

**SENATE BILL NO. 904**

February 19, 1998, Introduced by Senators BENNETT,  
DUNASKISS, GAST, NORTH, GOUGEON, KOIVISTO, STILLE and  
MC MANUS and referred to the Committee on Natural  
Resources and Environmental Affairs.

A bill to amend 1994 PA 451, entitled  
"Natural resources and environmental protection act,"  
(MCL 324.101 to 324.90106) by adding part 196.

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

1 PART 196 CLEAN MICHIGAN INITIATIVE IMPLEMENTATION

2 SEC. 19601. AS USED IN THIS PART:

3 (A) "BONDS" MEANS THE BONDS ISSUED UNDER THE CLEAN MICHIGAN  
4 INITIATIVE ACT.

5 (B) "FUND" MEANS THE CLEAN MICHIGAN INITIATIVE BOND FUND  
6 CREATED IN SECTION 19606.

7 (C) "LOCAL UNIT OF GOVERNMENT" MEANS A COUNTY, CITY, VIL-  
8 LAGE, OR TOWNSHIP, OR AN AGENCY OF A COUNTY, CITY, VILLAGE, OR  
9 TOWNSHIP; AN AUTHORITY OR ANY OTHER PUBLIC BODY CREATED BY OR  
10 PURSUANT TO STATE LAW; OR THIS STATE OR AN AGENCY OR DEPARTMENT  
11 OF THIS STATE.

1 (D) "PRIVATE ENTITY" MEANS AN INDIVIDUAL, TRUST, FIRM,  
2 PARTNERSHIP, CORPORATION, OR ASSOCIATION, WHETHER PROFIT OR NON-  
3 PROFIT, THAT IS NOT A LOCAL UNIT OF GOVERNMENT.

4 (E) "RESPONSE ACTIVITY" MEANS THAT TERM AS IT IS DEFINED IN  
5 PART 201.

6 SEC. 19602. THE LEGISLATURE FINDS AND DECLARES THAT THE  
7 ENVIRONMENTAL AND NATURAL RESOURCES PROTECTION PROGRAMS IMPL-  
8 MENTED UNDER THE CLEAN MICHIGAN INITIATIVE ACT ARE A PUBLIC PUR-  
9 POSE AND OF PARAMOUNT PUBLIC CONCERN IN THE INTEREST OF THE  
10 HEALTH, SAFETY, AND GENERAL WELFARE OF THE CITIZENS OF THIS  
11 STATE.

12 SEC. 19603. (1) THE BONDS ISSUED UNDER THE CLEAN MICHIGAN  
13 INITIATIVE ACT SHALL BE ISSUED IN 1 OR MORE SERIES, EACH SERIES  
14 TO BE IN A PRINCIPAL AMOUNT, TO BE DATED, TO HAVE THE MATURITIES  
15 WHICH MAY BE EITHER SERIAL, TERM, OR TERM AND SERIAL, TO BEAR  
16 INTEREST AT A RATE OR RATES, TO BE SUBJECT OR NOT SUBJECT TO  
17 PRIOR REDEMPTION, AND IF SUBJECT TO PRIOR REDEMPTION WITH OR  
18 WITHOUT CALL PREMIUMS, TO BE PAYABLE AT A PLACE OR PLACES, TO  
19 HAVE OR NOT HAVE PROVISIONS FOR REGISTRATION AS TO PRINCIPAL ONLY  
20 OR AS TO BOTH PRINCIPAL AND INTEREST, TO BE IN A FORM AND TO BE  
21 EXECUTED IN A MANNER AS SHALL BE DETERMINED BY RESOLUTION TO BE  
22 ADOPTED BY THE STATE ADMINISTRATIVE BOARD AND SUBJECT TO OR  
23 GRANTING THOSE COVENANTS, DIRECTIONS, RESTRICTIONS, OR RIGHTS  
24 SPECIFIED BY RESOLUTION TO BE ADOPTED BY THE STATE ADMINISTRATIVE  
25 BOARD AS NECESSARY TO INSURE THE MARKETABILITY, INSURABILITY, OR  
26 TAX EXEMPT STATUS OF THE BONDS. THE STATE ADMINISTRATIVE BOARD  
27 SHALL ROTATE THE SERVICES OF LEGAL COUNSEL WHEN ISSUING BONDS.

