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SFA**BILL ANALYSIS**

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Senate Bill 106 (as enrolled)
Sponsor: Senator Mike Goschka
Committee: Natural Resources and Environmental Affairs

Date Completed: 3-20-01

RATIONALE

The State Water Pollution Control Revolving Fund, or the State Revolving Fund (SRF), provides low-interest loans to assist qualified municipalities in funding wastewater treatment improvements. The SRF is responsible for funding projects necessary to bring municipalities' wastewater systems into compliance with State and Federal regulations. The projects may include wastewater treatment plant upgrades or expansions, combined sewer overflow abatement, new sewers designed to reduce existing sources of pollution, nonpoint source pollution management measures, and other related wastewater treatment efforts. Qualified municipalities must meet Federal and State program requirements, and submit environmentally sound water pollution control project plans, which the Department of Environmental Quality's (DEQ's) Environmental Assistance Division uses to develop a project priority list.

The project priority list ranks wastewater treatment works projects proposed for construction that require funding assistance. Priority points for the list are assigned on the basis of information contained in the final project plan using criteria specified in the Natural Resources and Environmental Protection Act. Among the criteria is whether a project plan is a result of an order, permit, or document that was issued by the DEQ or entered as part of an action brought by the State against the municipality. Some people believe that municipalities that voluntarily admit to a sewage-related problem and submit an enforcement schedule also should be considered on the priority list for fundable projects.

CONTENT

The bill would amend Part 53 (Clean Water Assistance) of the Natural Resources and Environmental Protection Act to provide that if a water pollution control project requiring assistance from the State Revolving Fund were a sewage treatment works project or a stormwater treatment project, the priority list criteria for project plans submitted by municipalities would have to include a determination of whether a project was necessary to comply with an order, permit, or other document with an enforceable schedule for addressing a municipality's sewage-related water pollution problems that was issued by the Department of Environmental Quality or entered as part of an action brought by the State against the municipality. In addition, a municipality could voluntarily agree to an order, permit, or other document with an enforceable schedule.

Under Part 53, if approved by the DEQ, municipalities may receive assistance from the State Water Pollution Control Revolving Fund for a sewage treatment works project, a stormwater treatment project, and/or a nonpoint source project. Each year the DEQ must develop priority lists for these projects, based on project plans submitted by municipalities. If a project is a sewage treatment works project or a stormwater treatment project, the priority lists must be based on the following criteria: the severity of the water pollution problem; the population to be served by the project; the dilution ratio existing between the discharge volume and the receiving stream; and a determination of whether a project is or was necessary to comply with an order, permit, or other document issued by the DEQ or entered as

part of an action brought by the State against a municipality. Under the bill, this determination would pertain to compliance with an enforceable schedule for addressing a municipality's sewage-related water pollution problems as described above.

MCL 324.5303

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

The bill would encourage more municipalities proactively to correct sewage-related water pollution problems, by helping to fund wastewater treatment projects for municipalities that have voluntarily addressed sewage problems. The bill would accomplish this by including these projects among those receiving consideration on the DEQ's project priority list for State Revolving Fund loans. Criteria for the list already include a determination of whether projects are under an enforcement order for noncompliance with State and Federal regulations, which receive a number of "enforcement points" under the administrative rule that governs the scoring of projects on the list. Borrowing from the SRF is advantageous to municipalities due to the below-market interest rate and the opportunity to obtain all of a project's financing from one source. This can reduce the time it takes to commence construction and result in lower bid costs.

Response: According to an Auditor General Report on Sewage Issues (October 2000), the State Revolving Fund is not adequate to fund the anticipated needs over the next several years. Reportedly, for fiscal year 1999-2000, local municipalities applied for loans for 29 projects totaling \$336 million. The SRF funded nine projects (eight of which were under an enforcement order) totaling \$202 million. There were 20 projects (14 of which were not under an enforcement order) totaling \$134 million that applied but did not receive funding. The bill could increase the number of projects in the priority ranking without ensuring the means to fund those projects.

Legislative Analyst: N. Nagata

FISCAL IMPACT

The bill would have no fiscal impact on State or local government.

Fiscal Analyst: P. Graham

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.