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House Bill 4572 (Substitute S-5 as reported)  
House Bill 4573 (Substitute S-3 as reported)  
Sponsor: Representative John Stakoe (H.B. 4572)  
Representative Neal Nitz (H.B. 4573)  
House Committee: Local Government and Urban Policy  
Senate Committee: Natural Resources and Environmental Affairs

## **CONTENT**

House Bill 4573 (S-3) would amend Part 197 (Great Lakes Water Quality Bond Implementation) of the Natural Resources and Environmental Protection Act (NREPA) to revise the allocation of money received from the sale of Great Lakes water quality bonds.

Currently, the State Treasurer must distribute 90% of the money to the State Water Pollution Control Revolving Fund (SRF), and the remaining 10% to the State Water Quality Initiatives Fund (SWQIF). Under the bill, in aggregate, not more than \$900.0 million would have to be deposited into the SRF and, in aggregate, not more than \$100.0 million would have to be deposited into the SWQIF.

The bill also would require bonds that were directly deposited into the SRF or the SWQIF as authorized by Section 19703 to be taken into account for the purpose of determining the allocation and transfer of money set forth under the bill. (Under that section, the bonds may be deposited directly into either Fund as determined by or pursuant to a resolution of the State Administrative Board.)

House Bill 4572 (S-5) would amend Part 52 (Strategic Water Quality Initiatives) of NREPA to require the Michigan Municipal Bond Authority, in consultation with the Department of Environmental Quality (DEQ), to establish a program to provide grants totaling not more than \$40.0 million from the SWQIF to governmental units to cover the cost of developing a project plan in applying for a loan from the SRF.

The grant program would have to provide grants to cover a maximum of 90% of the costs a municipality incurred to complete an application for loan assistance from the SRF or the SWQIF. A municipality could not receive more than \$1.0 million in total grant assistance under the bill.

The grants would be available for projects seeking or intending to seek loan assistance after September 30, 2006. The DEQ would have to stop accepting grant applications two years after the date the first grant agreement was established.

If the DEQ approved a grant, the Department, along with the Authority, would have to enter into a grant agreement with the recipient before transferring funds. The grant agreement would have to contain a requirement that the recipient repay the grant within 90 days of being informed to do so, with interest at a maximum rate of 8% per year, to the Authority for deposit into the SWQIF if any of the following occurred:

-- The applicant failed to submit an administratively complete loan application for assistance from the SRF or the SWQIF for the project within three years of the grant award.

- The project had been identified as being in the fundable range and the applicant declined loan assistance from the SRF or the SWQIF in that fiscal year.
- The applicant was unable to or decided not to proceed with constructing the project or opted to finance construction by means other than a grant from the SRF or the SWQIF.

For each year in which the DEQ received applications under the bill, it would have to report by July 1 to the standing committees of the Senate and House of Representatives with primary jurisdiction over issues pertaining to natural resources and the environment and to the Senate and House Appropriations Committees on the use of funds under Part 52 that were received from the Great Lakes Water Quality Bond Fund.

The Senate and House Appropriations Committees would have to review annually whether there was sufficient money in the SWQIF to implement the bill's requirements and the State Water Quality Initiatives Loan Program.

The bills are tie-barred to each other and to Senate Bills 789, 790, 799, and 800. Senate Bill 789 would amend Part 52 to allow the Michigan Municipal Bond Authority, in consultation with the DEQ, to spend money from the SWQIF, upon appropriation, for grants under House Bill 4572 (S-5). Senate Bill 790 would amend Part 52 to define "grant" as a grant from the program that House Bill 4572 (S-5) would establish. Senate Bill 799 would amend Part 53 (Clean Water Assistance) to include actions undertaken in the planning of sewage treatment, stormwater treatment, or nonpoint source projects in the definition of the term "construction activities". Senate Bill 800 would amend the Shared Credit Rating Act to allow a governmental unit to enter into grant agreements under House Bill 4572 (S-5) and pledge its limited taxing power as security for any repayment obligation.

Proposed MCL 324.5204a (H.B. 4572)  
MCL 324.19708 (H.B. 4573)

Legislative Analyst: Julie Koval

### **FISCAL IMPACT**

The bills, combined with Senate Bills 789, 790, 799, and 800, would cost the State \$40.0 million from the Strategic Water Quality Initiatives Fund. Providing the funding in the form of grants instead of loans would reduce loan capacity for the original purposes of the SWQIF program and the State would not recover the amounts awarded as grants.

A local unit of government would be eligible to receive a grant up to \$1.0 million for project planning services if it proceeded with loan funding under either the State Water Pollution Control Revolving Fund or the Strategic Water Quality Initiatives Fund. In aggregate, up to \$40.0 million would be available for local units of government as grant funding.

Date Completed: 10-7-05

Fiscal Analyst: Jessica Runnels

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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.