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SFA BILL ANALYSIS

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House Bills 4465 and 4466 (as passed by the House)
Sponsor: Representative Jon Jellema
House Committee: Conservation, Environment and Recreation
Senate Committee: Natural Resources and Environmental Affairs

Date Completed: 5-20-97

CONTENT

House Bill 4465 would add Part 54 (Safe Drinking Water Assistance) to the Natural Resources and Environmental Protection Act (NREPA) to:

- **Provide for the eligibility of water suppliers to receive assistance as authorized by the Federal Safe Drinking Water Act.**
- **Require interested water suppliers to submit a project plan to the Department of Environmental Quality (DEQ); and require a plan to include documentation that the project was needed to comply with the Federal Act, an analysis of alternatives, a description of the selected alternative, and a description of public participation activities.**
- **Require the DEQ to develop a priority list of eligible projects and assign each project up to 1,000 points based on whether a project addressed drinking water quality or infrastructure improvements, the population served by the water system, whether a community was disadvantaged, and whether a project included consolidation.**
- **Require the DEQ to conduct an environmental review of a project; allow the DEQ to issue categorical exclusions; and allow the DEQ to issue a finding of no significant impact or require an environmental impact statement.**
- **Permit water suppliers with an approved project or a project under review to apply for assistance, and require the DEQ to review applications and issue orders of approval.**
- **Allow the DEQ to bypass certain projects, and to recommend the termination of assistance.**
- **Provide for the payment of the DEQ's administrative costs from various sources, including the Federal capitalization grant, a local match, and proceeds of bonds or notes; and allow the DEQ to collect fees.**

House Bill 4466 would amend the Shared Credit Rating Act to require the Michigan Municipal Bond Authority to establish a State Drinking Water Revolving Fund, and permit the Authority to provide assistance to a governmental unit for a revolving fund community water supply or noncommunity water supply with proceeds of the Fund.

The bills are tie-barred to each other.

House Bill 4465

Qualified Water Suppliers

The bill would define "water supplier" as a municipality or its designated representative accepted by the DEQ Director, a legal business entity, or any other person owning a public water supply; the term would not include a water hauler. Water suppliers owning the following types of public water supplies would qualify to receive assistance under Part 54:

- A community water supply (i.e., a public water supply providing year-round service to at least 15 living units or regularly providing year-round service to at least 25 residents).
- A noncommunity water supply that operated as a nonprofit entity. (A noncommunity water supply would be a public water supply that was not a community water supply but

that had at least 15 service connections or served at least 25 individuals on an average daily basis for at least 60 days per year.)

"Assistance" would mean one or more of the following activities to the extent authorized by the Federal Safe Drinking Water Act:

-- Provision of loans for the planning, design, and construction or alteration of waterworks systems.
-- Project refinancing assistance.
-- The guarantee or purchase of insurance for local obligations, if the guarantee or purchase action would improve credit market access or reduce interest rates.
-- Use of the proceeds of the proposed State Drinking Water Revolving Fund as a source of revenue or general obligation bonds issued by this State, if the proceeds of the bond sale would be deposited into the Fund.
-- Provision of loan guarantees for sub-State revolving funds established by water suppliers that were municipalities.
-- The use of deposited funds to earn interest on fund accounts.
-- Provision for reasonable costs of administering and conducting activities under Part 54.
-- Provision of technical assistance under Part 54.
-- Provision of loan forgiveness for certain planning costs incurred by disadvantaged communities.

("Municipality" would mean a city, village, county, township, authority, public school district, or other public body with taxing authority, including an intermunicipal agency of two or more municipalities, authorized or created under State law. "Disadvantaged community" would mean a municipality in which all of the following conditions were met: users within the area served by a proposed public water supply project were directly assessed for the costs of construction; the area served did not exceed 120% of the Statewide median annual household income for Michigan; and the municipality demonstrated at least one of several listed criteria concerning household income.)

Project planning costs would be eligible for funding under Part 54 as described in the bill (depending on whether a muncipality served more or fewer than 10,000 people, or was a disadvantaged community).

