



Budget Briefing: Environmental Quality

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January 2019

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 2018-19 is October 1, 2018 through September 30, 2019.

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.

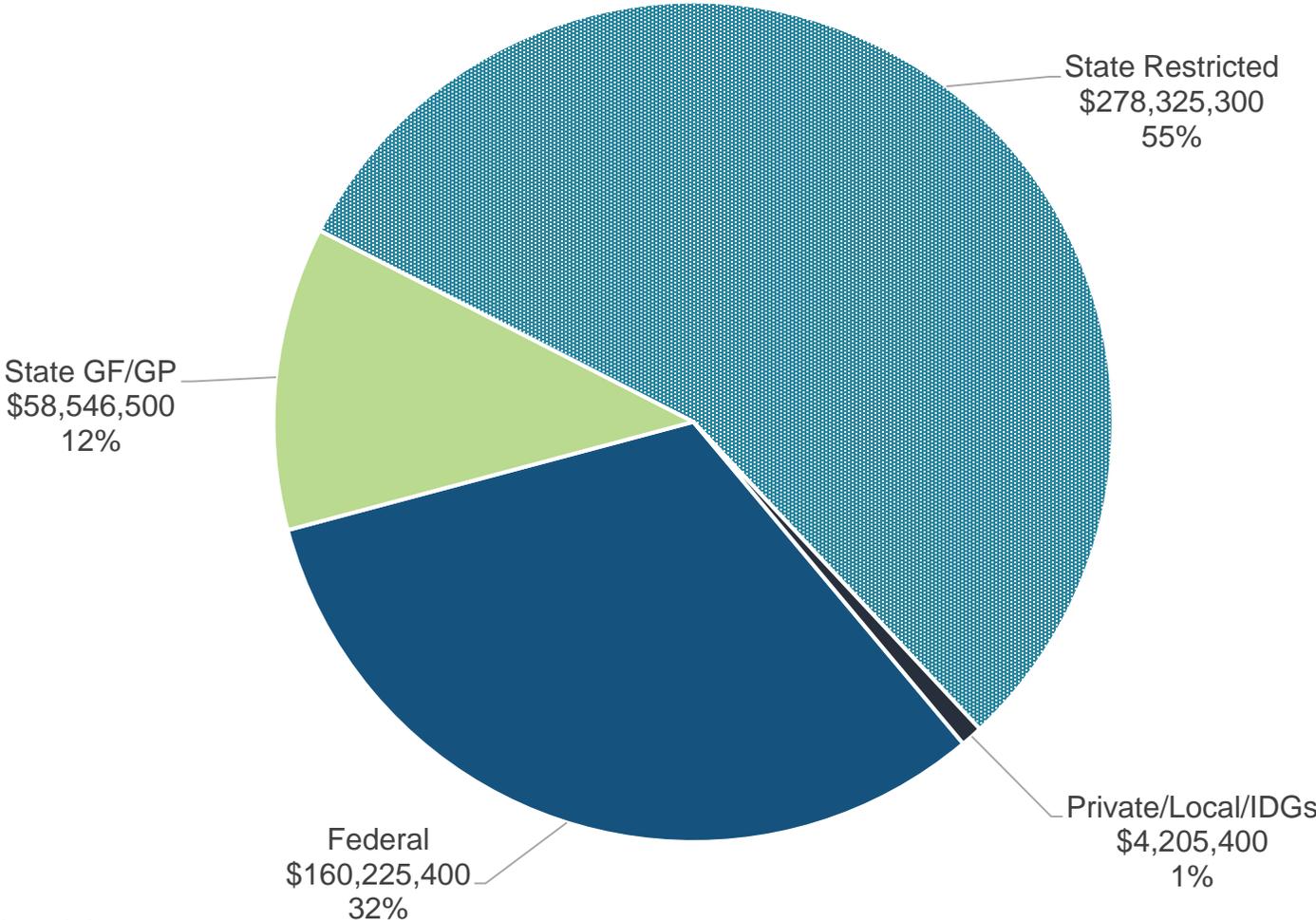
Funding Sources

FY 2018-19 DEQ Budget

Fund Source	Funding	Description
Gross Appropriations	\$501,302,600	Total spending authority from all revenue sources
Interdepartmental Grants (IDG) Revenue	3,143,700	Funds received by one state department from another state department, usually for services provided
Adjusted Gross Appropriations	\$498,158,900	Gross appropriations excluding IDGs; avoids double counting when adding appropriation amounts across budget areas
Federal Revenue	160,225,400	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	1,061,700	Revenue from individuals and private entities, including payments for services, grants, and other contributions
State Restricted Revenue	278,325,300	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	\$58,546,500	Unrestricted revenue from taxes and other sources available to fund basic state programs and other purposes determined by the Legislature

