

MUNICIPAL WATER QUALITY GRANT PROGRAM

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House Bill 6417

Sponsor: Rep. Gabe Leland

Committee: New Economy and Quality of Life

Complete to 9-23-10

A SUMMARY OF HOUSE BILL 6417 AS INTRODUCED 9-8-10

The bill would amend a section of the Natural Resources and Environmental Protection Act that deals with the strategic water quality initiatives grant program for municipalities. The bill would do the following.

** Allow the Michigan Municipal Bond Authority, in conjunction with the Department of Natural Resources and Environment, to provide \$80 million in grants to eligible municipalities under the Strategic Water Quality Initiatives Grant Program. (Currently, only \$40 million is authorized.)

** Allow the grant program to be used to provide assistance to municipalities to complete loan application requirements for other sources of financing for sewage treatment works projects, storm water treatment projects, or nonpoint source projects.

** Create the State Water Pollution Control Revolving Fund Advisory Committee within the DNRE.

Duties of the Committee

The committee's function includes evaluating current law to see how it could be amended to achieve the following outcomes: (1) increasing the level of investment in sewage collection and treatment systems; (2) providing incentives for actions that not only improve water quality but result in pollution prevention; and (3) optimizing the cost benefit ratio of alternative designs of sewage collection and treatment systems.

The committee would also be charged with reviewing and recommending revisions related to: (1) revising procedures to accommodate concurrent design and build type procurement and other nontraditional contracting procedures; (2) allowing project planning and preconstruction as costs eligible for assistance from the Fund; (3) reducing and streamlining the cost-effectiveness review requirements to be more consistent with local planning needs; (4) updating the scoring system to take into account infrastructure asset management; (5) simplifying application procedures; (6) reviewing options to provide grants to municipalities for timely and appropriate project planning, including disincentives for failure to demonstrate progress; (7) establishing protocols for a pre-meeting process for the DNRE to provide informal feedback to review the application and determine the likelihood of receiving funding; (8) recommending a new model for

establishing interest rates on a sliding scale based on the percentage of income paid in utility fees; (9) reviewing options to allow municipalities to be able to roll project plan expenses into the loans; and (10) alternative financing mechanisms for funding sewage treatment works projects, storm water projects, and nonpoint source projects.

The committee's conclusions and recommendations must be submitted no later than August 11, 2011, in a report to the DNRE and to the standing committees of the House and Senate with primary jurisdiction over issues related to natural resources and the environment.

Membership of the Committee

The committee's membership is to consist of a representative from the DNRE and additional members to be appointed by the DNRE director from recommendations from at least the following organizations: the American Council of Engineering Companies, the American Waterworks Association, the Michigan Chamber of Commerce, the Michigan Association of Counties, the Michigan Townships Association, the Michigan Municipal League, a statewide association representing drain commissioners, the Michigan Infrastructure and Transportation Association, the Michigan Water and Environment Association, a statewide organization of regional planning authorities, and a statewide environmental or conservation organization.

The committee would be subject to the Open Meetings Act and the Freedom of Information Act.

MCL 324.5204a

FISCAL IMPACT:

House Bill 6417 would increase the amount of available funding for the Strategic Water Quality Initiative Fund (SWQIF) grant program from \$40 million to \$80 million.

Under current law, only \$40.0 million may be appropriated from the SWQIF for grants to municipalities. The grants must be used to provide assistance to complete the loan application requirements of the SWQIF loan program which provides low interest loans to municipalities to fund wastewater treatment facility improvements. Under the provisions of the bill, however, the funding would also be used to complete loan applications for other sources of financing for sewage and storm water treatment projects and nonpoint source pollution projects.

Background

In 2002, Michigan voters approved Proposal 2 which authorized the Great Lakes Water Quality Bond, a \$1.0 billion general obligation bond program intended to help finance sewage treatment works upgrades or expansions and storm water treatment projects. Of this funding, up to \$100 million shall be deposited into the SWQIF for wastewater

treatment facility improvements. The bill provides up to \$40 million additional funding for grants to help municipalities complete loan applications for the SWQIF loan program and other loans from other financing sources for these types of programs.

As of June of 2010, there has been \$40 million in bonds issued for the SWQIF grant program. To date, the program has received and acted on 125 applications and has disbursed \$37.2 million of this revenue to municipalities.

State Spending Implications

House Bill 6417 could increase the costs to the State by an indeterminate amount, depending upon the amount of any new bond issues that might take place. While the bill does not require additional state spending, it does authorize additional spending of SWQIF for wastewater treatment grant activities. If the Legislature appropriates additional program spending, the State would be required to pay debt service payments for any new bonds that would be issued.

The bill also requires the Department of Natural Resources and Environment (DNRE) to provide staff assistance to the new State Water Pollution Control Revolving Fund Advisory Committee. This may generate additional staffing costs to the DNRE.

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.