



Budget Briefing: Environmental Quality

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Briefing Topics

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- Appropriation Areas
- Major Budget Topics

Department of Environmental Quality

The Department of Environmental Quality (DEQ) was established by executive order in 1995; environmental regulatory programs were previously administered by the Department of Natural Resources (DNR). Subsequent executive orders granted DEQ authority over drinking water programs, radiological protection, waste management, and water quality monitoring.

- The DEQ budget provides funding for:
 - Air quality monitoring
 - Water quality monitoring
 - Great Lakes protection and restoration
 - Underground storage tank management
 - Waste management
 - Pollution prevention and control
 - Environmental investigations and cleanups

Key Budget Terms

Fiscal Year: The state's fiscal year (FY) runs from October to September. FY 2017-18 is October 1, 2017 through September 30, 2018.

Appropriation: Authority to expend funds. An appropriation is not a mandate to spend. Constitutionally, state funds cannot be expended without an appropriation by the Legislature.

Line Item: Specific appropriation amount in a budget bill which establishes spending authorization for a particular program or function.

Boilerplate: Specific language sections in a budget bill which direct, limit, or restrict line item expenditures, express legislative intent, and/or require reports.

Lapse: Appropriated amounts that are unspent or unobligated at the end of a fiscal year. Appropriations are automatically terminated at the end of a fiscal year unless designated as a multi-year work project under a statutory process. Lapsed funds are available for expenditure in the subsequent fiscal year.

Note: Unless otherwise indicated, historical budget figures in this presentation have not been adjusted for inflation.

