

SUBSTITUTE FOR
SENATE BILL NO. 1155

A bill to amend 1994 PA 451, entitled
"Natural resources and environmental protection act,"
by amending sections 5201, 5202, 5203, and 5204 (MCL 324.5201,
324.5202, 324.5203, and 324.5204), section 5201 as amended by 2005
PA 257, sections 5202 and 5203 as added by 2002 PA 397, and section
5204 as amended by 2010 PA 232, and by adding sections 5204e and
5204f.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

- 1 Sec. 5201. As used in this part:
- 2 (A) "ASSET MANAGEMENT PROGRAM" MEANS THE SYSTEM THAT
- 3 IDENTIFIES THE DESIRED LEVEL OF SERVICE AT THE LOWEST LIFE CYCLE
- 4 COST FOR REHABILITATING, REPAIRING, OR REPLACING THE ASSETS
- 5 ASSOCIATED WITH A MUNICIPALITY'S WASTEWATER OR STORMWATER SYSTEM.

1 (B) ~~(a)~~-"Authority" means the Michigan municipal bond
2 authority created in section 4 of the shared credit rating act,
3 1985 PA 227, MCL 141.1054.

4 (C) ~~(b)~~-"Department" means the department of environmental
5 quality.

6 (D) ~~(c)~~-"Fund" means the strategic water quality initiatives
7 fund created in section 5204.

8 (E) ~~(d)~~-"Grant" means a grant from the grant program.

9 (F) ~~(e)~~-"Grant program" means the strategic water quality
10 initiatives grant program established under ~~section 5204a~~. **THIS**
11 **PART.**

12 (G) ~~(f)~~-"Loan" means a loan from the loan program.

13 (H) ~~(g)~~-"Loan program" means the strategic water quality
14 initiatives loan program established under section 5202.

15 (I) ~~(h)~~-"Municipality" means that term as it is defined in
16 section 5301.

17 (J) ~~(i)~~-"On-site septic system" means a natural system or
18 mechanical device used to store, treat, and dispose of sewage from
19 1 or more dwelling units that utilize a subsurface trench or bed
20 that allows the effluent to be absorbed and treated by the
21 surrounding soil, including a septic tank and tile field system.

22 (K) ~~(j)~~-"State water pollution control revolving fund" means
23 the state water pollution control revolving fund established under
24 section 16a of the shared credit rating act, 1985 PA 227, MCL
25 141.1066a.

26 (L) **"WETLAND MITIGATION BANK" MEANS A SITE WHERE WETLANDS ARE**
27 **RESTORED, CREATED, OR, IN EXCEPTIONAL CIRCUMSTANCES, PRESERVED**

1 EXPRESSLY FOR THE PURPOSE OF PROVIDING COMPENSATORY MITIGATION IN
2 ACCORDANCE WITH THE PROVISIONS OF PART 303, IN ADVANCE OF
3 AUTHORIZED, UNAVOIDABLE IMPACTS TO WETLANDS.

4 Sec. 5202. (1) The authority in consultation with the
5 department shall establish a strategic water quality initiatives
6 loan program. This loan program shall provide low interest loans to
7 municipalities to provide assistance for improvements to a sewage
8 system for 1 or more of the following:

9 (a) Improvements to reduce or eliminate the amount of
10 groundwater or storm water entering a sanitary sewer lead or a
11 combined sewer lead.

12 (b) Upgrades or replacements of failing on-site septic systems
13 that are adversely affecting public health or the environment, or
14 both.

15 (C) ASSISTANCE FOR CONSTRUCTION ACTIVITIES AS DEFINED IN
16 SECTION 5301(D) WHEN IDENTIFIED THROUGH AN ASSET MANAGEMENT PROGRAM
17 OR STORM WATER PROJECT PLAN DESIGNED TO PROTECT WATER QUALITY,
18 INCLUDING IMPROVEMENTS THAT ARE WATER AND ENERGY EFFICIENT, WHERE
19 FEASIBLE.

20 (2) In implementing the loan program, the department shall
21 annually establish the interest rate that will be charged for
22 loans.