Only water suppliers that had no outstanding prior year fees as prescribed in "Act 399" (the State's Safe Drinking Water Act) could receive assistance under Part 54. A Federal, State, or other water supplier that was not regulated by the DEQ could not receive assistance.

Project Plan

A water supplier that was interested in applying for assistance under Part 54 would have to prepare a project plan and submit it to the DEQ. The Department would have to use submitted project plans to develop a priority list for assistance (as provided below).

While developing a project plan, a water supplier that was a municipality would have to consider and use, where practicable, cooperative regional or intermunicipal projects. A nonmunicipal water supplier would have to consider and use, where practicable, connection to, or ownership by, a water supplier that was a municipality.

A project plan would have to include documentation demonstrating that the project was needed to assure maintenance of, or progress toward, compliance with the Federal Safe Drinking Water Act. A complete project plan would have to include all of the following as background:

-- Identification of planning area boundaries and characteristics.
-- A description of the existing waterworks systems.
-- A description of the existing waterworks problems and needs, including the severity and extent of water supply problems or public health problems.
-- An examination of projected needs for the next 20 years.
-- Population projections and the source and basis for them.

A project plan also would have to include an analysis of alternatives, consisting of a systematic identification, screening, study, evaluation, and cost-effectiveness comparison of feasible technologies, processes, and techniques. The alternatives would have to be capable of meeting the applicable State drinking water standards over the facility's design life, while recognizing environmental and other nonmonetary

considerations. The analysis would have to include at least the following:

-- A planning period for the cost-effectiveness analysis of 20 years or other such planning period as justified by the project's unique characteristics.
-- Monetary costs that considered the present worth or equivalent annual value of all capital costs and operation and maintenance costs.
-- Provisions for the ultimate disposal of residuals and sludge resulting from drinking water treatment processes.
-- A synopsis of the project's environmental setting and an analysis of the potential environmental and public health impacts of the various alternatives, as well as the identification of any significant environmental or public health benefits precluded by rejection of an alternative.
-- Consideration of opportunities to make more efficient use of energy and resources.
-- A description of the relationship between the service capability of each waterworks system alternative and the estimated future needs using population projections contained in the project plan.

A project plan would have to describe the selected alternative, including all of the following:

-- Relevant design parameters.
-- Estimated capital construction costs, operation and maintenance costs, and a description of how project costs would be financed.
-- A demonstration of the water supplier's ability to repay the incurred debt, including an analysis of the impacts of the annual user costs for water supply on its users.
-- A demonstration that the selected alternative was implementable considering the water supplier's legal, institutional, technical, financial, and managerial resources.
-- Assurance that there was sufficient waterworks system service capacity for the service area based on projected needs, while avoiding the use of funds available under Part 54 to finance the expansion of any public water system if a primary purpose of the expansion were to accommodate future development.
-- Documentation of the project's consistency with the approved general plan prepared under Section 4 of Act 399 (which requires public water suppliers to file a general plan of the waterworks system with the State).
-- An analysis of the environmental and public health impacts of the selected alternative.
-- Consideration of structural and nonstructural measures that could be taken to mitigate or eliminate adverse effects on the environment.

A project plan also would have to describe the public participation activities conducted during planning, including: significant issues raised by the public; a demonstration of adequate opportunities for public input; a demonstrate that the water supplier held a public hearing on the proposed project at least 30 days after advertising in local media; a demonstration that a notice of public hearing was sent to all affected local, State, and Federal agencies and to any public or private parties that had expressed an interest in the project; and a transcript or recording of the hearing.

In addition, for a water supplier that was a municipality, a project plan would have to include a resolution adopted by the governing body of the municipality approving the plan. For a nonmunicipal water supplier, a project plan would have to include a statement of intent to implement the plan.

A project plan could not have as a primary purpose the construction or expansion of a waterworks system to accommodate future development.

