
Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

SFA**BILL ANALYSIS**

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

House Bill 5316 (Substitute H-1 as reported without amendment)
Sponsor: Representative Jon Jellema
House Committee: Local Government and Urban Policy
Senate Committee: Natural Resources and Environmental Affairs

CONTENT

The bill would create the "Safe Drinking Water Financial Assistance Act" to allow a governmental unit serving fewer than 10,000 people, by resolution, to issue notes or bonds for a community or noncommunity water supply; allow a governmental unit to pledge payments from the State to secure the notes or bonds; and allow a governmental unit to use proceeds of notes or bonds sold to the Michigan Municipal Bond Authority to purchase notes and bonds issued by any other governmental unit. The amount of notes and bonds issued by a governmental unit, less the amount it used to purchase notes and bonds issued by another governmental unit, could not exceed \$100,000. The bill would take effect October 1, 2000.

"Governmental unit" would mean a governmental unit as defined in Section 3 of the Shared Credit Rating Act, that was eligible for reimbursement of project planning costs under Section 5404(3)(b) of the Natural Resources and Environmental Protection Act (NREPA). (Section 3 of the Shared Credit Rating Act defines "governmental unit" as county, city, township, village, school district, community college, public university, authority, district, any other body corporate and politic or other political subdivision, any agency or instrumentality of those entities, or any group self-insurance pool formed under Public Act 35 of 1951 (which governs intergovernmental contracts). For some projects, the term includes an Indian tribe. For purposes of a community water supply or a noncommunity water supply, "governmental unit" includes a community water supplier. Under Section 5404(3)(b) of the NREPA, for a municipality serving fewer than 10,000 people, incurred planning costs related to a proposed waterworks project will be reimbursed by the Department of Environmental Quality upon completion and submittal of an approvable project plan by the municipality to the Department.)

Legislative Analyst: N. Nagata

FISCAL IMPACT

To the extent that the bill would facilitate the issuing of debt for certain local units of government, and to the extent that this would result in an increase in local indebtedness, the bill would result in an indeterminate increase in interest costs to local units that opted to issue bonds or notes under the bill. In most cases, a given local government would incur interest costs on an average note or bond of \$25,000 to \$30,000, the current average cost of planning for a water supply improvement project. Under some circumstances, however, the bill would allow a local unit of government to issue notes or bonds in excess of \$100,000.

Date Completed: 5-3-00

Fiscal Analyst: P. Graham

[floor/hb5316 \(H-1\)](#)

Analysis available @ <http://www.michiganlegislature.org>

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.