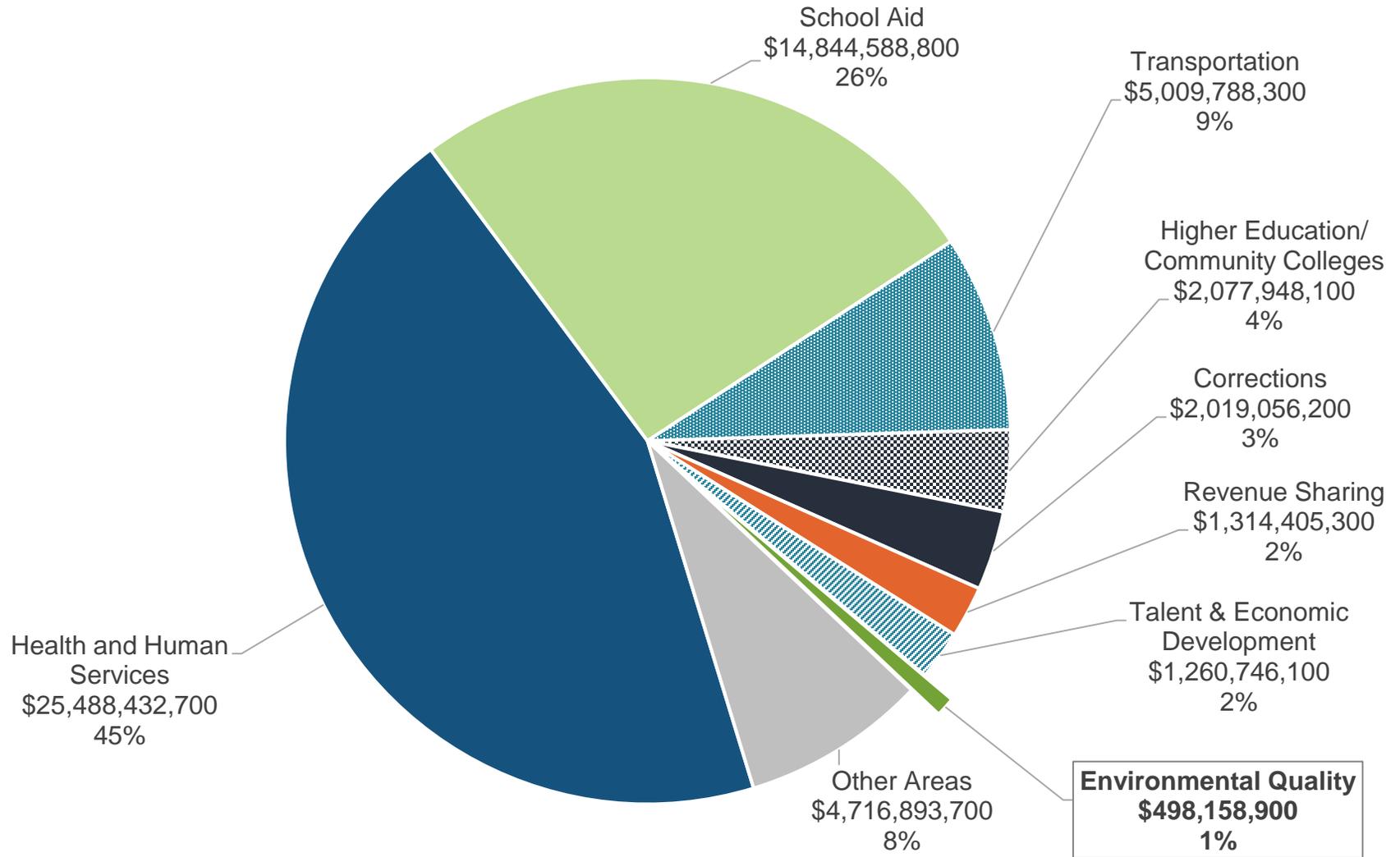
FY 2018-19 Fund Sources

Over half of the **\$501.3 million** DEQ budget is funded by state restricted revenue. There are 54 funds that comprise this revenue, four of which make up over half of the total: Renew Michigan Fund (\$69.0 million) Refined Petroleum Fund (\$42.1 million), and Underground Storage Tank Cleanup Fund (\$20.0 million), and Cleanup & Redevelopment Fund (\$19.9 million).



