

FY 2015-16: DEPARTMENT OF ENVIRONMENTAL QUALITY
Summary: House Subcommittee Recommendation
House Bill 4093 (H-1) Draft 1



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IDG/IDT	FY 2014-15 YTD as of 3/12/15	FY 2015-16 Executive	FY 2015-16 House	FY 2015-16 Senate	FY 2015-16 Enacted	Difference: House From FY 2014-15 YTD	
						Amount	%
	\$9,530,500	\$9,115,300	9,115,300			(415,200)	(4.4)
Federal	149,749,600	138,163,100	138,163,100			(11,586,500)	(7.7)
Local	0	0	0			0	0.0
Private	546,900	546,000	546,000			(900)	(0.2)
Restricted	321,888,900	304,723,800	305,010,800			(16,878,100)	(5.2)
GF/GP	37,475,900	35,377,700	35,077,700			(2,398,200)	(6.4)
Gross	\$519,191,800	\$487,925,900	\$487,912,900			(31,278,900)	(6.0)
FTEs	1,291.5	1,227.0	1,227.0			(64.5)	(5.0)

Notes: (1) FY 2014-15 adjusted year-to-date figures include mid-year budget adjustments through March 12, 2015 (including Executive Order 2015-5 and House Bill 4112). (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

Overview

The Department of Environmental Quality is responsible for managing Michigan's air, land, and water resources. Departmental functions include improving resource quality, reducing waste, administering Great Lakes programs, and mitigating threats to Michigan's environment.

Major Budget Changes From FY 2014-15 YTD Appropriations

1. Elimination of Fee Sunsets

Executive proposes to eliminate the 15 fee sunsets that are scheduled to sunset prior to October 1, 2016. Collectively these fees provide \$27.1 million in annual revenue for DEQ. House concurs with Executive.

	FY 2014-15 Year-to-Date (as of 3/12/15)	FY 2015-16 House Change
Gross	N/A	N/A
GF/GP	N/A	N/A

Fee	Annual revenue
Air emissions fee	\$9,600,000
Solid waste surcharge	5,300,000
Electronic device manufacturer's registration	230,000
Electronic device recycler registration	50,000
Groundwater discharge permit	1,190,000
Surface water discharge permit	2,816,800
Stormwater discharge fee	1,625,100
Land and water permit fees (6 fees)	2,100,000
Sewer expedited permit	31,800
Tire disposal charge	4,200,000
Total	\$27,143,700

