



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS



Telephone: (517) 373-5383
Fax: (517) 373-1986

Senate Bill 1155 (Substitute S-1 as reported)
Senate Bill 1156 (Substitute S-1 as reported)
Senate Bill 1157 (Substitute S-1 as reported)
Senate Bill 1158 (as reported without amendment)
Sponsor: Senator Mike Kowall (S.B. 1155)
 Senator John Proos (S.B. 1156)
 Senator Phil Pavlov (S.B. 1157)
 Senator Dave Hildenbrand (S.B. 1158)
Committee: Natural Resources, Environment and Great Lakes

CONTENT

Senate Bill 1158 would amend Part 197 (Great Lakes Water Quality Bond Implementation) of the Natural Resources and Environmental Protection Act to revise the allocation of money from the Great Lakes Water Quality Bond Fund.

Part 197 requires the State Treasurer to transfer money in the Great Lakes Water Quality Bond Fund as follows:

- In aggregate, a maximum of \$710.0 million must be deposited into the State Water Pollution Control Revolving Fund (SRF).
- In aggregate, a maximum of \$290.0 million must be deposited into the Strategic Water Quality Initiatives Fund (SWQIF).

The bill would decrease the maximum amount transferred to the SRF to \$90.0 million, and increase the maximum amount transferred to the SWQIF to \$910.0 million.

Senate Bill 1155 (S-1) would amend Part 52 (Strategic Water Quality Initiatives) to do the following:

- Include construction activities related to sewage treatment works, stormwater treatment, and nonpoint source projects among the activities eligible for a low-interest loan through the Strategic Water Quality Initiatives Loan Program, when identified through an asset management program or storm water project plan designed to protect water quality.
- Authorize the use of SWQIF money for grants to municipalities for sewage collection and treatment systems, and grants and loans for wetland mitigation banks.
- Require the Department of Environmental Quality (DEQ) to report annually to the Legislature on the use of funds under Part 52 that were received from the Great Lakes Water Quality Bond Fund.

The grant program would have to provide grants of up to \$1.0 million to cover a maximum of 90% of the costs incurred by a municipality. For grants of more than \$1.0 million and less than \$2.0 million, the program could not cover more than 75% of the municipality's costs. A municipality could receive a 100% grant if it were a disadvantaged community as defined in Part 53 (which Senate Bill 1156 (S-1) would amend); a municipality in receivership or under a consent agreement under the Local Government and School District Fiscal Accountability Act; or a municipality with an appointed emergency financial manager or under a consent agreement under the Local Government Fiscal Responsibility Act. No municipality could receive more than \$2.0 million in total grant assistance.

The bill would require the Michigan Municipal Bond Authority, in conjunction with the DEQ, to establish a wetland mitigation bank funding program that provided grants and loans totaling a maximum of \$10.0 million to eligible municipalities. Up to \$500,000 of the total could be used for grants. The funding could be used for this program as long as funds remained available.

These grants would have to provide assistance to municipalities to complete loan application requirements for funding from the wetland mitigation bank funding program or other sources of financing. Grants could not cover more than 90% of a municipality's costs to complete an application for loan assistance.

Loans under this program would have to provide assistance to municipalities to establish a wetland mitigation bank.

Senate Bill 1156 (S-1) would amend Part 53 (Clean Water Assistance) to require the DEQ to award up to 50 points to a proposed sewage treatment works, stormwater treatment, or nonpoint source project in a disadvantaged community, when developing its priority list for SWQIF project funding.

"Disadvantaged community" would mean a municipality in which both of the following conditions are met:

- Users within the area served by a proposed sewage treatment works project or stormwater treatment project are directly assessed for the costs of construction.
- The median household income of the area served by the proposed project does not exceed 120% of the statewide median annual household income for Michigan.

Additionally, the municipality would have to demonstrate that more than 50% of the area served by a proposed project is identified as a poverty area by the U.S. Bureau of Census, or that the median annual household income of the area served by a proposed project does not exceed specified levels.