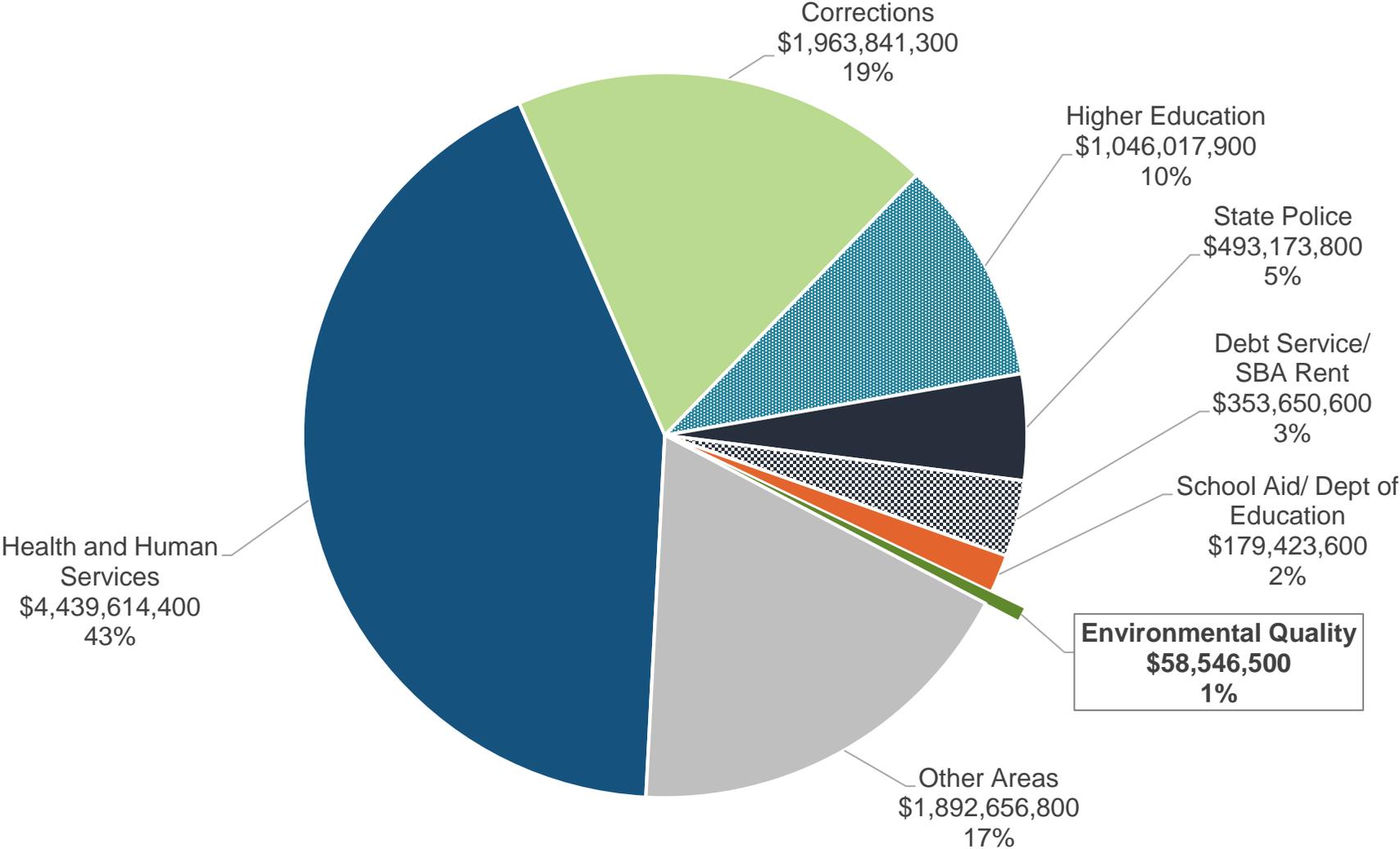
DEQ Share of Total State Budget

The DEQ budget represents about 1% of the **\$57.2 billion** state budget (adjusted gross) for FY 2018-19.



