SENATE BILL NO. 2966
(As Sent to Governor)

AN ACT TO AMEND SECTION 41-3-16, MISSISSIPPI CODE OF 1972, TO REVISE THE SIZE AND MEMBERSHIP OF THE LOCAL GOVERNMENTS AND RURAL WATER SYSTEMS IMPROVEMENTS BOARD; TO INCREASE FROM $1,000,000.00 TO $1,500,000.00 THE MAXIMUM LOAN AMOUNT UNDER THE LOCAL GOVERNMENTS AND RURAL WATER SYSTEMS IMPROVEMENTS LOAN PROGRAM; AND FOR RELATED PURPOSES.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MISSISSIPPI:

SECTION 1. Section 41-3-16, Mississippi Code of 1972, is amended as follows:

41-3-16. (1) (a) There is established a local governments and rural water systems improvements revolving loan program to be administered by the State Department of Health, referred to in this section as "department," for the purpose of assisting counties, incorporated municipalities, districts or other water organizations that have been granted tax exempt status under either federal or state law, in making improvements to their water systems, including construction of new water systems or expansion or repair of existing water systems. Loan proceeds may be used by the recipient for planning, professional services, acquisition of interests in land, acquisition of personal property, construction, construction-related services, maintenance, and any other reasonable use which the board, in its discretion, may allow. For purposes of this section, "water systems" has the same meaning as the term "public water system" under Section 41-26-3.

(b) (i) There is created a board to be known as the "Local Governments and Rural Water Systems Improvements Board," referred to in this section as "board," to be composed of the following nine (9) members: * * * the State Health Officer, or his
designee, who shall serve as chairman of the board; the Executive Director of the Department of Economic and Community Development, or his designee; the Executive Director of the Department of Environmental Quality, or his designee; the Executive Director of the Department of Finance and Administration, or his designee; the Executive Director of the Mississippi Association of Supervisors, or his designee; * * * the Executive Director of the Mississippi Municipal League, or his designee; the Executive Director of the Consulting Engineers Council, or his designee; the State Director of the United States Department of Agriculture, Rural Development, or his designee; and a manager of a rural water system. * * *

The Governor shall appoint a manager of a rural water system * * * from a list of candidates provided by the Executive Director of the Mississippi Rural Water Association. The Executive Director of the Mississippi Rural Water Association shall provide the Governor a list of candidates which shall contain a minimum of three (3) candidates for each appointment.

(ii) Nonappointed members of the board may designate another representative of their agency or association to serve as an alternate.

(iii) The gubernatorial appointee shall serve a term concurrent with the term of the Governor and until a successor is appointed and qualified. No member, officer or employee of the Board of Directors of the Mississippi Rural Water Association * * * shall be eligible for appointment.

(c) The department, if requested by the board, shall furnish the board with facilities and staff as needed to administer this section. The department may contract, upon approval by the board, for those facilities and staff needed to administer this section, including routine management, as it deems necessary. The board may advertise for or solicit proposals from public or private sources, or both, for administration of this section or any services required for administration of this section or any portion thereof. It is the intent of the Legislature that the board endeavor to ensure that the costs of administration of this section are as low as possible in order to
provide the water consumers of Mississippi safe drinking water at affordable prices.

(d) Members of the board may not receive any salary, compensation or per diem for the performance of their duties under this section.

(2) (a) There is created a special fund in the State Treasury to be designated as the "Local Governments and Rural Water Systems Improvements Revolving Loan Fund," referred to in this section as "revolving fund," which fund shall consist of those monies as provided in Sections 6 and 13 of Chapter 521, Laws of 1995. The revolving fund may receive appropriations, bond proceeds, grants, gifts, donations or funds from any source, public or private. The revolving fund shall be credited with all repayments of principal and interest derived from loans made from the revolving fund. The monies in the revolving fund may be expended only in amounts appropriated by the Legislature. The revolving fund shall be maintained in perpetuity for the purposes established in this section and Sections 6 through 20 of Chapter 521, Laws of 1995. Unexpended amounts remaining in the revolving fund at the end of a fiscal year shall not lapse into the State General Fund, and any interest earned on amounts in the revolving fund shall be deposited to the credit of the fund. Monies in the revolving fund may not be used or expended for any purpose except as authorized under this section and Sections 6 through 20 of Chapter 521, Laws of 1995. Any monies in the fund may be used to match any federal funds that are available for the same or related purposes for which funds are used and expended under this section and Sections 6 through 20 of Chapter 521, Laws of 1995. Any federal funds shall be used and expended only in accordance with federal laws, rules and regulations governing the expenditure of those funds. No person shall use any monies from the revolving fund for the acquisition of real property or any interest in real property unless that property is integral to the project funded.
under this section and the purchase is made from a willing seller. No county, incorporated municipality or district shall acquire any real property or any interest in any real property for a project funded through the revolving fund by condemnation. The board's application of Sections 43-37-1 through 43-37-13 shall be no more stringent or extensive in scope, coverage and effect than federal property acquisition laws and regulations.

