

**SUBSTITUTE FOR  
HOUSE BILL NO. 5890**

A bill to amend 1994 PA 451, entitled  
"Natural resources and environmental protection act,"  
by amending sections 5204d, 5301, 5302, 5303, 5306, 5307, 5308,  
5309, 5310, 5311, 5401, 5402, 5403, 5404, 5405, 5406, 5407, 5408,  
5409, 5412, 5415, 5416, 5417, and 19703a (MCL 324.5204d, 324.5301,  
324.5302, 324.5303, 324.5306, 324.5307, 324.5308, 324.5309,  
324.5310, 324.5311, 324.5401, 324.5402, 324.5403, 324.5404,  
324.5405, 324.5406, 324.5407, 324.5408, 324.5409, 324.5412,  
324.5415, 324.5416, 324.5417, and 324.19703a), sections 5204d and  
19703a as added by 2010 PA 232, sections 5301, 5403, and 5405 as  
amended by 2021 PA 45, section 5303 as amended by 2012 PA 560,  
sections 5401, 5404, 5407, 5408, 5409, 5412, 5415, 5416, and 5417  
as added by 1997 PA 26, and sections 5402 and 5406 as amended by

2012 PA 561, and by adding sections 5303a, 5307a, 5313b, 5313c, 5406a, 5407a, and 5415a; and to repeal acts and parts of acts.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1           Sec. 5204d. The state may establish a grant program within the  
2 strategic water quality initiatives fund for the purpose of funding  
3 specific wastewater treatment facility infrastructure improvement  
4 projects designed to prevent chronic discharges and projected to  
5 have significant regional benefits to Great Lakes water quality and  
6 recreational opportunities. ~~In establishing such a program, the~~  
7 ~~state may consider the recommendations of the advisory committee~~  
8 ~~created in section 5317.~~

9           Sec. 5301. As used in this part:

10           (a) "Assistance" means 1 or more of the following activities  
11 to the extent authorized by the federal water pollution control  
12 act:

13           (i) Provision of loans to municipalities for construction of  
14 sewage treatment works projects, stormwater ~~treatment~~ **management**  
15 projects, or nonpoint source projects.

16           (ii) Project refinancing assistance.

17           (iii) The guarantee or purchase of insurance for local  
18 obligations, if the guarantee or purchase action would improve  
19 credit market access or reduce interest rates.

20           (iv) Use of the proceeds of the fund as a source of revenue or  
21 security for the payment of principal and interest on revenue or  
22 general obligation bonds issued by this state, if the proceeds of  
23 the sale of the bonds will be deposited into the fund.

24           (v) Provision of loan guarantees for similar revolving funds  
25 established by municipalities.

26           (vi) The use of deposited funds to earn interest on fund

1 accounts.

2 (vii) Provision for reasonable costs of administering and  
3 conducting activities under title VI of the federal water pollution  
4 control act, 33 USC 1381 to ~~1388-1389~~.

5 (b) "Authority" means the Michigan municipal bond authority  
6 created in the shared credit rating act, 1985 PA 227, MCL 141.1051  
7 to 141.1076.

8 (c) "Capitalization grant" means the federal grant made to  
9 this state by the United States Environmental Protection Agency for  
10 the purpose of establishing a state water pollution control  
11 revolving fund, as provided in title VI of the federal water  
12 pollution control act, 33 USC 1381 to ~~1388-1389~~.

13 (d) "Construction activities" means ~~any actions~~ **an action**  
14 ~~undertaken in the planning, designing,~~ **to plan, design,** or building  
15 ~~of~~ **build** sewage treatment works projects, stormwater ~~treatment~~  
16 **management** projects, or nonpoint source projects. Construction  
17 activities include, but are not limited to, all of the following:

18 (i) Project planning services.

19 (ii) Engineering services.

20 (iii) Legal services.

21 (iv) Financial services.

22 (v) Design of plans and specifications.

23 (vi) Acquisition of land or structural components, or both.

24 (vii) Building, erection, alteration, remodeling, or extension

25 of ~~a~~ **any of the following:**

26 (A) **A** sewage treatment works.

27 ~~(viii) Building, erection, alteration, remodeling, or extension~~  
28 ~~of projects~~

29 (B) **Projects** designed to control nonpoint source pollution,

1 consistent with section 319 ~~of title III~~ of the federal water  
 2 pollution control act, 33 USC 1329.

3 ~~(ix) Building, erection, alteration, or remodeling of a~~  
 4 **(C) A stormwater treatment management** project.

5 **(viii)** ~~(x) Municipal~~ **Reasonable expenses of** supervision of the  
 6 project activities described in subparagraphs (i) to ~~(ix)~~ **(vii)** .

7 ~~(e) "Disadvantaged community" means a municipality in which~~  
 8 ~~all of the following conditions are met:~~

9 ~~(i) Users within the area served by a proposed sewage treatment~~  
 10 ~~works project or stormwater treatment project are directly assessed~~  
 11 ~~for the costs of construction.~~

12 ~~(ii) The median household income of the area served by a~~  
 13 ~~proposed sewage treatment works project or stormwater treatment~~  
 14 ~~project does not exceed 120% of the statewide median annual~~  
 15 ~~household income for this state.~~

16 ~~(iii) The municipality demonstrates at least 1 of the following:~~

17 ~~(A) More than 50% of the area served by a proposed sewage~~  
 18 ~~treatment works project or stormwater treatment project is~~  
 19 ~~identified as a poverty area by the United States Census Bureau.~~

20 ~~(B) The median annual household income of the area served by a~~  
 21 ~~proposed sewage treatment works project or stormwater treatment~~  
 22 ~~project is less than the federal poverty guidelines for a family of~~  
 23 ~~4 in the 48 contiguous United States. In determining the median~~  
 24 ~~annual household income of the area served by the proposed sewage~~  
 25 ~~treatment works project or stormwater treatment project under this~~  
 26 ~~sub-subparagraph, the municipality shall utilize the most recently~~  
 27 ~~published statistics from the United States Census Bureau, updated~~  
 28 ~~to reflect current dollars, for the community that most closely~~  
 29 ~~approximates the area being served by the project. As used in this~~

1 ~~sub-subparagraph, "federal poverty guidelines" means the poverty~~  
2 ~~guidelines published annually in the Federal Register by the United~~  
3 ~~States Department of Health and Human Services under its authority~~  
4 ~~to revise the poverty line under 42 USC 9902.~~

5 ~~(C) The median annual household income of the area served by a~~  
6 ~~proposed sewage treatment works project or stormwater treatment~~  
7 ~~project is less than the most recently published statewide median~~  
8 ~~annual household income for this state, and annual user costs for~~  
9 ~~sewage treatment or stormwater treatment exceed 1% of the median~~  
10 ~~annual household income of the area served by the proposed sewage~~  
11 ~~treatment works project or stormwater treatment project.~~

12 ~~(D) The median annual household income of the area served by a~~  
13 ~~proposed sewage treatment works project or stormwater treatment~~  
14 ~~project is not greater than 120% of the statewide median annual~~  
15 ~~household income for this state, and annual user costs for sewage~~  
16 ~~treatment or stormwater treatment exceed 3% of the median annual~~  
17 ~~household income of the area served by the proposed project.~~

18 ~~(e) (f) "Federal water pollution control act" means 33 USC~~  
19 ~~1251 to 1388.~~ **1389.**

20 ~~(f) (g) "Fund" means the state water pollution control~~  
21 ~~revolving fund established under section 16a of the shared credit~~  
22 ~~rating act, 1985 PA 227, MCL 141.1066a. , established under title~~  
23 ~~VI of the federal water pollution control act, 33 USC 1381 to 1388.~~

24 ~~(g) (h) "Fundable range" means those projects, taken in~~  
25 ~~descending order on the priority lists, for which sufficient funds~~  
26 ~~are estimated by the department to exist to provide assistance at~~  
27 ~~the beginning of each annual funding cycle.~~

28 ~~(h) (i) "Municipality" means a city, village, county,~~  
29 ~~township, authority, or other public body, including ~~an~~ either of~~

1 **the following:**

2 (i) **An** intermunicipal agency of 2 or more municipalities,  
3 authorized or created under state law. ~~or an~~

4 (ii) **An** Indian tribe that has jurisdiction over construction  
5 and operation of sewage treatment works or other projects  
6 qualifying under section 319 of the federal water pollution control  
7 act, 33 USC 1329.

8 (i) ~~(j)~~ "Nonpoint source project" means construction  
9 activities designed to reduce nonpoint source pollution consistent  
10 with the state nonpoint source management plan under section 319 of  
11 the federal water pollution control act, 33 USC 1329.

12 (j) ~~(k)~~ "Priority list" means the annual ranked listing of  
13 projects developed by the department in section 5303.

14 (k) ~~(l)~~ "Project" means a sewage treatment works project, a  
15 stormwater ~~treatment~~ **management** project, or a nonpoint source  
16 project, or a combination of these and may include utilization of  
17 more efficient energy and resources as described in any of the  
18 following:

19 (i) The cost-effective governmental energy use act, 2012 PA  
20 625, MCL 18.1711 to 18.1725.

21 (ii) Section 11c of 1851 PA 156, MCL 46.11c.

22 (iii) Section 75b of 1846 RS 16, MCL 41.75b.

23 (iv) Section 5f of the home rule city act, 1909 PA 279, MCL  
24 117.5f.

25 (v) Section 24b of the home rule village act, 1909 PA 278, MCL  
26 78.24b.

27 (vi) Section 36 of the general law village act, 1895 PA 3, MCL  
28 68.36.

29 (l) ~~(m)~~ "Project refinancing assistance" means buying or

1 refinancing the debt obligations of municipalities within this  
2 state if construction activities commenced after March 7, 1985 and  
3 the debt obligation was incurred after March 7, 1985.

4 (m) ~~(n)~~—"Sewage treatment works project" means construction  
5 activities on any device or system for the treatment, storage,  
6 collection, conveyance, recycling, or reclamation of the sewage of  
7 a municipality, including combined sewer overflow correction and  
8 major rehabilitation of sewers.

9 (n) ~~(o)~~—"Stormwater ~~treatment~~ **management** project" means  
10 construction activities of a municipality on any device or system  
11 for the treatment, storage, recycling, or reclamation of storm  
12 water that is conveyed by a storm sewer that is separate from a  
13 sanitary sewer.

14 ~~(p) "Tier I project" means a project for which assistance is~~  
15 ~~sought or provided from funds made directly available from the~~  
16 ~~federal capitalization grant or from the Great Lakes water quality~~  
17 ~~bond fund under section 19708(1)(a).~~

18 ~~(q) "Tier II project" means a project for which assistance is~~  
19 ~~sought or provided from funds other than those made directly~~  
20 ~~available from the federal capitalization grant or from the Great~~  
21 ~~Lakes water quality bond fund under section 19708(1)(a).~~

22 Sec. 5302. (1) This part ~~shall~~ **must** be construed liberally to  
23 effectuate the legislative intent. All powers granted under this  
24 part ~~shall~~ **must** be broadly interpreted to effectuate the intent and  
25 purposes of this part and ~~shall~~ **must** not be interpreted as a  
26 limitation of powers.

27 (2) Except as may be authorized by the federal water pollution  
28 control act, the fund ~~shall~~ **must** not provide grant assistance to a  
29 municipality or provide loans for the local share of projects

1 constructed with grants provided under title II of the federal  
 2 water pollution control act, ~~chapter 758, 86 Stat. 833,~~ 33 U.S.C.  
 3 **USC 1281, 1282 to 1293, and 1294 to 1299-1302f.**

4 (3) This state is not liable to a municipality, or any other  
 5 person performing services for the municipality, for costs incurred  
 6 in developing or submitting an application for assistance under  
 7 this part.

