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BILL ANALYSIS

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Senate Bill 787 (S-1, Draft 3)
Committee: Appropriations

Throughout this document Senate means Subcommittee.

FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE	FY 2015-16 YEAR-TO-DATE	FY 2016-17 SENATE SUBCOMM.	CHANGES FROM FY 2015-16 YEAR-TO-DATE AMOUNT	PERCENT
FTE Positions	1,220.0	1,232.0	12.0	1.0
GROSS	**499,995,800**	**513,499,400**	**13,503,600**	**2.7**
Less:				
Interdepartmental Grants Received	9,115,300	9,225,700	110,400	1.2
ADJUSTED GROSS	**490,880,500**	**504,273,700**	**13,393,200**	**2.7**
Less:				
Federal Funds	138,079,100	138,687,200	608,100	0.4
Local and Private	546,000	555,300	9,300	1.7
TOTAL STATE SPENDING	**352,255,400**	**365,031,200**	**12,775,800**	**3.6**
Less:				
Other State Restricted Funds	305,341,200	317,344,800	12,003,600	3.9
GENERAL FUND/GENERAL PURPOSE	**46,914,200**	**47,686,400**	**772,200**	**1.6**
PAYMENTS TO LOCALS	**14,685,000**	**3,750,000**	**(10,935,000)**	**(74.5)**

FY 2015-16 Year-to-Date Gross Appropriation	**$499,995,800**
Changes from FY 2015-16 Year-to-Date:	
1. **Leaking Underground Storage Tank Cleanups.** The Governor and Senate included additional Refined Petroleum Fund revenue in the DEQ budget to address leaking underground storage tanks. This item also appears in the budget for the Department of Agriculture and Rural Development (DARD), where the money is currently used to support the Weights and Measures program. GF/GP would be used in DARD to replace this revenue.	1,500,000
2. **Clean Michigan Initiative (CMI) - High Priority Cleanups.** The Governor and Senate included additional CMI bond proceeds which would use most of the remaining statutory allocation for response activities at sites deemed a high priority by the Department.	14,900,000
3. **Water Withdrawal Assessment Program.** The Governor and Senate included $800,000 in Clean Michigan Initiative - Clean Water Fund appropriations to increase the scope of this program. The program models the effects on large-scale water withdrawals on local water tables and water availability for residential wells. The Governor's total for FY 2016-17 for this program, including this increase, is about $2.2 million.	800,000
4. **Drinking Water Revolving Loan Fund - State Match.** The Governor and Senate included additional one-time GF/GP appropriations to draw down all available Federal funds for the Drinking Water Revolving Fund program. The program provides low-interest loans to municipalities for improvements to drinking water infrastructure. The exact amount of funds available for this program is contingent on the Federal budget for FY 2016-17, but the average for this program is about $30.0 to $35.0 million.	2,950,000

5. **Flint Declaration of Emergency.** The Governor and Senate included a one-time appropriation including 10.0 FTEs for efforts related to Flint water issues. The proposal is comprised of three parts: $1.5 million and 10.0 FTEs for corrosion control specialists, sampling staff, lab staff, and service line verification staff; $3.9 million for three months of water payments to the Great Lakes Water Authority for Flint's water; and a $100 placeholder for the Flint Emergency Reserve Fund. That fund was proposed as part of Supplemental Request 2016-6, which would appropriate $50.0 million from the State General Fund to a new Flint Emergency Reserve Fund in the Department of Technology, Management and Budget. Part or all of that funding could then be authorized for expenditure in the DEQ budget through a contingency fund transfer by the Legislature.	5,400,100
6. **Oil and Gas Regulatory Fund Replacement.** The Governor and Senate included additional one-time GF/GP appropriations to replace appropriations from this fund for the Office of Oil, Gas, and Minerals. The Fund normally provides much of the revenue necessary to operate the Office, which oversees regulation of mineral extraction in the State. However, low oil prices have reduced Fund revenue, which is based directly on the market value of extracted minerals.	4,000,000
7. **Contaminated Lake and River Sediment Cleanup.** The Governor and Senate included additional one-time CMI-Contaminated Sediments appropriations to fund cleanups of toxic sediment from rivers, lakes, and streams. Typically about $1.5 million is appropriated each year for these purposes. This increase would increase that by about half for FY 2016-17.	700,000
8. **Environmental Bond Site Reclamation Program.** The Governor and Senate removed appropriations for this program, as the underlying fund source, part of the 1998 Clean Michigan Initiative bond program, has been depleted.	(126,800)
9. **Brownfield Grants.** The Governor and Senate removed appropriations for this program. Funding currently comes from the CMI allocation for response activities; the Governor proposed repurposing the remainder of these funds toward high priority cleanups.	(1,500,000)
10. **Removal of Five-Year Early-Out Deferred Sick Leave Payments.** Department obligations will be satisfied as of FY 2015-16 for employees who opted into the 2010 early retirement program, which deferred sick leave payments over five years.	(243,300)
11. **Office of Oil, Gas, and Minerals.** $5.4 million in Oil and Gas Regulatory Fund appropriation authority was removed from the Office of Oil, Gas, and Minerals as low oil prices have reduced revenue to this fund. The Governor and Senate included a total of $10.8 million for this program.	(5,385,600)
12. **Remove FY 2015-16 Supplemental Appropriation.** The Governor and Senate removed $13.1 million in FY 2015-16 appropriations for Flint water issues. These appropriations were related to one-time expenditures for the following: Reconnection of Flint's water to the Detroit Water and Sewerage Department ($6.3 million); increased water testing of homes in Flint ($1.0 million); aid to the City of Flint for unpaid water bills ($3.0 million); Flint water system needs ($2.0 million); Flint water infrastructure study ($500,000); DEQ lab testing costs ($250,000); and Flint water corrosion control ($36,500).	(13,086,500)
13. **Economic Adjustments.** Includes $788,800 Gross and $122,800 GF/GP for OPEB and $2,806,900 Gross and $429,700 GF/GP for other economic adjustments.	3,595,700
14. **Comparison to Governor's Recommendation.** The Senate is $0 Gross and $0 GF/GP over the Governor.	
Total Changes	$13,503,600
FY 2016-17 Senate Appropriations Subcommittee Gross Appropriation	**$513,499,400**