Major Budget Changes From FY 2014-15 YTD Appropriations	FY 2014-15 Year-to-Date (as of 3/12/15)	FY 2015-16 House Change
2. Air Quality Program - Fee Increase		
Executive proposes to raise the air emissions (air quality) fee from \$47.95 per ton to \$65.00 per ton. This proposed fee increase is expected to generate \$2.3 million in additional revenue, which would exceed a reduction of \$1.3 million in restricted funding to air quality from the environmental pollution prevention fund, resulting in a net increase of \$913,000 in restricted funding. Air emissions fee revenue allows the state to operate its own emissions regulation program rather than be subject to the EPA's program. This fee is paid by more than 800 facilities and currently generates \$9.6 million in annual revenue.	Gross	N/A
	Restricted	2,537,000
	GF/GP	(\$150,000)
House amends Executive to reduce air emissions fee increase from \$65 per ton down to \$51.15 per ton. This reduction lowers the additional restricted revenue due to the fee increase from \$2.3 million down to \$1.2 million. House increases line item by \$1.3 million in restricted funding from the environmental pollution prevention fund at the request of DEQ in order to correct an omission in the executive recommended budget (referenced above). House reduces line item by \$150,000 GF/GP.		
3. Drinking Water Revolving Fund Loan Program (DWRFL)		
The FY 2014-15 budget as originally enacted included \$5.0 million GF/GP for DWRFL loans. A reduction of \$2.8 million GF/GP was included in EO 2015-5. The FY 2015-16 executive recommended budget includes an additional reduction of \$200,000 GF/GP. These funds are used for state match to a federal program that provides water suppliers with low interest loans to finance public drinking water system infrastructure projects. House concurs with Executive .	Gross	\$85,193,000
	Federal	71,543,000
	Restricted	11,400,000
	GF/GP	\$2,250,000
		(\$200,000)
4. FTE Reductions		
Executive reduces total FTEs from 1,291.5 to 1,227.0. All reduced FTEs are classified positions. The department does not have adequate funding to fill all of its currently allotted positions and this reduction will align FTEs with available resources. No current DEQ employees are expected to lose employment as a result of this reduction. House concurs with Executive .	FTE	1,291.5
	Gross	N/A
	GF/GP	N/A
		(64.5)
5. Refined Petroleum Product Cleanup Program		
Executive reduces refined petroleum product cleanup program (RPPCP) by \$12.9 million in restricted funding. Responsibility for underground storage tank cleanups was transferred from RPPCP to the newly established Underground Storage Tank Cleanup Program (USTCP) under PA 416 of 2014. This new program receives the first \$20 million of the environmental protection regulatory fee which was first appropriated for FY 2014-15 in HB 4112 and continued in FY 2015-16. The reduction of restricted funding to RPPCP is intended to offset the increase in restricted funding to USTCP. House concurs with Executive .	Gross	\$32,900,000
	Restricted	32,900,000
	GF/GP	\$0
		(\$12,900,000)
		\$0
6. Removal of FY 2014-15 One-time GF/GP for Electronic Document Management		
The FY 2014-15 budget as originally enacted included \$2.5 million in one-time GF/GP for electronic document management. A reduction of \$650,000 GF/GP was included in EO 2015-5. The FY 2015-16 executive recommended budget removes the remaining \$1.9 million GF/GP for this one-time appropriation. House concurs with Executive .	Gross	\$1,850,000
	GF/GP	\$1,850,000
		(\$1,850,000)
7. Federal Authorization Adjustment		
Executive reduces federal authorization by \$10.9 million to reflect a decrease in available federal funds. House concurs with Executive .	Gross	N/A
	Federal	N/A
	GF/GP	N/A
		(\$10,907,000)
		\$0

Major Budget Changes From FY 2014-15 YTD Appropriations		FY 2014-15 Year-to-Date (as of 3/12/15)	FY 2015-16 House Change
8. Clean Michigan Initiative (CMI) and Environmental Protection Bond Fund	Gross	\$9,282,100	(\$1,473,200)
<u>Executive</u> reduces restricted funding of the CMI by \$1.5 million. Increases to the environmental bond site reclamation program, nonpoint source pollution prevention and control program, and the contaminated sediment program totaling \$2.5 million in restricted funding are exceeded by a decrease of \$4.0 million in restricted funding for Brownfield grants.	Restricted	9,282,100	(1,473,200)
<u>House</u> concurs with Executive.	GF/GP	\$0	\$0
9. Contaminated Site Investigation, Cleanup, and Revitalization	Gross	\$29,385,200	(\$5,000,000)
<u>Executive</u> reduces restricted funding by \$5.0 million to reflect available resources. This program supports remediation and cleanup efforts at contaminated sites in order to eliminate public health and safety hazards.	Private	187,200	0
<u>House</u> concurs with Executive.	Restricted	29,198,000	(5,000,000)
	GF/GP	\$0	\$0
10. Drinking Water and Environmental Health	Gross	\$15,982,300	(\$150,000)
<u>House</u> reduces line item by \$150,000 GF/GP. This program, which includes 106.5 FTE authorizations, regulates 12,500 public water supply systems, conducts groundwater contamination remediation, and protects public drinking water systems.	GF/GP	\$1,288,700	(\$150,000)
11. Economic Adjustments	Gross	N/A	(\$332,700)
<u>Executive</u> reflects net cost reduction of \$332,700 Gross (\$48,200 GF/GP) for negotiated salary and wage amounts (2.0% base increase), insurance rate increases, reductions in actuarially-determined retirement rates, and other economic adjustments. <u>House</u> concurs with Executive.	IDG	N/A	(13,200)
	Private	N/A	(900)
	Federal	N/A	(93,700)
	Restricted	N/A	(176,700)
	GF/GP	N/A	(\$48,200)

Major Boilerplate Changes From FY 2014-15

Sec. 204. Benchmark Requirements – RETAINED

Requires DEQ establish benchmarks and report performance of programs appropriated at \$500,000 or more. Executive deletes, House retains.

