

FY 2017-18: DEPARTMENT OF ENVIRONMENTAL QUALITY
Summary: Conference Report
Article VII, House Bill 4323 (H-1) CR-1



Analyst: Austin Scott

IDG/IDT	FY 2016-17 YTD as of 2/8/17	FY 2017-18 Executive	FY 2017-18 House	FY 2017-18 Senate	FY 2017-18 Conference	Difference: Conference From FY 2016-17 YTD	
						Amount	%
	\$9,225,700	\$3,100,500	\$3,100,500	\$3,100,500	\$3,100,500	(\$6,125,200)	(66.4)
Federal	139,022,800	170,042,600	170,042,600	170,042,600	170,042,600	31,019,800	22.3
Local	0	0	0	0	0	0	--
Private	555,300	555,300	555,300	555,300	555,300	0	0.0
Restricted	318,959,200	285,825,300	285,825,300	269,802,400	287,825,300	(31,133,900)	(9.8)
GF/GP	49,273,400	51,318,300	43,976,600	46,502,400	47,744,000	(1,529,400)	(3.1)
Gross	\$517,036,400	\$510,842,000	\$503,500,300	\$490,003,200	\$509,267,700	(\$7,768,700)	(1.5)
FTEs	1,243.0	1,260.0	1,233.0	1,236.0	1,245.0	2.0	0.2

Notes: (1) FY 2016-17 year-to-date figures include mid-year budget adjustments through February 8, 2017. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

Overview

The Department of Environmental Quality (DEQ) 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.

<u>Major Budget Changes From FY 2016-17 YTD Appropriations</u>	<u>FY 2016-17 Year-to-Date (as of 2/8/17)</u>	<u>FY 2017-18 Conference Change</u>
1. Elimination of Fee Sunsets	Gross	NA
<u>Executive</u> proposes to eliminate the sunsets on eight DEQ fees scheduled to sunset October 1, 2017. These eight fees provide \$1.6 million in revenue for DEQ annually. <u>House</u> , <u>Senate</u> , and <u>Conference</u> concur with <u>Executive</u> .	GF/GP	NA
Fee	Annual Revenue	
Liquid industrial by-product transporter site identification number		
Liquid industrial by-product facility site identification number	\$3,900	
Hazardous waste manifest		
Hazardous waste handler user charge	1,052,300	
Hazardous waste generator, transporter, or treatment, storage or disposal facility user charge	43,800	
Wastewater operator training and certification fees	242,000	
Drinking water operator training and certification fees	220,000	
Sewage operator training and certification fees	0	
Total	\$1,562,000	
2. Drinking Water Declaration of Emergency One-Time Funding	Gross	NA
<u>Executive</u> provides \$1.0 million Gross (\$1.0 million GF/GP) for engineering support and technical assistance in response to the drinking water declaration of emergency.	Restricted	NA
<u>House</u> concurs with <u>Executive</u> .	GF/GP	NA
<u>Senate</u> does not include this increase		\$100
<u>Conference</u> includes \$100 restricted funding placeholder.		100
		\$0