(b) There is created a special fund in the State Treasury to be designated as the "Local Governments and Rural Water Systems Emergency Loan Fund," hereinafter referred to as "emergency fund," which fund shall consist of those monies as provided in Sections 6 and 13 of Chapter 521, Laws of 1995. The emergency fund may receive appropriations, bond proceeds, grants, gifts, donations or funds from any source, public or private. The emergency fund shall be credited with all repayments of principal and interest derived from loans made from the emergency fund. The monies in the emergency fund may be expended only in amounts appropriated by the Legislature. The emergency fund shall be maintained in perpetuity for the purposes established in this section and Section 6 of Chapter 521, Laws of 1995. Unexpended amounts remaining in the emergency fund at the end of a fiscal year shall not lapse into the State General Fund. Any interest earned on amounts in the emergency fund shall be deposited to the credit of the fund. Monies in the emergency fund may not be used or expended for any purpose except as authorized under this section and Section 6 of Chapter 521, Laws of 1995.

c) The board created in subsection (1) shall establish loan programs by which loans may be made available to counties, incorporated municipalities, districts or other water organizations that have been granted tax exempt status under either federal or state law, to assist those counties, incorporated municipalities, districts or water organizations in making water systems improvements, including the construction of
new water systems or expansion or repair of existing water systems. The interest rate on those loans may vary from time to time and from loan to loan, and will be at or below market interest rates as determined by the board. The board shall act as quickly as is practicable and prudent in deciding on any loan request that it receives. Loans from the revolving fund or emergency fund may be made to counties, incorporated municipalities, districts or other water organizations that have been granted tax exempt status under either federal or state law, as set forth in a loan agreement in amounts not to exceed one hundred percent (100%) of eligible project costs as established by the board. The board may require county, municipal, district or other water organization participation or funding from other sources, or otherwise limit the percentage of costs covered by loans from the revolving fund or the emergency fund. The maximum amount for any loan from the emergency fund shall be Five Hundred Thousand Dollars ($500,000.00), and the maximum amount for any loan from the revolving fund shall be One Million Five Hundred Thousand Dollars ($1,500,000.00).

(d) A county that receives a loan from the revolving fund or the emergency fund shall pledge for repayment of the loan any part of the homestead exemption annual tax loss reimbursement to which it may be entitled under Section 27-33-77, as may be required to meet the repayment schedule contained in the loan agreement. An incorporated municipality that receives a loan from the revolving fund or the emergency fund shall pledge for repayment of the loan any part of the sales tax revenue distribution to which it may be entitled under Section 27-65-75, as may be required to meet the repayment schedule contained in the loan agreement. All recipients of such loans shall establish a dedicated source of revenue for repayment of the loan. Before any county or incorporated municipality shall receive any loan, it shall have executed with the State Tax Commission and the board a
loan agreement evidencing that loan. The loan agreement shall not be construed to prohibit any recipient from prepaying any part or all of the funds received. The repayment schedule in each loan agreement shall provide for (i) monthly payments, (ii) semiannual payments or (iii) other periodic payments, the annual total of which shall not exceed the annual total for any other year of the loan by more than fifteen percent (15%). The loan agreement shall provide for the repayment of all funds received from the revolving fund within not more than fifteen (15) years or a term as otherwise allowed by the federal Safe Drinking Water Act, and all funds received from the emergency fund within not more than five (5) years from the date of project completion, and any repayment shall commence not later than one (1) year after project completion. The State Tax Commission shall withhold semiannually from counties and monthly from incorporated municipalities from the amount to be remitted to the county or municipality, a sum equal to the next repayment as provided in the loan agreement.

(e) Any county, incorporated municipality, district or other water organization desiring to construct a project approved by the board which receives a loan from the state for that purpose but which is not eligible to pledge for repayment under the provisions of paragraph (d) of this subsection, shall repay that loan by making payments each month to the State Treasurer through the Department of Finance and Administration for and on behalf of the board according to Section 7-7-15, to be credited to either the revolving fund or the emergency fund, whichever is appropriate, in lieu of pledging homestead exemption annual tax loss reimbursement or sales tax revenue distribution.