1           (2) THE STATE ADMINISTRATIVE BOARD MAY REFUND BONDS ISSUED  
2 UNDER THIS PART BY THE ISSUANCE OF NEW BONDS, WHETHER OR NOT THE  
3 BONDS TO BE REFUNDED HAVE MATURED OR ARE SUBJECT TO PRIOR  
4 REDEMPTION. THE STATE ADMINISTRATIVE BOARD MAY ISSUE BONDS  
5 PARTLY TO REFUND BONDS ISSUED UNDER THIS PART AND PARTLY FOR ANY  
6 OTHER PURPOSE PROVIDED BY THIS PART. THE PRINCIPAL AMOUNT OF ANY  
7 REFUNDING BONDS ISSUED PURSUANT TO THIS SECTION SHALL NOT BE  
8 COUNTED AGAINST THE LIMITATION ON PRINCIPAL AMOUNT PROVIDED IN  
9 THE CLEAN MICHIGAN INITIATIVE ACT. FURTHER, REFUNDING BONDS  
10 ISSUED PURSUANT TO THIS SECTION ARE NOT SUBJECT TO THE RESTRIC-  
11 TIONS OF SECTION 19607.

12           (3) THE STATE ADMINISTRATIVE BOARD MAY AUTHORIZE AND APPROVE  
13 INSURANCE CONTRACTS, AGREEMENTS FOR LINES OF CREDIT, LETTERS OF  
14 CREDIT, COMMITMENTS TO PURCHASE BONDS, AND ANY OTHER TRANSACTION  
15 TO PROVIDE SECURITY TO ASSURE TIMELY PAYMENT OR PURCHASE OF ANY  
16 BOND ISSUED UNDER THIS PART.

17           (4) THE STATE ADMINISTRATIVE BOARD MAY AUTHORIZE THE STATE  
18 TREASURER, BUT ONLY WITHIN LIMITATIONS THAT ARE CONTAINED IN THE  
19 AUTHORIZING RESOLUTION OF THE BOARD, TO DO 1 OR MORE OF THE  
20 FOLLOWING:

21           (A) SELL AND DELIVER AND RECEIVE PAYMENT FOR THE BONDS.

22           (B) DELIVER BONDS PARTLY TO REFUND BONDS AND PARTLY FOR  
23 OTHER AUTHORIZED PURPOSES.

24           (C) SELECT WHICH OUTSTANDING BONDS WILL BE REFUNDED, IF ANY,  
25 BY THE NEW ISSUE OF BONDS.

26           (D) BUY BONDS SO ISSUED AT NOT MORE THAN THEIR FACE VALUE.

1 (E) APPROVE INTEREST RATES OR METHODS FOR FIXING INTEREST  
2 RATES, PRICES, DISCOUNTS, MATURITIES, PRINCIPAL AMOUNTS, PURCHASE  
3 PRICES, PURCHASE DATES, REMARKETING DATES, DENOMINATIONS, DATES  
4 OF ISSUANCE, INTEREST PAYMENT DATES, REDEMPTION RIGHTS AT THE  
5 OPTION OF THE STATE OR THE OWNER, THE PLACE AND TIME OF DELIVERY  
6 AND PAYMENT, AND OTHER MATTERS AND PROCEDURES NECESSARY TO COM-  
7 PLETE THE AUTHORIZED TRANSACTIONS.

8 (F) EXECUTE, DELIVER, AND PAY THE COST OF REMARKETING AGREE-  
9 MENTS, INSURANCE CONTRACTS, AGREEMENTS FOR LINES OF CREDIT, LET-  
10 TERS OF CREDIT, COMMITMENTS TO PURCHASE BONDS OR NOTES, AND ANY  
11 OTHER TRANSACTION TO PROVIDE SECURITY TO ASSURE TIMELY PAYMENTS  
12 OR PURCHASE OF ANY BOND ISSUED UNDER THIS PART.