8 ~~(4) It is the specific intent of the legislature to minimize~~  
 9 ~~paperwork for tier II projects.~~

10 Sec. 5303. (1) ~~Municipalities~~ **During the development of a**  
 11 **planning document, a municipality** shall consider and utilize, where  
 12 possible, cooperative regional or intermunicipal projects in  
 13 satisfying sewerage needs. ~~in the development of project plans.~~

14 (2) A municipality may submit a ~~project plan~~ **planning document**  
 15 for use by the department in developing a priority list. **A**  
 16 **municipality may submit as part of the planning document for a**  
 17 **project either of the following:**

18 (a) **Any preexisting documents or plans that were prepared for**  
 19 **another project for other purposes.**

20 (b) **Any preexisting documents that were developed under**  
 21 **another local, state, or federal program, as applicable.**

22 (3) ~~The project plan for a tier I project shall~~ **A planning**  
 23 **document must** include documentation that demonstrates ~~that the~~ **all**  
 24 **of the following:**

25 (a) **The project is needed to** ~~assure~~ **enable** maintenance of, or  
 26 to progress toward, compliance with the federal water pollution  
 27 control act, ~~or part 31,~~ **or part 41,** and to meet the minimum  
 28 requirements of the national environmental policy act of 1969,  
 29 Public Law 91-190, 42 USC 4321, 4331 to 4335, and 4341 to 4347. ~~The~~



1 ~~documentation shall demonstrate all of the following:~~

2       **(b) An analysis of alternatives that meet the requirements of**  
 3 **part 31 or 41, including the cost of each alternative and a**  
 4 **resolution adopted by the municipality to implement a selected**  
 5 **alternative.**

6       **(c) A description of project costs and how the project will be**  
 7 **paid for including, but not limited to, an explanation of how the**  
 8 **debt will be repaid.**

9       **(d) A list of the environmental and public health implications**  
 10 **and mitigation plans.**

11       **(e)** ~~(a)~~ The need for the project.

12       **(f)** ~~(b)~~ That feasible alternatives to the project were  
 13 evaluated, ~~taking into consideration~~ **considering** volume reduction  
 14 opportunities and the demographic, topographic, hydrologic, and  
 15 institutional characteristics of the area.

16       **(g)** ~~(c)~~ That the project is ~~cost~~ effective and implementable  
 17 from a legal, institutional, financial, and management standpoint.

18       **(h)** ~~(d)~~ **Any other** information ~~as~~ required by the  
 19 department.

20       ~~(4) The project plan for a tier II project shall include~~  
 21 ~~documentation that demonstrates that the project is or was needed~~  
 22 ~~to assure maintenance of or progress towards compliance with the~~  
 23 ~~federal water pollution control act or part 31, and is consistent~~  
 24 ~~with all applicable state environmental laws. The documentation~~  
 25 ~~shall include all of the following information:~~

26       ~~(a) Information to demonstrate the need for the project.~~

27       ~~(b) A showing that the cost of the project is or was~~  
 28 ~~justified, taking into account available alternatives. Those costs~~  
 29 ~~determined by the department to be in excess of those costs~~

1 ~~justified are not eligible for assistance under this part.~~

2 (4) A planning document must describe the public participation  
3 activities conducted during planning and must include all of the  
4 following:

5 (a) Significant issues raised by the public and any changes to  
6 the project that were made as a result of the public participation  
7 process.

8 (b) A demonstration that there were adequate opportunities for  
9 making public consultation, participation, and input in the  
10 decision-making process during alternatives selection.

11 (c) A demonstration that before the adoption of the planning  
12 document, the municipality held a public meeting on the proposed  
13 project not less than 15 days after advertising the public meeting  
14 in local media of general circulation including, but not limited  
15 to, the municipality's website, and at a time and place conducive  
16 to maximizing public input.

17 (d) A demonstration that, concurrent with advertisement of the  
18 public meeting, a notice of the public meeting was sent to all  
19 affected local, state, and federal agencies and to any public or  
20 private parties that expressed an interest in the proposed project.

21 (e) A summary of the public meeting including a list of all  
22 attendees, and any specific concerns that were raised.

23 (5) After notice and an opportunity for public comment, the  
24 department shall annually develop separate priority lists for  
25 sewage treatment works projects and stormwater ~~treatment~~ **management**  
26 projects, ~~for~~ nonpoint source projects, and ~~for~~ projects funded  
27 under the strategic water quality initiatives fund created in  
28 section 5204. Projects not funded during the time that a priority  
29 list developed under this section is in effect ~~shall~~ **must** be

1 automatically prioritized on the next annual list using the same  
2 criteria, unless the municipality submits an amendment to its ~~plan~~  
3 **planning document** that introduces new information to be used as the  
4 basis for prioritization. ~~These~~ **The** priority lists shall ~~shall~~ **must** be  
5 based upon ~~project plans submitted by municipalities, and the~~  
6 ~~following criteria:~~

7 ~~(a) That a project complies with all applicable standards in~~  
8 ~~part 31 and the federal water pollution control act.~~

9 ~~(b) An application for a segment of a project that received~~  
10 ~~funds under the title II construction grant program or title VI~~  
11 ~~state revolving loan funds of the federal water pollution control~~  
12 ~~act or the strategic water quality initiatives fund created in~~  
13 ~~section 5204 shall be first priority on its respective priority~~  
14 ~~list for funding for a period of not more than 3 years after funds~~  
15 ~~were first committed under those programs.~~

16 ~~(c) If the project is a sewage treatment works project or a~~  
17 ~~stormwater treatment project, all of the following criteria:~~

18 ~~(i) The severity of the water pollution problem to be~~  
19 ~~addressed, maximizing progress towards restoring beneficial uses~~  
20 ~~and meeting water quality standards.~~

21 ~~(ii) A determination of whether a project is or was necessary~~  
22 ~~to comply with an order, permit, or other document with an~~  
23 ~~enforceable schedule for addressing a municipality's sewage related~~  
24 ~~water pollution problems that was issued by the department or~~  
25 ~~entered as part of an action brought by the state against the~~  
26 ~~municipality or any component of the municipality. A municipality~~  
27 ~~may voluntarily agree to an order, permit, or other document with~~  
28 ~~an enforceable schedule as described in this subparagraph.~~

29 ~~(iii) The population to be served by the project. However, the~~

1 ~~eriterion provided in this subparagraph shall not be applied to~~  
 2 ~~projects funded by the strategic water quality initiatives fund~~  
 3 ~~created in section 5204.~~

4 ~~(iv) The dilution ratio existing between the discharge volume~~  
 5 ~~and the receiving stream.~~

6 ~~(v) If the project is within a disadvantaged community, a~~  
 7 ~~maximum of 50 points shall be awarded to the project in the manner~~  
 8 ~~that points are awarded in rules promulgated under this part.~~

9 ~~(d) If the project is a sewage treatment works project, 100~~  
 10 ~~priority points shall be awarded pursuant to R 323.958 of the~~  
 11 ~~Michigan administrative code for each of the following that apply~~  
 12 ~~to the project:~~

13 ~~(i) The project addresses on-site septic systems that are~~  
 14 ~~adversely affecting the water quality of a water body or represent~~  
 15 ~~a threat to public health, provided that soil and hydrologic~~  
 16 ~~conditions are not suitable for the replacement of those on-site~~  
 17 ~~septic systems.~~

18 ~~(ii) The project includes the construction of facilities for~~  
 19 ~~the acceptance or treatment of septage collected from on-site~~  
 20 ~~septic systems.~~

21 ~~(c) Rankings for nonpoint source projects shall be consistent~~  
 22 ~~with the state nonpoint source management plan developed pursuant~~  
 23 ~~to section 319 of title III of the federal water pollution control~~  
 24 ~~act, chapter 758, 101 Stat. 52, 33 USC 1329.~~

25 ~~(f) Any other criteria established by the department by~~  
 26 ~~rule on the planning documents and the scoring criteria developed~~  
 27 ~~under section 5303a.~~

28 **(6) If a municipality is an overburdened community or a**  
 29 **significantly overburdened community, the department shall**

1 automatically award the municipality at least 20% of the total  
2 allowable points.

3 (7) ~~(6)~~—The priority list shall ~~shall~~ **must** be submitted annually to  
4 the chair of the senate and house of representatives standing  
5 committees that primarily consider legislation pertaining to the  
6 protection of natural resources and the environment.

7 (8) ~~(7)~~—For purposes of providing assistance, the priority  
8 list shall ~~take~~ **takes** effect on the first day of each fiscal year.

9 (9) ~~(8)~~—This section does not limit other actions undertaken  
10 to enforce part 31, **part 41**, the federal water pollution control  
11 act, or any other act.

12 ~~(9) As used in this section, "on-site septic system" means~~  
13 ~~that term as defined in section 5201.~~

14 **Sec. 5303a. (1) The department shall develop scoring criteria**  
15 **that assign points to and prioritize projects under section 5303**  
16 **and definitions of overburdened community and significantly**  
17 **overburdened community. In developing scoring criteria and the**  
18 **definitions under this subsection, the department shall do all of**  
19 **the following:**

20 (a) **Consult with members of statewide local government**  
21 **associations and drinking water, wastewater, stormwater, and**  
22 **environmental organizations regarding the content of the scoring**  
23 **criteria and definitions.**

24 (b) **Publish, hold at least 1 public hearing, and allow for**  
25 **public comment.**

26 (c) **Review the scoring criteria and definitions not more than**  
27 **once every 3 years, unless otherwise directed by the United States**  
28 **Environmental Protection Agency.**

29 (d) **Publish, hold at least 1 public hearing, and allow for**

1 public comment on any changes made after a review under subdivision  
2 (c).

3 (2) The scoring criteria developed under subsection (1) must  
4 address the following:

- 5 (a) Wastewater regulatory compliance.
- 6 (b) Public health.
- 7 (c) Achieving water quality standards.
- 8 (d) Improving infrastructure.
- 9 (e) Impacts on overburdened communities and significantly  
10 overburdened communities.

11 (3) The definitions of overburdened community and  
12 significantly overburdened community developed under subsection (1)  
13 must address the following:

- 14 (a) Income and unemployment data.
- 15 (b) Population trends.
- 16 (c) Housing costs and values.
- 17 (d) Annual user costs, allocation of costs across customer  
18 classes, and historical and projected trends in user costs.
- 19 (e) Existing public health, environmental, and affordability  
20 impacts.
- 21 (f) Other data considered relevant by the department.

22 Sec. 5306. (1) The department shall prepare and submit an  
23 intended use plan annually to identify proposed annual intended  
24 uses of the fund, and to facilitate the negotiation process that  
25 the department may conduct with the United States ~~environmental~~  
26 ~~protection agency~~ **Environmental Protection Agency** for the  
27 capitalization grant agreement and schedule of payments to be made  
28 to this state under the federal water pollution control act.

29 (2) The department ~~shall provide~~ **must allow** for a public

1 participation process that requires not less than 1 public hearing  
2 for the intended use plan . ~~The department may make changes in the~~  
3 ~~intended use plan without holding additional hearings in response~~  
4 ~~to the comments received from the United States environmental~~  
5 ~~protection agency and through the public participation process.~~

6 ~~(3) The intended use plan shall include all of the following:~~

7 ~~(a) A copy of the state's priority lists.~~

8 ~~(b) A description of the long and short term goals of the~~  
9 ~~fund.~~

10 ~~(c) The proposed fundable range and an allocation of the funds~~  
11 ~~available for projects on the nonpoint source priority list and for~~  
12 ~~the sewage treatment works projects and stormwater treatment~~  
13 ~~projects priority list.~~

14 ~~(d) A description of the projects that are on the priority~~  
15 ~~lists, including project categories and types, applicable discharge~~  
16 ~~or enforceable requirements, proposed terms of the assistance,~~  
17 ~~including a schedule of estimated disbursements of funds, and the~~  
18 ~~names of the municipalities proposed to receive assistance.~~

19 ~~(e) Any necessary assurances or proposals indicating how the~~  
20 ~~state intends to meet applicable federal requirements.~~

21 ~~(f) A description of the criteria and method for distribution~~  
22 ~~of the fund.~~

23 ~~(g) A description of the public participation process followed~~  
24 ~~in the development of the intended use plan and the results of that~~  
25 ~~process.~~

26 ~~(h) Any other information needed to comply with the federal~~  
27 ~~water pollution control act.~~

28 ~~(i) Any other information considered appropriate by the~~  
29 ~~department.~~ **by publishing a draft of the intended use plan on the**

1 department's website at least 14 days before a final intended use  
 2 plan is submitted under subsection (1). The intended use plan must  
 3 describe and identify all of the following:

4 (a) Additional subsidization that will be allocated to  
 5 projects.

