

Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536



BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bill 1063 (Substitute S-1 as passed by the Senate)
Sponsor: Senator George A. McManus, Jr.
Committee: Farming, Agribusiness and Food Systems

Date Completed: 4-6-00

RATIONALE

The Michigan Groundwater Stewardship Program, established under the Groundwater and Freshwater Protection Act, is a voluntary program designed to promote the protection of groundwater through education, technical assistance, and grants. The program coordinates the delivery of the Farmstead Assessment Program (on-farm risk assessment) through partnerships involving the Michigan Department of Agriculture (MDA), Michigan State University Extension, the Natural Resource Conservation Service, conservation districts, the Michigan Farm Bureau, the Michigan Agri-Business Association, and local groundwater stewardship teams. The program helps individual land owners to identify risks posed to groundwater by pesticides and fertilizers and promotes pollution prevention opportunities. The MDA may provide grants to persons participating in the program in accordance with procedures established by the Department. Grants are available for making changes consistent with groundwater stewardship practices, groundwater protection rules, the removal of potential sources of contamination, and other purposes considered suitable by the MDA Director.

Funding for the program comes from fertilizer and pesticide registration fees on specialty and agricultural products. These fees generate approximately \$3.5 million a year. According to the Department of Agriculture, nitrogen fertilizer usage fees account for about 28% of the revenues with the remaining being provided by pesticide registration fees. Over 85% of the revenue generated by these fees is returned directly to fertilizer and pesticide users through education, technical assistance, applied research, and cost-share programs.

The funding for the program is scheduled to sunset on November 22, 2000. Some people believe that it should be extended for 10 years.

CONTENT

The bill would amend Part 87 (Groundwater and

Freshwater Protection) of the Natural Resources and Environmental Protection Act to postpone the sunset date on groundwater protection fees from November 22, 2000, to December 31, 2010.

Under the Act, in addition to the fees provided for in Part 83 (Pesticide Control), a registrant (a person who is subject to the registration requirements of Part 83) must pay an annual groundwater protection fee for each product to be registered, as specified in the Act. Further, a person who is required to pay a specialty fertilizer fee or soil conditioner registration fee under Part 85 (Fertilizers) must pay an additional groundwater protection fee for each brand and product name of each grade registered. The fees collected, including interest or dividends earned, must be transmitted to the State Treasurer, who must credit the money received to the Groundwater Protection Fund. The bill would delete the November 22, 2000, sunset date on these provisions, and repeal the provisions on December 31, 2010.

The Act also provides that the Director of the Department of Agriculture, in conjunction with Michigan State University, the Department of Natural Resources (DNR), and other persons the Director considers appropriate, must develop a voluntary on-site evaluation system for pesticide or nitrogen fertilizer use. The bill would refer to the Department of Environmental Quality instead of the DNR.

MCL 324.8707 & 324.8715

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

Groundwater supplies the drinking water for nearly half of Michigan's residents, including almost 90% of the people who live in rural areas. In addition, an

estimated 37% of Michigan farmers use groundwater either for livestock or for irrigation. In 1993, by establishing the Groundwater Stewardship Program, the State took proactive steps to protect groundwater from contamination by pesticides and nitrogen fertilizer.

According to the MDA, a study released last month by Michigan State University shows that the program is yielding positive results. Apparently, nearly half of the farmers who go through the program adopt safer ways of handling and storing pesticides; 45% of program participants have properly plugged abandoned wells, eliminating a serious threat to groundwater quality; and about 40% of the participating farmers voluntarily spent over \$1,000 each to implement farm management practices that reduce pollution risks.

Although it is clear that the program works and farmers find it valuable, the program needs to reach more farmers who have not yet participated, provide higher levels of service, and improve program delivery to homeowners and other nonagricultural pesticide and fertilizer users. The program is a national model, according to the MDA, and deserves continued support from groundwater protection fees. By postponing the sunset date on groundwater protection fees to December 31, 2010, the bill would maintain support for the Michigan Groundwater Stewardship Program and allow an ongoing program evaluation for 10 more years.

Legislative Analyst: N. Nagata

FISCAL IMPACT

The extension of the sunset date would allow the Department to continue to collect and deposit to the Groundwater Protection Fund fee revenue that averages approximately \$3 million annually.

Fiscal Analyst: P. Graham

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.