



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

BILL ANALYSIS



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

House Bill 5890 (Substitute H-1 as reported without amendment)
House Bill 5891 (as reported without amendment)
House Bill 5892 (Substitute H-2 as reported without amendment)
Sponsor: Representative Beth Griffin (H.B. 5890)
Representative David Martin (H.B. 5891)
Representative Sara Cambensy (H.B. 5892)
House Committee: Natural Resources and Outdoor Recreation
Senate Committee: Environmental Quality

CONTENT

House Bill 5890 (H-1) would amend Part 53 (Clean Water Assistance) and Part 54 (Safe Drinking Water Assistance) of the Natural Resources and Environmental Protection Act (NREPA) to do the following:

- Modify the requirements and review process for a planning document created by a municipality or a water supplier when seeking funding assistance from Department of Environment, Great Lakes, and Energy (EGLE) for sewage treatment work projects, stormwater projects, and nonpoint source projects under Part 53 and for the planning, designing, construction or alteration of a waterworks system under Part 54.
- Require EGLE to develop scoring criteria that considered certain aspects of a project under Parts 53 and 54, such as the project's impact on overburdened and significantly overburdened communities, and to use that scoring criteria to create priority lists for projects.
- Require EGLE to conduct an environmental review of a planning document for each project under Part 53 that was in the fundable range of the priority list and allow EGLE to take certain actions based on the review.
- Modify the requirements of an intended use plan prepared by EGLE under Parts 53 and 54 for the proposed annual use of the State Water Pollution Control Revolving Fund and the State Drinking Water Revolving Fund.
- Modify the process for EGLE to bypass a project in the fundable range of a priority list for failing to meet certain requirements under Part 53.
- Require EGLE to establish annually the interest rates to be assessed for projects receiving assistance under Parts 53 and 54.
- Specify that a municipality and water supplier would be responsible for obtaining any Federal, State, or local permits necessary for a project using funding assistance under Parts 53 and 54 and require them to perform any surveys or studies that were required under the permits, among other responsibilities.
- Create the "State Revolving Administration Fund" within the State Treasury and require EGLE to spend money in the Fund only for the reasonable costs of administering and conducting activities under Parts 53 and 54.

House Bill 5891 would amend the Shared Credit Rating Act to specify that the definition of "capitalization grant" would include a Federal grant made to the State by the United States Environmental Protection Agency (EPA) for the purpose of establishing a State Drinking Water Revolving Fund as provided in the Federal Safe Drinking Water Act. House Bill 5892 (H-1)

would amend the Administrative Procedures Act to specify the definition of "rule" would not include the scoring criteria and the definitions of overburdened community and significantly overburdened community developed by EGLE under Part 53 and 54 of NREPA.

House Bill 5890 (H-1) also would repeal Section 5317 of NREPA, which creates and prescribes the membership, powers, and duties of the State Water Pollution Control Revolving Fund Advisory Committee. In addition, House Bill 5891 and House Bill 5892 (H-1) are tie-barred to House Bill 5890.

MCL 324.5204d et al. (H.B. 5890)
141.1053 (H.B. 5891)
24.207 (H.B. 5892)

Legislative Analyst: Tyler P. VanHuyse

FISCAL IMPACT

House Bill 5890 (H-1) would have a minor fiscal impact on EGLE and no significant fiscal impact on local units of government. The bill would amend Part 53 and Part 54 of NREPA by modifying the requirements and Department scoring criteria for municipalities and water suppliers applying for permitting and funding for stormwater and sewage treatment projects. Additionally, the bill would create the State Revolving Administration Fund, which EGLE would have to use to administer the bill's requirements and to conduct activities under Parts 53 and Part 54 of NREPA.

The bill likely would result in an increase in costs and workload for EGLE because of the proposed modifications in the Department's project scoring and permitting roles; however, the extent of any cost increase is unknown. The bill's proposed changes also would result in a significant increase in qualified sewage and stormwater projects to apply for funding from the Department. Therefore, EGLE likely would experience an increase in workload necessary to address the influx of project applications. Funding for these projects currently comes from the Water State Revolving Funds, which receives a combination of State and Federal sources. The Water State Revolving Funds have increased significantly from fiscal year (FY) 2019-2020 through FY 2021-2022: Table 1 below includes a brief funding history. Increased funding could be used to address the anticipated increase in qualified projects that the bill would create. This increase in funding will continue, in part, because of continued Federal investment through the Infrastructure Investment and Job Act, which includes funding through FY 2025-26.