6 (b) The projects that will receive additional subsidization  
 7 identified under subdivision (a).

8 (c) The reasons why a project will receive additional  
 9 subsidization.

10 (3) ~~(4)~~ Upon notice from the United States ~~environmental~~  
 11 ~~protection agency~~ **Environmental Protection Agency** that the intended  
 12 use plan is approved, the department shall notify each municipality  
 13 of its inclusion on the intended use plan and shall ~~further~~ provide  
 14 copies of the sewage treatment works projects and stormwater  
 15 ~~treatment-management~~ projects priority list, the nonpoint source  
 16 project priority list, and the intended use plan to ~~all persons~~  
 17 ~~requesting such~~ **any person that requests that** information.  
 18 Following notification **under this subsection**, the department shall  
 19 establish, with the concurrence of the municipality, a schedule for  
 20 ~~project plan~~ **planning document** approval, submittal of a ~~complete~~  
 21 **completed** application for assistance, and approval of plans and  
 22 specifications.

23 Sec. 5307. (1) The department shall review, generally in  
 24 priority order, ~~the project plans~~ **any planning documents** for  
 25 projects in the fundable range and either approve or disapprove ~~the~~  
 26 ~~plans~~ **a planning document** within 120 days ~~of~~ **after** notifying the  
 27 ~~municipalities~~ **municipality** of ~~their~~ **its** inclusion in the intended  
 28 use plan **submitted under section 5306**. Upon determination by the  
 29 department that a project is complex and warrants additional



1 review, the department shall notify the municipality and may extend  
 2 the review period **described in this subsection** for not more than 60  
 3 days.

4 (2) If ~~the project plan~~ **a planning document** is disapproved,  
 5 the department shall notify the municipality of any deficiencies  
 6 that need to be corrected. **The municipality shall correct any**  
 7 **deficiencies and submit an amended planning document to the**  
 8 **department within 45 days after receiving notice under this**  
 9 **subsection.**

10 (3) The department shall review subsequent submittals and  
 11 either approve or disapprove ~~the~~ **an amended project plan** ~~planning~~  
 12 **document** within ~~120~~ **90** days ~~of these submittals~~ **after the amended**  
 13 **planning document is submitted.**

14 (4) If ~~the project plan~~ **an amended planning document** is not  
 15 approved, the department shall notify the municipality of the  
 16 deficiencies.

17 **Sec. 5307a. (1) The department shall conduct an environmental**  
 18 **review of the planning document for each project in the fundable**  
 19 **range of the priority list to determine whether any significant**  
 20 **impacts are anticipated and whether any changes can be made in the**  
 21 **project to eliminate significant adverse impacts. As part of the**  
 22 **environmental review, the department may require a municipality to**  
 23 **submit additional information or meet additional public**  
 24 **participation and coordination requirements to justify the**  
 25 **environmental determination.**

26 (2) Based on the environmental review completed under  
 27 subsection (1), the department may determine that an environmental  
 28 assessment is necessary and the department may describe any of the  
 29 following in its determination:

- 1 (a) The purpose and need for the project.
- 2 (b) The project costs.
- 3 (c) The alternatives considered and the reasons for their  
4 acceptance or rejection.
- 5 (d) The existing environment.
- 6 (e) Any potential adverse impacts and mitigative measures.
- 7 (f) How mitigative measures will be incorporated into the  
8 project, as well as any proposed conditions of financial assistance  
9 and the means for monitoring compliance with the conditions.
- 10 (3) Based on an environmental assessment completed under  
11 subsection (2), the department may issue a finding of no  
12 significant impact. The finding of no significant impact must  
13 document that the potential environmental impacts will not be  
14 significant or that the environmental impacts may be mitigated  
15 without extraordinary measures.
- 16 (4) Based on an environmental assessment completed under  
17 subsection (2), the department may require a municipality to  
18 complete an environmental impact statement if the department  
19 determines any of the following:
- 20 (a) The project will have significant adverse impacts on any  
21 of the following:
- 22 (i) Wetlands.
- 23 (ii) Flood plains.
- 24 (iii) Threatened or endangered species or habitats.
- 25 (iv) Cultural resources, including any of the following:
- 26 (A) Park lands.
- 27 (B) Preserves.
- 28 (C) Other public lands.
- 29 (D) Areas of recognized scenic, recreational, agricultural,

1 archeological, or historical value.

2 (b) The project will cause significant displacement of  
3 population.

4 (c) The project will directly or indirectly, such as through  
5 induced development, have a significant adverse effect upon any of  
6 the following:

7 (i) Local ambient air quality.

8 (ii) Public health.

9 (iii) Local noise levels.

10 (iv) Surface water and groundwater quantity or quality.

11 (v) Shellfish.

12 (vi) Fish.

13 (vii) Wildlife.

14 (viii) Wildlife natural habitats.

15 (d) The project will generate significant public controversy.

16 (5) Based on the environmental impact statement, the  
17 department shall issue a record of decision summarizing the  
18 findings of the environmental impact statement that identifies the  
19 conditions under which the project can proceed and maintain  
20 compliance with the national environmental policy act of 1969,  
21 Public Law 91-190, 42 USC 4321, 4331 to 4335, and 4341 to 4347.

22 (6) If 5 or more years have elapsed since a determination of  
23 compliance with the national environmental policy act of 1969,  
24 Public Law 91-190, 42 USC 4321, 4331 to 4335, and 4341 to 4347, or  
25 if significant changes in the project have occurred, the department  
26 shall reevaluate the project for compliance with the national  
27 environmental policy act of 1969, Public Law 91-190, 42 USC 4321,  
28 4331 to 4335, and 4341 to 4347, and the department may do any of  
29 the following:

1           (a) Reaffirm the original finding of no significant impact or  
2 the record of decision through the issuance of a public notice or  
3 statement of finding.

4           (b) Issue an amendment to a finding of no significant impact  
5 or revoke a finding of no significant impact and issue a public  
6 notice that the preparation of an environmental impact statement is  
7 required.

8           (c) Issue a supplement to a record of decision or revoke a  
9 record of decision and issue a public notice that financial  
10 assistance will not be provided.

11           (7) Action regarding approval of a planning document or  
12 provision of financial assistance must not be taken during a 30-day  
13 public comment period after the issuance of a finding of no  
14 significant impact or record of decision.

15           Sec. 5308. (1) To apply for assistance from the fund, a  
16 municipality shall submit the following, if applicable, as  
17 determined by the department:

18           (a) If assistance is in the form of a loan, financial  
19 documentation that a dedicated source of revenue is established,  
20 consistent with municipal bond obligations existing at the time  
21 assistance is requested, and pledged to both of the following  
22 purposes:

23           (i) If assistance is in the form of a loan, the timely  
24 repayment of the loan.

25           (ii) Adequate revenues from a user-based source to fund the  
26 operation and maintenance of the project.

27           (b) A ~~project plan~~ **planning document** approved under section  
28 5307.

29           (c) A certification by an authorized representative of a

1 municipality affirming that the municipality has the legal,  
 2 managerial, institutional, and financial capability to build,  
 3 operate, and maintain the project.

4 (d) A letter of credit, insurance, or other credit enhancement  
 5 to support the credit position of the municipality, as required by  
 6 the department.

7 (e) A set of plans and specifications suitable for bidding.

8 (f) A certification from an authorized representative of the  
 9 municipality that the applicant has, or will have ~~prior to~~ **before**  
 10 the start of construction, all applicable state and federal permits  
 11 required for construction of the project.

12 (g) A certified resolution from the municipality designating  
 13 an authorized representative for the project.

14 (h) A certification from an authorized representative of the  
 15 municipality that an undisclosed fact or event, or pending  
 16 litigation, will not materially or adversely affect the project,  
 17 the prospects for ~~its~~ **the project's** completion, or the  
 18 municipality's ability to make timely loan repayments, if  
 19 applicable.

20 (i) ~~If applicable, all~~ **All** executed intermunicipal service  
 21 agreements, **if applicable**.

22 (j) An agreement that the municipality will operate the  
 23 project in compliance with applicable state and federal laws.

24 (k) An agreement that the municipality will not sell, lease,  
 25 abandon, or otherwise dispose of the project without an effective  
 26 assignment of obligations and the ~~prior~~ written approval of the  
 27 department and the authority.

28 (l) An agreement that all municipal project accounts will be  
 29 maintained in accordance with generally accepted government

1 accounting standards as defined and required under the federal  
2 water pollution control act.

3 (m) An agreement that the municipality will provide written  
4 authorizations to the department for the purpose of examining the  
5 physical plant and for examining, reviewing, or auditing the  
6 operational or financial records of the project, and that the  
7 municipality will require similar authorizations from all  
8 contractors, consultants, or agents with which it negotiates an  
9 agreement.

10 (n) An agreement that all municipal contracts with contractors  
11 will provide that the contractor and any subcontractor may be  
12 subject to a financial audit and that contractors and  
13 subcontractors shall comply with generally accepted governmental  
14 accounting standards.

15 (o) An agreement that all pertinent records ~~shall~~**must** be  
16 retained and available to the department for a minimum of 3 years  
17 after initiation of the operation and that if litigation, a claim,  
18 an appeal, or an audit is begun before the end of the 3-year  
19 period, records ~~shall~~**must** be retained and available until the 3  
20 years have passed or until the action is completed and resolved,  
21 whichever is longer. As used in this subdivision, "initiation of  
22 the operation" means the date certain set by the municipality and  
23 accepted by the department, on which use of the project begins for  
24 the purposes for which it was constructed.

25 (p) If the project is segmented as provided in section 5309, a  
26 schedule for completion of the project and adequate assurance that  
27 the project ~~shall~~**will** be completed with or without assistance from  
28 the fund or that the segmented project ~~shall~~**will** be operational  
29 without completion of the entire project.

1 (q) An agreement that the project ~~shall~~**will** proceed in a  
2 timely fashion if the application for assistance is approved.

3 (r) An application fee, if required by the department.

4 (2) The requirement ~~of~~**under** subsection (1)(a) for a dedicated  
5 source of revenue may include a revenue source pledged to repay the  
6 debt to the fund from sources including, but not limited to, 1 or  
7 more of the following:

8 (a) Ad valorem taxes.

9 (b) Special assessments.

10 (c) User-based revenue collections.

11 (d) General funds of the municipality.

12 (e) Benefit charges.

13 (f) Tap-in fees, or other 1-time assessments.

14 (3) The department shall accept applications for assistance  
15 from municipalities in the fundable range of the priority list that  
16 have approved ~~project plans and~~**planning documents**. ~~The department~~  
17 shall determine whether an application for assistance is  
18 administratively complete and notify the applicant within 30  
19 ~~calendar days of~~**after** receipt of the application specifying any  
20 additional information necessary to complete the application.

21 (4) The department shall approve or disapprove an application  
22 within 30 ~~calendar~~ days of the determination that the application  
23 is complete.

