



House Office Building, 9 South  
Lansing, Michigan 48909  
Phone: 517/373-6466

## IMPLEMENTATION OF GREAT LAKES WATER QUALITY BONDS

House Bill 5892  
Sponsor: Rep. Tom Meyer  
Committee: Commerce

Complete to 4-12-02

### A SUMMARY OF HOUSE BILL 5892 AS INTRODUCED 4-11-02

The bill would amend the Natural Resources and Environmental Protection Act (NREPA) to provide for the issuance of Great Lakes water quality bonds and for the creation of the Great Lakes Water Quality Bond Fund into which all bond proceeds would be deposited. Money in the fund would then be transferred, minus the cost of issuing the bonds, into the State Water Pollution Control Revolving Fund. The bill would create a new Part 197 of the NREPA.

The bill would not take effect unless House Bill 4625 was enacted and unless voters approved the issuance of bonds at the November 2002 general election. House Bill 4625, as introduced, would create the Great Lakes Water Quality Bond Authorization Act, under which the state would borrow up to \$1 billion through the issuance of bonds to finance water pollution control projects or the prevention of discharges of untreated or improperly treated sewage into state waters. House Bill 4625 would also put the question on the borrowing and issuance of bonds before the voters at the next general election, and bonds could not be issued unless the question was approved by a majority of registered electors voting on the question.

The bill contains a legislative finding as follows: “the legislature finds and declares that the environmental and natural resources protection programs implemented under this [new] part are a public purpose and of paramount public concern in the interest of the health, safety, and general welfare of the citizens of this state.”

Much of the language in the bill is technical in nature to provide for the issuance of the bonds. Generally speaking, the bill would specify that the bonds would be in a form and would be executed in a manner determined by a resolution of the State Administrative Board, and would require that the board rotate the services of legal counsel when issuing bonds. The State Administrative Board could authorize the state treasurer to sell and deliver and receive payment for the bonds; to deliver bonds partly to refund bonds and partly for other authorized purposes; to select which outstanding bonds would be refunded, if any, by the issue of new bonds; to approve interest rates or methods for fixing interest rates, prices, discounts, maturities, principal amounts, purchase prices, purchase dates, remarketing dates, denominations, dates of issuance, interest payment dates, redemption rights, the place and time of delivery and payment, and other matters and procedures necessary to complete the authorized transactions; and to execute, deliver, and pay the cost of remarketing agreements, insurance contracts, agreements for lines of credit, letters of credit, commitments to purchase bonds or notes, and any other transaction to provide security to assure timely payments or purchase of any bond issued under the new part. The bonds would have to be approved by the Department of Treasury before their issuance but would not otherwise be subject to the Revised Municipal Finance Act. No more than 10 percent of the

House Bill 5892 (4-12-02)

bonds could be sold in any year. The bonds would be fully negotiable under the Uniform Commercial Code and the bonds and interest on the bonds would be exempt from all taxation by the state or any political subdivision of the state.

The total proceeds of all bonds would be deposited in the newly created Great Lakes Water Quality Bond Fund and the state treasurer would direct the investments of the fund. Bond proceeds would have to be expended so as to maintain the tax exempt status of the bonds. The unencumbered balance in the fund at the close of a fiscal year would remain in the fund and would not lapse to the general fund. The Department of Environmental Quality would be required to provide an annual accounting of bond proceeds spending on a cash basis to the Department of Treasury. The account would be submitted to the governor, the standing committees of the House of Representatives and Senate that primarily address issues pertaining to the protection of natural resources and the environment and to the appropriation committees of the House and Senate.

MCL 324.19701 et al.

Analyst: C. Couch

---

■This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.