Priority List

The DEQ annually would have to develop a priority list of projects eligible for funding under Part 54. Projects that were not funded during the year in which a list was in effect would have to be automatically prioritized in the next annual list using the same criteria, unless the water supplier introduced new information as an amendment to its project plan. The priority list would have to be based on project plans submitted by water suppliers and on the criteria described in the bill.

Each project would have to be assigned points up to a maximum of 1,000. The point values would be maximum values available for each category or subcategory listed in the bill, and could be awarded only if the project substantially addressed the problem for which the point award was given. If a project were primarily designed to replace individual wells at private homes, 50% or more of the homes in the affected area would have to meet

equivalent water quality or infrastructure deficiency criteria listed below, in order to receive the maximum available points. If less than 50% of the homes could demonstrate deficiencies, half of the total points available would have to be awarded.

A maximum of 450 points could be awarded to a project that addressed drinking water quality as outlined in Act 399. If the project were designed to:

-- Eliminate an acute violation of a drinking water standard as defined in rules promulgated under Act 399, 250 points would have to be awarded for each violation for a violation of a surface water treatment technique, or if a waterborne disease outbreak had been documented.
-- Eliminate a violation of a drinking water standard other than one described above, 200 points would have to be awarded for each violation.
-- Upgrade a facility to maintain compliance with drinking water standards or system capacity requirements, 150 points would have to be awarded.
-- Eliminate an accedence of a secondary maximum contaminant level for aesthetic water quality, 25 points would have to be awarded.

A maximum of 350 points could be awarded to a project that addressed infrastructure improvements, as follows:

-- If source or treatment facilities were upgraded, including the watermains to connect to the distribution system, a maximum of 125 points would have to be awarded (depending upon the purpose of the improvement).
-- If transmission or distribution watermains were upgraded, a maximum of 125 points would have to be awarded (depending upon the purpose).
-- If water storage facilities or pumping stations were upgraded, a maximum of 125 points would have to be awarded (depending upon the purpose).

A maximum of 50 points would have to be awarded based on the population served by the water system according to the table below. A transient noncommunity water supply as defined in Act 399, however, would be eligible for half of the point value listed in the table.

Population	Points
>50,000	50
10,001-50,000	40
3,301-10,000	30
501-3,300	20
0-500	10

A maximum of 50 points would have to be awarded to a community water supply that was a disadvantaged community.

A maximum of 100 points would have to be awarded for projects that included consolidation as follows:

-- If one or more public water supplies were brought into compliance with State drinking water standards as a result of consolidation, 100 points would have to be awarded.
-- If deficiencies, documented by the DEQ, at one or more public water supplies were corrected as a result of consolidation, 60 points would have to be awarded.
-- Other consolidations, not included above, would have to be awarded 40 points.

For communities that completed a wellhead protection plan or a source water protection plan, 100 points would have to be awarded.

If two or more projects had the same score, a tie-breaker described in the bill would have to be applied.

The priority list would have to be submitted annually to the chairpersons of the Senate and House standing committees that primarily considered legislation pertaining to the protection of public health and the environment.

In preparing the priority list, to ensure that a disproportionate share of available funds for a given fiscal year was not committed to a single water supply project, the DEQ could segment a project if the cost of the proposed project were more than 30% of the total amount available in the Fund during the fiscal year, or if the Department had approved a water supplier's application for segmenting a project.

In preparing the intended use plan, the DEQ would have to make every effort to assure that funding for assistance was equitably distributed among public water supplies of varying sizes.

The DEQ annually would have to identify those projects in the fundable range of the priority list. ("Fundable range" would mean those projects, taken in descending order on the priority list, for which the DEQ estimated sufficient funds existed to provide assistance during each annual funding cycle.)

After projects in the fundable range were identified, the DEQ would have to review, generally in priority order, the project plans for those projects. After completing the environmental review process (described below), the DEQ would have to approve or disapprove the project plans.