24 Sec. 5309. ~~To~~**When the department prepares the priority list**  
25 **under section 5303, to** ensure that a disproportionate share of  
26 available funds for a given fiscal year is not committed to a  
27 single ~~sewage treatment work project or stormwater project~~, the  
28 department may segment a ~~sewage treatment work project~~ if ~~either of~~  
29 ~~the following criteria is present:~~

1       ~~(a) The~~ **the** cost of the proposed project is more than 30% of  
2 the amount available in the fund.

3       ~~(b) Upon application of a municipality, the department has~~  
4 ~~approved a municipality's application for segmenting a project.~~

5       Sec. 5310. **(1) A project in the fundable range of a priority**  
6 ~~list~~ **The department may bypass a project** that fails to meet the  
7 schedule established ~~by the department~~ under section 5306, or **that**  
8 does not have **an approved plans and specifications planning**  
9 **document** and ~~an approvable application 90 days prior to~~ **before** the  
10 last day of the fiscal year, whichever comes first. ~~, is subject to~~  
11 ~~bypass.~~ **The department must provide a municipality with written**  
12 **notice of the department's intent to bypass not less than 30 days**  
13 **before a project is bypassed under this section.**

14       **(2) A** ~~If demand exceeds funding availability, a municipality~~  
15 ~~may submit a written request an extension of the to the department~~  
16 ~~to extend the schedule for cause established under section 5306 for~~  
17 ~~not more than 60 days. A municipality must include in its written~~  
18 ~~request the reason or reasons for its noncompliance with the~~  
19 ~~schedule. A municipality may submit 1 additional written request to~~  
20 ~~the department to extend the schedule established under section~~  
21 ~~5306 for not more than 30 days.~~

22       **(3) A project bypassed pursuant to** ~~under~~ this section ~~shall~~  
23 **must** not be considered for an order of approval until all other  
24 projects in the fundable range have ~~either~~ been funded or rejected.  
25 This section does not prohibit the inclusion of the project in the  
26 priority list of the next annual funding cycle or the resubmission  
27 of an application for assistance in the next annual funding cycle.

28       **(4) A bypass action under this section does not modify any**  
29 **compliance dates established in a permit, order, or other document**



1 issued by the department or entered as part of an action brought by  
2 this state or a federal agency.

3 (5) After a project ~~within the fundable range has been is~~  
4 bypassed **under this section**, the department may award assistance to  
5 projects outside the fundable range. ~~Assistance shall be made~~**The**  
6 **department shall make assistance** available to projects outside the  
7 fundable range in priority order contingent ~~upon~~**on** the  
8 municipality's satisfaction of all applicable requirements for  
9 assistance ~~pursuant to~~**under** section 5308 within the time period  
10 established by the department, but not to exceed 60 days from the  
11 date of ~~notification~~**notice** of bypass. **The department shall notify**  
12 **a municipality with a project outside the fundable range of bypass**  
13 **action, of the amount of the bypassed funds available for**  
14 **obligation, and of the deadline for submitting a complete,**  
15 **approvable application.**

16 Sec. 5311. (1) The department shall review a complete  
17 application for assistance for a project in the fundable range. If  
18 the department approves the application for assistance, the  
19 department shall issue, subject to section 5310, an order of  
20 approval to establish the specific terms of the assistance. The  
21 order of approval ~~shall~~**must** include, but **is** not ~~be~~ limited to, all  
22 of the following:

- 23 (a) The term of the assistance.  
24 (b) The maximum principal amount of the assistance.  
25 (c) The maximum rate of interest or method of calculation of  
26 the rate of interest that will be used, or the premium charged.

27 (2) The order of approval ~~shall~~**must** incorporate all  
28 requirements, provisions, or information included in the  
29 application and other documents submitted to the department during

1 the application process.

2 (3) After issuance of the order, the department shall certify  
3 to the authority that the municipality is eligible to receive  
4 assistance.

5 ~~(4) Within each annual funding cycle, the method of~~  
6 ~~establishing the interest rate applicable to a loan or project~~  
7 ~~refinancing assistance shall be applied equally within tier I and~~  
8 ~~tier II projects to all municipalities receiving such assistance.~~

9 (4) ~~(5) The method of~~ **The department shall annually establish**  
10 **the interest rates to be assessed for projects receiving assistance**  
11 **under this part. In establishing interest rates under this section,**  
12 **the department** may provide for a different level of subsidy. ~~for~~  
13 ~~tier I projects than for tier II projects.~~ **The interest rates must**  
14 **be in effect for loans made during the next state fiscal year.**

15 **Sec. 5313b. (1) A municipality is responsible for obtaining**  
16 **any federal, state, or local permits necessary for the project and**  
17 **shall perform any surveys or studies that are required under the**  
18 **permits.**

19 (2) **A municipality shall incorporate all appropriate**  
20 **provisions, conditions, and mitigative measures included in the**  
21 **studies, surveys, permits, and licenses into the construction**  
22 **documents. The construction documents are subject to review by the**  
23 **department for conformity with environmental determinations and**  
24 **coordination requirements.**

25 (3) **All applicable and appropriate conditions and mitigative**  
26 **measures must be enforced by the municipality or its designated**  
27 **representative and apply to all construction and post-construction**  
28 **activities, including disposal of all liquid or solid spoils, waste**  
29 **material, and residuals from construction.**

1           (4) A municipality may seek guidance from the department  
2 regarding the requirements under this part or the rules promulgated  
3 under this part.

4           Sec. 5313c. (1) The state revolving administration fund is  
5 created within the state treasury. The state treasurer may receive  
6 money or other assets for any source for deposit into the state  
7 revolving administration fund. The state treasurer shall direct the  
8 investment of the state revolving administration fund and credit to  
9 the fund interest and earnings from fund investments. Money in the  
10 state revolving administration fund at the end of the fiscal year  
11 remains in the fund and does not lapse to the general fund. The  
12 department is the administrator of the state revolving  
13 administration fund for auditing purposes.

14           (2) Not more than 0.25% of the interest charged on a loan  
15 issued under this part or part 54 may be deposited into the state  
16 revolving administration fund.

17           (3) The department shall expend money from the fund only for  
18 the reasonable costs of administering and conducting activities  
19 under this part and part 54.

20           Sec. 5401. As used in this part:

21           (a) "Act 399" means the safe drinking water act, 1976 PA 399,  
22 MCL ~~325.101~~-**325.1001** to 325.1023.

23           (b) "Annual user costs" means an annual charge levied by a  
24 water supplier on users of the waterworks system to pay for each  
25 user's share of the cost for operation, maintenance, and  
26 replacement of the waterworks system. These costs may also include  
27 a charge to pay for the debt obligation.

28           (c) "Assistance" means 1 or more of the following activities  
29 to the extent authorized by the federal safe drinking water act:

1 (i) Provision of loans for the planning, design, and  
2 construction or alteration of waterworks systems.

3 (ii) Project refinancing assistance.

4 (iii) The guarantee or purchase of insurance for local  
5 obligations, if the guarantee or purchase action would improve  
6 credit market access or reduce interest rates.

7 (iv) Use of the proceeds of the fund as a source of revenue or  
8 security for the payment of principal and interest on revenue or  
9 general obligation bonds issued by this state, if the proceeds of  
10 the sale of the bonds will be deposited into the fund.

11 (v) Provision of loan guarantees for sub-state revolving funds  
12 established by water suppliers that are municipalities.

13 (vi) The use of deposited funds to earn interest on fund  
14 accounts.

15 (vii) Provision for reasonable costs of administering and  
16 conducting activities under this part.

17 (viii) Provision of technical assistance under this part.

18 (ix) Provision of loan forgiveness for certain planning costs  
19 incurred by ~~disadvantaged~~ **overburdened** communities.

20 (d) "Authority" means the Michigan municipal bond authority  
21 created in the shared credit rating act, 1985 PA 227, MCL 141.1051  
22 to 141.1077.

23 (e) "Capitalization grant" means the federal grant made to  
24 this state by the United States ~~environmental protection agency,~~  
25 **Environmental Protection Agency**, as provided in the federal safe  
26 drinking water act.

27 (f) "Community water supply" means a public water supply that  
28 provides year-round service to not less than 15 living units or  
29 ~~which~~ **that** regularly provides year-round service to not less than

1 25 residents.

2 (g) "Construction activities" means any actions undertaken in  
3 the planning, designing, or building of a waterworks system.  
4 Construction activities include, but are not limited to, all of the  
5 following:

6 (i) Engineering services.

7 (ii) Legal services.

8 (iii) Financial services.

9 (iv) Preparation of plans and specifications.

10 (v) Acquisition of land or structural components, or both, if  
11 the acquisition is integral to a project authorized by this part  
12 and the purchase is from a willing seller at fair market value.

13 (vi) Building, erection, alteration, remodeling, or extension  
14 of waterworks systems, providing the extension is not primarily for  
15 the anticipation of future population growth.

16 (vii) Reasonable expenses of supervision of the project  
17 activities described in subparagraphs (i) to (vi).

18 Sec. 5402. As used in this part:

19 (a) "Department" means the department of ~~environmental quality~~  
20 **environment, Great Lakes, and energy** or its authorized agent or  
21 representative.

22 (b) "Director" means the director of the department ~~of~~  
23 ~~environmental quality~~ or his or her designated representative.

24 ~~(c) "Disadvantaged community" means a municipality in which~~  
25 ~~all of the following conditions are met:~~

26 ~~(i) Users within the area served by a proposed public water~~  
27 ~~supply project are directly assessed for the costs of construction.~~

28 ~~(ii) The median annual household income of the area served by a~~  
29 ~~proposed public water supply project does not exceed 120% of the~~

1 ~~statewide median annual household income for Michigan.~~

2 ~~(iii) The municipality demonstrates at least 1 of the following:~~

3 ~~(A) More than 50% of the area served by a proposed public~~  
4 ~~water supply project is identified as a poverty area by the United~~  
5 ~~States bureau of the census.~~

6 ~~(B) The median annual household income of the area served by a~~  
7 ~~proposed public water supply project is less than the most recently~~  
8 ~~published federal poverty guidelines for a family of 4 in the 48~~  
9 ~~contiguous United States. In determining the median annual~~  
10 ~~household income of the area served by the proposed public water~~  
11 ~~supply project under this subparagraph, the municipality shall~~  
12 ~~utilize the most recently published statistics from the United~~  
13 ~~States Bureau of the Census, updated to reflect current dollars,~~  
14 ~~for the community which most closely approximates the area being~~  
15 ~~served. If these figures are not available for the area served by~~  
16 ~~the proposed public water supply project, the municipality may have~~  
17 ~~a survey conducted to document the median annual household income~~  
18 ~~of the area served by the project.~~

19 ~~(C) The median annual household income of the area served by a~~  
20 ~~proposed public water supply project is less than the most recently~~  
21 ~~published statewide median annual household income for this state,~~  
22 ~~and annual user costs for water supply exceed 1% of the median~~  
23 ~~annual household income of the area served by the proposed public~~  
24 ~~water supply project.~~

25 ~~(D) The median annual household income of the area served by a~~  
26 ~~proposed public water supply project is not greater than 120% of~~  
27 ~~the statewide median annual household income for this state, and~~  
28 ~~annual user costs for water supply exceed 3% of the median annual~~  
29 ~~household income of the area served by the proposed project.~~

1           (c) ~~(d)~~—"Federal safe drinking water act" means the safe  
2 drinking water act, 42 USC 300f to ~~300j-26,~~ **300j-25**, and the rules  
3 promulgated under that act.

4           (d) ~~(e)~~—"Fund" means the ~~safe~~**state** drinking water revolving  
5 fund established under section 16b of the shared credit rating act,  
6 1985 PA 227, MCL 141.1066b.

