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WATER QUALITY BONDS

House Bill 5316

Sponsor: Rep. Jon Jellema

Committee: Local Government and Urban
Policy

Complete to 2-10-00

A SUMMARY OF HOUSE BILL 5316 AS INTRODUCED 2-8-00

House Bill 5316 would create a new act to be known as the Safe Drinking Water Financial Assistance Act. It would take effect October 1, 2000.

Under the new act, a governmental unit could issue notes or bonds and use the proceeds to plan for a) the acquisition, construction, improvement, or installation of property comprising all or a portion of a community water supply or a noncommunity water supply, or b) the refunding or advance refunding of notes or bonds previously issued under the act, and c) the payment of the costs of issuing the notes or bonds. For any governmental unit, the aggregate principal amount issued less the principal amount used to purchase the notes or bonds could not exceed \$100,000. The issuance of notes or bonds would not be subject to any right of referendum, notwithstanding any other statutory or charter provision to the contrary. The notes and bonds would be sold to the Michigan Municipal Bond Authority and would not be subject to the Municipal Finance Act. Further, each governmental unit could use note or bond proceeds to purchase notes or bonds issued under the act by another governmental unit.

Under the bill, the governing body of the governmental unit would be required to authorize by resolution the notes or bonds that are issued, and could pledge the full faith and credit of the unit to the payment of the principal and interest on the notes or bonds. The unit could establish a) interest rates, b) prices, c) discounts, d) maturities, e) principal amounts, f) denominations, g) dates of issuance, h) interest payment dates, i) optional or mandatory redemption or tender rights, j) obligations to be exercised by the unit or the bond- or note-holders, k) the place of delivery and payment, and l) other matters and procedures necessary or desirable in connection with the issuance of the notes or bonds.

House Bill 5316 would allow the government unit to secure the notes or bonds with additional security, including but not limited to a) a pledge or assignment of any school aid payments, revenue sharing payments, or similar payments to be received from the state, b) a letter of credit, c) a line of credit, or, d) an insurance contract.

In its authorizing resolution, the government unit could specify that it was the duty of each officer and official of the governmental unit that issues notes or bonds to include in the annual taxes levied an amount such that the estimated collections would be sufficient to pay, when they are due, all payments of the principal and interest on the notes or bonds, before the collection of the following

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year's taxes, and after taking into account the money on hand (or expected to be on hand) for such payments. However, under the bill the governing body of the unit would be required to budget and to pay the necessary principal and interest on the notes or bonds, including overdue installments or maturities, when they became due. In addition, the authorizing resolution of the governmental unit could authorize the unit to enter into a) loan agreements, b) security agreements, c) pledge agreements, d) mortgages, e) assignments, or f) other agreements that would be determined to be necessary.

The bill specifies that the new act would be construed as cumulative authority for the exercise of the powers granted under it. Further, it specifies that the purpose of the act would be to create full and complete additional and alternate methods for the exercise of the powers described, and that the powers conferred by the act would not be affected or limited by any other statute or by any charter or incorporating document, except as otherwise provided. However, the act would not authorize the governing body of a unit to levy taxes in excess of constitutional, statutory, or charter limits without the approval of electors.

Under the bill, "assistance," "community water supply," "noncommunity water supply," and "water supplier" are defined to mean those terms as they are defined in part 54 of the Natural Resources and Environmental Protection Act, more customarily called the Safe Drinking Water Assistance Act, or Public Act 26 of 1997 which went into effect on June 17, 1997. [In that act, "assistance" means one or more of the nine activities listed, including loans, authorized by the Federal Safe Water Drinking Act. "Community water supply" means a public water supply that provides year-round service to not less than 15 living units or which regularly provides year-round service to not less than 25 residents. "Noncommunity water supply" means a public water supply that is not a community water supply, but that has not less than 15 service connections or that serves not less than 25 individuals on an average daily basis for not less than 60 days per year. "Water supplier" means a municipality or its designated representative accepted by the director, a legal business entity, or any other person who owns a public water supply. However, water supplier does not include a water hauler.

Further and under the bill, "department" means the Department of Environmental Quality, and "governmental unit" means a governmental unit as defined in section 3 of the Shared Credit Rating Act, that is eligible for reimbursement of project planning costs under the Natural Resources and Environmental Protection Act. [The Shared Credit Rating Act, Public Act 227 of 1985, defines "governmental unit" in a lengthy manner, but generally the term means a county, city, township, village, school district, public school academy, intermediate school district, community college, public university, authority, district, any other body corporate and politic or other political subdivision, any agency or instrumentality of the forgoing, or any group self-insurance pool, and in some instances, an Indian tribe.]

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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.