

**Summary: Executive Budget Recommendation
for Fiscal Year 2017-18
DEPARTMENT OF ENVIRONMENTAL QUALITY**



Analyst: Austin Scott

	FY 2016-17 Year-to-Date as of 2/8/17	FY 2017-18 Executive	Difference: FY 2017-18 Vs. FY 2016-17	
			Amount	%
IDG/IDT	\$9,225,700	\$3,100,500	(\$6,125,200)	(66.4)
Federal	139,022,800	170,042,600	31,019,800	22.3
Local	0	0	0	--
Private	555,300	555,300	0	0.0
Restricted	318,959,200	285,825,300	(33,133,900)	(10.4)
GF/GP	49,273,400	51,318,300	2,044,900	4.2
Gross	\$517,036,400	\$510,842,000	(\$6,194,400)	(1.2)
FTEs	1,243.0	1,260.0	17.0	1.4

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 Year-to-Date (YTD) Appropriations</u>	<u>FY 2016-17 YTD (as of 2/8/17)</u>	<u>Executive Change from YTD</u>
1. Elimination of fee sunsets	Gross	NA
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.	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
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
	GF/GP	NA
		\$1,000,100
		100
		\$1,000,000
3. Environmental Cleanup and Redevelopment Program fund shift	Gross	\$29,900,000
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
	GF/GP	\$0
		\$14,900,000
		14,900,000
		\$0
		\$0

Major Budget Changes From FY 2016-17 Year-to-Date (YTD) Appropriations		FY 2016-17 YTD (as of 2/8/17)	Executive Change from YTD
4. Contaminated Site Investigations, Cleanup, and Revitalization – Vapor Intrusion	FTE	131.0	4.0
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	\$1,253,500
	Private	191,100	0
	Restricted	13,668,100	0
	GF/GP	\$1,312,000	\$1,253,500
5. Laboratory Services – Vapor Intrusion	FTE	39.0	0.0
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
	IDG	3,858,800	0
	Restricted	2,316,500	122,800
	GF/GP	\$0	\$0
6. Drinking Water and Environmental Health – Lead and Copper Rule Program	FTE	106.0	17.0
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	\$2,562,400
	Federal	9,237,600	0
	Restricted	4,356,900	0
	GF/GP	\$1,307,400	\$2,562,400
7. Drinking Water and Environmental Health – Manufactured Housing Community Drinking Water Monitoring	FTE	106.0	3.0
Provides 3.0 FTEs and \$500,000 GF/GP funding to support drinking water programs in manufactured housing communities.	Gross	\$14,901,900	\$500,000
	Federal	9,237,600	0
	Restricted	4,356,900	0
	GF/GP	\$1,307,400	\$500,000
8. Communications and Community Outreach – Communications and Public Affairs Staff	FTE	NA	5.0
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	\$1,013,800
	GF/GP	NA	\$1,013,800
9. Office of the Great Lakes – Communications and Public Affairs Staff	FTE	12.0	(1.0)
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)
	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)
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)
	Private	364,200	0
	Federal	704,800	0
	Restricted	2,321,200	0
	GF/GP	\$2,867,500	(\$152,700)
11. Oil, Gas, and Mineral Services ongoing GF/GP	FTE	59.0	0.0
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
	Restricted	6,794,800	0
	GF/GP	\$4,000,000	\$0
12. Air Quality Programs fund shift	FTE	188.0	0.0
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
	Federal	7,450,200	0
	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
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
	Restricted	11,400,000	0
	GF/GP	\$2,050,000	\$2,950,000

<u>Major Budget Changes From FY 2016-17 Year-to-Date (YTD) Appropriations</u>		<u>FY 2016-17 YTD (as of 2/8/17)</u>	<u>Executive Change from YTD</u>
14. Removal of FY 2016-17 supplemental funding	FTE	1.0	(1.0)
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)
	Federal	335,600	(335,600)
	Restricted	1,614,400	(1,614,400)
	GF/GP	\$225,000	(\$225,000)
15. Removal of FY 2016-17 one-time funding	FTE	10.0	(10.0)
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)
	Restricted	700,100	(700,100)
	GF/GP	\$8,400,000	(\$8,400,000)
16. Technical Adjustments	FTE	NA	1.0
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)
	IDG/IDT	NA	(6,168,500)
	Federal	NA	31,048,300
	Restricted	NA	(\$45,411,800)
	GF/GP	NA	\$20,600
17. Economic Adjustments	Gross	NA	\$1,594,900
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
	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 – DELETED

Prohibits DEQ from disciplining state employees for communicating with members of the Legislature and their staffs.

Sec. 221. Rule Promulgation – DELETED

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.

Sec. 235. Clean Michigan Initiative Report – DELETED

Requires DEQ to prepare an annual report on projects funded by Clean Michigan Initiative (CMI) funds and remaining CMI fund balances.

Sec. 305. Refined Petroleum Fund – DELETED

States legislative intent to restore \$70.0 million Refined Petroleum Fund transferred to General Fund in FY 2006-07.

Sec. 306. Refined Petroleum Fund Cleanup Site List – DELETED

Lists cleanup projects funded through the Refined Petroleum Product Cleanup Program; requires report on amount spent at each site and work performed.

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.

Sec. 313. Vapor Intrusion – NEW

Requires DEQ to use the funds appropriated in part 1 for vapor intrusion to investigate at least 120 potential vapor intrusion sites.

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.

Sec. 410. Lake Erie Report – DELETED

Requires DEQ to compile a report on the status of the implementation plan for the western Lake Erie basin collaborative agreement.

Major Boilerplate Changes From FY 2016-17

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 three training sessions for public water supply owners and operators to provide technical assistance on the federal lead and copper rule.

Sec. 801. Drinking Water Declaration of Emergency – REVISED

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.

Sec. 803. Flint Supplemental Funding Report – DELETED

Requires a report on the use of the supplemental funds appropriated in FY 2015-16 for the Flint declaration of emergency.

Supplemental Recommendations for FY 2016-17 Appropriations

**FY 2016-17
Recommendation**

1. Water Infrastructure Improvements for the Nation program

Provides \$100.0 million in federal funding for the drinking water declaration of emergency. Funding will be used for water treatment plant improvements, service line and water meter replacement, distribution system upgrades, corrosion control, and other infrastructure needs. This funding requires a 20% match (\$20.0 million) which will be provided by DEQ from GF/GP funding appropriated for the drinking water declaration of emergency included in Public Act 268 of 2016.

Gross	\$100,000,000
Federal	100,000,000
GF/GP	\$0