7           (e) ~~(f)~~—"Fundable range" means those projects, taken in  
8 descending order on the priority list, for which the department  
9 estimates sufficient funds exist to provide assistance during each  
10 annual funding cycle.

11           (f) ~~(g)~~—"Municipality" means a city, village, county,  
12 township, authority, public school district, or other public body  
13 with taxing authority, including an intermunicipal agency of 2 or  
14 more municipalities, authorized or created under state law.

15           (g) ~~(h)~~—"Noncommunity water supply" means a public water  
16 supply that is not a community water supply, but that has not less  
17 than 15 service connections or that serves not less than 25  
18 individuals on an average daily basis for not less than 60 days per  
19 year.

20           Sec. 5403. As used in this part:

21           (a) "Priority list" means the annual ranked listing of  
22 projects developed by the department in section 5406.

23           (b) "Project" means a project related to the planning, design,  
24 and construction or alteration of a waterworks system and may  
25 include utilization of more efficient energy and resources as  
26 described in any of the following:

27           (i) The cost-effective governmental energy use act, 2012 PA  
28 625, MCL 18.1711 to 18.1725.

29           (ii) Section 11c of 1851 PA 156, MCL 46.11c.

1 (iii) Section 75b of 1846 RS 16, MCL 41.75b.

2 (iv) Section 5f of the home rule city act, 1909 PA 279, MCL  
3 117.5f.

4 (v) Section 24b of the home rule village act, 1909 PA 278, MCL  
5 78.24b.

6 (vi) Section 36 of the general law village act, 1895 PA 3, MCL  
7 68.36.

8 (c) "Project refinancing assistance" means buying or  
9 refinancing the debt obligations of water suppliers if construction  
10 activities commenced, and the debt obligation was incurred, after  
11 June 17, 1997.

12 (d) "Public water supply" means a waterworks system that  
13 provides water for drinking or household purposes to persons other  
14 than the ~~supplier of the water~~ **supplier**, except for those  
15 waterworks systems that supply water to only 1 house, apartment, or  
16 other domicile occupied or intended to be occupied on a day-to-day  
17 basis by an individual, family group, or equivalent.

18 (e) "State drinking water standards" means rules promulgated  
19 under section 5 of Act 399, MCL 325.1005, that establish water  
20 quality standards necessary to protect public health or that  
21 establish treatment techniques to meet these water quality  
22 standards.

23 (f) "Water supplier" or "supplier" means a municipality or its  
24 designated representative accepted by the director, a legal  
25 business entity, or any other person that owns a public water  
26 supply. However, water supplier does not include a water hauler.

27 (g) "Waterworks system" or "system" means a system of pipes  
28 and structures through which water is obtained or distributed and  
29 includes any of the following that are actually used or intended to



1 be used for the purpose of furnishing water for drinking or  
2 household purposes:

- 3 (i) Wells and well structures.
- 4 (ii) Intakes and cribs.
- 5 (iii) Pumping stations.
- 6 (iv) Treatment plants.
- 7 (v) Storage tanks.
- 8 (vi) Pipelines, **service lines**, and appurtenances.
- 9 (vii) A combination of any of the items specified in  
10 subparagraphs (i) to (vi).

11 Sec. 5404. (1) Water suppliers ~~owning~~ **that own** the following  
12 types of public water supplies qualify to receive assistance under  
13 this part:

- 14 (a) A community water supply.
- 15 (b) A noncommunity water supply that operates as a nonprofit  
16 entity.

17 (2) Water suppliers identified in subsection (1) that serve  
18 10,000 people or less may qualify for assistance from funds  
19 prescribed in section 1452(a)(2) ~~of part 6~~ of the federal safe  
20 drinking water act, 42 U.S.C. ~~USC~~ 300j-12.

21 ~~(3) Project planning costs are eligible for funding under this  
22 part and will be reimbursed by the department as follows:~~

23 ~~(a) For a municipality serving greater than 10,000 people,  
24 incurred planning costs related to the proposed project may be  
25 reimbursed as part of the construction loan approved by the  
26 Michigan municipal bond authority. These costs shall be repaid as  
27 part of the outstanding construction loan proceeds according to a  
28 schedule established by the authority.~~

29 ~~(b) For a municipality serving less than 10,000 people,~~

1 ~~incurred planning costs related to the proposed project will be~~  
 2 ~~directly reimbursed by the department upon completion and submittal~~  
 3 ~~of an approvable project plan by the municipality to the~~  
 4 ~~department. These costs shall be repaid as part of the outstanding~~  
 5 ~~planning loan proceeds according to a schedule established by the~~  
 6 ~~authority.~~

7       (3) ~~(c) For disadvantaged communities, On completion and~~  
 8 **submittal of approved planning documents by an overburdened**  
 9 **community to the department, if the overburdened community** incurred  
 10 planning costs related to the proposed project, ~~shall the~~  
 11 **overburdened community must** be directly reimbursed **by the**  
 12 **department** to the extent funds are available. ~~by the department~~  
 13 ~~upon completion and submittal of an approvable project plan by the~~  
 14 ~~municipality to the department. Technical assistance funds~~  
 15 identified in section 1452(g) (2) (D) or section 1452(d) (1) ~~of part E~~  
 16 of the federal safe drinking water act, 42 U.S.C. **USC** 300j-12,  
 17 ~~shall must~~ be used to the extent available, to forgive repayment of  
 18 the planning loan.

19       (4) Only water suppliers that have no outstanding prior year  
 20 fees as prescribed in Act 399 may receive assistance under this  
 21 part.

22       ~~(5) A federal, state, or other water supplier that is not~~  
 23 ~~regulated by the department shall not receive assistance under this~~  
 24 ~~part.~~

25       Sec. 5405. (1) A water supplier that is interested in applying  
 26 for assistance under this part shall prepare and submit to the  
 27 department a ~~project plan~~ **planning document** as provided in this  
 28 section. The department shall use a ~~project plan~~ **the planning**  
 29 **documents** submitted under this section to develop a priority list

1 for assistance as provided under this part. **A water supplier may**  
 2 **submit as part of the planning document for a project either of the**  
 3 **following:**

4 (a) **Any preexisting documents or plans that were prepared for**  
 5 **other projects or purposes.**

6 (b) **Any preexisting documents that were developed under**  
 7 **another local, state, or federal program, as applicable.**

8 (2) During the development of a ~~project plan,~~ **planning**  
 9 **document,** a water supplier that is a municipality shall consider  
 10 and utilize, where practicable, cooperative regional or  
 11 intermunicipal projects, and a water supplier that is not a  
 12 municipality shall consider and utilize, where practicable,  
 13 connection to, or ownership by, a water supplier that is a  
 14 municipality.

15 ~~(3) The project plan for a project must include documentation~~  
 16 ~~that demonstrates that the project is needed to assure maintenance~~  
 17 ~~of, or progress toward, compliance with the federal safe drinking~~  
 18 ~~water act. A complete project plan must include all of the~~  
 19 ~~following as background:~~

20 ~~(a) Identification of planning area boundaries and~~  
 21 ~~characteristics.~~

22 ~~(b) A description of the existing waterworks systems.~~

23 ~~(c) A description of the existing waterworks problems and~~  
 24 ~~needs, including the severity and extent of water supply problems~~  
 25 ~~or public health problems.~~

26 ~~(d) An examination of projected needs for the next 20 years.~~

27 ~~(e) Population projections and the source and basis for the~~  
 28 ~~population projections.~~

29 ~~(4) A project plan must include an analysis of alternatives,~~

1 ~~which must consist of a systematic identification, screening,~~  
2 ~~study, evaluation, and cost-effectiveness comparison of feasible~~  
3 ~~technologies, processes, and techniques. The alternatives must be~~  
4 ~~capable of meeting the applicable state drinking water standards~~  
5 ~~over the design life of the facility, while recognizing~~  
6 ~~environmental and other nonmonetary considerations. The analysis~~  
7 ~~must include, but is not limited to, all of the following:~~

8 ~~(a) A planning period for the cost-effectiveness analysis of~~  
9 ~~20 years or other such planning period as is justified by the~~  
10 ~~unique characteristics of the project.~~

11 ~~(b) Monetary costs that consider the present worth or~~  
12 ~~equivalent annual value of all capital costs and operation and~~  
13 ~~maintenance costs.~~

14 ~~(c) Provisions for the ultimate disposal of residuals and~~  
15 ~~sludge resulting from drinking water treatment processes.~~

16 ~~(d) A synopsis of the environmental setting of the project and~~  
17 ~~an analysis of the potential environmental and public health~~  
18 ~~impacts of the various alternatives, as well as the identification~~  
19 ~~of any significant environmental or public health benefits~~  
20 ~~precluded by rejection of an alternative.~~

21 **(3) A planning document must include documentation that**  
22 **demonstrates all of the following:**

23 **(a) The project is needed to ensure maintenance of or progress**  
24 **toward compliance with the minimum requirements of the national**  
25 **environmental policy act of 1969, Public Law 91-190, 42 USC 4321,**  
26 **4331 to 4335, and 4341 to 4347.**

27 **(b) An analysis of alternatives including the cost of each**  
28 **alternative.**

29 **(c) A description of project costs and how the project will be**

1 paid for including, but not limited to, an explanation of how the  
2 debt will be repaid.

3 (d) A list of the environmental and public health implications  
4 and mitigation plans.

5 (e) Consideration of opportunities to utilize more efficient  
6 energy and resources as described in any of the following:

7 (i) The cost-effective governmental energy use act, 2012 PA  
8 625, MCL 18.1711 to 18.1725.

9 (ii) Section 11c of 1851 PA 156, MCL 46.11c.

10 (iii) Section 75b of 1846 RS 16, MCL 41.75b.

11 (iv) Section 5f of the home rule city act, 1909 PA 279, MCL  
12 117.5f.

13 (v) Section 24b of the home rule village act, 1909 PA 278, MCL  
14 78.24b.

15 (vi) Section 36 of the general law village act, 1895 PA 3, MCL  
16 68.36.

17 ~~(f) A description of the relationship between the service  
18 capacity of each waterworks systems alternative and the estimated  
19 future needs using population projections under subsection (3)(e).~~

20 ~~(5) A project plan must include a description of the selected  
21 alternative, including all of the following:~~

22 ~~(a) Relevant design parameters.~~

23 ~~(b) Estimated capital construction costs, operation and  
24 maintenance costs, and a description of the manner in which project  
25 costs will be financed.~~

26 ~~(c) A demonstration of the water supplier's ability to repay  
27 the incurred debt, including an analysis of the impacts of the  
28 annual user costs for water supply on its users.~~

29 ~~(d) A demonstration that the selected alternative can be~~

1 ~~implemented considering the legal, institutional, technical,~~  
 2 ~~financial, and managerial resources of the water supplier.~~

3 ~~(e) Assurance that there is sufficient waterworks system~~  
 4 ~~service capacity for the service area based on projected needs~~  
 5 ~~identified in subdivision (d) while avoiding the use of funds~~  
 6 ~~available under this part to finance the expansion of any public~~  
 7 ~~water system if a primary purpose of the expansion is to~~  
 8 ~~accommodate future development.~~

9 ~~(f) Documentation of the project's consistency with the~~  
 10 ~~approved general plan prepared under section 4 of Act 399, MCL~~  
 11 ~~325.1004.~~

12 ~~(g) An analysis of the environmental and public health impacts~~  
 13 ~~of the selected alternative.~~

14 ~~(h) Consideration of structural and nonstructural measures~~  
 15 ~~that could be taken to mitigate or eliminate adverse effects on the~~  
 16 ~~environment.~~

17 ~~(4) (6)~~ **A project plan-planning document** must describe the  
 18 public participation activities conducted during planning and must  
 19 include all of the following:

20 (a) Significant issues raised by the public and any changes to  
 21 the project that were made as a result of the public participation  
 22 process.

