

**SENATE SUBSTITUTE FOR
HOUSE BILL NO. 5673**

A bill to amend 1994 PA 451, entitled
"Natural resources and environmental protection act,"
by amending sections 5201, 5202, 5203, and 5204 (MCL 324.5201,
324.5202, 324.5203, and 324.5204), section 5201 as amended by 2005
PA 257, sections 5202 and 5203 as added by 2002 PA 397, and section
5204 as amended by 2010 PA 232, and by adding section 5204e.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 5201. As used in this part:

2 **(A) "ASSET MANAGEMENT PROGRAM" MEANS THE PROGRAM THAT**
3 **IDENTIFIES THE DESIRED LEVEL OF SERVICE AT THE LOWEST LIFE CYCLE**
4 **COST FOR REHABILITATING, REPAIRING, OR REPLACING THE ASSETS**
5 **ASSOCIATED WITH A MUNICIPALITY'S WASTEWATER OR STORM WATER SYSTEM.**

6 **(B) ~~(a)~~**—"Authority" means the Michigan municipal bond
7 authority created in section 4 of the shared credit rating act,

1 1985 PA 227, MCL 141.1054.

2 (C) ~~(b)~~ "Department" means the department of environmental
3 quality.

4 (D) ~~(c)~~ "Fund" means the strategic water quality initiatives
5 fund created in section 5204.

6 (E) ~~(d)~~ "Grant" means a grant from the grant program.

7 (F) ~~(e)~~ "Grant program" means the strategic water quality
8 initiatives grant program established under ~~section 5204a~~. **THIS**
9 **PART.**

10 (G) ~~(f)~~ "Loan" means a loan from the loan program.

11 (H) ~~(g)~~ "Loan program" means the strategic water quality
12 initiatives loan program established under section 5202.

13 (I) ~~(h)~~ "Municipality" means that term as it is defined in
14 section 5301.

15 (J) ~~(i)~~ "On-site septic system" means a natural system or
16 mechanical device used to store, treat, and dispose of sewage from
17 1 or more dwelling units that utilize a subsurface trench or bed
18 that allows the effluent to be absorbed and treated by the
19 surrounding soil, including a septic tank and tile field system.

20 (K) ~~(j)~~ "State water pollution control revolving fund" means
21 the state water pollution control revolving fund established under
22 section 16a of the shared credit rating act, 1985 PA 227, MCL
23 141.1066a.

24 (L) **"WETLAND MITIGATION BANK" MEANS A SITE WHERE WETLANDS ARE**
25 **RESTORED, CREATED, OR PRESERVED FOR THE PURPOSE OF DOING BOTH OF**
26 **THE FOLLOWING:**

27 (i) **TO PROVIDE COMPENSATORY MITIGATION IN ACCORDANCE WITH THE**

1 PROVISIONS OF PART 303, IN ADVANCE OF AUTHORIZED, UNAVOIDABLE
2 IMPACTS TO WETLANDS.

3 (ii) TO PROVIDE STORM WATER CONTROL, NONPOINT SOURCE POLLUTION
4 CONTROL, OR POLLUTION TREATMENT THAT IMPROVES THE QUALITY OF THE
5 WATERS OF THE STATE.

6 Sec. 5202. (1) The authority in consultation with the
7 department shall establish a strategic water quality initiatives
8 loan program. This loan program shall provide low interest loans to
9 municipalities to provide assistance ~~for improvements to a sewage~~
10 ~~system~~ for 1 or more of the following:

11 (a) Improvements to reduce or eliminate the amount of
12 groundwater or storm water entering a sanitary sewer lead or a
13 combined sewer lead.

14 (b) Upgrades or replacements of failing on-site septic systems
15 that are adversely affecting public health or the environment, or
16 both.

17 (C) PROJECT COSTS OF THE MUNICIPALITY RELATED TO TESTING,
18 DEMONSTRATION, AND CONSTRUCTION ACTIVITIES AS DEFINED IN SECTION
19 5301(D) FOR INNOVATIVE WASTEWATER AND STORM WATER TECHNOLOGIES
20 APPROVED BY THE DEPARTMENT.

21 (D) ASSISTANCE FOR CONSTRUCTION ACTIVITIES AS DEFINED IN
22 SECTION 5301(D) DESIGNED TO PROTECT WATER QUALITY, INCLUDING
23 IMPROVEMENTS THAT ARE WATER OR ENERGY EFFICIENT, WHERE FEASIBLE,
24 WHEN IDENTIFIED THROUGH AN ASSET MANAGEMENT PROGRAM OR A PROJECT
25 IDENTIFIED IN AN APPROVED STORM WATER MANAGEMENT PLAN.