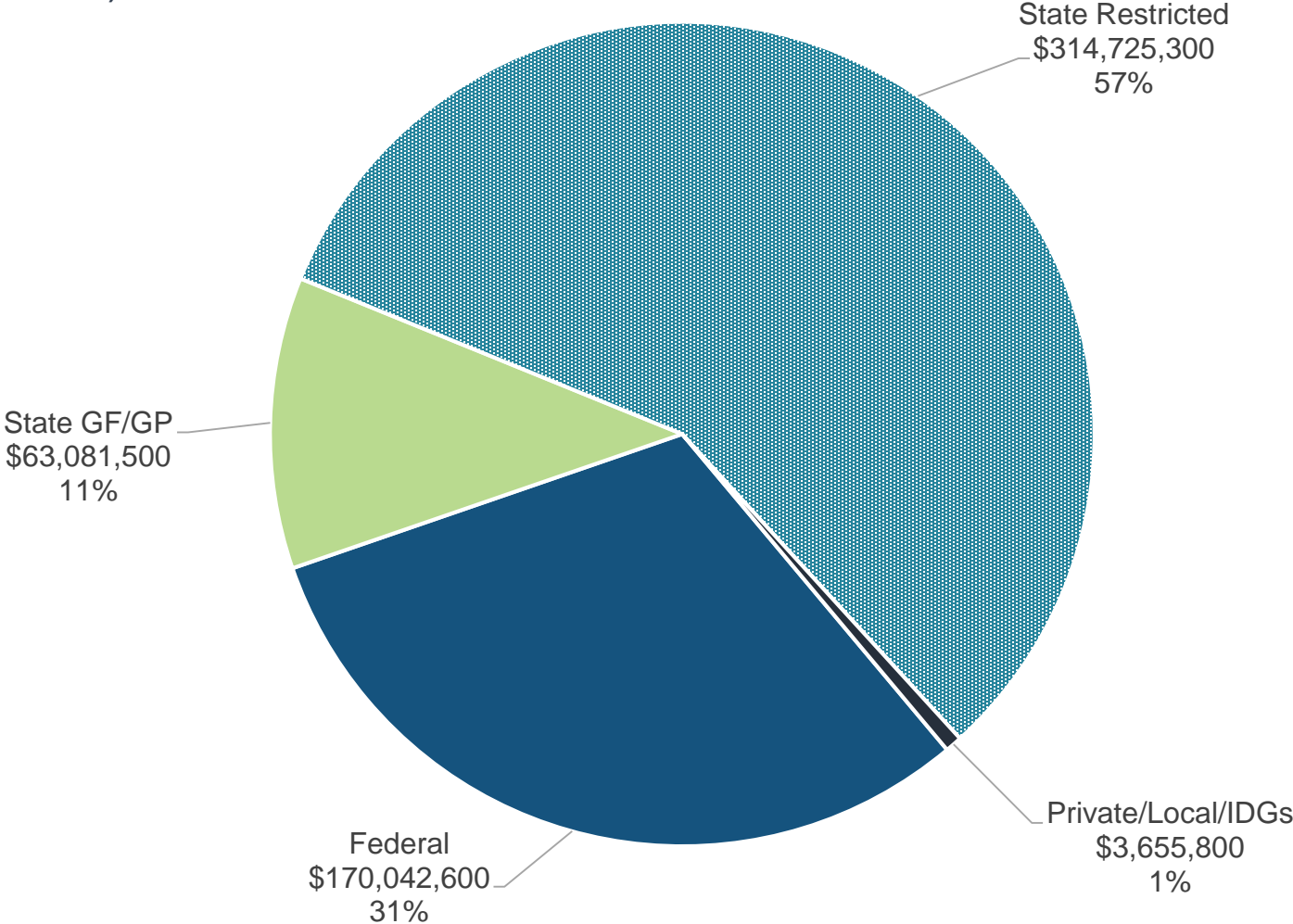
Funding Sources

FY 2017-18 DEQ Budget

Fund Source	Funding	Description
Gross Appropriations	\$551,505,200	Total spending authority from all revenue sources
Interdepartmental Grants (IDG) Revenue	3,100,500	Funds received by one state department from another state department, usually for services provided
Adjusted Gross Appropriations	\$548,404,700	Gross appropriations excluding IDGs; avoids double counting when adding appropriation amounts across budget areas
Federal Revenue	170,042,600	Federal grant or matching revenue; generally dedicated to specific programs or purposes
Local Revenue	0	Revenue received from local units of government for state services
Private Revenue	555,300	Revenue from individuals and private entities, including payments for services, grants, and other contributions
State Restricted Revenue	314,725,300	State revenue restricted by the State Constitution, state statute, or outside restriction that is available only for specified purposes; includes most fee revenue
State General Fund/General Purpose (GF/GP) Revenue	\$63,081,500	Unrestricted revenue from taxes and other sources available to fund basic state programs and other purposes determined by the Legislature

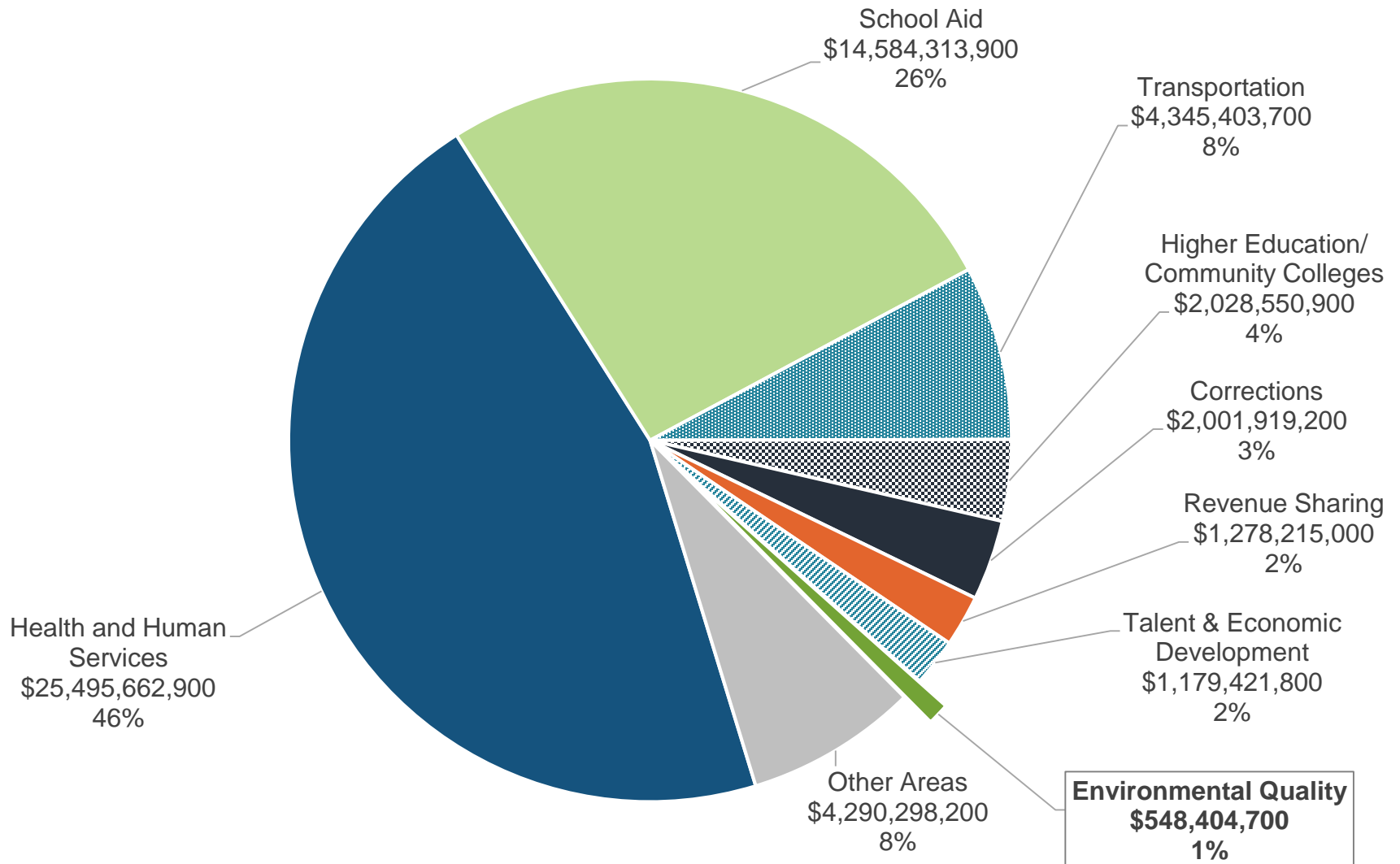
FY 2017-18 Fund Sources

Almost 60% of the \$551.5 million DEQ budget is funded by state restricted revenue. There are 53 funds that comprise this revenue, two of which make up over 40% of the total: strategic water quality initiatives fund (\$81.2 million) and refined petroleum fund (\$56.6 million).