23 (b) A demonstration that there were adequate opportunities for  
 24 public consultation, participation, and input in the decision-  
 25 making process during alternative selection.

26 (c) A demonstration that before the adoption of the ~~project~~  
 27 ~~plan,~~ **planning document**, the water supplier held a public ~~hearing~~  
 28 **meeting** on the proposed project not less than ~~30~~ **10** days after  
 29 advertising **the public meeting** in local media of general

1 circulation **including, but not limited to, the water supplier's**  
 2 **website**, and at a time and place conducive to maximizing public  
 3 input.

4 (d) A demonstration that, concurrent with advertisement of the  
 5 ~~hearing,~~ **public meeting**, a notice of public ~~hearing~~ **meeting** was  
 6 sent to all affected local, state, and federal agencies and to any  
 7 public or private parties that ~~have~~ expressed an interest in the  
 8 proposed project.

9 (e) A ~~transcript or recording of the hearing,~~ **summary of the**  
 10 **public meeting, including** a list of all attendees ~~, and any written~~  
 11 ~~testimony received, and the water supplier's responses to the~~  
 12 ~~issues~~ **specific concerns that were** raised.

13 (5) ~~(7)~~ A ~~project plan~~ **planning document** must include either  
 14 of the following, as appropriate:

15 (a) For a water supplier that is a municipality, a resolution  
 16 adopted by the governing board of the municipality approving the  
 17 ~~project plan.~~ **planning document.**

18 (b) For a water supplier that is not a municipality, a  
 19 statement of intent to implement the ~~project plan.~~ **planning**  
 20 **document.**

21 (6) ~~(8)~~ A ~~project plan~~ **planning document** must not have as a  
 22 primary purpose the construction of or expansion of a waterworks  
 23 system to accommodate future development **or fire protection.**

24 Sec. 5406. (1) The department shall annually develop a  
 25 priority list of projects eligible for assistance under this part.  
 26 **The priority list must be based on planning documents and the**  
 27 **scoring criteria developed under section 5406a.** ~~Projects that are~~  
 28 ~~not funded during the year that a priority list developed under~~  
 29 ~~this section is in effect shall be automatically prioritized on the~~

1 ~~next annual list using the same criteria, unless the water supplier~~  
2 ~~submits an amendment to its project plan that introduces new~~  
3 ~~information to be used as the basis for prioritization. The~~  
4 ~~priority list shall be based on project plans submitted by water~~  
5 ~~suppliers under section 5405 and the criteria listed in~~  
6 ~~subdivisions (a) through (f). Each project shall be assigned points~~  
7 ~~up to a maximum of 1,000. The point values are maximum values~~  
8 ~~available for each category or subcategory listed in this section~~  
9 ~~and shall only be awarded if the project substantially addresses~~  
10 ~~the problem for which the point award is given. If a project is~~  
11 ~~primarily designed to replace individual wells at private homes,~~  
12 ~~50% or more of the homes in the affected area shall meet equivalent~~  
13 ~~water quality or infrastructure deficiency criteria listed in~~  
14 ~~subdivisions (a) through (f) in order to receive the maximum~~  
15 ~~available points. If less than 50% of the homes in the affected~~  
16 ~~area can demonstrate deficiencies, 1/2 of the total points~~  
17 ~~available shall be awarded. Points shall be awarded as follows:~~

18 ~~(a) A maximum of 450 points may be awarded to a project that~~  
19 ~~addresses drinking water quality as outlined in Act 399, if the~~  
20 ~~project:~~

21 ~~(i) Is designed to eliminate an acute violation of a drinking~~  
22 ~~water standard as described in R 325.10401 to R 325.10420 of the~~  
23 ~~Michigan administrative code. A violation of a surface water~~  
24 ~~treatment technique, or if a waterborne disease outbreak has been~~  
25 ~~documented, 250 points shall be awarded for each violation.~~

26 ~~(ii) Is designed to eliminate a violation of a drinking water~~  
27 ~~standard other than those outlined in subparagraph (i), 200 points~~  
28 ~~shall be awarded for each violation.~~

29 ~~(iii) Is designed to upgrade a facility to maintain compliance~~



1 ~~with drinking water standards or system capacity requirements, 150~~  
2 ~~points shall be awarded.~~

3 ~~(iv) Is designed to eliminate an exceedance of a secondary~~  
4 ~~maximum contaminant level for aesthetic water quality, 25 points~~  
5 ~~shall be awarded.~~

6 ~~(b) A maximum of 350 points may be awarded to a project that~~  
7 ~~addresses infrastructure improvements, as follows:~~

8 ~~(i) If source or treatment facilities are upgraded, including~~  
9 ~~the watermains to connect to the distribution system, a maximum of~~  
10 ~~125 points shall be awarded, if the improvement is:~~

11 ~~(A) To meet minimum capacity requirements, 100 points shall be~~  
12 ~~awarded.~~

13 ~~(B) For reliability, 75 points shall be awarded.~~

14 ~~(C) For other source or treatment facility upgrades not~~  
15 ~~included in subparagraph (i) (A) or (B), 25 points shall be awarded.~~

16 ~~(D) To satisfy the conditions of a formal enforcement action,~~  
17 ~~25 points shall be awarded. Points awarded for formal enforcement~~  
18 ~~actions are in addition to the maximum points allowable in any~~  
19 ~~category.~~

20 ~~(E) For source water protection, 50 points shall be awarded.~~

21 ~~(ii) If transmission or distribution watermains are upgraded, a~~  
22 ~~maximum of 125 points shall be awarded, if the improvement is:~~

23 ~~(A) To meet minimum capacity where flow or residual pressure~~  
24 ~~is less than acceptable, 100 points shall be awarded.~~

25 ~~(B) For reliability, including looping or redundant feeds, 75~~  
26 ~~points shall be awarded.~~

27 ~~(C) Other transmission or distribution system upgrades not~~  
28 ~~included in subparagraph (ii) (A) or (B), 25 points shall be awarded.~~

29 ~~(D) To satisfy the conditions of a formal enforcement action,~~

1 ~~25 points shall be awarded. Points awarded for formal enforcement~~  
 2 ~~actions are in addition to the maximum points allowable in any~~  
 3 ~~category.~~

4 ~~(iii) If water storage facilities or pumping stations are~~  
 5 ~~upgraded, a maximum of 125 points shall be awarded, if the~~  
 6 ~~improvement is:~~

7 ~~(A) To meet minimum capacity where storage or pumping capacity~~  
 8 ~~is less than minimum requirements, 100 points shall be awarded.~~

9 ~~(B) For reliability, 75 points shall be awarded.~~

10 ~~(C) Other storage facility or pumping station upgrades not~~  
 11 ~~included in subparagraph (iii) (A) or (B), 25 points shall be awarded.~~

12 ~~(D) To satisfy the conditions of a formal enforcement action,~~  
 13 ~~25 points shall be awarded. Points awarded for formal enforcement~~  
 14 ~~actions are in addition to the maximum points allowable in any~~  
 15 ~~category.~~

16 ~~(e) A maximum of 50 points shall be awarded based on the~~  
 17 ~~population served by the water system according to the following~~  
 18 ~~table. However, a transient noncommunity water supply as defined in~~  
 19 ~~section 2 of Act 399, MCL 325.1002, is eligible for 1/2 of the~~  
 20 ~~point value listed in the following table:~~

21	Population	Points
22	>50,000	50
23	10,001 — 50,000	40
24	3,301 — 10,000	30
25	501 — 3,300	20
26	0 — 500	10

27 ~~(d) A maximum of 50 points shall be awarded to a community~~  
 28 ~~water supply that serves a disadvantaged community.~~

29 ~~(e) A maximum of 100 points shall be awarded for projects that~~

1 ~~include consolidation as follows:~~

2 ~~(i) If 1 or more public water supplies are brought into~~  
3 ~~compliance with state drinking water standards as a result of~~  
4 ~~consolidation, 100 points shall be awarded.~~

5 ~~(ii) If deficiencies, which are documented in writing by the~~  
6 ~~department, at 1 or more public water supplies are corrected as a~~  
7 ~~result of consolidation, 60 points shall be awarded.~~

8 ~~(iii) Other consolidations, not included under subparagraph (i)~~  
9 ~~or (ii), shall be awarded 40 points.~~

10 ~~(f) For communities that have completed an approved source~~  
11 ~~water protection program, 100 points shall be awarded.~~

12 ~~(g) After scoring, using the criteria in subdivisions (a)~~  
13 ~~through (f), if 2 or more projects have the same score, the~~  
14 ~~following tie-breaker shall be applied:~~

15 ~~(i) If the system has fewer than 2 violations of the~~  
16 ~~monitoring, record-keeping, and reporting requirements of Act 399~~  
17 ~~in the previous 2-year reporting period, or no violations if~~  
18 ~~ownership of the system has changed in the previous 2 years, it~~  
19 ~~shall rank above systems having more violations.~~

20 ~~(ii) After applying the tie-breaker in subparagraph (i), if 2 or~~  
21 ~~more projects score exactly the same, a calculation of the cost per~~  
22 ~~population served by the water system shall be made. The affected~~  
23 ~~projects shall be ranked with the highest ratio of cost to~~  
24 ~~population ranked higher.~~

25 ~~(2) The priority list shall be submitted annually to the~~  
26 ~~chairpersons of the senate and house of representatives standing~~  
27 ~~committees that primarily consider legislation pertaining to the~~  
28 ~~protection of public health and the environment.~~

29 ~~(3) In preparing the priority list, to ensure that a~~

1 ~~disproportionate share of available funds for a given fiscal year~~  
2 ~~is not committed to a single water supply project, the department~~  
3 ~~may segment a project if either of the following criteria is~~  
4 ~~present:~~

5 ~~(a) The cost of the proposed project is more than 30% of the~~  
6 ~~total amount available in the fund during the fiscal year.~~

7 ~~(b) The department has approved a water supplier's application~~  
8 ~~for segmenting a project.~~

9 ~~(4) Segments of a project that have been segmented under~~  
10 ~~subsection (3) shall be assigned priority points based on the~~  
11 ~~project as identified in the project plan. After funding assistance~~  
12 ~~for the first segment is accepted, the remaining segments will~~  
13 ~~retain first priority for funding assistance on the next 3 fiscal~~  
14 ~~year priority lists. All projects with previously funded segments~~  
15 ~~will be designated with first priority. Ranking order for these~~  
16 ~~projects to receive funding assistance will be subject to the~~  
17 ~~relative ranking of all first segment projects.~~

18 ~~(5) In preparing the intended use plan, the department shall~~  
19 ~~make every effort to assure that funding for assistance is~~  
20 ~~equitably distributed among public water supplies of varying sizes.~~

21 ~~(2) (6) For purposes of providing assistance, the priority~~  
22 ~~list shall take **takes** effect on the first day of each fiscal year.~~

23 **Sec. 5406a. (1) The department shall develop scoring criteria**  
24 **that assign points to and prioritize projects under section 5406**  
25 **and definitions of overburdened community and significantly**  
26 **overburdened community. In developing scoring criteria and the**  
27 **definitions under this subsection, the department shall do all of**  
28 **the following:**

29 **(a) Consult with members of statewide local government**

1 associations and drinking water, wastewater, stormwater, and  
2 environmental organizations regarding the content of the scoring  
3 criteria and definitions.

4 (b) Publish, hold at least 1 public hearing, and allow for  
5 public comment.

6 (c) Review the scoring criteria and the definitions not more  
7 than once every 3 years, unless otherwise directed by the United  
8 States Environmental Protection Agency.

9 (d) Publish, hold at least 1 public hearing, and allow for  
10 public comment on any changes made after a review under subdivision  
11 (c).