Environmental Review

The DEQ would have to conduct an environmental review of the project plan of each project in the fundable range of the priority list to determine whether any significant impacts were anticipated and whether any changes could be made in the project to eliminate significant adverse impacts. Based on the environmental review, the DEQ could issue a categorical exclusion for categories of actions that did not individually, cumulatively over time, or in conjunction with other Federal, State, local, or private actions, have a significant adverse effect on the quality of the human environment or public health. Additional environmental information documentation, assessments, and impact statements would not be required for excluded actions.

After receiving the project plan, the DEQ Director would have to determine if the proposed public water supply project qualified for a categorical exclusion and document the decision. The Director could revoke a categorical exclusion and require a complete environmental assessment review, if after the determination, the Director found that: the proposed project no longer qualified for a categorical exclusion due to changes in the proposed plan; new evidence documenting a serious health or environmental issue existed; or the proposed project would violate Federal, State, local, or tribal laws. In addition, the proposed project would not qualify for a categorical exclusion under certain circumstances described in the bill (e.g., an increase in residuals and sludge; an affect on endangered species; or significant public controversy).

If the DEQ determined, based on the environmental review, that an environmental assessment was necessary, the Department could describe the following: the purpose and need for the project; the project, including its costs; the alternatives considered and the reasons for their acceptance or rejection; the existing environment; any potential adverse impacts and mitigative measures; and how mitigative measures would be incorporated into the project, as well as any proposed conditions of financial assistance and the means for monitoring compliance with them.

The DEQ could issue a finding of no significant impact, based upon an environmental assessment documenting that potential environmental impacts would not be significant or could be mitigated without extraordinary measures.

An environmental impact statement could be required when the Department determined any of the following:

-- The project would have a significant impact

on the pattern and type of land use or the growth and distribution of the population.

-- The effects of the project's construction or operation would conflict with local or State laws or policies.
-- The project would have significant adverse impacts on any of the following: wetlands; flood plains; threatened or endangered species or habitats; cultural resources (including park lands, preserves, and other public lands); or areas of recognized scenic, recreational, agricultural, archeological, or historical value.
-- The project would directly or indirectly have a significant adverse effect upon any of the following: local ambient air quality; local noise levels; surface water and groundwater quantity or quality; shellfish; fish; wildlife; or wildlife natural habitats.
-- The project would generate significant public controversy.

A record of decision summarizing the findings of the environmental impact would have to be issued. The record of decision would have to identify those conditions under which the project could proceed and maintain compliance with the National Environmental Policy Act.

If five or more years had elapsed since a determination of compliance with that Act, or if significant changes in the project had taken place, the DEQ would have to reevaluate the project for compliance with the Act's requirements. The Department could reaffirm the original finding of no significant impact or the record of decision; amend or revoke a finding of no significant impact and issue a public notice that an environmental impact statement had to be prepared; or supplement or revoke a record of decision and issue a public notice that financial assistance would not be provided.

Action regarding approval of a project plan or provision of financial assistance could not be taken during a 30-day public comment period after the issuance of a finding of no significant impact or record of decision.

Application for Assistance

A water supplier whose project plan was approved or under review by the DEQ could apply for assistance from the proposed Revolving Fund by submitting an application to the Department. A complete application would have to include specified information, including: financial documentation; evidence of an approved project plan; a certification by an authorized representative of the water supplier affirming the supplier's capability to build, operate, and maintain the project; a letter of credit, insurance, or other credit enhancement to support the supplier's credit position; a set of plans and specifications that was suitable for bidding; a certification that the water supplier had or would have before construction started, all applicable State and Federal permits required for construction of the project; certification that an undisclosed fact or event, or pending litigation, would not materially or adversely affect the project, the prospects for its completion, or the supplier's ability to make timely loan repayments, if applicable; all executed service contracts or agreements, if applicable; and an agreement that the water supplier would operate the waterworks system in compliance with applicable State and Federal laws.