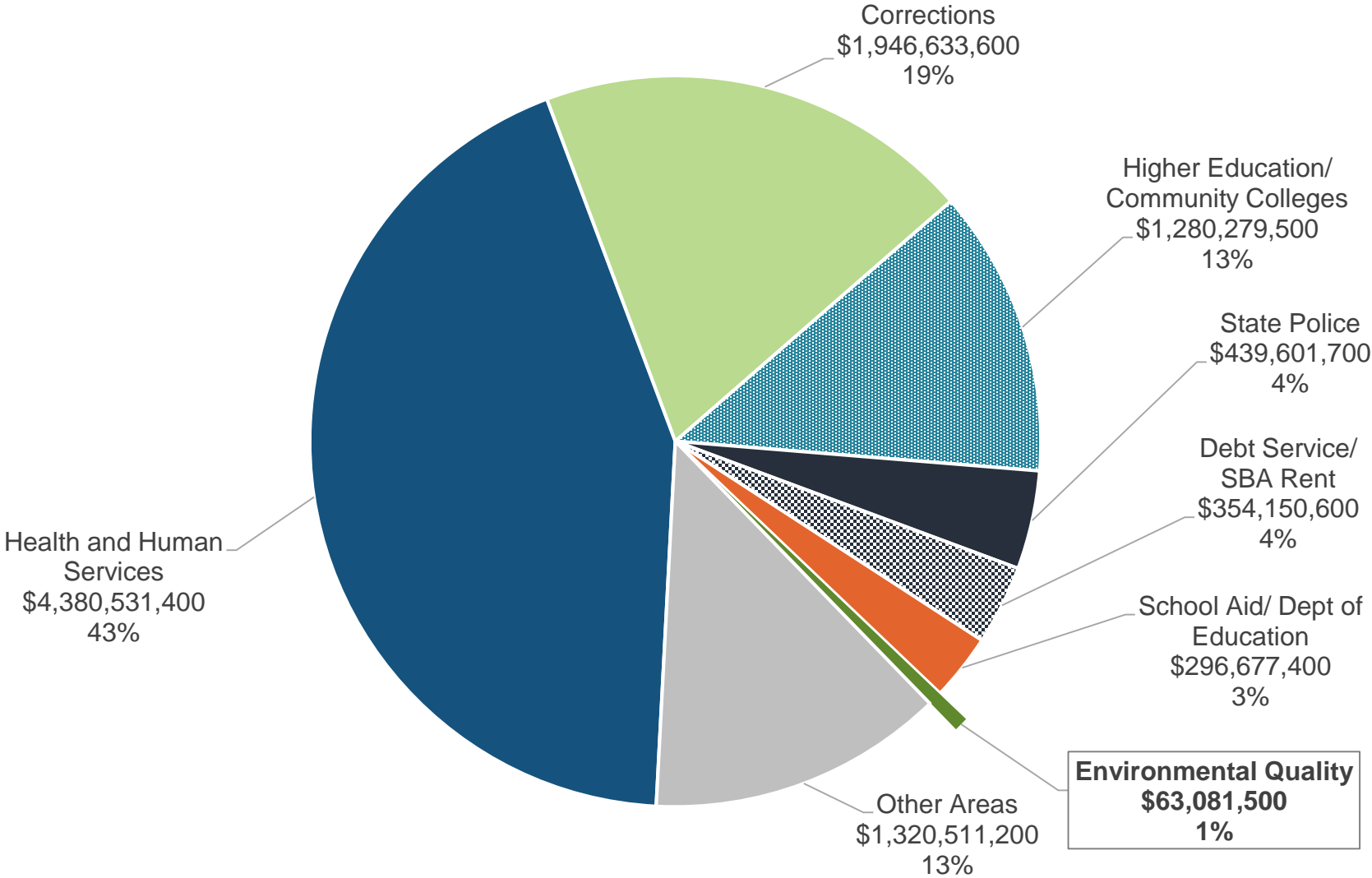
DEQ Share of Total State Budget

The DEQ budget represents about 1% of the **\$55.8 billion** state budget (adjusted gross) for FY 2017-18.



