

**Summary: House Passed
ENVIRONMENTAL QUALITY
FY 2004-05 Senate Bill 1066**



Analyst: Kirk Lindquist

	FY 2003-04 YTD (as 2/12/04)	Executive	Senate	House	Enacted	Difference: House from FY 2003-04 YTD	
						Amount	%
IDG/IDT	\$14,142,900	\$14,263,000	\$14,263,000	\$14,263,000		\$120,100	0.8
Federal	131,259,500	133,766,800	133,766,800	133,893,700		2,634,200)	2.0
Local	0	0	0	0		0	0.0
Private	435,700	445,900	445,900	445,900		10,200	2.3
Restricted	171,988,500	153,980,000	155,980,100	155,770,500		(16,218,000)	(9.4)
GF/GP	53,580,775	38,152,300	36,010,000	31,636,400		(21,944,375)	(41.0)
Gross	\$371,407,375	\$340,608,000	\$340,465,800	\$336,009,500		(\$35,397,875)	(9.5)
FTEs	1,611.7	1,578.2	1,570.2	1,577.2		(34.5)	(2.1)

Overview

The Department of Environmental Quality supports environmental protection, conservation, and cleanup and redevelopment programs. Appropriated funds support regulatory efforts established to protect, restore, and reuse Michigan's air, water, and land resources. More than half of annual department revenue is collected from restricted (permit and license) revenue.

Summary of FY 2004-05 Major Budget Issues

Contaminated Site Cleanup

No new funding would be provided for polluted land or water resources. Funding in FY 2003-04 for this purpose was \$35.0 million (restricted funds).

Water Pollution Control – Drinking Water Revolving Fund Match

The General Fund match (\$16.3 million) for the federal grant to the Water Pollution Control Revolving Fund would be eliminated. Debt service on the single sale and redemption payment (from accumulated interest and earnings) will count as the State's match for the FY 2004-05 Federal grant.

Department-wide

The Senate restructured the bill following objects of expense instead of program related spending, and instituted travel reductions in all programs.

The House did not concur in the Senate changes. Department-wide General Fund reductions of 15% would be required. An 8% position reduction would be required as well.

Major Budget Changes from FY 2003-04 YTD Appropriations:		FY 2003-04 YTD (as of 2/12/04)	House Change
1. Contaminated Site Cleanup		Gross	\$34,968,046
Deletes the boilerplate reappropriation item in the FY 2003-04 supplemental (\$13.3 million). The baseline appropriation for cleanup projects is not included (\$21.7 million). Insufficient revenue exists to cover both environmental cleanup and redevelopment staff needs and the traditional number of cleanup projects.		Restricted	34,968,046
Environmental Response Fund and Environmental Protection Fund appropriations have been reduced and program support is shifted to the Cleanup and Redevelopment Fund revenue saved when funding for cleanup projects was eliminated.			(\$34,948,046) (34,948,046)
Executive: (\$34,968,046) Senate: (\$34,968,046)			
2. Water Pollution Control Revolving Fund		Gross	\$16,300,000
Eliminates General Fund match (\$16.3 million) for the federal grant to the Water Pollution Control Revolving Fund. This one time savings is feasible through a one-day bond sale where the debt service on the single sale and redemption payment (from accumulated interest and earnings) is accepted as the State's match for FY 2004-05.		Restricted	0
Executive: \$16,300,000 Senate: \$16,300,000		GF/GP	16,300,000
			\$0 (\$16,300,000)
3. Budgetary Savings and Position Phaseout		Gross	(\$5,416,900)
House included a 15% General Fund reduction and required the department to reduce employment levels by 8%. No FTE adjustment was made.		GF/GP	(\$5,416,900)
Executive: \$0 Senate: \$0			
4. Air Quality Surveillance Fee funding Shift		Gross	\$0
Senate increased surveillance fees by \$1.2 million and reduced GF/GP. The House did not concur.		Restricted	0
Executive: \$0 Senate: (\$1,200,000)		GF/GP	(\$0)
5. Floodplain Mapping		Gross	\$475,000
Federal funding is included for the floodplain management program. Maps will be used for emergency planning/loss mitigation and to determine eligibility for the Federal floodplain insurance program.		IDG	0
Executive: \$475,000 Senate: \$475,000		Federal	475,000
		Restricted	0
		GF/GP	\$0
			\$475,000 \$475,000
6. Aquifer Protection		Gross	\$450,000
Increased appropriation from Aquifer Protection Revolving Fund to reflect reimbursements for groundwater dispute investigation and resolution efforts.		Restricted	450,000
Executive: \$450,000 Senate: \$450,000			
7. Dioxin Bio-availability Study		Gross	\$800,000
House added CMI funding for an out of state university study of the public health risks of Dioxin.		Restricted	800,000
Executive: \$0 Senate: \$0			

<u>Major Budget Changes from FY 2003-04 YTD Appropriations:</u>	<u>FY 2003-04 YTD (as of 2/12/04)</u>	<u>House Change</u>
8. <i>Economic Adjustments and Employee Related Savings</i>	Gross	\$6,074,600
Increased each line item supporting pay roll expenses to cover the cost of scheduled pay increases and fringe benefit costs (\$10,172,800). Employee salaries are to increase by 7% and health insurance premiums are to increase by 13.6%. The contribution rates for the defined benefit and defined contribution retirement programs are increasing as well, reflecting the system costs related to the recent early retirement program.	IDG	120,100
	Federal	2,032,300
	Private	10,200
	Restricted	2,825,500
	GF/GP	\$1,086,500

Workforce related savings (\$4,098,200) are recommended to offset the cost of included economic adjustments. These savings (amounting to 5% of payroll) are to be achieved through contract concessions.

Major Boilerplate Changes from FY 2003-04:

Sec. 219. "Contingency Fund Transfer" Language: Federal, Restricted, Local and Private – NEW

This is the same language included in earlier budget acts. Spending authorization may be increased through the legislative transfer process.

Sec. 220. Negotiated Contract Savings – NEW

Required the lapse of any savings realized through state employee contract renegotiations.

Sec. 222. 8% Position Reduction – NEW

Requires the elimination of 8% of funded positions by the end of the fiscal year.

Sec. 223. Lease Savings Target – NEW

Requires the review of existing leases with a plan to reduce lease expenditures by 5%.

Sec. 224. Great Lakes Areas of Concern – NEW

Requires the department to collaborate with local advisory councils to restore and formally remove Great Lakes Areas of Concern from the federal list.

Sec. 501. Recycling and Composting Position – DELETED

Requires the support of one position for technical assistance to organizations involved in recycling and composting.

Sec. 702. Cleanup Site Listing for Cleanup and Redevelopment Fund Program – REVISED

List of 2 new cleanup projects funded from the appropriation.

Sec. 703 Dioxin Bio-Availability Study

Study of dioxin to be done by an out of state university or other qualified organization.

Sec. 703 (Old). Municipal Landfill Match Grants – DELETED

Provided \$2.0 million for National Priority List Municipal Landfill Match Grants.

Sec. 805. Return Toxic Waste Program to the Federal Government

Requires the Department to transfer regulatory responsibility for the Toxic Waste Program to the Federal Government.

Sec. 903. Real Time Water Quality Grant – NEW

Provides instruction regarding the water quality monitoring grant to the City of Algonac.

Sec. 1103. Public Water Supply System Loans – DELETED

Required the Department to provide low interest loans to water supply systems not in compliance with federal arsenic standards.

Sec. 1104. County Grants: Water Quality Monitoring – DELETED

Provided \$700,000 to the City of St. Clair Shores for dredging.