

FY 2015-16: DEPARTMENT OF ENVIRONMENTAL QUALITY
Summary: Conference Report
House Bill 4093 (H-2) CR-1



Analyst: Austin Scott

	FY 2014-15 YTD as of 3/12/15	FY 2015-16 Executive	FY 2015-16 House	FY 2015-16 Senate	FY 2015-16 Conference	<i>Difference: Conference From FY 2014-15 YTD</i>	
						<i>Amount</i>	<i>%</i>
IDG/IDT	\$9,530,500	\$9,115,300	\$9,115,300	\$9,115,300	\$9,115,300	(\$415,200)	(4.4)
Federal	149,749,600	138,079,100	138,079,100	138,079,100	138,079,100	(11,670,500)	(7.8)
Local	0	0	0	0	0	0	--
Private	546,900	546,000	546,000	546,000	546,000	(900)	(0.2)
Restricted	321,888,900	304,054,200	304,341,200	303,141,200	304,341,200	(17,547,700)	(5.5)
GF/GP	37,475,900	34,827,700	34,527,700	34,827,800	34,827,700	(2,648,200)	(7.1)
Gross	\$519,191,800	\$486,622,300	\$486,609,300	\$485,709,400	\$486,909,300	(\$32,282,500)	(6.2)
FTEs	1,291.5	1,224.0	1,224.0	1,224.0	1,224.0	(67.5)	(5.2)

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." (3) Executive, House, Senate, and Conference figures include Executive Budget Revision 2016-4.

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.

NOTE: Information on House budget action in this document is based on House Bill 4102 (H-1) as passed the House. Information on Senate budget action in this document is based on Senate Bill 133 (H-1) as passed the Senate.

	FY 2014-15 Year-to-Date (as of 3/12/15)	FY 2015-16 Conference Change
--	--	---

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 amends Executive to extend groundwater discharge permit fee sunset by one year to 2016; the remaining 14 fee sunsets are extended by four years to 2019. Senate and Conference concur with Executive.

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 Conference Change
2. Air Quality Program - Fee Increase			
<u>Executive</u> 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.			
<u>House</u> amends <u>Executive</u> 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.			
<u>Senate</u> does not include an air emissions fee increase and maintains the current \$47.95 per ton rate. Consequently, the Senate does not include any new air emissions fee revenue.			
<u>Conference</u> concurs with the House.			
<u>House</u> 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). <u>Senate</u> and <u>Conference</u> concur with House.			
<u>House</u> reduces line item by \$150,000 GF/GP. <u>Senate</u> and <u>Conference</u> do not concur with House.			
3. Drinking Water Revolving Fund Loan Program (DWRP)			
The FY 2014-15 budget as originally enacted included \$5.0 million GF/GP for DWRP loans. A reduction of \$2.8 million GF/GP was included in EO 2015-5. The FY 2015-16 <u>executive</u> 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.			
<u>House</u> , <u>Senate</u> , and <u>Conference</u> concur with Executive.			
4. FTE Reductions			
<u>Executive</u> reduces total FTEs from 1,291.5 to 1,224.0. 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. Three FTEs are shifted to LARA specified by Executive Budget Revision 2016-4. <u>House</u> , <u>Senate</u> , and <u>Conference</u> concur with Executive.			
		FTE	1,291.5
		Gross	N/A
		GF/GP	N/A
			(67.5)
			N/A
			N/A
5. Refined Petroleum Product Cleanup Program			
<u>Executive</u> 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. <u>House</u> , <u>Senate</u> , and <u>Conference</u> concur with Executive.			
		Gross	\$32,900,000
		Restricted	32,900,000
		GF/GP	\$0
			(\$12,900,000)
			(12,900,000)
			\$0
			\$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 <u>executive</u> recommended budget removes the remaining \$1.9 million GF/GP for this one-time appropriation. <u>House</u> , <u>Senate</u> , and <u>Conference</u> concur with Executive.			
		Gross	\$1,850,000
		GF/GP	\$1,850,000
			(\$1,850,000)
			(\$1,850,000)