A complete application also would have to include an agreement that the supplier would not sell, lease, abandon, or otherwise dispose of the waterworks system without an effective assignment of obligations and the prior written approval of the DEQ and the Michigan Municipal Bond Authority; an agreement concerning maintenance of generally accepted accounting practices and auditing standards; an agreement that all water supplier contracts would require contractors to maintain project accounts in accordance with these requirements and give notice that any subcontractor could be subject to a financial audit; an agreement that the supplier would provide written authorizations to the DEQ for the purpose of examining the physical plant and operational or financial records of the project, and that the supplier would require similar authorization from contractors, consultants, or agents; an agreement concerning the retention of pertinent records for at least three years; a schedule for the completion of a segmented project; an agreement that the project would proceed in a timely fashion if the application for assistance were approved; and an application fee, if required by the DEQ. In addition, an application would have to include a demonstration that a dedicated source of revenue would be available for operating and maintaining the waterworks system and repaying the incurred debt.

The DEQ would have to accept applications for assistance from water suppliers in the fundable range of the priority list and determine whether an application was complete. The State would not be liable to a water supplier, or any other person

performing services for the supplier, for costs incurred in developing or submitting an application for assistance.

Additional Assistance Requirements

A water supplier that received funding under Part 54 would be responsible for obtaining any Federal, State, or local permits or clearances required for the project, and would have to perform any surveys or studies that were required in conjunction with the permits or clearances.

A water supplier receiving assistance also would have to incorporate into the construction documents all appropriate provisions, conditions, and mitigative measures included in the applicable studies, surveys, permits, clearances, and licenses. These documents would be subject to review by the DEQ for conformity with environmental determinations and coordination requirements.

The water supplier or its designated representative would have to enforce all applicable and appropriate conditions and mitigative measures. The conditions and measures would apply to all construction and postconstruction activities, including disposal of all liquid or solid spoils, waste material, and residuals from construction.

Application Review

The DEQ would have to review a complete application for assistance for a proposed project. If the Department approved the application, it would have to issue an order of approval to establish the specific terms of assistance. The order of approval would have to include at least all of the following: the term of the assistance; the maximum principal amount of the assistance; and the maximum rate of interest or method of calculating the interest rate that would be used, or the premium charged. The order of approval also would have to incorporate all requirements, provisions, or information included in the application and other documents submitted to the DEQ during the application process.

After issuing an order of approval, the DEQ would have to certify to the Michigan Municipal Bond Authority that the water supplier was eligible for assistance.

Project Bypass

The DEQ could bypass projects that failed to meet the schedule negotiated and agreed upon between the water supplier and the Department, or that did not have approved project plans and specifications and an approvable application 90 days before the last day of the State fiscal year, whichever came first. A bypassed project could not be considered for an order of approval until all other projects had been either funded or rejected.

A water supplier could submit a written request to the DEQ to extend a project schedule for up to 60 days. The request would have to give the reason for the noncompliance with the schedule. A supplier could file one additional 30-day extension request to its schedule.

The DEQ would have to give affected water suppliers a written notice of intent to bypass at least 30 days before the bypass action. For bypassed projects, the DEQ would have to sent the supplier an official notice of bypass for the fundable project. A bypass action would not modify any compliance dates established pursuant to a permit, order, or other document issued by the DEQ or entered as part of an action brought by the State or a Federal agency.

After a project was bypassed, the DEQ could award assistance to projects outside the fundable range. This assistance would have to be made available in priority order contingent upon the supplier's satisfaction of all applicable requirements for assistance within the time period established by the DEQ, but not more than 60 days from the date of notification. The Department would have to notify water suppliers with projects outside the fundable range of bypass action, of the amount of bypassed funds available for obligation, and of the deadline for submittal of a complete, approvable application.

Termination of Assistance

The DEQ could determine that assistance should be terminated and could issue an order recommending that the Authority take appropriate action to terminate assistance. Cause for making this determination would include, but not be limited to, one or more of the following:

-- Substantial failure to comply with the terms and conditions of the agreement providing assistance.
-- A legal finding or determination that the assistance was obtained by fraud.
-- Practices in the administration of the project that were illegal or that could impair the successful completion or organization of the project.