23 Sec. 5203. (1) A municipality that wishes to apply for a loan
24 shall submit a loan application ~~to the department in accordance~~
25 ~~with the application requirements provided in part 53.~~ **IN COMPLIANCE**
26 **WITH THE FOLLOWING:**

27 (A) TO THE DEPARTMENT IN ACCORDANCE WITH THE APPLICATION

1 REQUIREMENTS PROVIDED IN PART 53 FOR SECTION 5202(1) (A) OR (B)
2 ACTIVITIES.

3 (B) ON A FORM APPROVED BY THE DEPARTMENT FOR SECTION
4 5202(1) (C) ACTIVITIES.

5 (2) The department shall process the loan applications
6 submitted under this part. ~~and otherwise administer the fund in~~
7 ~~accordance with the procedures established pursuant to part 53.~~

8 (3) Prior to releasing a loan, the authority in consultation
9 with the department shall enter into a loan agreement with the loan
10 recipient. ~~in accordance with part 53.~~

11 (4) All money that is received for the repayment of a loan
12 shall be forwarded to the state treasurer for deposit into the
13 fund.

14 Sec. 5204. (1) The strategic water quality initiatives fund is
15 created within the state treasury.

16 (2) The state treasurer may receive money or other assets from
17 any source for deposit into the fund. The state treasurer shall
18 direct the investment of the fund. The state treasurer shall credit
19 to the fund interest and earnings from fund investments. The
20 authority shall act as fiscal agent for the fund in accordance with
21 the shared credit rating act, 1985 PA 227, MCL 141.1051 to
22 141.1076.

23 (3) Money in the fund at the close of the fiscal year shall
24 remain in the fund and shall not lapse to the general fund.

25 (4) The authority in consultation with the department shall
26 expend money from the fund, upon appropriation, only for the
27 following:

(a) Loans under section 5202.

(b) Grants under ~~section~~ **SECTIONS** 5204a, ~~and~~ 5204d, **AND 5204E.**

(c) Response activities to address nonpoint source water pollution under section 5204b.

(d) Grants and loans for brownfield sites under section 5204c.

(E) GRANTS AND LOANS FOR WETLAND MITIGATION BANKS UNDER SECTION 5204F.

(F) ~~(e)~~—The costs of the authority and the department in administering the fund.

(5) The fund may be pledged as security for bonds to be issued by the authority for the purpose of funding loans if authorized by the state administrative board.

SEC. 5204E. (1) IN ADDITION TO OTHER REQUIREMENTS OF THIS PART, THE GRANT PROGRAM SHALL PROVIDE ASSISTANCE TO MUNICIPALITIES TO INCREASE THE LEVEL OF INVESTMENT IN SEWAGE COLLECTION AND TREATMENT SYSTEMS AND TO IMPROVE WATER QUALITY AND RESULT IN POLLUTION PREVENTION.

(2) THE GRANT PROGRAM IS SUBJECT TO ALL OF THE FOLLOWING:

(A) THE GRANT PROGRAM SHALL PROVIDE GRANTS OF UP TO \$1,000,000.00 TO COVER NOT MORE THAN 90% OF THE COSTS INCURRED BY A MUNICIPALITY. FOR GRANTS OF MORE THAN \$1,000,000.00 AND LESS THAN \$2,000,000.00, THE GRANT PROGRAM SHALL NOT COVER MORE THAN 75% OF THE COSTS INCURRED BY A MUNICIPALITY. HOWEVER, A MUNICIPALITY THAT IS A DISADVANTAGED COMMUNITY AS DEFINED IN PART 53 MAY RECEIVE A 100% GRANT. IN ADDITION, A MUNICIPALITY IN RECEIVERSHIP UNDER THE LOCAL GOVERNMENT AND SCHOOL DISTRICT FISCAL ACCOUNTABILITY ACT, 2011 PA 4, MCL 141.1501 TO 141.1531, OR A SUCCESSOR STATUTE, A

1 MUNICIPALITY UNDER A CONSENT AGREEMENT AS PROVIDED UNDER THE LOCAL
2 GOVERNMENT AND SCHOOL DISTRICT FISCAL ACCOUNTABILITY ACT, 2011 PA
3 4, MCL 141.1501 TO 141.1531, OR A SUCCESSOR STATUTE, A MUNICIPALITY
4 WITH AN APPOINTED EMERGENCY FINANCIAL MANAGER UNDER THE LOCAL
5 GOVERNMENT FISCAL RESPONSIBILITY ACT, 1990 PA 72, MCL 141.1201 TO
6 141.1291, OR A MUNICIPALITY UNDER A CONSENT AGREEMENT AS PROVIDED
7 UNDER THE LOCAL GOVERNMENT FISCAL RESPONSIBILITY ACT, 1990 PA 72,
8 MCL 141.1201 TO 141.1291, MAY RECEIVE A 100% GRANT. FUNDING CAN BE
9 USED FOR THE FOLLOWING PURPOSES:

10 (i) DEVELOPMENT OF AN ASSET MANAGEMENT PROGRAM FOR A SEWAGE
11 COLLECTION AND TREATMENT SYSTEM OR A STORM WATER SYSTEM. FOR SEWAGE
12 COLLECTION AND TREATMENT SYSTEMS, THE PROGRAM SHALL INCLUDE THE
13 DEVELOPMENT OF A FUNDING STRUCTURE AND IMPLEMENTATION SCHEDULE THAT
14 PROVIDES SUFFICIENT RESOURCES TO IMPLEMENT THE PROGRAM. THE
15 MUNICIPALITY SHALL COORDINATE, AS FEASIBLE, WITH OTHER
16 INFRASTRUCTURE ACTIVITIES IN THE SAME GEOGRAPHIC AREA.

17 (ii) DEVELOPMENT OF MANAGEMENT PLANS FOR THE TREATMENT OF STORM
18 WATER.

19 (iii) PLANNING AND DESIGN OF A SEWAGE TREATMENT WORKS PROJECT OR
20 STORMWATER TREATMENT PROJECT AS DEFINED IN SECTION 5301(N) OR (O)
21 OR CONSTRUCTION ACTIVITIES DESIGNED TO REDUCE NONPOINT SOURCE
22 POLLUTION.

23 (B) THE LOCAL MATCH IS NOT ELIGIBLE FOR LOAN ASSISTANCE FROM
24 THE STATE WATER POLLUTION CONTROL REVOLVING FUND OR THE FUND.

25 (C) GRANT FUNDS SHALL NOT BE USED FOR GENERAL LOCAL GOVERNMENT
26 ADMINISTRATIVE ACTIVITIES OR ACTIVITIES PERFORMED BY MUNICIPAL
27 EMPLOYEES THAT ARE UNRELATED TO THE PROJECT.

1 (D) A MUNICIPALITY SHALL NOT RECEIVE MORE THAN \$2,000,000.00
2 IN TOTAL GRANT ASSISTANCE UNDER THIS SECTION.

3 (3) THE DEPARTMENT SHALL ESTABLISH AN APPLICATION AND REVIEW
4 PROCESS FOR CONSIDERING GRANT APPLICATIONS UNDER THIS SECTION. THE
5 APPLICATION SHALL CONTAIN THE INFORMATION REQUIRED BY THE
6 DEPARTMENT AND THE AUTHORITY. WITHIN 60 DAYS AFTER RECEIPT OF AN
7 APPLICATION, THE DEPARTMENT SHALL PUBLISH NOTICE OF THE APPLICATION
8 ON THE DEPARTMENT'S CALENDAR. WITHIN 120 DAYS AFTER RECEIPT OF AN
9 ADMINISTRATIVELY COMPLETE GRANT APPLICATION, THE DEPARTMENT SHALL,
10 IN WRITING, NOTIFY THE APPLICANT WHETHER THE APPLICATION IS
11 APPROVED OR REJECTED. IF THE DEPARTMENT APPROVES A GRANT UNDER THIS
12 SECTION, THE DEPARTMENT AND THE AUTHORITY SHALL ENTER INTO A GRANT
13 AGREEMENT WITH THE RECIPIENT PRIOR TO TRANSFERRING FUNDS. THE GRANT
14 AGREEMENT SHALL CONTAIN TERMS ESTABLISHED BY THE DEPARTMENT AND THE
15 AUTHORITY, INCLUDING BOTH OF THE FOLLOWING:

16 (A) A REQUIREMENT THAT A GRANT RECIPIENT PROCEED WITH A
17 PROJECT FOR WHICH GRANT FUNDING IS PROVIDED WITHIN 3 YEARS AFTER
18 THE DEPARTMENT APPROVES THE GRANT.