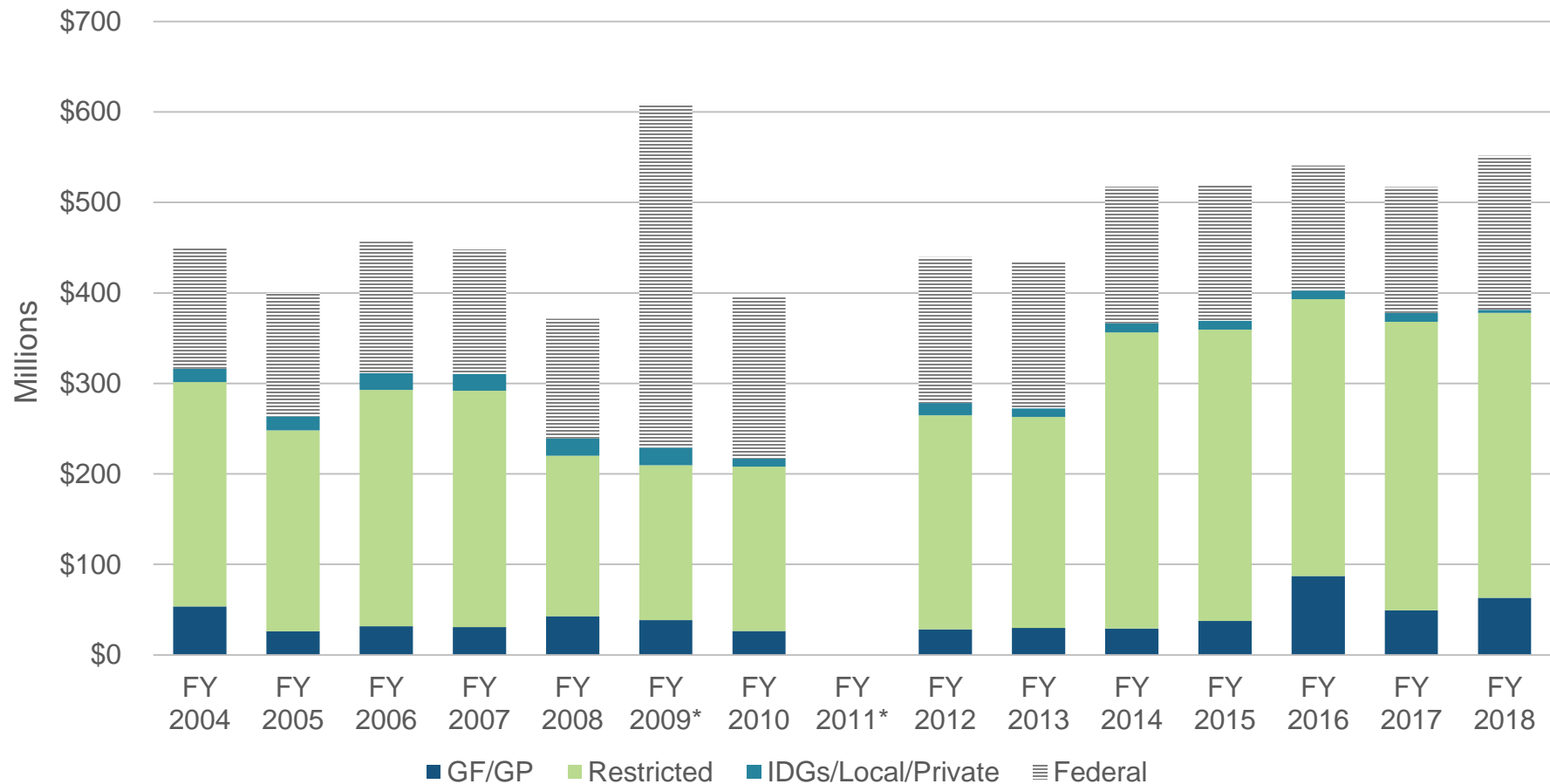
DEQ Share of Total GF/GP Budget

The DEQ budget represents less than 1% of the state's **\$10.1 billion** GF/GP budget for FY 2017-18.



DEQ Funding History

DEQ funding has been relatively consistent since FY 2013-14, since an additional \$95.0 million from the strategic water quality initiatives fund increased DEQ's restricted funding. Supplemental appropriations for the Flint water emergency totaling \$45.8 million increased GF/GP in FY 2015-16 on a one-time basis.



Note: The American Recovery & Reinvestment Act added \$248.6 million in one-time federal funding FY 2008-09. The Department of Natural Resources and DEQ were combined for FY 2010-11 only, this funding is included in DNR's history.

Appropriation Areas

DEQ Appropriation Areas

Resource Management: Drinking water regulation, water pollution control, oil and gas program, and waste management

Remediation and Redevelopment: Underground storage tank authority, refined petroleum cleanups, contaminated site investigations, and lab services

Water Resources: Surface water regulation, wetland programs, groundwater discharge regulation, water withdrawal assessment, and aquatic nuisance control

Departmental Administration: Central administration including information technology, Office of Environmental Assistance, and environmental law enforcement