13 (5) THE BONDS SHALL BE APPROVED BY THE DEPARTMENT OF TREA-  
14 SURY BEFORE THEIR ISSUANCE BUT ARE NOT OTHERWISE SUBJECT TO THE  
15 MUNICIPAL FINANCE ACT, 1943 PA 202, MCL 131.1 TO 139.3.

16 (6) THE BONDS OR ANY SERIES OF THE BONDS SHALL BE SOLD AT  
17 SUCH PRICE AND AT A PUBLICLY ADVERTISED SALE OR A COMPETITIVELY  
18 NEGOTIATED SALE AS DETERMINED BY THE STATE ADMINISTRATIVE BOARD.  
19 IF BONDS ARE ISSUED AT A COMPETITIVELY NEGOTIATED SALE, THE STATE  
20 ADMINISTRATIVE BOARD SHALL USE ITS BEST EFFORTS TO INCLUDE FIRMS  
21 BASED IN THIS STATE IN THE SALE OF THE BONDS.

22 (7) THE BONDS SHALL BE SOLD IN ACCORDANCE WITH A SCHEDULE  
23 ESTABLISHED BY THE STATE ADMINISTRATIVE BOARD.

24 SEC. 19604. BONDS ISSUED UNDER THE CLEAN MICHIGAN INITIA-  
25 TIVE ACT SHALL BE FULLY NEGOTIABLE UNDER THE UNIFORM COMMERCIAL  
26 CODE, 1962 PA 174, MCL 440.1101 TO 440.11102. THE BONDS AND THE

1 INTEREST ON THE BONDS SHALL BE EXEMPT FROM ALL TAXATION BY THE  
2 STATE OR ANY POLITICAL SUBDIVISIONS OF THE STATE.

3 SEC. 19605. BONDS ISSUED UNDER THE CLEAN MICHIGAN INITIA-  
4 TIVE ACT ARE SECURITIES IN WHICH BANKS, SAVINGS AND LOAN ASSOCIA-  
5 TIONS, INVESTMENT COMPANIES, CREDIT UNIONS, AND OTHER PERSONS  
6 CARRYING ON A BANKING BUSINESS; ALL INSURANCE COMPANIES, INSUR-  
7 ANCE ASSOCIATIONS, AND OTHER PERSONS CARRYING ON AN INSURANCE  
8 BUSINESS; AND ALL ADMINISTRATORS, EXECUTORS, GUARDIANS, TRUSTEES,  
9 AND OTHER FIDUCIARIES MAY PROPERLY AND LEGALLY INVEST FUNDS,  
10 INCLUDING CAPITAL, BELONGING TO THEM OR WITHIN THEIR CONTROL.

11 SEC. 19606. (1) THE CLEAN MICHIGAN INITIATIVE BOND FUND IS  
12 CREATED IN THE STATE TREASURY.

13 (2) THE FUND SHALL CONSIST OF ALL OF THE FOLLOWING:

14 (A) THE PROCEEDS OF SALES OF GENERAL OBLIGATION BONDS ISSUED  
15 PURSUANT TO THE CLEAN MICHIGAN INITIATIVE ACT AND ANY PREMIUM AND  
16 ACCRUED INTEREST RECEIVED ON THE DELIVERY OF THE BONDS.

17 (B) ANY INTEREST OR EARNINGS GENERATED BY THE PROCEEDS  
18 DESCRIBED IN SUBDIVISION (A).

19 (C) ANY REPAYMENT OF PRINCIPAL AND INTEREST MADE UNDER A  
20 LOAN PROGRAM AUTHORIZED IN THIS PART.

21 (D) ANY FEDERAL OR OTHER FUNDS RECEIVED.

22 (3) THE DEPARTMENT OF TREASURY MAY ESTABLISH RESTRICTED SUB-  
23 ACCOUNTS WITHIN THE FUND AS NECESSARY TO ADMINISTER THE FUND.

24 SEC. 19607. (1) THE TOTAL PROCEEDS OF ALL BONDS ISSUED  
25 UNDER THE CLEAN MICHIGAN INITIATIVE ACT SHALL BE DEPOSITED INTO  
26 THE FUND AND ALLOCATED AS FOLLOWS:

1 (A) NOT MORE THAN \$325,000,000.00 SHALL BE USED FOR THE  
2 CLEANUP OF SITES OF ENVIRONMENTAL CONTAMINATION.

