

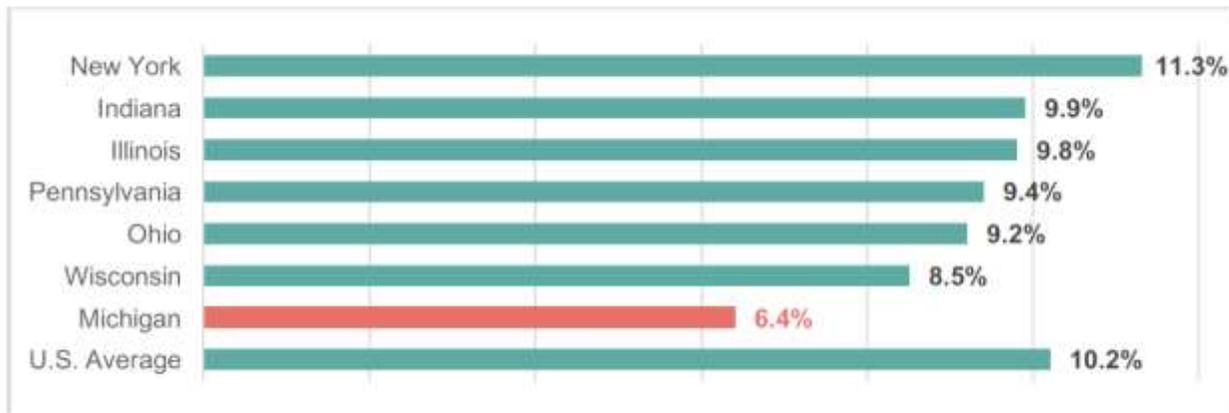
Rebuild Michigan's Water Infrastructure

A Proposal to invest in water, sewer, and stormwater infrastructure

In December 2016 the 21st Century Infrastructure Commission concluded that Michigan's aging water infrastructure jeopardizes public health, safety and the reliability of delivering clean water. Unfortunately, as a result of deferred maintenance, the estimated annual gap in funding for existing water, sewer, and stormwater infrastructure needs is over \$800 million. Additionally, our water systems have thousands of lead service lines in place without funding to replace them. We can no longer afford to put off addressing this critical infrastructure need.

Background

In 2017, the American Society of Civil Engineers gave America's infrastructure a rating of "D+", the same rating as 2013. Michigan's average annual investment of 6.4 percent (between 2010 and 2014) places the state at the bottom of the spectrum nationally. From 2002 to 2013, Michigan had the third largest decline in state and local infrastructure spending as a share of GDP (McNichol 2016).



Note: Percent of total expenditure, annual average 2010-14.

Source: Deloitte 2016.

Serious Challenges

The unwillingness to identify and fund needed investments poses serious challenges and health risks:

- An average of 13 billion gallons of raw sewage flowed into Michigan's waters since 2008 (MDEQ January 2018).
- Sixty-four rivers that drain 84 percent of the land area in the Lower Peninsula tested positive for human sewage (Verhougstraete et al. 2014).
- Nearly 18 percent of beaches experienced closures in 2017 (MDEQ January 2018).
- We have thousands of lead service lines bringing drinking water to our homes in various states of condition.

Governor's Proposal

We have an opportunity for Michigan's water-related infrastructure investments to lead the nation in providing integrated approaches that successfully protect public safety and environmental health.

While the need is great, the cost per person is very affordable. The Governor is proposing a state-assessed user fee on public water supply systems not to exceed \$5/resident. The fee would;

- be structured to ensure only residents being served by public water supply systems serving 1,000 people or greater would be assessed
- not apply to smaller systems
- not apply to people being served by wells, since individuals on private wells are already responsible for their water infrastructure needs

The fee would begin in 2020, have a five-year phase in period, and sunset in 2040, matching the timeline of when systems will need to have all lead service lines replaced. **In addition, 80 percent of the revenue generated from the fee will be expended in the region in which it was generated, ensuring those being charged will receive direct benefits.**

Parameters:

This proposal would generate approximately \$110 million annually, which would provide seed state investment in local water infrastructure planning, management, and delivery to help create the foundation for a 21st century water infrastructure system. **As a first step this fund provides support to local governments and water utilities for the necessary asset management tools to regularly inventory, assess, and strategically invest in their water assets through integrated asset management.** This will result in substantive cost-efficiencies, allowing communities to spend money on priorities elsewhere.

Secondly, the proposal creates a state-funded capital program, similar to the State Revolving Fund, but without federal restrictions and limitations. This program will benefit communities by providing up to 100% grant funding, direct financial support through project planning phases, and an option to discount the interest rate in low interest loans based on outcomes achieved. In addition, as regulations are updated, this fee will provide funding to help offset some of these costs to help communities meet revised standards.

Finally, the proposal provides financial assistance to communities in need to invest in replacing aging infrastructure where there are immediate risks to public health or the environment. Public health and environmental emergencies will be immediately mitigated by accessing emergency funds for failing infrastructure.

Michigan’s Water Infrastructure Needs - \$110 million annually

| Program Category | Annual Amount |
|---|----------------------|
| I. <u>Integrated Asset Management</u> <ul style="list-style-type: none">• Fund asset management plans for drinking water systems• Provide additional funding for asset management plans for wastewater and stormwater systems• Support local data collection and training needs | \$25 million |
| II. <u>State Capital Investment Program</u> <ul style="list-style-type: none">• Provide grants for local infrastructure improvements (such as lead service line replacement)• Provide low-interest/forgiveness loans for other local capital improvements | \$75 million |
| III. <u>Emergency Infrastructure Failure Fund</u> <ul style="list-style-type: none">• Provide grants and low-interest loans for communities and systems in financial need with emergency water or sewer failures | \$10 million |

To grow Michigan’s economic future, we must reliably invest in our most critical water infrastructure needs of today while also advancing our performance in public health and environmental protection.