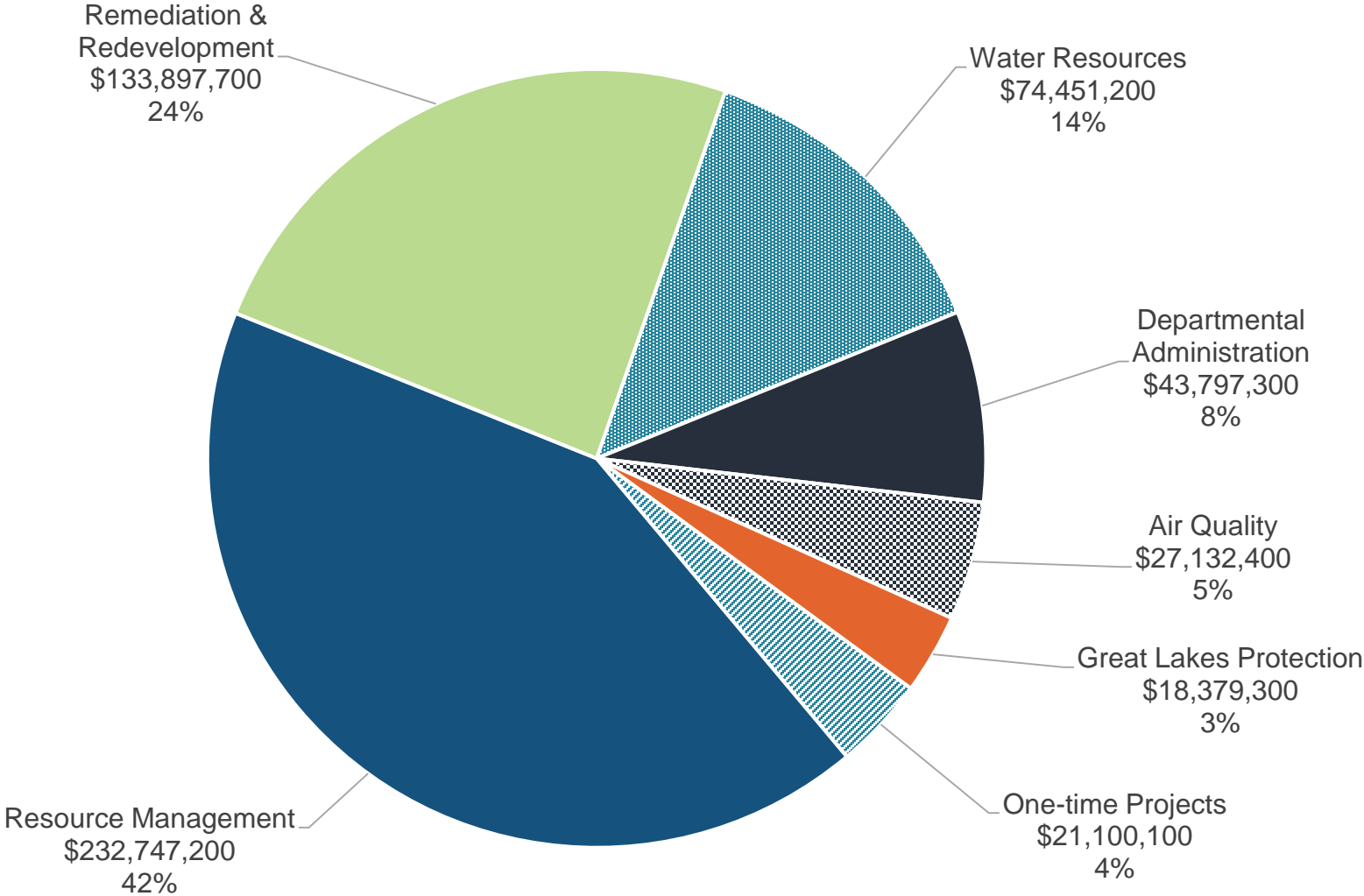
Air Quality: Air emissions inspections, monitoring, and control

Great Lakes protection: Great Lakes Restoration Initiative (federal) and Office of the Great Lakes

One-time projects: Flint declaration of emergency; oil, gas, and mineral services; and refined petroleum product cleanup program