3 (B) NOT MORE THAN \$50,000,000.00 SHALL BE USED FOR WATER-  
4 FRONT IMPROVEMENTS.

5 (C) NOT MORE THAN \$25,000,000.00 SHALL BE USED FOR CLEANUP  
6 OF CONTAMINATED RIVER SEDIMENTS.

7 (D) NOT MORE THAN \$50,000,000.00 SHALL BE USED FOR NONPOINT  
8 SOURCE POLLUTION PREVENTION AND CONTROL.

9 (E) NOT MORE THAN \$50,000,000.00 SHALL BE USED FOR STATE  
10 PARK INFRASTRUCTURE IMPROVEMENTS.

11 (2) THE STATE TREASURER SHALL DIRECT THE INVESTMENT OF THE  
12 FUND. EXCEPT AS OTHERWISE MAY BE REQUIRED BY THE RESOLUTION  
13 AUTHORIZING THE ISSUANCE OF THE BONDS IN ORDER TO MAINTAIN THE  
14 EXCLUSION FROM GROSS INCOME OF THE INTEREST PAID ON THE BONDS OR  
15 TO COMPLY WITH STATE OR FEDERAL LAW, INTEREST AND EARNINGS FROM  
16 INVESTMENT OF THE PROCEEDS OF ANY BOND ISSUE SHALL BE ALLOCATED  
17 IN THE SAME PROPORTION AS EARNED ON THE INVESTMENT OF THE PRO-  
18 CEEDS OF THE BOND ISSUE.

19 (3) EXCEPT AS OTHERWISE MAY BE REQUIRED BY THE RESOLUTION  
20 AUTHORIZING THE ISSUANCE OF THE BONDS IN ORDER TO MAINTAIN THE  
21 EXCLUSION FROM GROSS INCOME OF THE INTEREST PAID ON THE BONDS OR  
22 TO COMPLY WITH STATE OR FEDERAL LAW, ALL REPAYMENTS OF PRINCIPAL  
23 AND INTEREST EARNED UNDER A LOAN PROGRAM PROVIDED IN THIS ACT  
24 SHALL BE CREDITED TO THE APPROPRIATE RESTRICTED SUBACCOUNTS OF  
25 THE FUND AND USED FOR THE PURPOSES AUTHORIZED FOR THE USE OF BOND  
26 PROCEEDS DEPOSITED IN THAT SUBACCOUNT OR TO PAY DEBT SERVICE ON

1 ANY OBLIGATION ISSUED WHICH PLEDGES THE LOAN REPAYMENTS AND THE  
2 PROCEEDS OF WHICH ARE DEPOSITED IN THAT SUBACCOUNT.

3 (4) THE UNENCUMBERED BALANCE IN THE FUND AT THE CLOSE OF THE  
4 FISCAL YEAR SHALL REMAIN IN THE FUND AND SHALL NOT REVERT TO THE  
5 GENERAL FUND.

6 SEC. 19608. (1) MONEY IN THE FUND THAT IS ALLOCATED UNDER  
7 SECTION 19607 SHALL BE USED FOR THE FOLLOWING PURPOSES:

8 (A) MONEY IN THE FUND THAT IS ALLOCATED UNDER SECTION  
9 19607(1)(A) SHALL BE USED BY THE DEPARTMENT TO FUND ALL OF THE  
10 FOLLOWING:

11 (i) CORRECTIVE ACTIONS UNDERTAKEN BY THE DEPARTMENT TO  
12 ADDRESS RELEASES FROM LEAKING UNDERGROUND STORAGE TANKS PURSUANT  
13 TO PART 213.

14 (ii) RESPONSE ACTIVITIES UNDERTAKEN BY THE DEPARTMENT AT  
15 SITES OF ENVIRONMENTAL CONTAMINATION PURSUANT TO PART 201 TO  
16 ADDRESS PUBLIC HEALTH AND ENVIRONMENTAL PROBLEMS OR TO PROMOTE  
17 REDEVELOPMENT.