19 (B) A REQUIREMENT THAT THE GRANT RECIPIENT REPAY THE GRANT,
20 WITHIN 90 DAYS OF BEING INFORMED TO DO SO, WITH INTEREST AT A RATE
21 NOT TO EXCEED 8% PER YEAR, TO THE AUTHORITY FOR DEPOSIT INTO THE
22 FUND IF THE APPLICANT IS UNABLE TO, OR DECIDES NOT TO, PROCEED WITH
23 A PROJECT FOR WHICH GRANT FUNDING IS PROVIDED.

24 (4) FOR EACH YEAR IN WHICH THE DEPARTMENT RECEIVES GRANT
25 APPLICATIONS UNDER THIS SECTION, THE DEPARTMENT SHALL REPORT BY
26 OCTOBER 1 OF THAT YEAR TO THE STANDING COMMITTEES OF THE SENATE AND
27 THE HOUSE OF REPRESENTATIVES WITH PRIMARY JURISDICTION OVER ISSUES

1 PERTAINING TO NATURAL RESOURCES AND THE ENVIRONMENT AND TO THE
2 SENATE AND HOUSE OF REPRESENTATIVES APPROPRIATIONS COMMITTEES ON
3 THE UTILIZATION OF FUNDS UNDER THIS PART THAT WERE RECEIVED FROM
4 THE GREAT LAKES WATER QUALITY BOND FUND CREATED IN SECTION 19706.
5 THE REPORT SHALL INCLUDE, AT A MINIMUM, ALL OF THE FOLLOWING:

6 (A) THE NUMBER OF GRANT APPLICATIONS RECEIVED UNDER THIS
7 SECTION.

8 (B) THE NAME OF EACH MUNICIPALITY APPLYING FOR A GRANT.

9 (C) THE TYPE OF PROJECT BEING FUNDED FOR EACH GRANT AWARDED.

10 (D) THE NUMBER OF USERS POTENTIALLY AFFECTED BY EACH GRANT
11 AWARDED.

12 (E) THE AMOUNT OF THE LOCAL MATCH FOR EACH GRANT AWARDED.

13 (F) THE INDIVIDUAL AND ANNUAL CUMULATIVE AMOUNT OF GRANT FUNDS
14 AWARDED, INCLUDING AN IDENTIFICATION OF WHETHER EACH AWARD WAS FOR
15 THE PURPOSE OF APPLYING FOR ASSISTANCE FROM THE STATE WATER
16 POLLUTION CONTROL REVOLVING FUND OR THE FUND.

17 SEC. 5204F. (1) THE AUTHORITY, IN CONJUNCTION WITH THE
18 DEPARTMENT, SHALL ESTABLISH A WETLAND MITIGATION BANK FUNDING
19 PROGRAM THAT PROVIDES GRANTS AND LOANS TOTALING NOT MORE THAN
20 \$10,000,000.00 TO ELIGIBLE MUNICIPALITIES. OF THE MONEY EXPENDED
21 UNDER THIS SUBSECTION, UP TO \$500,000.00 MAY BE USED FOR GRANTS.
22 FUNDING MAY BE USED FOR THE PURPOSE OF THIS SUBSECTION AS LONG AS
23 FUNDS REMAIN AVAILABLE.

24 (2) GRANTS AWARDED UNDER THE WETLAND MITIGATION BANK FUNDING
25 PROGRAM SHALL PROVIDE ASSISTANCE TO MUNICIPALITIES TO COMPLETE LOAN
26 APPLICATION REQUIREMENTS FOR FUNDING FROM THE WETLAND MITIGATION
27 BANK FUNDING PROGRAM OR TO COMPLETE LOAN APPLICATION REQUIREMENTS

1 FOR OTHER SOURCES OF FINANCING. GRANTS FOR WETLAND MITIGATION BANKS
2 ARE SUBJECT TO THE FOLLOWING:

3 (A) GRANTS SHALL NOT COVER MORE THAN 90% OF THE COSTS INCURRED
4 BY A MUNICIPALITY TO COMPLETE AN APPLICATION FOR LOAN ASSISTANCE.

5 (B) GRANT FUNDING MAY BE USED FOR THE FOLLOWING PURPOSES:

6 (i) DEVELOPING AN APPROVABLE WETLAND MITIGATION BANKING
7 PROPOSAL.