Major Budget Changes From FY 2016-17 YTD Appropriations		FY 2016-17 Year-to-Date (as of 2/8/17)	FY 2017-18 Conference Change
3. Environmental Cleanup and Redevelopment Program Fund Shift	Gross	\$29,900,000	(\$14,900,000)
<u>Executive</u> provides \$14.9 million in one-time funding from the refined petroleum fund to offset the loss of Clean Michigan Initiative (CMI) – response activities funding, which has been fully expended from CMI bond revenue.	Restricted	29,900,000	(14,900,000)
<u>House</u> , <u>Senate</u> , and <u>Conference</u> do not include fund shift.	GF/GP	\$0	\$0
4. Contaminated Site Investigations, Cleanup, and Revitalization – Vapor Intrusion	FTE	131.0	1.0
<u>Executive</u> increases by 4.0 FTEs and \$1.3 million GF/GP funding for the vapor intrusion program, bringing the total program funding to 8.0 FTEs and \$2.6 million Gross. Vapor intrusion is the migration of chemical vapors from contaminated groundwater or soil into the buildings above. This funding will be used to identify and investigate at-risk sites.	Gross	\$15,171,200	\$300,000
<u>House</u> and <u>Senate</u> do not include this increase.	Private	191,100	0
<u>Conference</u> increases by 1.0 FTE and \$300,000 GF/GP funding.	Restricted	13,668,100	0
	GF/GP	\$1,312,000	\$300,000
5. Laboratory Services – Vapor Intrusion	FTE	39.0	0.0
<u>Executive</u> provides \$122,800 from laboratory services fee to support the vapor intrusion program. Vapor intrusion is the migration of chemical vapors from contaminated groundwater or soil into the buildings above. This funding will be used for site sampling costs.	Gross	\$6,175,300	\$122,800
<u>House</u> and <u>Conference</u> concur with Executive.	IDG	3,858,800	0
<u>Senate</u> does not include this increase.	Restricted	2,316,500	122,800
	GF/GP	\$0	\$0
6. Drinking Water and Environmental Health – Lead and Copper Rule Program	FTE	106.0	9.0
<u>Executive</u> provides 17.0 FTEs and \$2.6 million GF/GP funding to expand the Lead and Copper Rule Program which regulates these elements in public drinking water.	Gross	\$14,901,900	\$1,300,000
<u>House</u> and <u>Senate</u> do not include this increase.	Federal	9,237,600	0
<u>Conference</u> provides 9.0 FTEs and \$1.3 million GF/GP funding.	Restricted	4,356,900	0
	GF/GP	\$1,307,400	\$1,300,000
7. Drinking Water and Environmental Health – Manufactured Housing Community Drinking Water Monitoring	FTE	106.0	0.0
<u>Executive</u> provides 3.0 FTEs and \$500,000 GF/GP funding to support drinking water programs in manufactured housing communities.	Gross	\$14,901,900	\$0
<u>House</u> concurs with Executive.	Federal	9,237,600	0
<u>Senate</u> and <u>Conference</u> do not include this funding.	Restricted	4,356,900	0
	GF/GP	\$1,307,400	\$0
8. Communications and Community Outreach – Communications and Public Affairs Staff	FTE	NA	4.0
<u>Executive</u> provides 5.0 FTEs and \$1.0 million GF/GP funding to help create a communications and public affairs office for the department.	Gross	NA	\$655,400
<u>House</u> does not include this appropriation.	GF/GP	NA	\$655,400
<u>Senate</u> concurs with Executive.			
<u>Conference</u> provides 4.0 FTEs and \$655,400 GF/GP funding.			
9. Office of the Great Lakes – Communications and Public Affairs Staff	FTE	12.0	(1.0)
<u>Executive</u> reduces 1.0 FTE and \$152,700 GF/GP funding to help create a communications and public affairs office for the department.	Gross	\$2,170,700	(\$152,700)
<u>House</u> , <u>Senate</u> , and <u>Conference</u> concur with Executive.	Federal	787,900	0
	Restricted	483,100	0
	GF/GP	\$899,700	(\$152,700)
10. Office of Environmental Assistance – Communications and Public Affairs Staff	FTE	38.0	(1.0)
<u>Executive</u> reduces 1.0 FTE and \$152,700 GF/GP funding to help create a communications and public affairs office for the department.	Gross	\$6,257,700	(\$152,700)
<u>House</u> , <u>Senate</u> , and <u>Conference</u> concur with Executive.	Private	364,200	0
	Federal	704,800	0
	Restricted	2,321,200	0
	GF/GP	\$2,867,500	(\$152,700)

