

## WASTEWATER APPLICATION GRANT FUND

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### House Bill 4572

**Sponsor: Rep. John Stakoe**

### House Bill 4573

**Sponsor: Rep. Neal Nitz**

**Committee: Local Government and Urban Policy**

**Complete to 4-11-05**

## A SUMMARY OF HOUSE BILLS 4572 AND 4573 AS INTRODUCED 3-24-05

In the November 2002 general election, voter approval of Proposal 2 authorized the State of Michigan to borrow up to \$1 billion to improve the quality of the state's waters by financing sewage treatment works projects, storm water projects, and water pollution projects; authorized the state to issue general obligation bonds; and provided for the repayment of the bonds from the general fund of the state. Under legislation that accompanied the ballot proposal, proceeds from the bonds were to go into the Great Lakes Water Quality Bond Fund and then distributed as follows:

- 90 percent to the existing State Water Pollution Control Revolving Fund (also known as the State Revolving Fund or SRF) for treatment plant upgrades and expansions, combined sewer overflow abatement, new sewers designed to reduce existing sources of pollution, nonpoint source pollution management, sludge management, and similar efforts.
- 10 percent to a new fund established to make loans to municipalities to help them reduce the flow of groundwater or storm water entering sewer systems or to help them upgrade or replace failing on-site septic systems. This fund is called the Strategic Water Quality Initiatives Fund.

House Bill 4573 would amend the Natural Resources and Environmental Protection Act (MCL 324.19708) to redistribute the allocations from the Great Lakes Water Quality Bond Fund so that 80 percent of the bond revenue was deposited in the SRF, 10 percent in the Strategic Water Quality Initiatives Fund, and the remaining 10 percent be deposited in a new Wastewater Application Grant Fund that would be created under House Bill 4572.

House Bill 4572 would add a new section to the Shared Credit Rating Act (MCL 141.1066c) to create the Wastewater Application Grant Fund within the state treasury. Money could be expended from the fund only for grants to governmental units to cover the total cost of engineering and professional consulting when developing the project plan for applying for loan assistance from the State Water Pollution Control Revolving Fund (SRF). Grant funds could not be used for public notice activities, general local government administration costs, or costs associated with educating the public about the

proposed project. A governmental unit could not receive more than an accumulated total of \$3 million in grants to use for developing the project plan.

An application and review process would be established by the Department of Treasury. Within 60 days of receipt of an administratively complete application, the applicant would have to be notified if the application was accepted or rejected; if rejected, a written notice containing the reasons for the rejection would have to be sent to the applicant.

A grant agreement would have to be entered into between the department and an approved applicant before the grant money was released. This agreement would have to require repayment, with interest not to exceed eight percent per year, for any of the following reasons:

- The grant recipient failed to submit an administratively complete loan application for assistance from the SRF within 12 months after the grant was issued.
- The grant recipient did not use funding from the SRF for the project after receiving approval for an SRF loan.
- The grant recipient obtained a loan from the SRF, but substantial progress toward implementing the project was not made within 18 months of the issuance of the loan.

If a local government's administratively complete application for a loan from the SRF was rejected, it would not have to repay the grant from the Wastewater Application Grant Fund.

Money or other assets could be received by the state treasurer for deposit into the Wastewater Application Grant Fund, and he or she would be responsible for directing the fund's investments. Interest and earnings from the fund investments would be credited to the fund, and money in the fund at the end of a fiscal year would remain in the fund and not lapse to the general fund. The Michigan Municipal Bond Authority within the Department of Treasury would act as fiscal agent for the fund.

## **FISCAL IMPACT:**

These tie-barred bills would earmark 10 percent of Great Lakes Water Quality Bond proceeds to a new fund called the Wastewater Application Grant Fund and used for grants to cover engineering and professional consulting costs incurred by communities as they prepare applications for sewage treatment projects. Aside from reducing the amount available for project assistance, there would not be any additional fiscal impact on the State. These grants, however, would not be repaid to the DEQ (thus reducing dollars available for sewer projects). Local governmental units would be eligible for these grants, and would potentially benefit fiscally if these bills are enacted.

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