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Senate Bill 319 (as introduced 3-25-21)
Senate Bill 320 (as introduced 3-25-21)
Sponsor: Senator Rick Outman
Senator Paul Wojno
Committee: Environmental Quality

Date Completed: 4-20-21

CONTENT

Senate Bill 319 would amend the Natural Resources and Environmental Protection Act to do the following:

- **Require the Department of Environment, Great Lakes, and Energy (EGLE) to create a municipality loan program and a resident loan program within the Strategic Water Quality Initiatives loan program.**
- **Require the loan programs to provide low- or no-interest loans to municipalities or residents, as applicable.**
- **Require the Department to issue a grant to a community development financial institution or similar entity in order to implement the resident loan program.**

Senate Bill 320 would amend Part 197 (Great Lakes Water Quality Bond Implementation) of the Natural Resources and Environmental Protection Act to do the following:

- **Require the State Treasurer to deposit, in aggregate, no more than \$1.0 billion dollars from the Great Lakes Water Quality Bond Fund into the Strategic Water Quality Initiatives Fund.**
- **Require bonds that were directly deposited into the Strategic Water Quality Initiatives Fund, instead of the State Water Pollution Control Revolving Fund or the Strategic Water Quality Initiatives Fund, to be taken into account for the purpose of determining the transfer of money described above.**

Senate Bill 319 and Senate Bill 320 are tie-barred.

Senate Bill 319

Part 52 (Strategic Water Quality Initiatives) establishes the Strategic Water Quality Initiatives Loan Program, which provides low interest loans to municipalities to provide assistance for:

- Improvements to reduce or eliminate the amount of groundwater or stormwater entering a sanitary sewer or a combined sewer lead.
- Upgrades or replacements of failing on-site septic systems that are adversely affecting public health or the environment, or both.

- Project costs of the municipality related to testing, demonstration, and construction activities as defined in Section 5301 of the Act for innovative wastewater and stormwater technologies approved by the Department.
- Assistance for construction activities designed to protect water quality, including improvements that are water or energy efficient, where feasible, when identified through an assessment management program or a project identified in an approved stormwater management plan.

(Under Section 5301, "construction activities" means any actions undertaken in the planning, designing, or building of sewage treatment works projects, stormwater treatment projects, or nonpoint source projects.)

Under the bill, the Department would have to create a municipality loan program and a resident loan program within the Strategic Water Quality Initiatives loan program. The municipalities loan program would have to provide low- or no-interest loans to municipalities; the resident loan program would have to provide low- or no-interest loans to residents. The loan programs would have to provide assistance for one or more of the activities described above.

To implement the resident loan program, the Department would have to issue a grant to a community development financial institution or other similar entity.

Currently, Part 53 (Clean Water Assistance) defines "disadvantaged community" as a municipality in which all the following are met:

- Users within the area served by a proposed sewage treatment works project or stormwater treatment project are directly assessed for the costs of construction.
- The median household income of the area served by a proposed sewage treatment works project or stormwater treatment project does not exceed 120% of the Statewide median annual household income.

To qualify as a disadvantaged community, the municipality also must demonstrate at least one of the following:

- More than 50% of the area served by a proposed sewage treatment works project or stormwater treatment project is identified as a poverty area by the United States Census Bureau.
- The median annual household income of the area served by the proposed project is less than the most recently published statewide median annual household income for Michigan, and annual user costs for sewer treatment or stormwater treatment exceed 1.0% of the median household income of the area served by the project.
- The median annual household income of the area served by the proposed project is not greater than 120% of the Statewide median annual household income, an annual user costs for sewage treatment or stormwater treatment exceed 3.0% of the median annual household income for the area served by the proposed project.

The municipality also may demonstrate that the median annual household income of the area served by a proposed project is less than the most recently published Federal poverty guidelines for a family of four in the 48 contiguous United States. The bill would remove the phrase "most recently published". Instead, as used in this provision, "Federal poverty guidelines" would mean the poverty guidelines published annually in the Federal Register by the US Department of Health and Human Services under its authority to revise the poverty line.

"Tier I Project" means a project for which assistance is sought or provided from funds made directly available from the Federal Capitalization Grant or from the Great Lakes Water Quality Bond Fund. "Tier II Project" means a project for which assistance is sought or provided from funds other than those made directly available from the Federal Capitalization Grant or from the Great Lakes Water Quality Bond Fund. The bill would remove the reference to the Great Lakes Water Quality Bond Fund in both definitions.

Senate Bill 320

Under Part 197, the State Treasurer must transfer money in the Great Lakes Water Quality Bond Fund as follows:

- In aggregate, no more than \$290.0 million of the money in the Fund must be deposited into the State Water Pollution Control Revolving Fund created under the Shared Credit Rating Act.
- In aggregate, no more than \$710.0 million the money in the Fund must be deposited into the Strategic Water Quality Initiatives Fund.

The bill would remove the above provisions and, instead, would require the Treasurer to deposit, in aggregate, no more than \$1.0 billion from the Bond Fund into the Strategic Water Quality Initiatives Fund.

Currently, bonds that are directly deposited into the State Water Pollution Control Revolving Fund or the Strategic Water Quality Initiatives Fund must be taken into account for the purpose of determining the transfer of money set forth in the above provision. The bill would remove the reference to the State Water Pollution Control Revolving Fund.

MCL 324.5202 et al. (S.B. 319)
324.19708 (S.B. 320)

Legislative Analyst: Dana Adams

FISCAL IMPACT

Senate Bill 319

The bill would authorize EGLE to develop a low- or no-interest loan program to help residents replace or repair their septic systems. The Department anticipates providing \$35.0 million for the proposed program. Those funds would be used to create and provide a source for the septic system loan program. The ongoing costs associated with distribution and administration of the loan program is anticipated to be bore by a community development financial institution. A partnership of this nature with the financial institution likely would lead to minor administrative costs for the Department.

Senate Bill 320

The bill is based on EGLE's request for authorization to gain access the last \$290.0 million of funding available through the 2002 Great Lakes Water Quality Bond approved by voters. The Department indicates that, if the bill were enacted, it would use the funds to support multiple programs in its proposed Michigan Clean Water Plan. The Department states that it would distribute the funding as follows: \$235.0 million for clean water infrastructure grants, \$35.0 million for failing septic system elimination, \$20.0 million substantial public health risk grants, and \$3.0 million for grants to local units of government for targeted water projects. The Department anticipates the requested \$290.0 million would be sufficient to cover the cost for each program.

The bill would have no fiscal impact on the Department of Treasury or local units of government as the costs to make changes to the State Water Pollution Control Revolving Fund and Strategic Water Quality Initiatives Fund would be minimal and within current appropriations.

Fiscal Analyst: Ben Dawson
Cory Savino

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.