AN ACT TO AMEND SECTION 41-3-16, MISSISSIPPI CODE OF 1972, TO
EXPAND THE LOCAL GOVERNMENTS AND RURAL WATER SYSTEMS IMPROVEMENTS
REVOLVING LOAN PROGRAM TO INCLUDE THE AUTHORITY FOR THE GOVERNING
BOARD TO AWARD GRANTS TO A COUNTY, MUNICIPALITY, DISTRICT OR OTHER
WATER ORGANIZATION FOR THE PURPOSE OF IMPROVING THE ENTITY’S WATER
SYSTEM; TO LIMIT THE AWARD OF GRANT PROCEEDS TO THE AMOUNT
APPROPRIATED BY THE LEGISLATURE FOR THAT PARTICULAR PURPOSE; 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 and grant
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 and grant
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 Mississippi Development Authority, 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, and the
different amounts specifically provided for the loan program and
the grant program shall be so designated. Monies in the fund may
only be expended for the grant program from the amount designated
for such program. 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 and grant programs by which loans and grants 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. Any entity eligible under this section may receive either a loan or a grant, or both. No grant awarded under the program established in this section may be made using funds from the loan program. Grants may be awarded only when the Legislature specifically appropriates funds for that particular purpose. 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 fund 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 or grant 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 or grant 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 or grant recipient to undergo a water system viability analysis and may require a loan or grant 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. If the grant recipient fails to implement any result of a viability analysis as required by the board, the board may impose a monetary penalty on the grant.

(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 Rural Water Systems Improvements Revolving Loan Fund and the Local Governments and Rural Water Systems Emergency Loan Fund and distribute those monies on a project-by-project basis in accordance with this section;

(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
preceeding 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 July 1, 2002.