Major Budget Changes From FY 2016-17 YTD Appropriations		FY 2016-17 Year-to-Date (as of 2/8/17)	FY 2017-18 Conference Change
11. Oil, Gas, and Mineral Services Ongoing GF/GP	FTE	59.0	0.0
<u>Executive</u> transfers \$4.0 million GF/GP funding that was included in the FY 2016-17 DEQ budget on a one-time basis to ongoing funding for oil, gas, and mineral services to help offset a reduction in available oil and gas regulatory funding.	Gross	\$10,794,800	\$0
<u>House</u> reduces this appropriation by \$1.0 million GF/GP and moves remaining \$3.0 million GF/GP to one-time funding.	Restricted	6,794,800	0
<u>Senate</u> concurs with Executive.	GF/GP	\$4,000,000	\$0
<u>Conference</u> continues funding at \$4.0 million GF/GP but makes one-time.			
12. Air Quality Programs Fund Shift	FTE	188.0	0.0
<u>Executive</u> replaces \$1.4 million funding from the environmental pollution prevention fund with \$1.4 million GF/GP funding to help offset a loss of fee revenue that supports air quality monitoring and regulation.	Gross	\$27,231,500	\$0
<u>House</u> does not provide GF/GP.	Federal	7,450,200	0
<u>Senate</u> and <u>Conference</u> concur with Executive.	Restricted	15,377,000	(1,362,000)
	GF/GP	\$4,404,300	\$1,362,000
13. Water State Revolving Funds One-Time GF/GP	Gross	\$84,993,000	\$2,950,000
<u>Executive</u> provides \$3.0 million GF/GP to meet the state match requirement for water suppliers to qualify for federal safe drinking water infrastructure grants.	Federal	71,543,000	0
<u>House</u> , <u>Senate</u> , and <u>Conference</u> concur with Executive.	Restricted	11,400,000	0
	GF/GP	\$2,050,000	\$2,950,000
14. Refined Petroleum Product Cleanup Program (One-Time)	Gross	NA	\$14,900,000
<u>House</u> provides \$14.9 million in one-time funding from the refined petroleum fund to the refined petroleum product cleanup program.	Restricted	NA	14,900,000
<u>Senate</u> does not include this funding.	GF/GP	NA	\$0
<u>Conference</u> concurs with House.			
15. Recycling Initiative	FTE	3.0	0.0
<u>House</u> reduces the recycling initiative by 1.0 FTE and \$150,000 GF/GP,	Gross	\$1,008,700	\$0
<u>Senate</u> and <u>Conference</u> do not reduce funding.	GF/GP	\$1,008,700	\$0
16. Drill Core Storage Facility	Gross	NA	\$500,000
<u>Senate</u> provides \$500,000 GF/GP to replace a drill core sample storage facility in northern Michigan. <u>Conference</u> concurs with Senate.	GF/GP	NA	\$500,000
17. Emergency Cleanup Actions	Gross	\$4,000,000	(\$1,000,000)
<u>Senate</u> reduces funding by \$1.0 million in restricted funding to remove refined petroleum fund support from the program. <u>Conference</u> concurs with Senate.	Restricted	4,000,000	(1,000,000)
	GF/GP	\$0	\$0
18. Central Support Services – Legal Costs	FTE	34.0	0.0
<u>Conference</u> adds \$3.0 million from the lawsuit settlement proceeds fund to help fund departmental legal costs.	Gross	\$4,147,800	\$3,000,000
	IDG/IDT	169,000	0
	Restricted	3,582,800	3,000,000
	GF/GP	\$396,000	\$0
19. Removal of FY 2016-17 Supplemental Funding	FTE	1.0	(1.0)
<u>Executive</u> removes \$3.5 million Gross (\$1.5 million GF/GP) for FY 2016-17 supplemental appropriations included Public Acts 340 and 341 of 2016. Appropriations included support for the drinking water declaration of emergency and dredging in the Saginaw River (PA 340) as well as funding to implement public utility reforms (PA 341).	Gross	\$2,175,000	(\$2,175,000)
<u>House</u> , <u>Senate</u> , and <u>Conference</u> concur with Executive.	Federal	335,600	(335,600)
	Restricted	1,614,400	(1,614,400)
	GF/GP	\$225,000	(\$225,000)
20. Removal of FY 2016-17 One-Time Funding	FTE	10.0	(10.0)
<u>Executive</u> removes \$9.1 million Gross (\$8.4 million GF/GP) for one-time projects included in the previous fiscal year's budget. Projects included contaminated lake and river sediment cleanups, support for the drinking water declaration of emergency, dredging in the Saginaw River, and drinking water revolving fund GF/GP match.	Gross	\$9,100,100	(\$9,100,100)
<u>House</u> , <u>Senate</u> , and <u>Conference</u> concur with Executive.	Restricted	700,100	(700,100)
	GF/GP	\$8,400,000	(\$8,400,000)

<u>Major Budget Changes From FY 2016-17 YTD Appropriations</u>	<u>FY 2016-17 Year-to-Date (as of 2/8/17)</u>	<u>FY 2017-18 Conference Change</u>
21. Technical Adjustments	FTE	NA 1.0
<u>Executive</u> reduces IDG/IDT and restricted authorization while increasing federal and GF/GP authorization for a net decrease of \$20.5 million Gross to reflect available funds. Adjustments include realignment of appropriation authority for over-appropriated funds, fund shifts to reflect expenditures, and the reclassification of interdepartmental grants as restricted funding where necessary.	Gross	NA (\$20,511,400)
<u>House</u> , <u>Senate</u> , and <u>Conference</u> concur with Executive.	IDG/IDT	NA (6,168,500)
	Federal	NA 31,048,300
	Restricted	NA (45,411,800)
	GF/GP	NA \$20,600
22. Economic Adjustments	Gross	NA \$1,594,900
<u>Executive</u> reflects increased costs of \$1.6 million Gross (\$313,000 GF/GP) for negotiated salary and wage increases (3.0% ongoing after removing the FY 2016-17 one-time 1.5% lump sum), actuarially required retirement contributions, worker's compensation, building occupancy charges, and other economic adjustments.	IDG/IDT	NA 43,300
<u>House</u> , <u>Senate</u> , and <u>Conference</u> concur with Executive.	Federal	NA 307,100
	Restricted	NA 931,500
	GF/GP	NA \$313,000