8 (ii) NOTIFYING AFFECTED LOCAL UNITS OF GOVERNMENT AND ADJACENT
9 PROPERTY OWNERS OF THE PROPOSED WETLAND MITIGATION BANK, AND
10 WORKING TO RESOLVE OBJECTIONS TO THE PROJECT.

11 (iii) PLANNING AND DESIGNING THE WETLAND MITIGATION BANK.

12 (iv) COMPLETING THE WETLAND MITIGATION BANK FUNDING PROGRAM
13 LOAN APPLICATION OR LOAN APPLICATION REQUIREMENTS FOR OTHER SOURCES
14 OF FINANCING.

15 (C) THE 10% LOCAL MATCH IS NOT ELIGIBLE FOR LOAN ASSISTANCE
16 FROM THE WETLAND MITIGATION FUNDING BANK PROGRAM.

17 (D) GRANT FUNDS SHALL NOT BE USED FOR GENERAL LOCAL GOVERNMENT
18 ADMINISTRATIVE ACTIVITIES OR ACTIVITIES PERFORMED BY MUNICIPAL
19 EMPLOYEES THAT ARE UNRELATED TO DEVELOPMENT OF THE WETLAND
20 MITIGATION BANK LOAN APPLICATION.

21 (E) APPLICATIONS FOR GRANTS FROM THE WETLAND MITIGATION
22 FUNDING BANK PROGRAM SHALL BE MADE ON A FORM PROVIDED BY THE
23 DEPARTMENT AND SHALL CONTAIN THE INFORMATION REQUIRED BY THE
24 DEPARTMENT AND THE AUTHORITY. GRANT APPLICATIONS MAY BE MADE AT ANY
25 TIME.

26 (F) THE DEPARTMENT SHALL ESTABLISH A REVIEW PROCESS FOR
27 CONSIDERING GRANT APPLICATIONS UNDER THIS SUBSECTION. THE

1 DEPARTMENT SHALL NOTIFY THE APPLICANT IN WRITING WHETHER THE
2 APPLICATION IS APPROVED OR REJECTED. IF THE DEPARTMENT APPROVES A
3 GRANT UNDER THIS SECTION, THE DEPARTMENT AND THE AUTHORITY SHALL
4 ENTER INTO A GRANT AGREEMENT WITH THE RECIPIENT PRIOR TO
5 TRANSFERRING FUNDS.

6 (G) THE GRANT AGREEMENT SHALL CONTAIN TERMS ESTABLISHED BY THE
7 DEPARTMENT AND THE AUTHORITY AND A REQUIREMENT THAT THE GRANT
8 RECIPIENT REPAY THE GRANT, WITHIN 90 DAYS OF BEING INFORMED TO DO
9 SO, WITH INTEREST AT A RATE NOT TO EXCEED 8% PER YEAR, TO THE
10 AUTHORITY FOR DEPOSIT INTO THE FUND IF ANY OF THE FOLLOWING OCCUR:

11 (i) THE APPLICANT FAILS TO SUBMIT AN ADMINISTRATIVELY COMPLETE
12 LOAN APPLICATION FOR ASSISTANCE FROM THE WETLAND MITIGATION BANK
13 FUNDING PROGRAM OR OTHER SOURCE OF FINANCING FOR THE PROJECT WITHIN
14 1 YEAR OF THE DATE ON WHICH THE GRANT EXPIRES.

15 (ii) THE APPLICANT DECLINES THE LOAN ASSISTANCE FOR 2
16 CONSECUTIVE YEARS UNLESS THE APPLICANT PROCEEDS WITH FUNDING FROM
17 ANOTHER SOURCE.

18 (iii) THE APPLICANT IS UNABLE TO ENTER INTO A SIGNED WETLAND
19 MITIGATION BANKING AGREEMENT WITH THE DEPARTMENT WITHIN 2 YEARS OF
20 THE DATE ON WHICH THE GRANT EXPIRES.

21 (iv) THE APPLICANT IS UNABLE TO OR DECIDES NOT TO PROCEED WITH
22 CONSTRUCTING THE PROJECT.