18 (iii) SITE ASSESSMENT ACTIVITIES UNDERTAKEN BY THE DEPART-  
19 MENT TO DETERMINE WHETHER A PROPERTY IS A SITE OF ENVIRONMENTAL  
20 CONTAMINATION.

21 (iv) NOT MORE THAN \$20,000,000.00 SHALL BE USED TO PROVIDE  
22 GRANTS AND LOANS TO LOCAL UNITS OF GOVERNMENT AND BROWNFIELD  
23 REDEVELOPMENT AUTHORITIES CREATED UNDER THE BROWNFIELD REDEVELOP-  
24 MENT FINANCING ACT, 1996 PA 381, MCL 125.2651 TO 125.2672, FOR  
25 RESPONSE ACTIVITIES AT KNOWN OR SUSPECTED SITES OF CONTAMINATION  
26 WITH REDEVELOPMENT POTENTIAL.

1 (v) NOT MORE THAN \$12,000,000.00 SHALL BE USED FOR GRANTS  
2 UNDER THE MUNICIPAL LANDFILL GRANT PROGRAM UNDER SECTION 20109A.

3 (B) MONEY IN THE FUND THAT IS ALLOCATED UNDER SECTION  
4 19607(1)(B) SHALL BE USED FOR WATERFRONT IMPROVEMENT GRANTS PUR-  
5 SUANT TO PART 795.

6 (C) MONEY IN THE FUND THAT IS ALLOCATED UNDER SECTION  
7 19607(1)(C) SHALL BE USED FOR RESPONSE ACTIVITIES FOR THE CLEANUP  
8 OF CONTAMINATED RIVER SEDIMENTS PURSUANT TO PART 201.

9 (D) MONEY IN THE FUND THAT IS ALLOCATED UNDER SECTION  
10 19607(1)(D) SHALL BE USED FOR NONPOINT SOURCE POLLUTION PREVEN-  
11 TION AND CONTROL PROJECTS PURSUANT TO PART 88.

12 (E) MONEY THAT IS ALLOCATED UNDER SECTION 19607(1)(E) SHALL  
13 BE USED FOR INFRASTRUCTURE IMPROVEMENTS AT MICHIGAN STATE PARKS  
14 AS DETERMINED BY THE DEPARTMENT.

15 (2) MONEY PROVIDED IN THE FUND MAY BE USED BY THE DEPARTMENT  
16 OF TREASURY TO PAY FOR THE COST OF ISSUING BONDS UNDER THE CLEAN  
17 MICHIGAN INIATIVE ACT AND BY THE DEPARTMENT TO PAY DEPARTMENT  
18 COSTS AS PROVIDED IN THIS SUBSECTION. NOT MORE THAN 5% OF THE  
19 TOTAL AMOUNT SPECIFIED IN SECTION 19607(1) SHALL BE AVAILABLE FOR  
20 APPROPRIATION TO THE DEPARTMENT TO PAY DEPARTMENT COSTS DIRECTLY  
21 ASSOCIATED WITH THE COMPLETION OF A PROJECT DESCRIBED IN SECTION  
22 19607(1), FOR WHICH BONDS ARE ISSUED AS PROVIDED UNDER THIS  
23 PART. IT IS THE INTENT OF THE LEGISLATURE THAT GENERAL FUND  
24 APPROPRIATIONS TO THE DEPARTMENT SHALL NOT BE REDUCED AS A RESULT  
25 OF DEPARTMENT COSTS FUNDED PURSUANT TO THIS SUBSECTION.

26 (3) THE DEPARTMENT SHALL ANNUALLY SUBMIT A LIST OF ALL  
27 PROJECTS THAT WILL BE UNDERTAKEN BY THE DEPARTMENT THAT ARE