26 (2) THE DEPARTMENT SHALL DEVELOP CRITERIA SPECIFYING THE
27 CONTENT OF AN ASSET MANAGEMENT PROGRAM.

1 (3) ~~(2)~~ In implementing the loan program, the department shall
2 annually establish the interest rate that will be charged for
3 loans.

4 Sec. 5203. (1) A municipality that wishes to apply for a loan
5 shall submit a loan application to the department ~~in accordance~~
6 ~~with the application requirements provided in part 53.~~ **AS FOLLOWS:**

7 **(A) IN COMPLIANCE WITH THE APPLICATION REQUIREMENTS PROVIDED**
8 **IN PART 53, FOR ACTIVITIES DESCRIBED IN SECTION 5202(1)(A) OR (B).**

9 **(B) ON A FORM APPROVED BY THE DEPARTMENT, FOR ACTIVITIES**
10 **DESCRIBED IN SECTION 5202(1)(C) OR (D).**

11 (2) The department shall process the loan applications
12 submitted under this part. ~~and otherwise administer the fund in~~
13 ~~accordance with the procedures established pursuant to part 53.~~

14 (3) Prior to releasing a loan, the authority in consultation
15 with the department shall enter into a loan agreement with the loan
16 recipient. ~~in accordance with part 53.~~

17 (4) All money that is received for the repayment of a loan
18 shall be forwarded to the state treasurer for deposit into the
19 fund.

20 Sec. 5204. (1) The strategic water quality initiatives fund is
21 created within the state treasury.

22 (2) The state treasurer may receive money or other assets from
23 any source for deposit into the fund. The state treasurer shall
24 direct the investment of the fund. The state treasurer shall credit
25 to the fund interest and earnings from fund investments. The
26 authority shall act as fiscal agent for the fund in accordance with
27 the shared credit rating act, 1985 PA 227, MCL 141.1051 to

1 141.1076.

2 (3) Money in the fund at the close of the fiscal year shall
3 remain in the fund and shall not lapse to the general fund.

4 (4) The authority in consultation with the department shall
5 expend money from the fund, upon appropriation, only for the
6 following:

7 (a) Loans under section 5202.

8 (b) Grants under ~~section~~ **SECTIONS** 5204a, ~~and~~ 5204d, **AND 5204E.**

9 (c) Response activities to address nonpoint source water
10 pollution under section 5204b.

11 (d) Grants and loans for brownfield sites under section 5204c.

12 **(E) GRANTS AND LOANS FOR WETLAND MITIGATION BANKS UNDER**
13 **SECTION 5204F.**

14 **(F)** ~~(e)~~—The costs of the authority and the department in
15 administering the fund.

16 (5) The fund may be pledged as security for bonds to be issued
17 by the authority for the purpose of funding loans if authorized by
18 the state administrative board.

19 **SEC. 5204E. (1) IN ADDITION TO OTHER REQUIREMENTS OF THIS**
20 **PART, THE GRANT PROGRAM SHALL PROVIDE GRANTS TO MUNICIPALITIES FOR**
21 **SEWAGE COLLECTION AND TREATMENT SYSTEMS OR STORM WATER OR NONPOINT**
22 **SOURCE POLLUTION CONTROL AS PROVIDED FOR IN THIS SECTION.**

23 **(2) THE GRANT PROGRAM IS SUBJECT TO ALL OF THE FOLLOWING:**

24 **(A) THE GRANT PROGRAM SHALL PROVIDE GRANTS IN ACCORDANCE WITH**
25 **THE FOLLOWING:**

26 **(i) SUBJECT TO SUBPARAGRAPH (iii), FOR GRANTS OF UP TO**
27 **\$1,000,000.00, NOT MORE THAN 90% OF THE COSTS INCURRED BY THE**

1 MUNICIPALITY.

2 (ii) SUBJECT TO SUBPARAGRAPH (iii), FOR GRANTS OF MORE THAN
3 \$1,000,000.00 AND LESS THAN \$2,000,000.00, NOT MORE THAN 90% OF THE
4 COSTS INCURRED BY THE MUNICIPALITY UP TO \$1,000,000.00 AND NOT MORE
5 THAN 75% OF THE COSTS ABOVE \$1,000,000.00 INCURRED BY THE
6 MUNICIPALITY.