12 (2) The scoring criteria developed under subsection (1) must  
13 address the following:

14 (a) Drinking water regulatory compliance.

15 (b) Public health.

16 (c) Drinking water quality.

17 (d) Improving infrastructure.

18 (e) Impacts on overburdened communities and significantly  
19 overburdened communities.

20 (3) The definitions of overburdened community and  
21 significantly overburdened community developed under subsection (1)  
22 must address the following:

23 (a) Income and unemployment data.

24 (b) Population trends.

25 (c) Housing costs and values.

26 (d) Annual user costs, allocation of costs across customer  
27 classes, and historical and projected trends in user costs.

28 (e) Existing public health, environmental, and affordability  
29 impacts.

1           **(f) Other data considered relevant by the department.**

2           Sec. 5407. The department shall annually identify those  
3 projects in the fundable range of the priority list. Following the  
4 identification of projects in the fundable range, the department  
5 shall review, generally in priority order, the ~~project plans~~  
6 **planning documents** for these projects and, following completion of  
7 the environmental review process described in section 5408, either  
8 approve or disapprove the ~~project plans~~.**planning documents.**

9           **Sec. 5407a. When the department prepares the priority list**  
10 **under section 5406, to ensure that a disproportionate share of**  
11 **available funds for a given fiscal year is not committed to a**  
12 **single project, the department may segment the project if the cost**  
13 **of the proposed project is more than 30% of the amount available in**  
14 **the fund.**

15           Sec. 5408. (1) The department shall conduct an environmental  
16 review of the ~~project plan~~**planning documents** of each project in  
17 the fundable range of the priority list to determine whether any  
18 significant impacts are anticipated and whether any changes can be  
19 made in the project to eliminate significant adverse impacts. As  
20 part of this review, the department may require the ~~submission of~~  
21 **water supplier to submit** additional information or **meet** additional  
22 public participation and coordination **requirements** to justify the  
23 environmental determination.

24           (2) Based on the environmental review under subsection (1),  
25 the department may issue a categorical exclusion for categories of  
26 actions that do not individually, cumulatively over time, or in  
27 conjunction with other federal, state, local, or private actions  
28 have a significant adverse effect on the quality of the human  
29 environment or public health. Additional environmental information

1 documentation, environmental assessments, and environmental impact  
2 statements will not be required for excluded actions.

3 (3) Following receipt of the ~~project plan,~~ **planning document,**  
4 the director shall determine if the proposed ~~public water supply~~  
5 project qualifies for a categorical exclusion and document the  
6 decision.

7 (4) The director may revoke a categorical exclusion and  
8 require a complete environmental review if, ~~subsequent to~~ **after** the  
9 determination, the director finds any of the following:

10 (a) The proposed ~~public water supply~~ project no longer  
11 qualifies for a categorical exclusion due to changes in the  
12 proposed plan.

13 (b) New evidence exists documenting a serious health or  
14 environmental issue.

15 (c) Federal, state, local, or tribal laws will be violated by  
16 the proposed ~~public water supply~~ project.

17 (5) The proposed project ~~shall~~ **must** not qualify for a  
18 categorical exclusion if the director determines any of the  
19 following criteria are applicable:

20 (a) The proposed ~~facilities~~ **project will** result in an increase  
21 in residuals and sludge generated by drinking water processes,  
22 either volume or type, ~~which~~ **that** would negatively impact the  
23 performance of the waterworks system or the disposal methods, or  
24 would threaten an aquifer recharge zone.

25 (b) The proposed ~~facilities would~~ **project will** provide service  
26 to a population greater than 30% of the existing population. ~~7~~  
27 ~~unless population projections required in section 5405(3)(e)~~  
28 ~~support projected needs.~~

29 (c) The proposed ~~public water supply~~ project is known, or

1 expected, to directly or indirectly affect cultural areas, fauna or  
2 flora habitats, endangered or threatened species, or  
3 environmentally important natural resource areas.

4 (d) The proposed ~~public water supply~~ project directly or  
5 indirectly involves the extension of transmission systems to new  
6 service areas.

7 (e) The proposed ~~public water supply~~ project ~~has been~~ **is** shown  
8 not to be the cost-effective alternative.

9 (f) The proposed ~~public water supply~~ project will cause  
10 significant public controversy.

11 (6) If, based on the environmental review under subsection  
12 (1), the department determines that an environmental assessment is  
13 necessary, the department may describe the following:

14 (a) The purpose and need for the project.

15 (b) The project, including its costs.

16 (c) The alternatives considered and the reasons for their  
17 acceptance or rejection.

18 (d) The existing environment.

19 (e) Any potential adverse impacts and mitigative measures.

20 (f) How mitigative measures will be incorporated into the  
21 project, as well as any proposed conditions of financial assistance  
22 and the means for monitoring compliance with the conditions.

23 (7) The department may issue a finding of no significant  
24 impact, based ~~upon~~ **on** an environmental assessment ~~which~~ **that**  
25 documents that potential environmental impacts will not be  
26 significant or that they may be mitigated without extraordinary  
27 measures.

28 (8) An environmental impact statement may be required when the  
29 department determines any of the following:



1 (a) The project will have a significant impact on the pattern  
 2 and type of land use or the growth and distribution of the  
 3 population.

4 (b) The effects of the project's construction or operation  
 5 will conflict with local or state laws or policies.

6 (c) The project will have significant adverse impacts on any  
 7 of the following:

8 (i) Wetlands.

9 (ii) Flood plains.

10 (iii) Threatened or endangered species or habitats.

11 (iv) Cultural resources, including any of the following:

12 (A) Park lands.

13 (B) Preserves.

14 (C) Other public lands.

15 (D) Areas of recognized scenic, recreational, agricultural,  
 16 archeological, or historical value.

17 (d) The project will cause significant displacement of  
 18 population.

19 (e) The project will directly or indirectly, such as through  
 20 induced development, have **a** significant adverse effect ~~upon~~**on** any  
 21 of the following:

22 (i) Local ambient air quality.

23 **(ii) Public health.**

24 **(iii)** ~~(ii)~~ Local noise levels.

25 **(iv)** ~~(iii)~~ Surface water and groundwater quantity or quality.

26 **(v)** ~~(iv)~~ Shellfish.

27 **(vi)** ~~(v)~~ Fish.

28 **(vii)** ~~(vi)~~ Wildlife.

1           (viii) ~~(vii)~~ Wildlife natural habitats.

2           (f) The project will generate significant public controversy.

3           (9) Based on the environmental impact statement, a record of  
4 decision summarizing the findings of the environmental impact  
5 statement ~~shall~~**must** be issued identifying those conditions under  
6 which the project can proceed and maintain compliance with the  
7 national environmental policy act of 1969, Public Law 91-190, 42  
8 ~~U.S.C.~~**USC** 4321, 4331 to 4335, and 4341 to 4347.

9           (10) If 5 or more years have elapsed since a determination of  
10 compliance with **the** national environmental policy act **of 1969,**  
11 **Public Law 91-190, 42 USC 4321, 4331 to 4335, and 4341 to 4347,** or  
12 if significant changes in the project have taken place, the  
13 department shall reevaluate the project for compliance with the  
14 national environmental policy act **of 1969, Public Law 91-190, 42**  
15 **USC 4321, 4331 to 4335, and 4341 to 4347,** requirements. The  
16 department may do any of the following:

17           (a) Reaffirm the original finding of no significant impact or  
18 the record of decision through the issuance of a public notice or  
19 statement of finding.

20           (b) Issue an amendment to a finding of no significant impact  
21 or revoke a finding of no significant impact and issue a public  
22 notice that the preparation of an environmental impact statement is  
23 required.

24           (c) Issue a supplement to a record of decision or revoke a  
25 record of decision and issue a public notice that financial  
26 assistance will not be provided.

27           (11) Action regarding approval of a ~~project plan~~**planning**  
28 **document** or provision of financial assistance ~~shall~~**must** not be  
29 taken during a 30-day public comment period after the issuance of a

1 finding of no significant impact or record of decision.

2           Sec. 5409. (1) A water supplier whose ~~project plan~~**planning**  
3 **document** is approved or under review by the department under  
4 section 5407 may apply for assistance from the fund by submitting  
5 an application to the department. A ~~complete~~**completed** application  
6 ~~shall~~**must** include all of the following, if applicable, as  
7 determined by the department:

8           (a) If assistance is in the form of a loan, financial  
9 documentation that a dedicated source of revenue is established,  
10 consistent with obligations of debt instruments existing at the  
11 time assistance is requested, and pledged to both of the following  
12 purposes:

13           (i) The timely repayment of principal and interest.

14           (ii) Adequate revenues to fund the operation and maintenance of  
15 the project.

16           (b) Evidence of an approved ~~project plan~~**planning document**.

17           (c) A certified resolution from a water supplier that is a  
18 municipality, or a letter of appointment from a water supplier that  
19 is not a municipality, designating an authorized representative for  
20 the project.

21           (d) A certification by an authorized representative of the  
22 water supplier affirming that the **water** supplier has the legal,  
23 institutional, technical, financial, and managerial capability to  
24 build, operate, and maintain the project.

25           (e) A letter of credit, insurance, or other credit enhancement  
26 to support the credit position of the water supplier, as required  
27 by the department.

28           (f) A set of plans and specifications ~~—~~developed in  
29 accordance with Act 399 ~~—which~~**that** is suitable for bidding.

1 (g) A certification from an authorized representative of the  
2 water supplier that it has, or will have before the start of  
3 construction, all applicable state and federal permits required for  
4 construction of the project.

5 (h) A certification from an authorized representative of the  
6 water supplier that an undisclosed fact or event, or pending  
7 litigation, will not materially or adversely affect the project,  
8 the prospects for its completion, or the water supplier's ability  
9 to make timely loan repayments, if applicable.

10 (i) If applicable, all executed service contracts or  
11 agreements.

12 (j) An agreement that the water supplier will operate the  
13 waterworks system in compliance with applicable state and federal  
14 laws.

15 (k) An agreement that the water supplier will not sell, lease,  
16 abandon, or otherwise dispose of the waterworks system without an  
17 effective assignment of obligations and ~~the~~ prior written approval  
18 of the department and the authority.

19 (l) An agreement that:

20 (i) For water suppliers that are municipalities, all accounts  
21 ~~will~~**must** be maintained in accordance with generally accepted  
22 accounting practices, generally accepted government auditing  
23 standards, and ~~chapter 75 of title 31 of the United States Code, 31~~  
24 ~~U.S.C. USC~~ 7501 to 7507, as required by the federal safe drinking  
25 water act.

26 (ii) For water suppliers that are not municipalities, all  
27 accounts ~~will~~**must** be maintained in accordance with generally  
28 accepted accounting practices and generally accepted auditing  
29 standards.

1 (m) An agreement that all water supplier contracts with  
2 contractors will require them to maintain project accounts in  
3 accordance with the requirements of this subsection and provide  
4 notice that any subcontractor may be subject to a financial audit  
5 as part of an overall project audit.

6 (n) An agreement that the water supplier will provide written  
7 authorizations to the department for the purpose of examining the  
8 physical plant and for examining, reviewing, or auditing the  
9 operational or financial records of the project, and that the water  
10 supplier will require similar authorizations from all contractors,  
11 consultants, or agents with which it negotiates an agreement.

12 (o) An agreement that all pertinent records ~~shall~~**must** be  
13 retained and available to the department for a minimum of 3 years  
14 after initiation of the operation and that if litigation ~~,~~**or** a  
15 claim, ~~an~~ appeal, or ~~an~~ audit is begun before the end of the 3-year  
16 period, records ~~shall~~**must** be retained and available until the 3  
17 years have passed or until the action is completed and resolved,  
18 whichever is longer. As used in this subdivision, "initiation of  
19 the operation" means the date certain set by the water supplier and  
20 accepted by the department, on which use of the project begins for  
21 the purposes for which it was constructed.