1 RECOMMENDED TO BE FUNDED UNDER THIS PART TO THE GOVERNOR, THE  
2 STANDING COMMITTEES OF THE HOUSE OF REPRESENTATIVES AND THE  
3 SENATE THAT PRIMARILY ADDRESS ISSUES PERTAINING TO THE PROTECTION  
4 OF NATURAL RESOURCES AND THE ENVIRONMENT, AND THE APPROPRIATIONS  
5 COMMITTEES IN THE HOUSE OF REPRESENTATIVES AND THE SENATE. THIS  
6 LIST SHALL BE SUBMITTED TO THE LEGISLATURE NOT LATER THAN  
7 FEBRUARY 15 OF EACH YEAR. THIS LIST SHALL ALSO BE SUBMITTED  
8 BEFORE ANY REQUEST FOR SUPPLEMENTAL APPROPRIATION OF BOND FUNDS.  
9 THE LIST SHALL INCLUDE THE NATURE OF THE ELIGIBLE PROJECT; THE  
10 COUNTY IN WHICH THE ELIGIBLE PROJECT IS LOCATED; AN ESTIMATE OF  
11 THE TOTAL COST OF THE ELIGIBLE PROJECT; AND OTHER INFORMATION  
12 CONSIDERED PERTINENT BY THE DEPARTMENT. A PROJECT THAT IS FUNDED  
13 BY A GRANT OR LOAN WITH MONEY FROM THE FUND DOES NOT NEED TO BE  
14 INCLUDED ON THE LIST SUBMITTED UNDER THIS SUBSECTION.

15 (4) THE LEGISLATURE SHALL APPROPRIATE PROSPECTIVE OR ACTUAL  
16 BOND PROCEEDS FOR PROJECTS PROPOSED TO BE FUNDED. APPROPRIATIONS  
17 SHALL BE CARRIED OVER TO SUCCEEDING FISCAL YEARS UNTIL THE  
18 PROJECT FOR WHICH THE FUNDS ARE APPROPRIATED IS COMPLETED.

19 (5) NOT LATER THAN DECEMBER 31 OF EACH YEAR, THE DEPARTMENT  
20 SHALL SUBMIT A LIST OF THE PROJECTS FINANCED UNDER THIS PART TO  
21 THE GOVERNOR, THE STANDING COMMITTEES OF THE HOUSE OF REPRESENTA-  
22 TIVES AND THE SENATE THAT PRIMARILY ADDRESS ISSUES PERTAINING TO  
23 THE PROTECTION OF NATURAL RESOURCES AND THE ENVIRONMENT, AND THE  
24 COMMITTEES OF THE HOUSE OF REPRESENTATIVES AND THE SENATE ON  
25 APPROPRIATIONS FOR THE DEPARTMENT. THE LIST SHALL INCLUDE THE  
26 NAME, ADDRESS, AND TELEPHONE NUMBER OF THE RECIPIENT OR  
27 PARTICIPANT, IF APPROPRIATE; THE NAME AND LOCATION OF THE

1 PROJECT; THE NATURE OF THE PROJECT; THE AMOUNT OF MONEY ALLOCATED  
2 TO THE PROJECT; THE COUNTY IN WHICH THE PROJECT IS LOCATED; AND  
3 OTHER INFORMATION CONSIDERED PERTINENT BY THE DEPARTMENT.

4 SEC. 19609. OF THE FUNDS TO BE USED TO PROVIDE GRANTS AND  
5 LOANS UNDER SECTION 19608(1)(A)(iv), ALL OF THE FOLLOWING CONDI-  
6 TIONS APPLY:

7 (A) A RECIPIENT OF A GRANT SHALL RECEIVE A MAXIMUM OF 1  
8 GRANT PER YEAR NOT TO EXCEED \$1,000,000.00 PER GRANT.

9 (B) A RECIPIENT OF A LOAN SHALL RECEIVE A MAXIMUM OF 1 LOAN  
10 PER YEAR NOT TO EXCEED \$1,000,000.00 PER LOAN.

11 (C) A GRANT SHALL BE AWARDED ONLY IF THE DEPARTMENT DETER-  
12 MINES THAT BOTH OF THE FOLLOWING APPLY:

13 (i) THE PROPERTY IS A FACILITY AS DEFINED IN SECTION 20101.

14 (ii) THE PROPOSED DEVELOPMENT OF THE PROPERTY WILL RESULT IN  
15 MEASURABLE ECONOMIC BENEFIT IN EXCESS OF THE GRANT AMOUNT  
16 REQUESTED BY THE APPLICANT.