Boilerplate Changes from FY 2015-16 Year-to-Date:

1. **Metrics for New/Increased Programs.** The Governor removed and Senate retained a requirement that proposals for new programs or increases over $500,000 be accompanied by proposed metrics. (Sec. 215)

2. **Communication with the Legislature.** The Governor removed and Senate retained a prohibition against taking disciplinary action against Department employees who communicate with the Legislature. (Sec. 220)
3. **Report Retention.** The Governor removed and Senate retained a requirement that reports be retained according to State and Federal laws. (Sec. 218)
4. **Rule Promulgation - Small Business Impact.** The Governor removed and Senate retained a prohibition against the promulgation of rules that would have a disproportionate impact on small businesses. (Sec. 221)
5. **FTE Report.** The Governor removed and Senate retained an annual report on the number of funded full-time equated (FTE) positions in the Department. (Sec. 223)
6. **Refined Petroleum Fund Repayment.** The Governor removed and Senate retained a statement of legislative intent that the $70.0 million transferred to the Environmental Protection Fund from the Refined Petroleum Fund in FY 2006-07 be repaid. (Sec. 305)
7. **Refined Petroleum Fund Site List.** The Governor removed and Senate retained a section detailing the RPF sites that would be funded in the budget. (Sec. 306)
8. **Brownfield Grant Work Project.** The Governor and Senate removed a section allowing for Brownfield grant appropriations to be carried forward as a work project. (Sec. 309)
9. **Kalamazoo River Oil Spill Settlement Funds.** The Governor removed and Senate retained a report on the use of settlement funds from the 2010 oil spill on the Kalamazoo River. (Sec. 311)
10. **Water Quality and Use Initiative - Spending Plan.** The Governor and Senate removed a requirement that a spending plan be established for this program. (Sec. 402)
11. **Groundwater Discharge Permit Fee Structure.** The Governor and Senate removed a requirement that the Department work with stakeholders to revise the fee structure for this program. (Sec. 406)
12. **CMI - Contaminated Sediment Cleanup Work Project.** The Governor included a new section containing work project carryforward language for this appropriation. The Senate included this section. (Sec. 407)
13. **Lake Erie Basin Collaborative Agreement.** The Senate included a new report on the implementation plan for the Lake Erie Collaborative Agreement (Sec. 410)
14. **Air Quality Fee Increase - Hire Program Supervisor for Upper Peninsula.** The Governor and Senate removed a requirement that part of the air quality fee increase revenue be used to hire a program supervisor for the Upper Peninsula. (Sec. 501)
15. **Air Permits - Penalties for Previous Owners**. The Governor and Senate removed a prohibition against assessing additional penalties for air permit violations that occurred under a previous owner. (Sec. 502)
16. **Stormwater Asset Management Plan Report.** The Governor and Senate removed a requirement that completed grants have a summary of their asset management plans posted on the Department website, and that municipalities receiving grants agree to make the plan available to the Department as well as the public. (Sec. 603)
17. **Flint Declaration of Emergency.** The Governor included a new section requiring that funds appropriated for this purpose be used to keep Flint on the Detroit water system and for staffing, lab, testing, and contract costs. The Senate included this section, but revised it slightly. (Sec. 801)
18. **FY 2016-17 Anticipated Appropriations**. The Governor and Senate removed this section. (Sec. 2001)

Date Completed: 4-12-16 Fiscal Analyst: Josh Sefton