems that occur from combined sewer overflows, or CSOs. (A combined sewer system means a sewer intended to serve as both a sanitary and a storm sewer; a "combined sewer overflow" means a discharge from a combined sewer system that occurs when the flow capacity of the combined sewer system is exceeded.

The following bills would permit municipalities to finance combined sewer overflow projects:

House Bill 4876 would create the Municipal Pollution Control Financing Act (MPCFA) to allow a municipality to issue and sell bonds, without a vote of the people, for either the construction, improvement or replacement of a pollution control facility; the establishment of a reserve to secure the bonds; or for the payment of the interest on, or the costs of issuing, the bonds. The bonds would be full faith and credit general obligation bonds of the municipality, and the municipality could pledge the net revenues of any pollution control facility or its unrestricted state appropriations for payment of the principal and interest on the bonds or as additional security. Bonds issued under the act would not be considered "indebtedness" for purposes of statutory and charter debt limitations. However, the maximum bond issue, when taken together with other indebtedness of the municipality, could not exceed ten percent of the state equalized valuation of the municipality. The bill would also permit two or more municipalities to enter into agreements to provide joint pollution control projects.

House Bills 4872 (MCL 78.24C) and 4873 (MCL 117.4A et al.) would amend the act providing for the incorporation of villages and the home rule cities act, respectively, to permit a city or a village to include bonds issued under the MPCFA under its limitation on net indebtedness.

House Bill 4875 (MCL 141.107 et al.) would amend the Revenue Bond Act to assign priority to a lien created by an ordinance. At present, the act permits the legislative body of a public corporation to pledge and create a statutory lien on the revenues received by the public improvement for which bonds have been issued, in order to ensure the payment of

House Bill 4872 et al. (11-29-91)

the bonds. (A "public corporation" includes a county, city, village, township, school, port, or metropolitan district, municipal health facilities corporation, or an authority created by state statute.) The bill would amend the act to assign priority to this lien. The statutory lien would also take priority over liens held by creditors in bankruptcy proceedings that arose out of judicial execution or the sale of the public corporation's property, the public corporation's insolvency, or a filing by the public corporation under Title 11 of the United States Code, whether or not the interests of the creditors in the bankruptcy proceedings arose before or after the pledge of net revenues.

House Bills 4872, 4873, and 4875 are each tie-barred to House Bill 4876.

The following bills and joint resolution would permit \$20 million annually to be diverted from the Michigan Natural Resources Trust Fund to correct or separate combined sewer systems:

House Bill 4874 (MCL 141.1053) would amend the Shared Credit Rating Act to require the Michigan Municipal Bond Authority to establish a Municipal Pollution Control Fund. Municipalities that had issued municipal bonds under the MPCFA for sewage treatment works projects that were designed to eliminate CSOs could receive assistance, such a buy down of the bond's interest rate. Assistance could only be given if the authority had purchased a municipality's bonds or if the bonds were to be sold at an interest rate equal to or less than the current interest rate on the authority's bonds. Assistance would be provided on a first come, first serve basis. A buy down of the interest rate could not exceed two percentage points. In addition, assistance to sewage treatment works projects could be coordinated with assistance provided under the State Water Pollution Control Revolving Fund. The bill would also permit a governmental unit to use revenue received from state taxes or other unrestricted revenues to pay amounts owed the authority.

House Joint Resolution P, if approved by the voters, would amend the state constitution of 1963 to use money from the Michigan Natural Resources Trust Fund to correct or separate combined sewer systems, in order to eliminate CSOs. The joint resolution would permit the legislature to distribute revenues from the trust fund to the Michigan Economic Development Authority until September 30, 1994. Beginning October 1, 1994, and continuing for a period of ten years, \$20 million of revenues otherwise dedicated to the trust fund would be used to correct or separate combined sewer systems. In addition, the joint resolution would raise the ceiling on the fund, from \$200 million to \$400 million.

House Bill 4877 (MCL 318.505 et al.) would amend the Michigan National Resources Trust Fund Act to provide funds for correcting or separating combined sewer systems to eliminate CSOs. The bill would raise the ceiling on the amount of money, not including interest or earnings, that could accrue in the fund, from \$200 million to \$400 million. Until September 30, 1994, \$5 million would be deposited in the Michigan Economic Development Fund, or in its successor, the Michigan Strategic Fund, each calendar quarter. Beginning October 1, 1994, \$5 million from the fund would be deposited in the Municipal Pollution Control Fund for a period of ten years.

House Bills 4874 and 4877 are tie-barred to House Joint Resolution P and to each other.