

Legislative Analysis



SHARED CREDIT RATING ACT: WASTEWATER APPLICATION GRANT FUND

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House Bill 5297

Sponsor: Rep. Aldo Vagnozzi

Committee: Local Government and Urban Policy

Complete to 10-18-05

A SUMMARY OF HOUSE BILL 5297 AS INTRODUCED 10-12-05

House Bill 5297 would amend the Shared Credit Rating Act to allow government units to enter into grant agreements under Section 5204a of the Natural Resources and Environmental Protection Act (which would be added by House Bill 4572), and to pledge their limited taxing power as security for repayment of their obligations. The bill specifies that the grant agreements would not be subject to the Revised Municipal Finance Act. Further, repayment obligations of the governmental unit under a grant agreement would not be a general obligation or debt of the governmental unit within the meaning of any constitutional or statutory debt limitation, and would not be subject to any notice or referendum. Finally, grant agreements could be entered into by the Michigan Municipal Bond Authority and would not be required to be in fully marketable form.

The bill is tie-barred to five bills that constitute a package of legislation to create the Wastewater Application Grant Fund. House Bill 5297 could not become law unless those bills also were enacted. House Bills 4572 and 4573 have passed the House and would amend Part 52 (Strategic Water Quality Initiatives) and Part 197 (Great Lakes Water Quality Bond Implementation), respectively, of the Natural Resources and Environmental Protection Act (NREPA). House Bill 4572 would establish a program to provide grants to governmental units to cover the cost of developing a project plan in applying for a loan from the State Water Pollution Control Revolving Fund, and House Bill 4573 would revise the allocation of money received from the sale of Great Lakes water quality bonds. Senate Bill 789 would also amend Part 52 of NREPA to allow the Michigan Municipal Bond Authority, in consultation with the Department of Environmental Quality, to spend money from the Strategic Water Quality Initiatives Fund, upon appropriation, for grants under House Bill 4572. Senate Bill 790 would amend Part 52 to define "grant" as a grant from the program that House Bill 4572 would establish. Senate Bill 799 would amend Part 53 (Clean Water Assistance) of NREPA to include in the definition of "construction activities" actions undertaken in the planning of sewage treatment works, storm water treatment, or non-point source projects, and project planning services.

MCL 141.1051 et al

FISCAL IMPACT:

There would be an indeterminate fiscal impact on the State of Michigan, and local governmental units would potentially benefit from the grants authorized by this package. 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 to support grants to communities to cover engineering and professional consulting costs charged to prepare applications for sewage treatment projects. Aside from reducing the amount available for loans, there would not be an additional fiscal impact on the state. These grants would not be repaid to the DEQ. The actual fiscal impact on the Strategic Water Quality Initiatives Fund would depend on the number of grants made in a given fiscal year. The cost of these engineering studies is estimated to be between \$20,000 and \$50,000. This package of bills would direct revenue from Proposal 2 for grants to local governments to cover the up-front costs associated with the loan application process.

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