-- Misappropriation of assistance for uses other than those set forth in the agreement providing assistance.
-- Failure to accept an offer of assistance from the Fund within 30 days after receipt of a proposed loan agreement from the Authority.

The DEQ would have to given written notice to the water supplier by certified letter of the intent to issue an order of termination. This notice would have to be issued at least 30 days before the Department forwarded the order recommending that the Authority take appropriate action to terminate assistance.

A water supplier could petition the DEQ to make a determination that assistance to that supplier should be terminated. Upon receiving a petition, the Department could issue an order recommending the Authority to take appropriate action to terminate the assistance for a project for cause. The order would be effective on the date the project ceased activities. Subject to termination of assistance by the Authority and payment of any appropriate termination settlement costs, the DEQ would have to issue an order of termination to the Authority recommending appropriate action.

The Authority's termination of assistance would not excuse or otherwise affect the water supplier's required repayment of the outstanding loan balance to the Fund. The supplier would have to repay the outstanding loan proceeds according to a schedule established by the Authority. Any settlement costs incurred in the termination would be the supplier's responsibility. Termination of assistance would not relieve the supplier of any requirements that could exist under State or Federal law to construct the project.

Interest Rates

The DEQ annually would have to establish the interest rates to be assessed for projects receiving assistance under Part 54. These rates would be in effect for loans made during the next State fiscal year. In establishing the interest rates, the DEQ would have to consider future demands, present demands, market conditions, and cost of compliance with program elements.

Administration and Implementation

The costs of administering and implementing Part 54 by the DEQ, the DEQ's designated agents, and the Authority could be paid from funds annually appropriated by the Legislature from one or more of the following sources:

-- An amount taken from the Federal capitalization grant, subject to the limitations prescribed in the Federal Safe Drinking Water Act. ("Capitalization grant" would mean the Federal grant made to this State by the U.S. Environmental Protection Agency (EPA), as provided in the Federal Act.)
-- A local match provided by the water supplier receiving assistance, not to exceed the DEQ's administrative costs associated with providing the assistance.
-- Interest or earnings realized on loan repayments to the Fund, unless the earnings were pledged to secure or repay any indebtedness of the Authority.
-- Proceeds of bonds or notes issued pursuant to the Fund and sold by the Authority.
-- Any other money appropriated by the Legislature.

The bill describes actions that the DEQ could take to implement Part 54. These include spending Federal and State money allocated under the Federal Safe Drinking Water Act for any of the following purposes, in accordance with that Act:

-- Fund activities authorized under Section 1452(g)(2) of the Act, including Fund administration and the provision of set-asides annually identified as part of an intended use plan.
-- Fund implementation of a technical assistance program created in Act 399 and used by the State to provide technical assistance to public water systems serving up to 10,000 people.
-- Fund activities authorized under Section 1452(k) of the Federal Act, which could include the lending of money for certain source water protection efforts, assisting in the implementation of capacity development strategies, conducting source water assessments, and implementing wellhead protection programs.

The DEQ also could charge, impose, and collect fees and charges in connection with any transaction authorized under Part 54, and provide for reasonable penalties for delinquent payments.

In addition, the DEQ could prepare and submit an annual intended use plan and an annual report as required under the Federal Safe Drinking Water Act. The Department annually would have to invite

stakeholders including, at least, representatives of water utilities, local units of government, agricultural interests, industry, public health organizations, medical organizations, environmental organizations, consumer organizations, and drinking water consumers not affiliated with any of the other represented interests, to one or more public meetings to provide recommendations for the development of the annual intended use plan as it related to the set-asides allowed under the Federal Act.

Appeals

Determinations made by the DEQ could be appealed in writing to the Department Director. Determinations made by the Director would be final. Judicial review could be sought under Section 631 of the Revised Judicature Act (which provides for appeals to the circuit court of State agency decisions).