7 (iii) IF ANY OF THE FOLLOWING CONDITIONS ARE MET, A GRANT MAY BE
8 ISSUED TO COVER 100% OF THE COSTS INCURRED BY THE MUNICIPALITY:

9 (A) THE MUNICIPALITY IS A DISADVANTAGED COMMUNITY AS DEFINED
10 IN PART 53.

11 (B) THE MUNICIPALITY IS IN RECEIVERSHIP.

12 (C) THE MUNICIPALITY IS OPERATING UNDER AN EMERGENCY MANAGER
13 OR AN EMERGENCY FINANCIAL MANAGER APPOINTED UNDER STATE LAW.

14 (D) THE MUNICIPALITY IS OPERATING UNDER A CONSENT AGREEMENT AS
15 PROVIDED UNDER THE LOCAL GOVERNMENT FISCAL RESPONSIBILITY ACT, 1990
16 PA 72, MCL 141.1201 TO 141.1291.

17 (B) A GRANT MAY BE USED FOR 1 OR MORE OF THE FOLLOWING
18 PURPOSES:

19 (i) DEVELOPMENT OF AN ASSET MANAGEMENT PROGRAM FOR A SEWAGE
20 COLLECTION AND TREATMENT SYSTEM OR A STORM WATER SYSTEM. FOR SEWAGE
21 COLLECTION AND TREATMENT SYSTEMS, THE PROGRAM SHALL INCLUDE THE
22 DEVELOPMENT OF A FUNDING STRUCTURE AND IMPLEMENTATION SCHEDULE THAT
23 PROVIDES SUFFICIENT RESOURCES TO IMPLEMENT THE PROGRAM. THE
24 MUNICIPALITY SHALL COORDINATE, AS FEASIBLE, WITH OTHER
25 INFRASTRUCTURE ACTIVITIES IN THE SAME GEOGRAPHIC AREA. IN ADDITION,
26 A DISADVANTAGED COMMUNITY MAY EXPEND NOT MORE THAN \$500,000.00 IN
27 GRANT FUNDS TO IMPLEMENT PROJECTS IDENTIFIED IN THE ASSET

1 MANAGEMENT PROGRAM.

2 (ii) DEVELOPMENT OF MANAGEMENT PLANS FOR THE TREATMENT OF STORM
3 WATER.

4 (iii) PLANNING AND DESIGN OF A SEWAGE TREATMENT WORKS PROJECT OR
5 STORMWATER TREATMENT PROJECT AS DEFINED IN SECTION 5301(N) OR (O)
6 OR PLANNING AND DESIGN OF CONSTRUCTION ACTIVITIES DESIGNED TO
7 REDUCE NONPOINT SOURCE POLLUTION.

8 (iv) PROJECT COSTS OF A MUNICIPALITY RELATED TO THE TESTING AND
9 DEMONSTRATION OF INNOVATIVE WASTEWATER AND STORM WATER TECHNOLOGIES
10 APPROVED BY THE DEPARTMENT.

11 (C) THE LOCAL MATCH IS NOT ELIGIBLE FOR LOAN ASSISTANCE FROM
12 THE STATE WATER POLLUTION CONTROL REVOLVING FUND OR THE FUND.

13 (D) GRANT FUNDS SHALL NOT BE USED FOR GENERAL LOCAL GOVERNMENT
14 ADMINISTRATIVE ACTIVITIES OR ACTIVITIES PERFORMED BY MUNICIPAL
15 EMPLOYEES THAT ARE UNRELATED TO THE PROJECT.

16 (E) A MUNICIPALITY SHALL NOT RECEIVE MORE THAN \$2,000,000.00
17 IN TOTAL GRANT ASSISTANCE UNDER THIS SECTION.