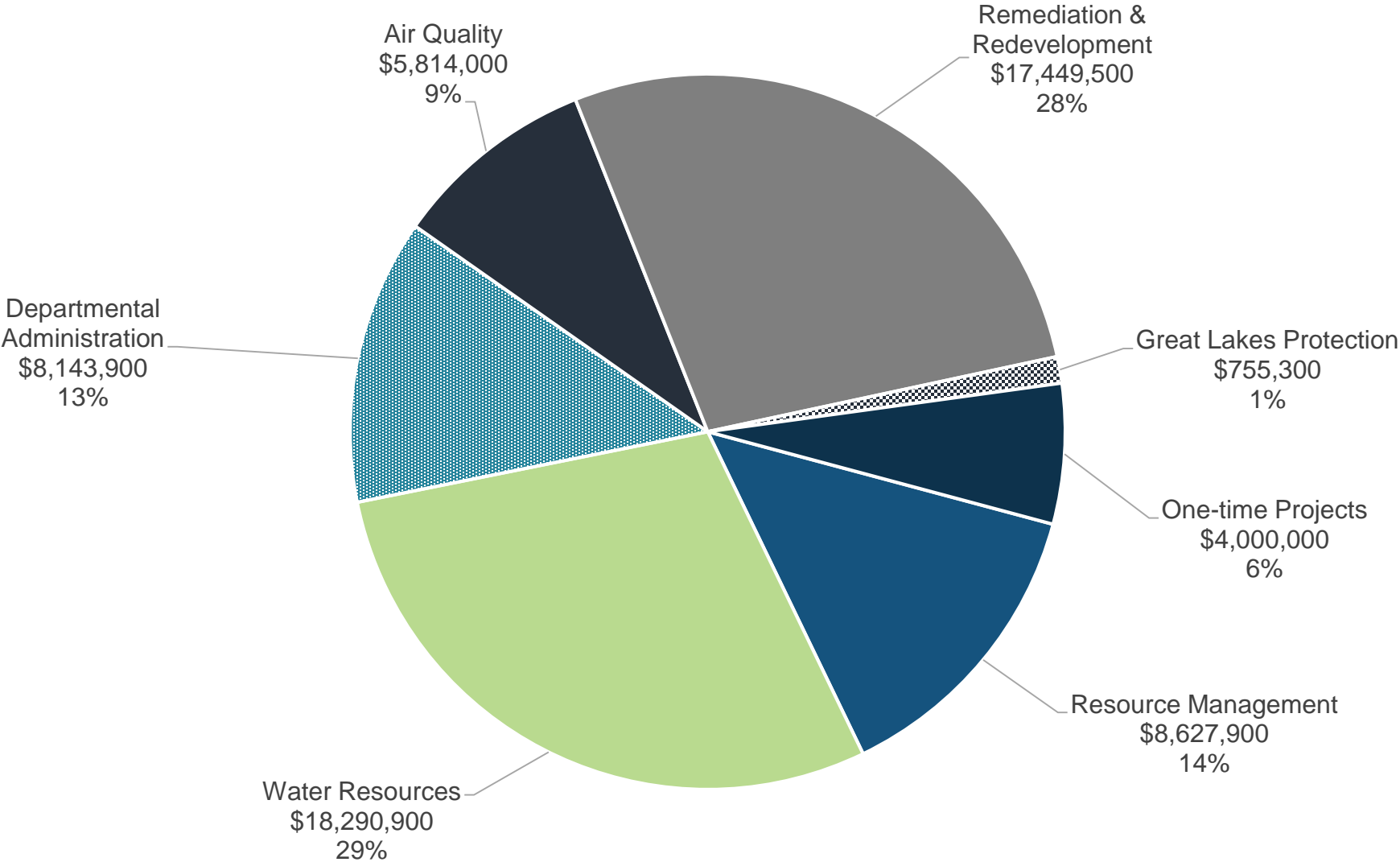
FY 2017-18 Gross Appropriations

Two-thirds of DEQ's \$551.5 million budget funds two divisions: resource management division and remediation and redevelopment division.



FY 2017-18 GF/GP Appropriations

Over half of GF/GP funds (totaling **\$63.1 million**) are dedicated to water resources programs and remediation and redevelopment.



Major Budget Topics

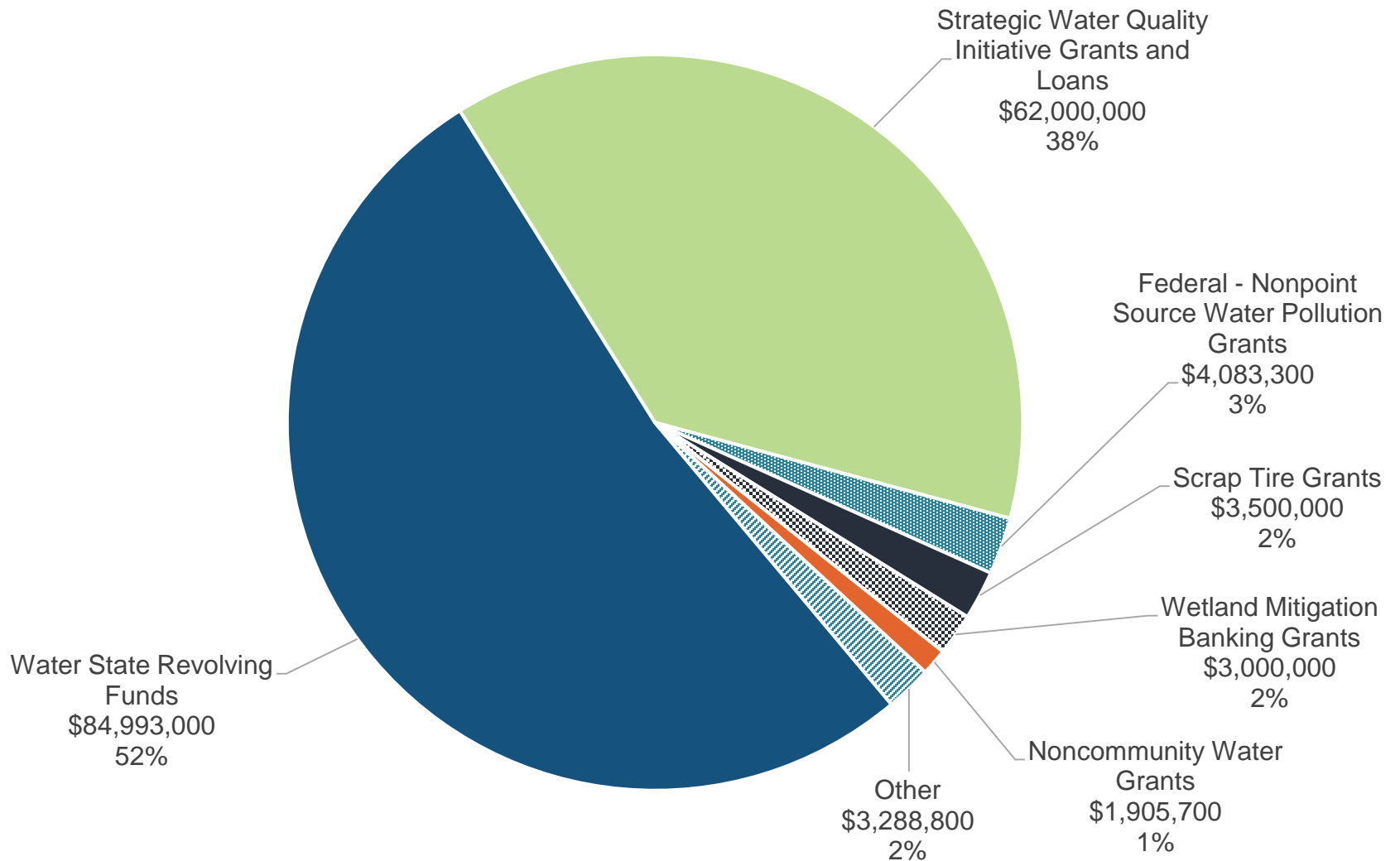
Flint Declaration of Emergency

Supplemental appropriations for DEQ, totaling **\$156.7 million**, have been enacted in response to the Flint declaration of emergency. The FY 2017-18 DEQ budget includes \$2.2 million for Flint water testing and sampling.