House Bill 4466

State Drinking Water Revolving Fund

The Michigan Municipal Bond Authority would be required to establish a State Drinking Water Revolving Fund that complied with the requirements and objectives of the Federal Safe Drinking Water Act. The Authority could fund the Revolving Fund through Federal grants, revenues of the Authority, or any other means permitted under the Federal Act and the rules promulgated under it.

The Authority could provide assistance (as defined in House Bill 4465) to a governmental unit for a community water supply or a noncommunity water supply with proceeds of the Revolving Fund. If the assistance were in the form of a loan, the loan would have to be made through a loan agreement in which a governmental unit agreed to make loan repayments to the Authority or through the purchase or refinancing of municipal obligations in fully marketable form.

Community water supplies and noncommunity water supplies eligible for assistance from the Revolving Fund would have to be determined pursuant to Part 54 of the NREPA. The maximum amount of any municipal obligation purchased with Revolving Fund proceeds and the maximum interest rate on a loan or municipal obligation also would have to be determined pursuant to Part 54.

Currently, Shared Credit Rating Act defines "capitalization grant" as the Federal grant made to this State by the EPA for the purpose of establishing a State Water Pollution Control Revolving Fund. Under the bill, the term would refer to the Federal grant made by the EPA either for that purpose, or for the purpose of establishing a State Drinking Water Revolving Fund.

The Act defines "fully marketable form" as a municipal obligation duly executed and accompanied by specific items, including evidence that the pledge for payment will be sufficient to pay the principal of and interest on the obligation when due, and an order of approval or an order of exception issued by the Department of Treasury under the Municipal Finance Act. This order must include a certification that the preceding condition (evidence that the pledge will be sufficient) has been met. Under the bill, for a water supplier not subject to oversight by the Department of Treasury under the Municipal Finance Act, the municipal obligation would have to include certification of a financial advisor selected and engaged by the Authority that this condition (evidence that the pledge will be sufficient) had been met. In addition, for purposes of a community water supply or a noncommunity water supply funded by the proposed Revolving Fund, the municipal obligation would have to include an order of approval issued by the DEQ, stating that the proposed water supply had been approved for assistance by the Department.

Currently, "municipal obligation" means a bond or note or evidence of debt issued by a governmental unit for a purpose authorized by law. The term does not include qualified bonds as defined in Article 9, Section 16 of the State Constitution (i.e., general obligation bonds of school districts issued for capital expenditures). The bill specifies that "municipal obligation" would not include these qualified bonds except for any such bonds issued by a governmental unit for a community water supply or a noncommunity water supply and financed through the Revolving Fund. The bill also would amend the Act's definition of "governmental unit" to include a community water supplier, for purposes of a community water supply or a noncommunity water supply funded by the Revolving Fund.

Authority Board

In addition to its current powers, the Board of the Authority could provide assistance, as defined in Part 54 of the NREPA, to any governmental unit for a revolving fund community water supply or

noncommunity water supply, and could perform all functions necessary or incident to providing that assistance and to the operation of the Revolving Fund, including using funding allocated in the Federal Safe Drinking Water Act for purposes authorized in Part 54.

The Board also could enter into agreements with the Federal government to establish and operate the State Drinking Water Revolving Fund pursuant to the Federal Act and the rules and regulations promulgated under it.

Bonds or Notes

The Shared Credit Rating Act provides that, except for bonds or notes issued pursuant to the State Water Pollution Control Revolving Fund, the Authority may not issue new bonds or notes after December 31, 2000, to make loans to governmental units. The bill also would make an exception for bonds or notes issued pursuant to the State Drinking Water Revolving Fund.

Proposed MCL 324.5401-324.5418 (H.B. 4465)
MCL 141.1051 et al. (H.B. 4466)

Legislative Analyst: S. Margules

FISCAL IMPACT

The bills would establish the Drinking Water Revolving Fund and State drinking water program parameters to allow the receipt of between $25 million and $35 million in additional Federal funds. The State would provide a match of approximately $7.5 million in General Fund money, which is currently included in Senate Bill 167, the FY 1997-98 DEQ budget under consideration in the House of Representatives.

Fiscal Analyst: G. Cutler

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