Additionally, the bill would create the State Revolving Administration Fund, and would require that 0.25% of the interest charged on a loan issued under Part 53 or Part 54 be deposited into the Fund to reimburse the Department for costs associated with activities under Part 53 and Part 54. The Fund would be created within the State Treasury and any remaining funds at the end of each fiscal year would not lapse to the General Fund. The Department currently provides administrative support for their municipal loan programs, including the Water State Revolving Fund programs, through Municipal Assistance Program. The distribution of gross appropriations and FTEs dedicated to this program from FY 2019-20 through FY 2021-22, including the executive recommendation for FY 2022-23, are shown in Table 2 below.

The bill would have no significant fiscal impact for local governments and likely would create a reduction in costs and workload for municipalities because of the proposed modifications to the requirements for permitting and funding applications. The extent of any cost decrease is currently unknown; however, revisions to the application requirements would result in a reduction in the time and workload necessary for municipalities to complete applications. For example, certain provisions of the bill would allow municipalities to complete applications with already existing documentation, making the application process more efficient for local governments and water suppliers. If enacted, it is likely the bill would significantly increase

the number of projects qualified for funding from EGLE; however, the extent of that increase is currently unknown.

Table 1

| Four-Year Appropriations History of Water State Revolving Funds (millions of dollars) | | | | | | | | |
|---|-------------------|-------------------|-------------------|------------------|-------------------------------|---------------------------------|-------------------------------|--|
| Fiscal Year | FY 2019-20 | | FY 2020-21 | | FY 2021-22 | | FY 2022-23 | |
| Appropriation Bills | PA 57 of 2019 | PA 166 of 2020 | PA 87 of 2021 | PA 87 of 2021 | PA 53 of 2022 ¹ | Governor's Rec. ² | PA 53 of 2022 ¹ | |
| Water state revolving funds | \$120.0 | \$120.0 | \$168.0 | \$120.0 | \$1,487.2 | \$120.0 | \$247.5 | |
| Total Annual Funding | \$120.0 | \$288.0 | | \$1,607.2 | | \$367.5 | | |
| Annual Change | 0% | 140% | | 458.1% | | -77.1% | | |
| Change from \$120.0 million ³ | 0% | 140% | | 1239.4% | | 206.2% | | |
| <p>Notes: ¹Public Act 53 of 2022 appropriated \$469.7 in Federal Infrastructure Investment and Jobs Act (IIJA) funding that is split between FY 2021-22 and FY 2022-23; the estimated distribution is pulled from information by the Federal Funds Information for States.</p> <p>²Governor's recommendation originally included a request for \$214.0 million and \$36.9 million in GF/GP matching, but those items were appropriated in PA 53 of 2022, and for that reason they are not included in this column. The House passed budget for the EGLE included the \$214.0 million in Federal funding in addition to the funding already appropriated.</p> <p>³Since FY 2018-19 every budget that has passed has included \$120.0 million in funding for the Water State Revolving Funds; supplemental appropriations requests have led to increase appropriations for each year after 2020.</p> <p>Sources: Federal Funds Information for States. State Allocations. January 4, 2022.</p> | | | | | | | | |

Table 2

| 4-Year Appropriations History of the Municipal Assistance Program | | | | |
|--|-------------------|-------------------|-------------------|------------------------------|
| Fiscal Year | FY 2019-20 | FY 2020-21 | FY 2021-22 | FY 2022-23 |
| Appropriation Bills | PA 57 of 2019 | PA 166 of 2020 | PA 87 of 2021 | Governor's Rec. ¹ |
| Gross | \$4,881,200 | \$5,027,500 | \$5,007,600 | \$5,125,300 |
| FTEs | 29.0 | 29.0 | 29.0 | 23.0 |
| <p>Notes: ¹Governor's recommendation for FY 2022-23 included a request for internal transfers that amounted to 10.0 FTEs and \$1.3 million in funding from the municipal assistance program line; it also included a request for 4.0 FTEs and \$1.4 million in additional funding for the program. Therefore, the funding level appears to increase slightly but show a net reduction of 6.0 FTEs.</p> | | | | |

House Bill 5891 and House Bill 5892 (H-1) would have no fiscal impact on State or local government.

Date Completed: 6-9-22

Fiscal Analyst: Chris Semrinec

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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.