

Senate Fiscal Agency
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SFA**BILL ANALYSIS**

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Senate Bill 105 (Substitute S-3 as reported)
Sponsor: Senator Ken Sikkema
First Committee: Natural Resources and Environmental Affairs
Second Committee: Appropriations

CONTENT

The bill would amend the Management and Budget Act to appropriate and transfer up to \$25 million from the Budget Stabilization Fund (BSF) to the State Water Pollution Control Revolving Fund (SRF) for each of the following fiscal years: 2001-02, 2002-03, 2003-04, 2004-05, and 2005-06.

The bill provides that the appropriation and transfer could not occur unless the State Budget Director certified to the Legislature that the Federal government provided the State, for that fiscal year, additional funding for the SRF, above the level of Federal funding provided for the SRF in FY 2000-01. The bill would require the State Budget Director, after making the certification, to transfer from the BSF to the SRF only the amount necessary to provide the State matching funds required for the additional Federal funds, up to a total of \$25 million. The State Budget Director would be required to make the certification by April 1 of each year, and to include a report in the certification on the assumptions made in making the transfer from the BSF.

Proposed MCL 18.1353f

FISCAL IMPACT

In the event additional Federal funds were to become available to the State at a level that would require a \$25,000,000 State match, the bill would cost the Budget Stabilization Fund approximately \$18,750,000 in foregone interest and earnings in addition to the direct appropriation of \$125,000,000, over five years. (This assumes an average earnings rate of 5% per year.) The \$125,000,000 appropriated from the BSF could generate approximately \$9,000,000 in net interest and earnings to the State Water Pollution Control Revolving Fund. (This assumes interest on loans from the Revolving Fund of 2.5% per year.) The bill would result in a net interest cost to the State of \$9,000,000. This analysis assumes that the \$125,000,000 appropriated from the BSF would not be spent for some other purpose during the five-year period covered by the bill.

It might be noted that the Federal Clean Water Act capitalization grant program has not been reauthorized. Federal appropriations for the program have continued to the present time. Those appropriations, however, have been relatively flat over the last several years and the President's FY 2001-02 budget message recommends a reduction in Federal support for the program.

Date Completed: 3-21-01

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