Senate Bill 1157 (S-1) would amend Part 54 (Safe Drinking Water Assistance) to do the following:

- Provide that formal enforcement action points awarded to a proposed project in the DEQ's development of a priority list for public water supply project funding would be in addition to the maximum points otherwise allowed.
- Revise the criteria used to break a tie between projects with even scores.

The bill also would revise the definition of "disadvantaged community" in Part 54. The revised definition would be similar to the one Senate Bill 1156 (S-1) would add to Part 53, except the term would refer to a public water supply project rather than a sewage treatment works or stormwater treatment project.

All of the bills are tie-barred to each other.

MCL 324.5201 et al. (S.B. 1155)
324.5301 et al. (S.B. 1156)
324.5402 & 324.5406 (S.B. 1157)
324.19708 (S.B. 1158)

Legislative Analyst: Julie Cassidy

FISCAL IMPACT

Senate Bill 1158 would have a significant but neutral fiscal impact on State and local governments. Currently, the State Water Pollution Control Revolving Fund, more commonly known as the State Revolving Fund (SRF), is allocated up to \$710.0 million in proceeds from

the sale of Great Lakes Water Quality Bonds (GLWQB), and the Strategic Water Quality Initiatives Fund is allocated up to \$290.0 million in proceeds from the same bonds. The bill would decrease the SRF allocation by \$620.0 million to \$90.0 million. This would effectively end the support of the SRF from GLWQB proceeds as \$90.0 million in bond proceeds has already gone to fund low-interest loans to municipalities through the SRF. Under the bill, the portion of GLWQB proceeds dedicated to the SWQIF would increase by \$620.0 million, bringing total support of the SWQIF to \$910.0 million. This bonding authority would allow the DEQ to issue grants and loans for improvements to infrastructure that reduce or eliminate the amount of groundwater or storm water entering sanitary sewer leads or combined sewer leads, and certain other purposes. According to a 2011 report from the State Water Pollution Control Revolving Fund Advisory Committee, approximately \$34.4 million of the \$290.0 million limit on the SWQIF's support by the GLWQB remains. The bill would increase the available bonding authorization of the SWQIF from \$34.4 million to \$654.4 million.

Additional bonding from GLWQB authority would have a negative fiscal impact on the State budget, as the GLWQB is a general obligation bond authorization, so additional debt service would likely come from the General Fund. However, as this bill would not require any additional issues from the GLWQB, the fiscal impact of the bill would be neutral.

Senate Bill 1155 (S-1) would have a small but negative fiscal impact on the Department of Environmental Quality, and a significant negative, albeit budgeted-for, fiscal impact on the Department of Treasury. The bill would essentially expand the allowable uses of the Strategic Water Quality Initiatives Fund, which receives revenue from general obligation bond issues. Bonding authority for the SWQIF comes from Great Lakes Water Quality Bonds, which were approved by voters via Proposal 2 of 2002. According to a 2011 report from the State Water Pollution Control Revolving Fund Advisory Committee, approximately \$34.4 million of the \$290.0 million limit on the SWQIF's support by the Great Lakes Water Quality Bond remains. Debt service for any additional bond issuances would come from the General Fund, and be paid for in the Department of Treasury budget. For fiscal year 2012-13, an additional debt service appropriation of \$2.3 million was included in the Treasury budget for Great Lakes Water Quality Bonds. It is likely that this additional appropriation would cover increases in debt service due to the expanded use of the SWQIF under the bill.

The DEQ could experience some new costs associated with developing, processing, and reviewing grant application forms under the proposed uses of the SWQIF. These costs would be borne by existing DEQ resources.

Senate Bill 1156 (S-1) would have no fiscal impact on State government.

The bill would have an indeterminate but positive fiscal impact on local governments that met the criteria for being considered a disadvantaged community. Under the bill, disadvantaged communities would have an easier time applying for grants and loans from the State Revolving Fund. The SRF provides low-interest loans to communities for the construction of water pollution control facilities. The State receives SRF revenue primarily from three sources: SRF loan repayments from municipalities, grants from the Federal government, and the Great Lakes Water Quality Bond.

Senate Bill 1157 (S-1) would have no fiscal impact on State or local government.

Date Completed: 10-17-12

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.