Public Act	Fiscal Year	Gross Appropriation	Purpose
2015 PA 143	2015-16	\$7.3 million (\$6.3 million GF/GP, \$1.0 million restricted)	Water connection costs, water investigations and monitoring, lab testing costs
2016 PA 3		\$5.8 million (all GF/GP)	Revenue replacement from unpaid water bills, system infrastructure, system integrity study, lab testing costs, corrosion control
2016 PA 268		\$33.4 million (all GF/GP)	Replacement of lead service lines, water connection costs, water system costs, response team costs
2016 PA 340		\$817,000 (\$340,000 GF/GP, \$477,000 restricted)	Water distribution optimization analysis
2016 PA 268	2016-17	\$5.4 million (\$5.4 million GF/GP, \$100 restricted)	Lab testing costs, water connection costs, corrosion control
2016 PA 340		\$1.8 million (\$1.5 million restricted, \$335,600 federal)	Infrastructure upgrades and technical assistance
2017 PA 33		\$100.0 million (all federal)	Treatment plant improvements, line and meter replacement, system upgrades

DEQ Grant Programs

The FY 2017-18 DEQ budget includes **\$162.8 million** in grant funding available to public, private, and nonprofit organizations, most of which is dedicated to water resources.



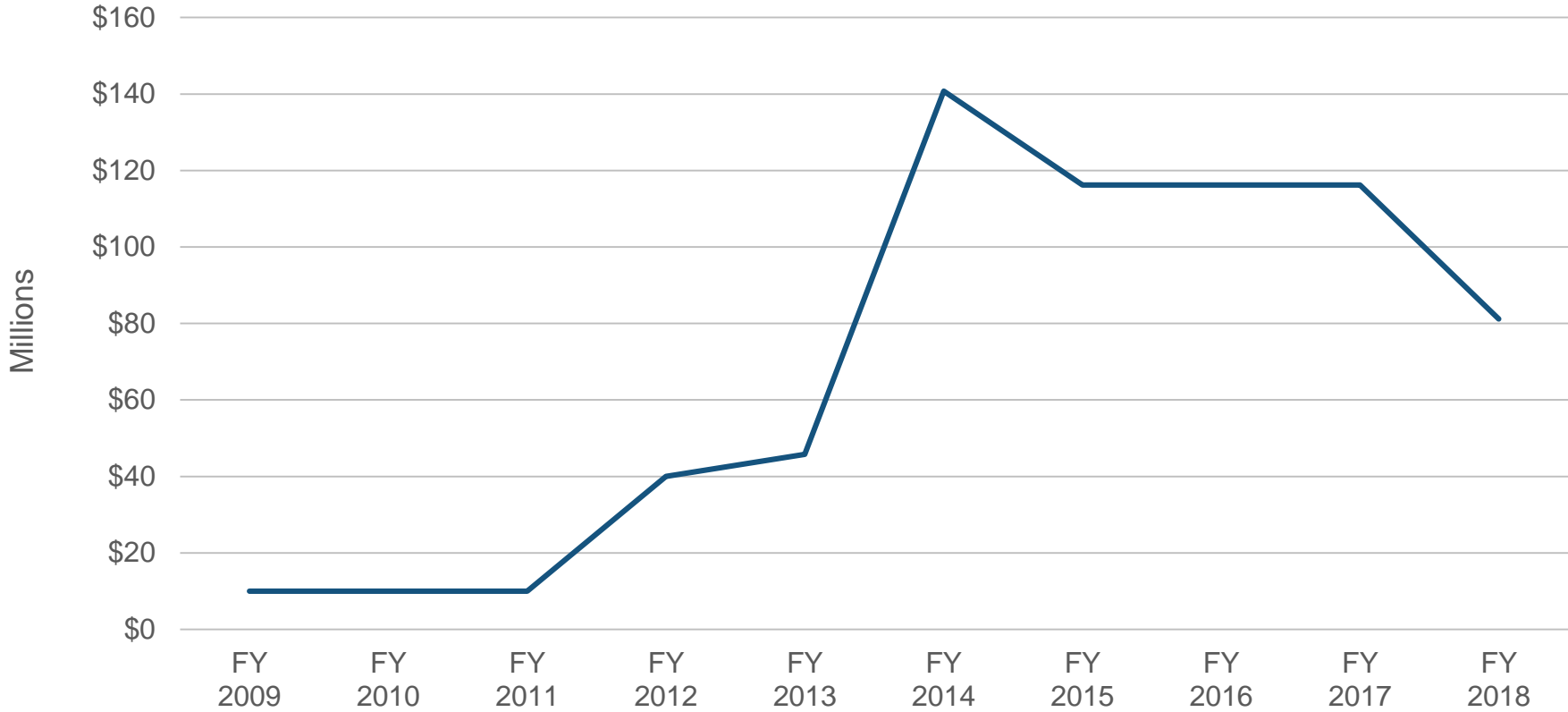
Major Restricted Funds

Restricted funding totals **\$318.9 million** from 53 funds and comprises almost 60% of the DEQ budget. The strategic water quality initiatives fund and the refined petroleum fund together make up just under half of this funding.