18 (3) THE DEPARTMENT SHALL ESTABLISH AN APPLICATION AND REVIEW
19 PROCESS FOR CONSIDERING GRANT APPLICATIONS UNDER THIS SECTION. THE
20 APPLICATION SHALL CONTAIN THE INFORMATION REQUIRED BY THE
21 DEPARTMENT AND THE AUTHORITY. WITHIN 60 DAYS AFTER RECEIPT OF AN
22 APPLICATION, THE DEPARTMENT SHALL PUBLISH NOTICE OF THE APPLICATION
23 ON THE DEPARTMENT'S CALENDAR. WITHIN 120 DAYS AFTER RECEIPT OF AN
24 ADMINISTRATIVELY COMPLETE GRANT APPLICATION, THE DEPARTMENT SHALL,
25 IN WRITING, NOTIFY THE APPLICANT WHETHER THE APPLICATION IS
26 APPROVED OR REJECTED. IF THE DEPARTMENT APPROVES A GRANT UNDER THIS
27 SECTION, THE DEPARTMENT AND THE AUTHORITY SHALL ENTER INTO A GRANT

1 AGREEMENT WITH THE RECIPIENT PRIOR TO TRANSFERRING FUNDS. THE GRANT
2 AGREEMENT SHALL CONTAIN TERMS ESTABLISHED BY THE DEPARTMENT AND THE
3 AUTHORITY, INCLUDING BOTH OF THE FOLLOWING:

4 (A) A REQUIREMENT THAT A GRANT RECIPIENT PROCEED WITH A
5 PROJECT FOR WHICH GRANT FUNDING IS PROVIDED WITHIN 3 YEARS AFTER
6 THE DEPARTMENT APPROVES THE GRANT. FOR ASSET MANAGEMENT PROGRAMS
7 RELATED TO SEWAGE COLLECTION AND TREATMENT SYSTEMS, THIS INCLUDES
8 SIGNIFICANT PROGRESS, AS DETERMINED BY THE DEPARTMENT, TOWARD
9 ACHIEVING THE FUNDING STRUCTURE NECESSARY TO IMPLEMENT THE PROGRAM.

10 (B) A REQUIREMENT THAT THE GRANT RECIPIENT REPAY THE GRANT,
11 WITHIN 90 DAYS OF BEING INFORMED TO DO SO, WITH INTEREST AT A RATE
12 NOT TO EXCEED 8% PER YEAR, TO THE AUTHORITY FOR DEPOSIT INTO THE
13 FUND IF THE APPLICANT IS UNABLE TO, OR DECIDES NOT TO, PROCEED WITH
14 A CONSTRUCTION PROJECT OR BEGIN IMPLEMENTATION OF AN ASSET
15 MANAGEMENT PROGRAM FOR WHICH GRANT FUNDING IS PROVIDED.

16 (4) FOR EACH YEAR IN WHICH THE DEPARTMENT RECEIVES GRANT
17 APPLICATIONS UNDER THIS SECTION, THE DEPARTMENT SHALL REPORT BY
18 OCTOBER 1 OF THAT YEAR TO THE STANDING COMMITTEES OF THE SENATE AND
19 THE HOUSE OF REPRESENTATIVES WITH PRIMARY JURISDICTION OVER ISSUES
20 PERTAINING TO NATURAL RESOURCES AND THE ENVIRONMENT AND TO THE
21 SENATE AND HOUSE OF REPRESENTATIVES APPROPRIATIONS COMMITTEES ON
22 THE UTILIZATION OF FUNDS UNDER THIS PART THAT WERE RECEIVED FROM
23 THE GREAT LAKES WATER QUALITY BOND FUND CREATED IN SECTION 19706.
24 THE REPORT SHALL INCLUDE, AT A MINIMUM, ALL OF THE FOLLOWING:

25 (A) THE NUMBER OF GRANT APPLICATIONS RECEIVED UNDER THIS
26 SECTION.

27 (B) THE NAME OF EACH MUNICIPALITY APPLYING FOR A GRANT.

1 (C) THE TYPE OF PROJECT BEING FUNDED FOR EACH GRANT AWARDED.

2 (D) THE NUMBER OF USERS POTENTIALLY AFFECTED BY EACH GRANT
3 AWARDED.

4 (E) THE AMOUNT OF THE LOCAL MATCH FOR EACH GRANT AWARDED.

5 (F) THE INDIVIDUAL AND ANNUAL CUMULATIVE AMOUNT OF GRANT FUNDS
6 AWARDED, INCLUDING AN IDENTIFICATION OF WHETHER EACH AWARD WAS FOR
7 THE PURPOSE OF APPLYING FOR ASSISTANCE FROM THE STATE WATER
8 POLLUTION CONTROL REVOLVING FUND OR THE FUND.

9 Enacting section 1. This amendatory act does not take effect
10 unless all of the following bills of the 96th Legislature are
11 enacted into law:

12 (a) Senate Bill No. 1155.

13 (b) Senate Bill No. 1156.

14 (c) Senate Bill No. 1157.

15 (d) Senate Bill No. 1158.