17 (D) A LOAN SHALL BE AWARDED ONLY IF THE DEPARTMENT DETER-  
18 MINES THAT BOTH OF THE FOLLOWING APPLY:

19 (i) THE PROPERTY IS A FACILITY AS DEFINED IN SECTION 20101  
20 OR IS SUSPECTED OF BEING A FACILITY.

21 (ii) THE PROPERTY HAS ECONOMIC DEVELOPMENT POTENTIAL BASED  
22 ON THE APPLICANT'S PLANNED USE OF THE PROPERTY.

23 SEC. 19610. PRIOR TO MAKING A GRANT OR LOAN WITH MONEY FROM  
24 THE FUND, THE DEPARTMENT SHALL CONSIDER THE EXTENT TO WHICH THE  
25 MAKING OF THE GRANT OR LOAN CONTRIBUTES TO THE ACHIEVEMENT OF A  
26 BALANCED DISTRIBUTION OF GRANTS AND LOANS THROUGHOUT THE STATE.

1           SEC. 19611. AN APPLICATION FOR A GRANT OR A LOAN OF MONEY  
2 FROM THE FUND SHALL BE MADE ON A FORM OR IN A FORMAT PRESCRIBED  
3 BY THE DEPARTMENT. THE DEPARTMENT MAY REQUIRE THE APPLICANT TO  
4 PROVIDE ANY INFORMATION REASONABLY NECESSARY TO ALLOW THE DEPART-  
5 MENT TO MAKE A DETERMINATION REQUIRED BY THIS PART.

6           SEC. 19612. THE DEPARTMENT SHALL NOT MAKE A GRANT OR A LOAN  
7 WITH MONEY FROM THE FUND UNLESS ALL OF THE FOLLOWING CONDITIONS  
8 ARE MET:

9           (A) THE APPLICANT DEMONSTRATES THAT THE PROPOSED PROJECT IS  
10 IN COMPLIANCE WITH ALL APPLICABLE STATE LAWS AND RULES OR WILL  
11 RESULT IN COMPLIANCE WITH STATE LAWS AND RULES.

12           (B) THE APPLICANT DEMONSTRATES TO THE DEPARTMENT THE CAPA-  
13 BILITY TO CARRY OUT THE PROPOSED PROJECT.

14           (C) THE APPLICANT DEMONSTRATES TO THE DEPARTMENT THAT THERE  
15 IS AN IDENTIFIABLE SOURCE OF FUNDS FOR THE FUTURE MAINTENANCE AND  
16 OPERATION OF THE PROPOSED PROJECT, IF APPROPRIATE.

17           (D) WITHIN THE LAST 24 MONTHS, THE APPLICANT HAS SUCCESS-  
18 FULLY UNDERGONE AN AUDIT CONDUCTED IN ACCORDANCE WITH GENERALLY  
19 ACCEPTED AUDITING STANDARDS.

20           (E) THE APPLICANT HAS NOT PREVIOUSLY HAD A GRANT FROM THE  
21 DEPARTMENT REVOKED OR TERMINATED OR OTHERWISE PREVIOUSLY DEMON-  
22 STRATED AN INABILITY TO MANAGE A GRANT.

23           SEC. 19613. (1) A RECIPIENT OF A GRANT OR A LOAN MADE WITH  
24 MONEY FROM THE FUND SHALL BE SUBJECT TO ALL OF THE FOLLOWING:

25           (A) A RECIPIENT SHALL KEEP AN ACCOUNTING OF THE MONEY SPENT  
26 ON THE PROJECT OR FACILITY IN A GENERALLY ACCEPTED MANNER. THE  
27 ACCOUNTING SHALL BE SUBJECT TO A POSTAUDIT.

1 (B) A RECIPIENT SHALL OBTAIN AUTHORIZATION FROM THE  
2 DEPARTMENT BEFORE IMPLEMENTING A CHANGE THAT SIGNIFICANTLY ALTERS  
3 THE PROPOSED PROJECT.

4 (2) THE DEPARTMENT MAY REVOKE A GRANT OR A LOAN MADE BY THE  
5 DEPARTMENT UNDER THIS PART OR WITHHOLD PAYMENT IF THE RECIPIENT  
6 FAILS TO COMPLY WITH THE TERMS AND CONDITIONS OF THE GRANT OR  
7 LOAN AGREEMENT OR WITH THE REQUIREMENTS OF THIS PART OR THE RULES  
8 PROMULGATED UNDER THIS PART. IF A GRANT OR LOAN IS REVOKED, THE  
9 DEPARTMENT MAY RECOVER ALL FUNDS AWARDED.