Loan repayments shall be according to a repayment schedule contained in each loan agreement as provided in paragraph (d) of this subsection.

(f) Any district created pursuant to Sections 19-5-151 through 19-5-207 that receives a loan from the revolving fund or
the emergency fund shall pledge for repayment of the loan any part
of the revenues received by that district pursuant to Sections
19-5-151 through 19-5-207, as may be required to meet the
repayment schedule contained in the loan agreement.

(g) The State Auditor, upon request of the board, shall
audit the receipts and expenditures of a county, an incorporated
municipality, district or other water organization whose loan
repayments appear to be in arrears, and if the Auditor finds that
the county, incorporated municipality, district or other water
organization is in arrears in those repayments, the Auditor shall
immediately notify the chairman of the board who may take any
action as may be necessary to enforce the terms of the loan
agreement, including liquidation and enforcement of the security
given for repayment of the loan, and the Executive Director of the
Department of Finance and Administration who shall withhold all
future payments to the county of homestead exemption annual tax
loss reimbursements under Section 27-33-77 and all sums allocated
to the county or the incorporated municipality under Section
27-65-75 until such time as the county or the incorporated
municipality is again current in its loan repayments as certified
by the board.

(h) All monies deposited in the revolving fund or the
emergency fund, including loan repayments and interest earned on
those repayments, shall be used only for providing loans or other
financial assistance to water systems as the board deems
appropriate. In addition, any amounts in the revolving fund or
the emergency fund may be used to defray the reasonable costs of
administering the revolving fund or the emergency fund and
conducting activities under this section and Sections 6 through 20
of Chapter 521, Laws of 1995, subject to any limitations
established in the federal Safe Drinking Water Act, as amended and
subject to annual appropriation by the Legislature. The
department is authorized, upon approval by the board, to use
amounts available to it from the revolving fund or the emergency
to contract for those facilities and staff needed to
administer and provide routine management for the funds and loan
program.

(3) In administering this section and Sections 6 through 20
of Chapter 521, Laws of 1995, the board created in subsection (1)
of this section shall have the following powers and duties:

(a) To supervise the use of all funds made available
under this section and Sections 6 through 20 of Chapter 521, Laws
of 1995, for local governments and rural water systems
improvements;

(b) To promulgate rules and regulations, to make
variances and exceptions thereto, and to establish procedures in
accordance with this section and Sections 6 through 20 of Chapter
521, Laws of 1995, for the implementation of the local governments
and rural water systems improvements revolving loan program;

(c) To require, at the board’s discretion, any loan
recipient to impose a per connection fee or surcharge or amended
water rate schedule or tariff on each customer or any class of
customers, benefiting from an improvement financed by a loan made
under this act, for repayment of any loan funds provided under
this section and Sections 6 through 20 of Chapter 521, Laws of
1995. The board may require any loan recipient to undergo a water
system viability analysis and may require a loan recipient to
implement any result of the viability analysis. If the loan
recipient fails to implement any result of a viability analysis as
required by the board, the board may impose a monetary penalty or
increase the interest rate on the loan, or both;

(d) To review and certify all projects for which funds
are authorized to be made available under this section and
Sections 6 through 20 of Chapter 521, Laws of 1995, for local
governments and rural water systems improvements;

(e) To requisition monies in the Local Governments and
(f) To ensure that the funds made available under this section and Sections 6 through 20 of Chapter 521, Laws of 1995, to a county, an incorporated municipality, a district or a water organization that has been granted tax exempt status under either federal or state law provide for a distribution of projects and funds among the entities under a priority system established by the board;

(g) To maintain in accordance with generally accepted government accounting standards an accurate record of all monies in the revolving fund and the emergency fund made available to counties, incorporated municipalities, districts or other water organizations under this section and Sections 6 through 20 of Chapter 521, Laws of 1995, and the costs for each project;

(h) To establish policies, procedures and requirements concerning viability and financial capability to repay loans that may be used in approving loans available under this section, including a requirement that all loan recipients have a rate structure which will be sufficient to cover the costs of operation, maintenance, major equipment replacement and repayment of any loans made under this section; and

(i) To file annually with the Legislature a report detailing how monies in the Local Governments and Rural Water Systems Improvements Revolving Loan Fund and the Local Governments and Rural Water Systems Emergency Loan Fund were spent during the preceding fiscal year in each county, incorporated municipality, district or other water organization, the number of projects approved and constructed, and the cost of each project.

For efficient and effective administration of the loan program, revolving fund and emergency fund, the board may
authorize the department or the State Health Officer to carry out
any or all of the powers and duties enumerated above.

SECTION 2. This act shall take effect and be in force from
and after its passage.