Sec. 207. Retention of Reports – RETAINED

Requires DEQ to retain copies of all reports funded from appropriations. Executive deletes, House retains.

Sec. 212. Disciplinary Action Against State Employees – RETAINED

Prohibits Department from disciplining state employees for communicating with members of the Legislature and their staffs. Executive deletes, House retains.

Sec. 213. Administrative Rule Promulgation – RETAINED

Prohibits DEQ to adopt a rule that will apply to a small business if it has a disproportionate economic impact. Executive deletes, House retains.

Sec. 223. FTE Report by Line Item – RETAINED

Requires DEQ to report on the number of funded FTEs and number of FTEs funded by line item. Executive deletes, House retains.

Sec. 228. Customer Satisfaction Evaluation Program – RETAINED

Requires report on development of customer satisfaction evaluation program and public feedback received. Executive deletes, House retains.

Sec. 229. Expedited Permitting Program – RETAINED

Requires report listing actions and program changes taken to implement the Expedited Permitting Program. Executive deletes, House retains.

Sec. 305. Refined Petroleum Fund – DELETED

States legislative intent to restore \$70.0 million Refined Petroleum Fund transferred to General Fund in FY 2006-07. Executive deletes, House concurs.

Sec. 306. Refined Petroleum Fund Cleanup Site List – REVISED

Lists cleanup projects funded through the Refined Petroleum Product Cleanup Program; requires report on amount spent at each site and work performed. Executive deletes, House retains but revises list of cleanup projects for FY 2015-16.

Sec. 401. Aquatic Nuisance Control (ANC) – DELETED

Requires \$700,000 and 5.0 FTEs be allocated to the permit review program within the ANC program; requires report. Executive deletes, House concurs.

Sec. 402. Water Quality and Use Initiative Report – DELETED

Requires DEQ to report a plan detailing the use of the water quality use and initiative appropriation in part 1. The Department must also detail expenditures for specific programs made from the water quality and use/ general, real-time beach monitoring, and wetlands programs. Executive deletes, House concurs.

Sec. 501. Air Quality Program – NEW

Directs DEQ to use the increase in air quality funding to administer Michigan's air quality program and maintain compliance with the federal Clean Air Act. Executive adds new section, House concurs but revises to include 1.0 FTE authorization dedicated to oversight of air quality programs in the Upper Peninsula.

Sec. 502. Air Quality Penalties – RETAINED

Prevents DEQ from assessing penalties under part 55 of NREPA (1994 PA 451) for violations that occurred under a previous owner unless legally required to do so. Executive deletes, House retains.

Sec. 601. Statewide Septic Code Study – NEW

Requires DEQ to conduct a study on the establishment of a statewide septic code. House adds new section.

Sec. 603. Local Government Asset Management Plans – RETAINED

Requires DEQ compile an annual report of completed asset management plans for stormwater, asset management, or wastewater grants awarded to local units of government. Executive deletes, House retains.

Sec. 604. Environmental Pollution Prevention Fund Balance Stipulation (EPPF) – RETAINED

Provides that if the EPPF balance declines below spending levels, appropriations other than those for the Hazardous Waste Management Program shall be reduced. Executive deletes, House retains.

Sec. 701. Underground Storage Tank Authority – NEW

Allows unexpended funds appropriated for the underground storage tank cleanup program to be considered work project appropriations and carry forward into the succeeding fiscal year. The program will perform contaminated site cleanups estimated to cost \$20 million with a tentative completion date of September 20, 2020. Executive adds new section, House concurs.

Sec. 1201. FY 2015-16 Anticipated Appropriations – DELETED

States intent that FY 2015-16 line item appropriations will be the same as those for FY 2014-15 with certain economic adjustments. Executive deletes, House concurs.

Sec. 1202. Identification of Future Retirement Costs – DELETED

States legislative intent that the DEQ identify the FY 2015-16 retirement costs for line items listed in part 1. Executive deletes, House concurs.