Major Boilerplate Changes From FY 2016-17

Sec. 220. Disciplinary Action Against State Employees – RETAINED

Prohibits DEQ from disciplining state employees for communicating with members of the Legislature and their staffs. Executive deletes, House, Senate, and Conference retain.

Sec. 221. Rule Promulgation – RETAINED

Requires a report on any policy changes made to implement a public act; DEQ is not allowed to adopt a rule that will apply to a small business if it has a disproportionate economic impact. Executive deletes, House, Senate, and Conference retain.

Sec. 235. Clean Michigan Initiative Report – REVISED

Requires DEQ to prepare an annual report on projects funded by Clean Michigan Initiative (CMI) funds and remaining CMI fund balances. Executive deletes, House and Conference revise to include total debt obligation on all CMI bonds and a January 1, 2018 report deadline, Senate retains.

Sec. 237. Employee Legal Costs related to Drinking Water Declaration of Emergency – NEW

Requires DEQ to be responsible for payment of current and former department employees' legal costs from legal actions taken related to the drinking water declaration of emergency. Senate and Conference add new section.

Sec. 305. Refined Petroleum Fund – RETAINED

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

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, House, and Senate delete, Conference revises to require cleanup site list for the new fiscal year and closed sites from the preceding fiscal year by November 1.

Sec. 312. Perfluorinated Compounds Study and Workgroup – DELETED

Requires DEQ to conduct a study on the effects of long-term exposure to perfluorinated compounds and to conduct a workgroup to establish cleanup criteria for perfluorinated compounds under part 201 of the Natural Resources and Environmental Protection Act. Executive deletes, House, Senate, and Conference concur.

Sec. 313. Vapor Intrusion – NEW

Requires DEQ to use the funds appropriated in part 1 for vapor intrusion to investigate potential vapor intrusion sites. Executive adds new section, House and Senate delete, Conference adds new section but revises Executive to remove site number.

Sec. 314. Refined Petroleum Fund Reimbursements to Owners/Operators of Legacy Releases – NEW

Requires DEQ to expend not more than \$36.0 million of the funds appropriated in part 1 for the refined petroleum product cleanup program to reimburse owners and operators of underground storage tanks who have taken remediation actions to cleanup releases that predate the establishment of the Underground Storage Tank Cleanup Authority in 2014. House and Conference add new section.

Sec. 402. Water Quality and Use Initiative – DELETED

Requires report on plan for use of Water Quality Use Initiative funding and the amount of expenditures made for the Water Quality and Use Initiative Program, the Real-Time Beach Monitoring Program, and the Wetlands Program. Executive, Senate, and Conference delete, House retains.

Major Boilerplate Changes From FY 2016-17

Sec. 410. Lake Erie Report – REVISED

Requires DEQ to compile a report on the status of the implementation plan for the western Lake Erie basin collaborative agreement. Executive deletes, House concurs with Executive, Senate and Conference revise to include additional reporting requirements.

Sec. 411. Kalamazoo River Superfund Site Study – NEW

Sets aside \$150,000 of FY 2017-18 CMI contaminated sediments funding for an engineering study pertaining to the Kalamazoo River Superfund site and allows the study to be conducted by a private engineering firm. House and Conference add new section.

Sec. 604. Lead and Copper Rule – NEW

Requires DEQ to use the funds appropriated in part 1 for the lead and copper rule program to host training sessions for public water supply owners and operators to provide technical assistance on the federal lead and copper rule. Executive adds new section, House and Senate delete, Conference adds new section but revises Executive to remove training session number.

Sec. 801. Drinking Water Declaration of Emergency – DELETED

Allows the funds appropriated for the drinking water declaration of emergency to be expended for water treatment plant operation training expenses and water system needs. Executive revises, House concurs, Senate and Conference delete.

Sec. 803. Flint Supplemental Funding Report – REVISED

Requires a report on the use of the supplemental funds appropriated in FY 2015-16 for the Flint declaration of emergency. Executive deletes, House, Senate, and Conference revise to include funds appropriated in FY 2016-17 and renumber to Sec 237.