23 (3) LOANS UNDER THE WETLAND MITIGATION BANK FUNDING PROGRAM
24 SHALL PROVIDE ASSISTANCE TO MUNICIPALITIES TO ESTABLISH A WETLAND
25 MITIGATION BANK. LOANS SHALL BE SUBJECT TO THE FOLLOWING:

26 (A) LOANS UNDER THE WETLAND MITIGATION BANK FUNDING PROGRAM
27 SHALL BE FOR 1 OR MORE OF THE FOLLOWING:

1 (i) COMPLETE AND EXECUTE THE WETLAND MITIGATION BANKING
2 AGREEMENT WITH THE DEPARTMENT.

3 (ii) COMPLETE ENGINEERING AND DESIGN FOR THE WETLAND MITIGATION
4 BANK.

5 (iii) PURCHASE LAND FOR THE WETLAND MITIGATION BANK.

6 (iv) CONSTRUCT THE WETLAND MITIGATION BANK.

7 (v) CONDUCT MONITORING AND MAINTENANCE NECESSARY TO ENSURE
8 THAT THE PERFORMANCE STANDARDS ARE OR WILL BE MET.

9 (vi) IN ADDITION, THE DEPARTMENT MAY APPROVE THE USE OF LOAN
10 FUNDS FOR OTHER ACTIVITIES NEEDED TO ESTABLISH A WETLAND MITIGATION
11 BANK UPON A DEMONSTRATED NEED BY THE MUNICIPALITY.

12 (B) APPLICATIONS FOR LOANS FROM THE WETLAND MITIGATION BANK
13 FUNDING PROGRAM SHALL BE MADE ON A FORM PROVIDED BY THE DEPARTMENT
14 AND SHALL CONTAIN THE INFORMATION REQUIRED BY THE DEPARTMENT AND
15 THE AUTHORITY. LOAN APPLICATIONS MAY BE MADE AT ANY TIME.

16 (4) THE DEPARTMENT SHALL ESTABLISH A REVIEW PROCESS FOR
17 CONSIDERING LOAN APPLICATIONS UNDER THIS SUBSECTION. THE DEPARTMENT
18 SHALL NOTIFY THE APPLICANT IN WRITING WHETHER THE LOAN IS APPROVED
19 OR REJECTED. PRIOR TO RELEASING A LOAN, THE AUTHORITY IN
20 CONSULTATION WITH THE DEPARTMENT SHALL ENTER INTO A LOAN AGREEMENT
21 WITH THE LOAN RECIPIENT.

22 (5) FOR EACH YEAR IN WHICH THE DEPARTMENT RECEIVES GRANT OR
23 LOAN APPLICATIONS UNDER THIS SECTION, THE DEPARTMENT SHALL REPORT
24 BY OCTOBER 1 TO THE STANDING COMMITTEES OF THE SENATE AND THE HOUSE
25 OF REPRESENTATIVES WITH PRIMARY JURISDICTION OVER ISSUES PERTAINING
26 TO NATURAL RESOURCES AND THE ENVIRONMENT AND TO THE SENATE AND
27 HOUSE APPROPRIATIONS COMMITTEES ON THE UTILIZATION OF FUNDS UNDER

1 THIS PART THAT WERE RECEIVED FROM THE GREAT LAKES WATER QUALITY
2 BOND FUND CREATED IN SECTION 19706. THE REPORT SHALL INCLUDE, AT A
3 MINIMUM, ALL OF THE FOLLOWING:

4 (A) THE NUMBER OF GRANT AND LOAN APPLICATIONS RECEIVED UNDER
5 THIS SECTION.

6 (B) THE NAME OF EACH MUNICIPALITY APPLYING FOR A GRANT OR
7 LOAN, OR BOTH.

8 (C) THE AMOUNT OF LOCAL MATCH FOR EACH GRANT AWARDED.

9 (D) THE INDIVIDUAL AND ANNUAL CUMULATIVE AMOUNT OF GRANT AND
10 LOAN FUNDS AWARDED, INCLUDING AN IDENTIFICATION OF THE PURPOSE OF
11 EACH GRANT AND LOAN AWARDED.

12 Enacting section 1. This amendatory act does not take effect
13 unless all of the following bills of the 96th Legislature are
14 enacted into law:

15 (a) Senate Bill No. 1156.

16 (b) Senate Bill No. 1157.

17 (c) Senate Bill No. 1158.