Major Budget Changes From FY 2014-15 YTD Appropriations		FY 2014-15 Year-to-Date (as of 3/12/15)	FY 2015-16 Conference Change
7. Federal Authorization Adjustment		Gross	N/A
<u>Executive</u> reduces federal authorization by \$10.9 million to reflect a decrease in available federal funds. <u>House</u> , <u>Senate</u> , and <u>Conference</u> concur with <u>Executive</u> .		Federal	N/A
		GF/GP	N/A
			(\$10,907,000)
			(10,907,000)
			\$0
8. Clean Michigan Initiative (CMI) and Environmental Protection Bond Fund		Gross	\$9,282,100
<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
<u>House</u> , <u>Senate</u> , and <u>Conference</u> concur with <u>Executive</u> .		GF/GP	\$0
			(\$1,473,200)
			(1,473,200)
			\$0
9. Contaminated Site Investigation, Cleanup, and Revitalization		Gross	\$29,385,200
<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. <u>House</u> , <u>Senate</u> , and <u>Conference</u> concur with <u>Executive</u> .		Private	187,200
		Restricted	29,198,000
		GF/GP	\$0
			(\$5,000,000)
			0
			(5,000,000)
			\$0
10. Drinking Water and Environmental Health		Gross	\$15,982,300
<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. <u>Senate</u> and <u>Conference</u> do not concur with <u>House</u> .		GF/GP	\$1,288,700
			\$0
			\$0
11. Emergency Water Fund		Gross	N/A
<u>Senate</u> adds a \$100 GF/GP placeholder for an emergency water fund. <u>House</u> and <u>Conference</u> do not concur with <u>Senate</u> .		GF/GP	N/A
			\$0
			\$0
12. Office of Environmental Assistance – Budget Revision		FTE	N/A
<u>Conference</u> reduces the Office of Environmental Assistance by 2.0 FTEs and \$1.1 million Gross in accordance with Executive Budget Revision 2016-4. Budget revision transfers appropriation to the Department of Licensing & Regulatory Affairs to help establish the new Michigan Agency for Energy and is included in <u>Executive</u> , <u>House</u> , and <u>Senate</u> totals.		Gross	N/A
		Federal	N/A
		Restricted	N/A
		GF/GP	N/A
			(\$1,053,600)
			(2.0)
			(84,000)
			(669,600)
			(\$300,000)
13. Air Quality Program – Budget Revision		FTE	N/A
<u>Conference</u> reduces the air quality program by 1.0 FTE and \$250,000 GF/GP in accordance with Executive Budget Revision 2016-4. Budget revision transfers appropriation to the Department of Licensing & Regulatory Affairs to help establish the new Michigan Agency for Energy and is included in <u>Executive</u> , <u>House</u> , and <u>Senate</u> totals.		Gross	N/A
		GF/GP	N/A
			(\$250,000)
			(1.0)
			(\$250,000)
14. Economic Adjustments		Gross	N/A
<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> , <u>Senate</u> , and <u>Conference</u> concur with <u>Executive</u> .		IDG	N/A
		Private	N/A
		Federal	N/A
		Restricted	N/A
		GF/GP	N/A
			(\$332,700)
			(13,200)
			(900)
			(93,700)
			(176,700)
			(\$48,200)

Major Boilerplate Changes From FY 2014-15

Sec. 204. Benchmark Requirements – RETAINED & REVISED

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

Sec. 207. Retention of Reports – RETAINED

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

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, Senate, and Conference retain.

Major Boilerplate Changes From FY 2014-15

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, Senate, and Conference retain.

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 and Senate delete, House and Conference retain.

Sec. 228. Customer Satisfaction Evaluation Program – DELETED

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

Sec. 229. Expedited Permitting Program – DELETED

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

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 and House delete, 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 deletes, House, Senate, and Conference retain but revise list of cleanup projects for FY 2015-16.

Sec. 311. Enbridge Settlement Report – NEW

Requires DEQ to submit a report detailing the remediation & redevelopment actions funded by the May 2015 Enbridge settlement. Conference adds new section.

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, Senate, and Conference concur.

Sec. 401. Statewide Septic Code Study – DELETED

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

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

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 and House delete, Senate and Conference retains.

Sec. 406. Groundwater Discharge Permit Fee Revision – NEW

Requires DEQ to work with stakeholders to revise the ground water discharge permit fee prior to September 30, 2016. House adds new section, Conference 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, Senate concurs. House concurs but revises to include 1.0 FTE authorization dedicated to oversight of air quality programs in the Upper Peninsula, Conference concurs with House.

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, Senate, and Conference retain.

Sec. 503. Air Quality Program 1.0 FTE in U.P. – DELETED

Provides 1.0 FTE authorization dedicated to oversight of air quality programs in the Upper Peninsula. Senate adds new section (House includes in Sec. 501 above, Conference concurs with House).

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, Senate, and Conference retain.

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

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

Major Boilerplate Changes From FY 2014-15

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, Senate, and Conference concur.

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, Senate, and Conference concur.

Sec. 2001. FY 2015-16 Anticipated Appropriations – RETAINED

States intent that FY 2016-17 line item appropriations will be the same as those for FY 2015-16 with certain economic adjustments. Executive, House, and Senate delete; Conference retains and renumbers from 1201 to 2001.