10 (3) THE DEPARTMENT MAY WITHHOLD A GRANT OR A LOAN UNTIL THE  
11 DEPARTMENT DETERMINES THAT THE RECIPIENT IS ABLE TO PROCEED WITH  
12 THE PROPOSED PROJECT.

13 (4) TO ASSURE TIMELY COMPLETION OF A PROJECT, THE DEPARTMENT  
14 MAY WITHHOLD 10% OF THE GRANT OR LOAN AMOUNT UNTIL THE PROJECT IS  
15 COMPLETE.

16 (5) IF AN APPROVED APPLICANT FAILS TO SIGN A GRANT OR LOAN  
17 AGREEMENT WITHIN 90 DAYS OF A WRITTEN LOAN OFFER BY THE DEPART-  
18 MENT, THE DEPARTMENT MAY CANCEL THE GRANT OR LOAN OFFER. THE  
19 APPLICANT MAY NOT APPEAL OR CONTEST A CANCELLATION PURSUANT TO  
20 THIS SUBSECTION.

21 (6) THE DEPARTMENT MAY TERMINATE A GRANT OR LOAN AGREEMENT  
22 AND REQUIRE IMMEDIATE REPAYMENT OF THE GRANT OR LOAN IF THE  
23 RECIPIENT USES GRANT OR LOAN FUNDS FOR ANY PURPOSE OTHER THAN FOR  
24 THE APPROVED ACTIVITIES SPECIFIED IN THE GRANT OR LOAN  
25 AGREEMENT. THE DEPARTMENT SHALL PROVIDE THE RECIPIENT WRITTEN  
26 NOTICE OF THE TERMINATION 30 DAYS PRIOR TO THE TERMINATION.

1 (7) A LOAN MADE WITH MONEY IN THE FUND SHALL HAVE THE  
2 FOLLOWING TERMS:

3 (A) A LOAN INTEREST RATE OF NOT MORE THAN 50% OF THE PRIME  
4 RATE AS DETERMINED BY THE DEPARTMENT AS OF THE DATE OF APPROVAL  
5 OF THE LOAN.

6 (B) LOAN RECIPIENTS SHALL REPAY LOANS IN EQUAL ANNUAL  
7 INSTALLMENTS OF PRINCIPAL AND INTEREST BEGINNING NOT LATER THAN 5  
8 YEARS AFTER EXECUTION OF A LOAN AGREEMENT AND CONCLUDING NOT  
9 LATER THAN 15 YEARS AFTER EXECUTION OF A LOAN AGREEMENT.

10 (8) LOAN PAYMENTS AND INTEREST SHALL BE DEPOSITED IN THE  
11 FUND.

12 (9) UPON DEFAULT OF A LOAN, AS DETERMINED BY THE DEPARTMENT,  
13 OR UPON THE REQUEST OF THE LOAN RECIPIENT AS A METHOD TO REPAY  
14 THE LOAN, THE DEPARTMENT OF TREASURY SHALL WITHHOLD STATE PAY-  
15 MENTS FROM THE LOAN RECIPIENT IN AMOUNTS CONSISTENT WITH THE  
16 REPAYMENT SCHEDULE IN THE LOAN AGREEMENT UNTIL THE LOAN IS  
17 REPAYED. THE DEPARTMENT OF TREASURY SHALL DEPOSIT THESE WITHHELD  
18 FUNDS INTO THE FUND UNTIL THE LOAN IS REPAYED.

19 SEC. 19614. THE DEPARTMENT MAY PROMULGATE RULES AS ARE NEC-  
20 ESSARY TO IMPLEMENT THIS PART.

21 Enacting section 1. This amendatory act does not take  
22 effect unless all of the following bills of the 89th Legislature  
23 are enacted into law:

24 (a) Senate Bill No. 901.

25

26 (b) Senate Bill No. 902.

27

1 (c) Senate Bill No. 903.

2