

## MUNICIPAL WATER QUALITY GRANT PROGRAM

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**House Bill 6417 (Substitute H-1) as passed by the House**

**Sponsor: Rep. Gabe Leland**

**Committee: New Economy and Quality of Life**

**Senate Bill 1443 (Substitute H-1)**

**Sponsor: Sen. Jud Gilbert, II**

**Senate Committee: Natural Resources and Environmental Affairs**

**House Committee: New Economy and Quality of Life**

**Complete to 11-29-10**

## **A SUMMARY OF HOUSE BILL 6417 (H-1) AS PASSED BY THE HOUSE 11-10-10 & SENATE BILL 1443 (H-1) AS REPORTED FROM HOUSE COMMITTEE 11-10-10**

These similar bills would amend a section of the Natural Resources and Environmental Protection Act that deals with the Strategic Water Quality Initiatives Grant Program for municipalities. (It is anticipated that, if enacted by both chambers, SB 1443, not HB 6417, would be enacted into law.) The bills 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.

\*\* Extend provisions that currently limit grant assistance to 90 percent of a municipality's costs and that prohibit grant assistance from being used for a required 10 percent match to applications for funding from other sources.

\*\* Require a grant recipient to repay the grant, with interest, if the project was identified as being in the fundable range or was approved for funding from another source and the grant recipient declined the loan assistance for two consecutive fiscal years (unless the recipient went forward with the project with funding from another source).

\*\* Eliminate a provision requiring a grant recipient who financed construction of a project by means other than the State Water Pollution Control Fund or the Strategic Water Quality Initiatives Fund to repay the grant with interest.

\*\* Create the State Water Pollution Control Revolving Fund Advisory Committee within the DNRE, and require the DNRE to provide staff assistance to the committee.

### 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.

In addition, the committee would need to review and recommend whether a new grant program is needed to fund specific wastewater treatment facility infrastructure improvement projects. This program would be for projects designed to prevent chronic discharges and that are expected to have significant regional benefits to Great Lakes water quality and recreational opportunities.

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. Six months after it submitted the required report, the committee would be abolished.

### 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

Tie-bars. The bills are each tie-barred to the following bills, meaning that neither could take effect unless the following bills are all enacted into law:

- Senate Bill 1345 (revise Part 201; expand use of self-implemented cleanups, etc.)
- Senate Bill 1346 (revise Part 201 definitions; prohibit enforcement of certain Part 201 memos and interpretations)
- Senate Bill 1348 (revise Part 201 penalties)
- House Bill 6359 (create Response Activity Review Panel)
- House Bill 6360 (revise Part 201 due care provisions)
- House Bill 6363 (require certain inventory lists; revise reporting obligations as to releases, migrating releases, and oil and gas releases)

As amended by the House Committee, Senate Bill 1443 is also tie-barred to HB 6416 (Griffin), a bill to expand the allowed uses of the Strategic Water Quality Initiatives Fund. HB 6417 is also tie-barred to SB 1442 (Birkholz), a bill similar to HB 6416.

#### **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.