22 ~~(p) If the project is segmented, as provided in section~~  
23 ~~5406(3), a schedule for completion of the project and adequate~~  
24 ~~assurance that the project will be completed with or without~~  
25 ~~assistance from the fund or that the segmented project will be~~  
26 ~~operational without completion of the entire project.~~

27 **(p)** ~~(q)~~ An agreement that the project will proceed in a timely  
28 fashion if the application for assistance is approved.

29 **(q)** ~~(r)~~ An application fee, if required by the department.

1 (2) A demonstration that a dedicated source of revenue will be  
 2 available for operating and maintaining the waterworks system and  
 3 repaying the incurred debt.

4 (3) The department shall accept applications for assistance  
 5 from water suppliers in the fundable range of the priority list and  
 6 ~~shall~~ determine whether an application for assistance is complete.

7 (4) ~~The~~**This** state is not liable to a water supplier, or any  
 8 other person performing services for the water supplier, for costs  
 9 incurred in developing or submitting an application for assistance  
 10 under this part.

11 Sec. 5412. (1) The department may bypass projects that fail to  
 12 meet the schedule negotiated and agreed upon between the water  
 13 supplier and the department, or that do not have approved ~~project~~  
 14 ~~plans~~**planning documents** and specifications and an approvable  
 15 application 90 days ~~prior to~~**before** the last day of the state  
 16 fiscal year, whichever comes first.

17 (2) A water supplier may submit a written request to the  
 18 department to extend a project schedule for not more than 60 days.  
 19 The request ~~shall~~**must** provide the reason for the noncompliance  
 20 with the schedule. A water supplier may file 1 additional 30-day  
 21 extension request to its schedule.

22 (3) A project bypassed under this section ~~shall~~**must** not be  
 23 considered for an order of approval until all other projects have  
 24 either been funded or rejected. This section does not prohibit the  
 25 inclusion of the project in the priority list of the next annual  
 26 funding cycle or the resubmission of an application for assistance  
 27 in the next annual funding cycle.

28 (4) The department shall provide affected water suppliers with  
 29 a written notice of intent to bypass not less than 30 days before

1 the bypass action.

2 (5) For projects bypassed under this section, the department  
3 shall transmit to the water supplier an official notice of bypass  
4 for the fundable project.

5 (6) A bypass action under this section does not modify any  
6 compliance dates established ~~pursuant to~~ **under** a permit, order, or  
7 other document issued by the department or entered as part of an  
8 action brought by ~~the~~ **this** state or a federal agency.

9 (7) After a project is bypassed, the department may award  
10 assistance to projects outside the fundable range. Assistance ~~shall~~  
11 **must** be made available to projects outside the fundable range in  
12 priority order contingent upon the **water** supplier's satisfaction of  
13 all applicable requirements for assistance within the time period  
14 established by the department, but not to exceed 60 days from the  
15 date of notification. The department shall notify water suppliers  
16 with projects outside the fundable range of bypass action, of the  
17 amount of bypassed funds available for obligation, and of the  
18 deadline for submittal of a complete, approvable application.

19 Sec. 5415. ~~(1)~~The department shall annually establish the  
20 interest rates to be assessed for projects receiving assistance  
21 under this part. ~~These rates of~~ **In establishing interest rates**  
22 **under this section, the department may provide for a different**  
23 **level of subsidy for projects. The** interest ~~shall~~ **rates must** be in  
24 effect for loans made during the next state fiscal year. **The**  
25 **interest rates must be in effect for loans made during the next**  
26 **state fiscal year.**

27 ~~(2) In establishing the interest rates under subsection (1),~~  
28 ~~all of the following criteria shall be considered:~~

29 ~~(a) Future demands.~~

1       ~~(b) Present demands.~~

2       ~~(c) Market conditions.~~

3       ~~(d) Cost of compliance with program elements.~~

4           **Sec. 5415a. (1) A water supplier is responsible for obtaining**  
 5 **any federal, state, or local permits necessary for the project and**  
 6 **shall perform any surveys or studies that are required under the**  
 7 **permits.**

8           **(2) A water supplier shall incorporate all appropriate**  
 9 **provisions, conditions, and mitigative measures included in the**  
 10 **studies, surveys, permits, and licenses into the construction**  
 11 **documents. The construction documents are subject to review by the**  
 12 **department for conformity with environmental determinations and**  
 13 **coordination requirements.**

14           **(3) All applicable and appropriate conditions and mitigative**  
 15 **measures must be enforced by the municipality or its designated**  
 16 **representative and apply to all construction and post-construction**  
 17 **activities, including disposal of all liquid or solid spoils, waste**  
 18 **material, and residuals from construction.**

19           **(4) A water supplier may seek guidance from the department**  
 20 **regarding the requirements under this part or the rules promulgated**  
 21 **under this part.**

22           **Sec. 5416. The costs of administering and implementing this**  
 23 **part by the department, the designated agents of the department,**  
 24 **and the authority may be paid from funds annually appropriated by**  
 25 **the legislature from 1 or more of the following sources:**

26           ~~(a) An amount taken from the federal capitalization grant,~~  
 27 ~~subject to the limitations prescribed in~~ **allowed under** ~~the federal~~  
 28 ~~safe drinking water act.~~

29           **(b) A local match provided by the water supplier receiving**



1 assistance not to exceed the department's administrative costs  
2 associated with providing the assistance.

3 (c) Interest or earnings realized on loan repayments to the  
4 fund, unless the earnings are pledged to secure or repay any  
5 indebtedness of the authority.

6 (d) Proceeds of bonds or notes issued pursuant to the fund and  
7 sold by the authority.

8 **(e) Collection of fees and charges by the department in**  
9 **connection with a transaction authorized under this part.**

10 **(f)** ~~(e)~~ Any other money appropriated by the legislature.

11 Sec. 5417. In implementing this part, the department may do 1  
12 or more of the following:

13 (a) Make, execute, and deliver contracts, conveyances, and  
14 other instruments necessary or convenient for the implementation of  
15 this part.

16 (b) Solicit and accept gifts, grants, loans, allocations,  
17 appropriations, and other aid, including capitalization grant  
18 awards, from any person or the federal, state, or a local  
19 government or any agency of the federal, state, or local  
20 government, enter into agreements with any person or the federal,  
21 state, or a local government, or participate in any other way in  
22 any federal, state, or local government program consistent with  
23 this part and the purposes of this part.

24 (c) Expend federal and state money allocated under the federal  
25 safe drinking water act for any of the following purposes, in  
26 accordance with that act:

27 (i) Fund activities authorized under section 1452(g)(2) of the  
28 federal safe drinking water act, **42 USC 300j-12**, which may include  
29 fund administration and the provision of set-asides annually

1 identified as part of an intended use plan.

2 (ii) Fund implementation of a technical assistance program  
3 created in Act 399 and used by the state to provide technical  
4 assistance to public water systems serving not more than 10,000  
5 persons.

6 (iii) Fund activities authorized under section 1452(k) of the  
7 federal safe drinking water act, **42 USC 300j-12**, which may include  
8 the lending of money for certain source water protection efforts,  
9 assisting in the implementation of capacity development strategies,  
10 conducting source water assessments, and implementing wellhead  
11 protection programs.

12 (d) Negotiate and enter into agreements and amendments to  
13 agreements with the federal government to implement establishment  
14 and operation of the fund, including capitalization grant  
15 agreements and schedules of payments.

16 (e) Employ personnel as is necessary, and contract for the  
17 services of private consultants, managers, counsel, auditors,  
18 engineers, and scientists for rendering professional management and  
19 technical assistance and advice.

20 (f) Charge, impose, and collect fees and charges in connection  
21 with any transaction authorized under this part and provide for  
22 reasonable penalties for delinquent payment of fees or charges.

23 (g) Review and approve all necessary documents in a water  
24 supplier's application for assistance and issue an order  
25 authorizing assistance to the authority.

26 (h) Promulgate rules necessary to carry out the purposes of  
27 this part and to exercise the powers expressly granted in this  
28 part.

29 (i) Administer, manage, and do all other things necessary or

1 convenient to achieve the objectives and purposes of the fund, the  
2 authority, this part, or other state and federal laws that relate  
3 to the purposes and responsibilities of the fund.

4 (j) Apply for a capitalization grant and prepare, submit, and  
5 certify any required or appropriate information with that  
6 application.

7 (k) Establish priority lists and fundable ranges for projects  
8 and the **scoring** criteria and methods used to determine the  
9 distribution of the funds available to the fund among the various  
10 types of assistance to be offered and select projects to be funded.

11 (l) Prepare and submit an annual intended use plan and an  
12 annual report as required under the federal safe drinking water  
13 act. The department shall annually invite stakeholders including,  
14 but not limited to, representatives of water utilities, local units  
15 of government, agricultural interests, industry, public health  
16 organizations, medical organizations, environmental organizations,  
17 consumer organizations, and drinking water consumers who are not  
18 affiliated with any of the other represented interests, to 1 or  
19 more public meetings to provide recommendations for the development  
20 of the annual intended use plan as it relates to the set-asides  
21 allowed under the federal safe drinking water act. **The intended use  
22 plan must describe and identify all of the following:**

23 (i) **Additional subsidization that will be allocated to  
24 projects.**

25 (ii) **The projects that will receive additional subsidization  
26 identified under subparagraph (i) .**

27 (iii) **The reasons why a project will receive additional  
28 subsidization.**

29 (m) Perform other functions necessary or convenient for the

1 implementation of this part.

2 Sec. 19703a. (1) Bonds issued under this part are subject to  
3 the following:

4 (a) For the state fiscal year ending on September 30, 2011,  
5 bonds ~~shall~~**must** not be issued or expended under this part for the  
6 purposes of section 5204b, unless the department of natural  
7 resources and environment has established a fundable range of at  
8 least \$210,000,000.00 for that state fiscal year to fund projects  
9 under the state water pollution control revolving fund created in  
10 section 16a of the shared credit rating act, 1985 PA 227, MCL  
11 141.1066a.

12 (b) For the state fiscal year ending on September 30, 2012,  
13 bonds ~~shall~~**must** not be issued or expended under this part for the  
14 purposes of section 5204b, unless the department of natural  
15 resources and environment has established a fundable range of at  
16 least \$259,000,000.00 for that state fiscal year to fund projects  
17 under the state water pollution control revolving fund created in  
18 section 16a of the shared credit rating act, 1985 PA 227, MCL  
19 141.1066a, to the extent administratively possible and as long as  
20 sufficient applications have been submitted to the department of  
21 natural resources and environment.

22 (c) For each state fiscal year beginning with the state fiscal  
23 year ending September 30, 2013, the department of natural resources  
24 and environment, in conjunction with the department of treasury,  
25 shall seek to fully fund all eligible projects applying for  
26 assistance under part 53, to the extent administratively possible,  
27 utilizing the bond proceeds under this part as necessary to achieve  
28 this goal. ~~, considering the recommendations of the state water  
29 pollution control revolving fund advisory committee created in~~

1 ~~section 5317.~~

2 (2) If the department of natural resources and environment is  
3 not able to establish a fundable range under subsection (1)(b) of  
4 at least \$259,000,000.00, the department of natural resources and  
5 environment shall submit to the standing committees of the senate  
6 and house of representatives with jurisdiction over issues  
7 primarily pertaining to natural resources and the environment a  
8 report detailing the reasons why the fundable range was not set at  
9 this level.

10 (3) As used in this section, "fundable range" means that term  
11 as it is defined in section 5301.

12 Enacting section 1. Section 5317 of the natural resources and  
13 environmental protection act, 1994 PA 451, MCL 324.5317, is  
14 repealed.