Fund	Revenue Source	Purpose
Strategic water quality initiatives fund	Great Lakes Water Quality Bond issuances and interest earnings	To provide local governments with low interest loans for sewage systems improvements and grants to prepare applications for sewer and infrastructure projects
Refined petroleum fund	7/8 cents per gallon fee paid for each gallon of refined petroleum sold for resale in Michigan	Refined petroleum cleanups (DEQ), weights and measures program (MDARD), and debt service (Treasury, ended after FY 2013-14)

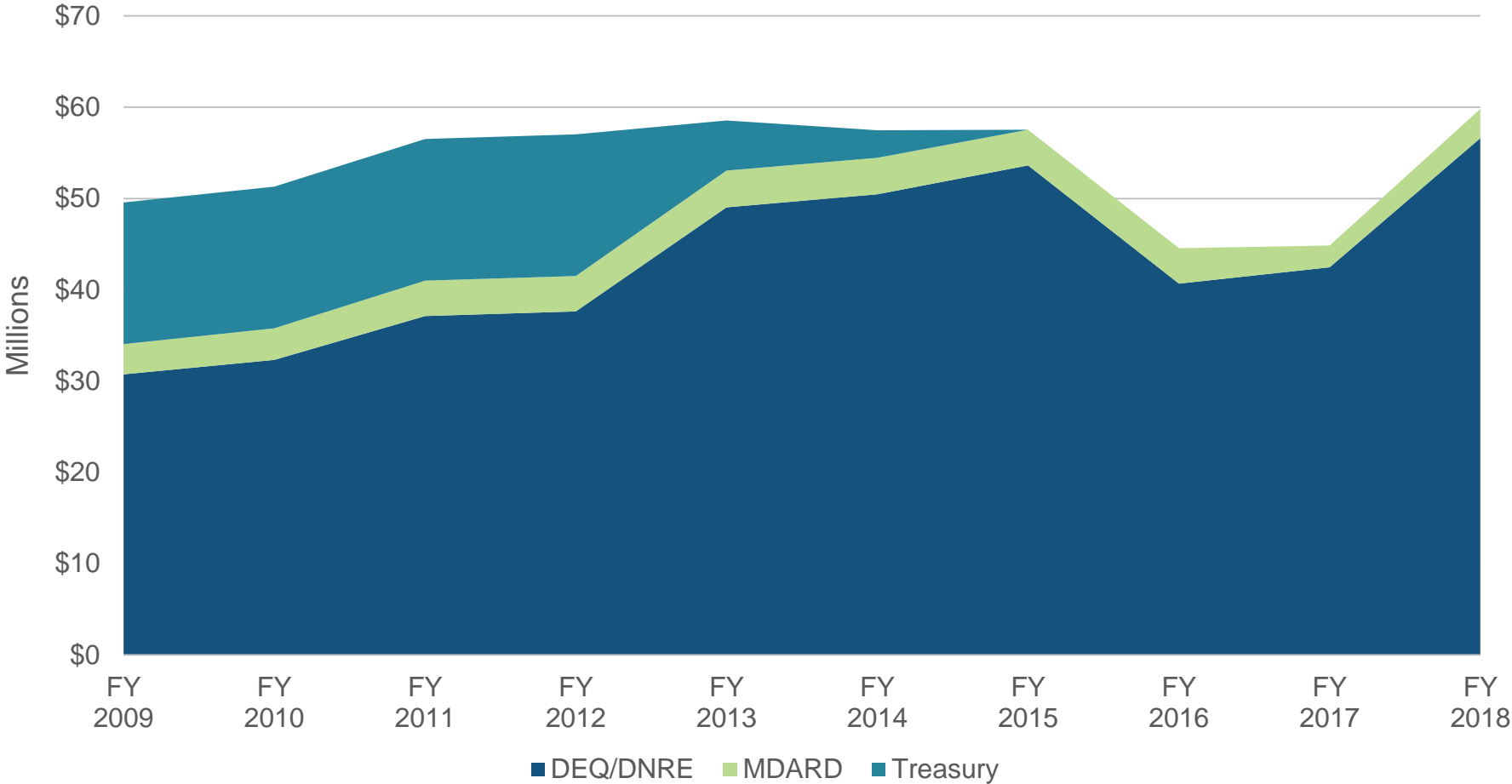
Strategic Water Quality Initiatives Fund (SWQIF)

The Great Lakes Water Quality Bond is a \$1.0 billion general obligation bond program to help local governments finance sewage treatment projects. Originally, 90% of bond revenue was deposited to the state revolving fund (SRF) and the remaining 10% was deposited to the SWQIF. However, in 2012 the revenue allocation was revised to 29% to the SRF and 71% to SWQIF to give local governments increased access to expanded grant opportunities available through SWQIF. A decrease for FY 2017-18 is reflected below as bond authority has been depleted.



Refined Petroleum Fund (RPF)

Annual appropriations from the RPF hovered around \$57 million from FY 2010-11 through FY 2014-15. Beginning in FY 2015-16, the underground storage tank cleanup receives the first \$20.0 million in fee revenue, with the remainder being deposited to the RPF. Additional fund balance has been appropriated for FY 2017-18 which is reflected below.



For more information about the Environmental Quality budget:

HFA Resources

<http://www.house.mi.gov/hfa/EnvironmentalQuality.asp>

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