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## BILL ANALYSIS

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Senate Bill 1442 (Substitute S-3 as reported by the Committee of the Whole)

Senate Bill 1443 (Substitute S-2 as reported)

Sponsor: Senator Patricia L. Birkholz (S.B. 1442)

Senator Jud Gilbert, II (S.B. 1443)

Committee: Natural Resources and Environmental Affairs

**CONTENT**

Senate Bill 1442 (S-2) would amend the Natural Resources and Environmental Protection Act to allow the Strategic Water Quality Initiatives Fund (SWQIF) to be used for response activities that would address nonpoint source water pollution at contaminated facilities, and for brownfield redevelopment grants and loans. Specifically, the bill would do the following:

- Authorize the Department of Natural Resources and Environment (DNRE) to spend up to \$140.0 million for response activities (as described below).
- Authorize the DNRE to spend up to \$10.0 million to provide brownfield redevelopment grants and loans to municipalities and brownfield redevelopment authorities.
- Specify a legislative intent that SWQIF money not be used for response activities to address nonpoint source water pollution at facilities once the combined \$150.0 million was spent.
- Revise the allocation of money from the Great Lakes Water Quality Bond Fund, increasing the amount deposited in the SWQIF from \$100.0 million to \$290.0 million and decreasing the allocation to the State Water Pollution Control Revolving Fund (SRF) from \$900.0 million to \$710.0 million.

Upon appropriation, the DNRE could spend up to \$140.0 million from the SWQIF to address nonpoint source water pollution at facilities. For fiscal years 2010-11 and 2011-12, up to \$50.0 million could be authorized for expenditure each year. Beginning October 1, 2012, any money not previously authorized for expenditure could be spent only if the DNRE documented that it had achieved specific performance objectives.

For fiscal year (FY) 2010-11, bonds could not be issued or spent for response activities to address nonpoint source water pollution unless the DNRE established a fundable range of at least \$210.0 million to fund projects under the SRF. For FY 2011-2012, bonds could not be issued or spent for those response activities unless the DNRE established a fundable range of at least \$259.0 million to fund projects under the SRF, to the extent administratively possible and as long as sufficient applications were submitted to the Department. If the DNRE were not able to establish that minimum fundable range in FY 2011-12, it would have to submit to the Legislature a report detailing the reasons why.

"Fundable range" would mean those projects, taken in descending order on the priority lists, for which sufficient funds are estimated by the DNRE to exist to provide assistance at the beginning of each annual funding cycle.

For each fiscal year beginning with FY 2012-13, the DNRE, in conjunction with the Department of Treasury, would have to seek to fully fund all eligible projects applying for assistance under Part 53 (Clean Water Assistance), to the extent administratively possible, using the proceeds from Great Lakes Water Quality Bonds as necessary to achieve this goal, considering the recommendations of the SRF Advisory Committee (proposed by Senate Bill 1443 (S-2)).

Senate Bill 1443 (S-2) would amend the Act to do the following:

- Increase from \$40.0 million to \$80.0 million the maximum amount available for grants to eligible municipalities from the Strategic Water Quality Initiatives Grant Program.
- Allow grants from the Program to be used for assistance to municipalities to complete loan application requirements for financing sources other than the SRF.
- Create the SRF Advisory Committee.
- Require the Committee to evaluate Part 53 (Clean Water Assistance) and make recommendations to the DNRE and the Legislature on how it could be amended to achieve prescribed outcomes.

The bills are tie-barred to each other. They also are tie-barred to Senate Bills 1345, 1346, and 1348 and to House Bills 6359, 6360, and 6363, which would revise Michigan's program for the remediation of environmentally contaminated sites.

MCL 324.5204 (S.B. 1442)  
324.5204a (S.B. 1443)

Legislative Analyst: Julie Cassidy

### **FISCAL IMPACT**

Senate Bill 1442 (S-3) would allow the Legislature to appropriate funds from the Strategic Water Quality Initiatives Fund to address certain nonpoint source water pollution issues, if certain fundable range benchmarks were met. The Legislature could appropriate up to \$50.0 million in FY 2010-11 and \$50.0 million in FY 2011-12 for these purposes. A total of an additional \$40.0 million would be available for appropriation in subsequent fiscal years if the Department of Natural Resources and Environment met certain performance standards outlined in the bill.

The bill would require that the Department establish a fundable range of at least \$210.0 million in FY 2010-11 for projects under the State Water Pollution Control Revolving Fund in order to spend or issue bonds for response activities to address nonpoint source water pollution at facilities. These projects are undertaken by municipalities to make water and sewer upgrades, and the Department provides low-interest loans to these municipalities from the Fund for those purposes. The fundable range in a given fiscal year would be the amount of money that the Department dedicated to be used to help fund these municipal water and sewer projects, in order of priority. In FY 2011-12, the requirement would be raised to \$259.0 million, and in FY 2012-13 the Department would have to fund all eligible projects to receive these funds.

Sufficient bond authorization remains for the Department to fulfill these guidelines as well as use bond revenue for cleanups that would address nonpoint source water pollution at facilities and brownfields.

The SWQIF was created as a part of (although not directly by) Proposal 2 of 2002, which authorized the issuance of up to \$1.0 billion in general revenue bonds for the purpose of financing sewage treatment works projects, storm water projects, and nonpoint source projects. Senate Bill 1442 (S-3) would increase the portion of this authorization for the SWQIF from \$100.0 million to \$290.0 million and reduce the authorization of the State Water Pollution Control Revolving Fund from \$900.0 million to \$75.0 million. Currently, the SWQIF has \$44.4 million in remaining bond authorization; the bill would increase this authorization to \$194.4 million. The SRF has an available authorization of \$810.0 million, which would be reduced to \$620.0 million under the bill.

Senate Bill 1442 (S-3) also would allow the Legislature to appropriate, and the DNRE to spend, up to \$10.0 million from the SWQIF on brownfield redevelopment grants and loans. The bill specifies that up to \$5.0 million could be spent on grants and \$5.0 million on loans.

Senate Bill 1443 (S-2) would allow the Michigan Municipal Bond Authority, in conjunction with the DNRE, to spend an additional \$40.0 million on grants under the Strategic Water Quality Initiatives Grant Program.

While neither bill would require any additional spending, the appropriations/spending authorized by the bills, if acted upon, would come from new bond issuances under Proposal 2. The table below shows a breakdown of the additional annual debt service that would result from spending under the authorizations contained in these bills assuming a 4.5% coupon rate and a 20-year maturity on bonds issued.

(dollar amounts in millions)

<b>Program</b>	<b>Authorized Amount</b>	<b>Annual Debt Service</b>
SWQIF – Nonpoint source pollution, initial amount	\$100.0	\$7.6
SWQIF – Nonpoint source pollution, potential additional amount	\$40.0	\$3.0
Brownfield Redevelopment Program – Grants	\$5.0	\$0.4
Brownfield Redevelopment Program – Loans	\$5.0	\$0.4
SWQIF – Loan application grants	\$40.0	\$3.0
<b>Total</b>	<b>\$190.0</b>	<b>\$14.4</b>

Senate Bill 1443 (S-2) would require DNRE staff to assist with various administrative functions associated with the proposed SRF Advisory Committee. This requirement could result in some relatively small additional costs to the DNRE.

Date Completed: 11-4-10

Fiscal Analyst: Josh Sefton

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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.