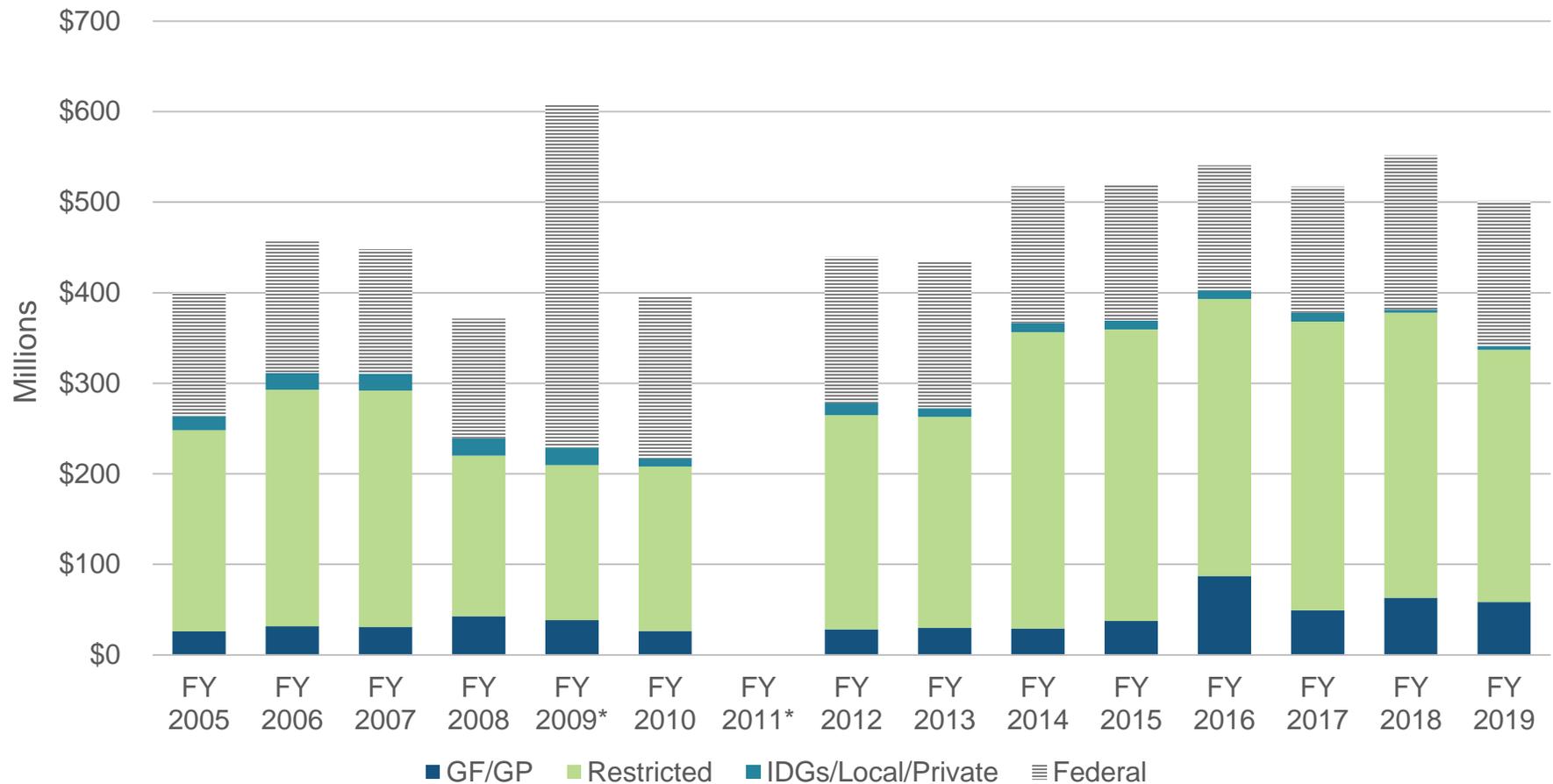
DEQ Share of Total GF/GP Budget

The DEQ budget represents less than 1% of the state's **\$10.4 billion** GF/GP budget for FY 2018-19.



DEQ Funding History

An additional \$95.0 million from the strategic water quality initiatives fund increased DEQ's restricted funding beginning in FY 2013-14; this funding reverted to its previous level in FY 2018-19. 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

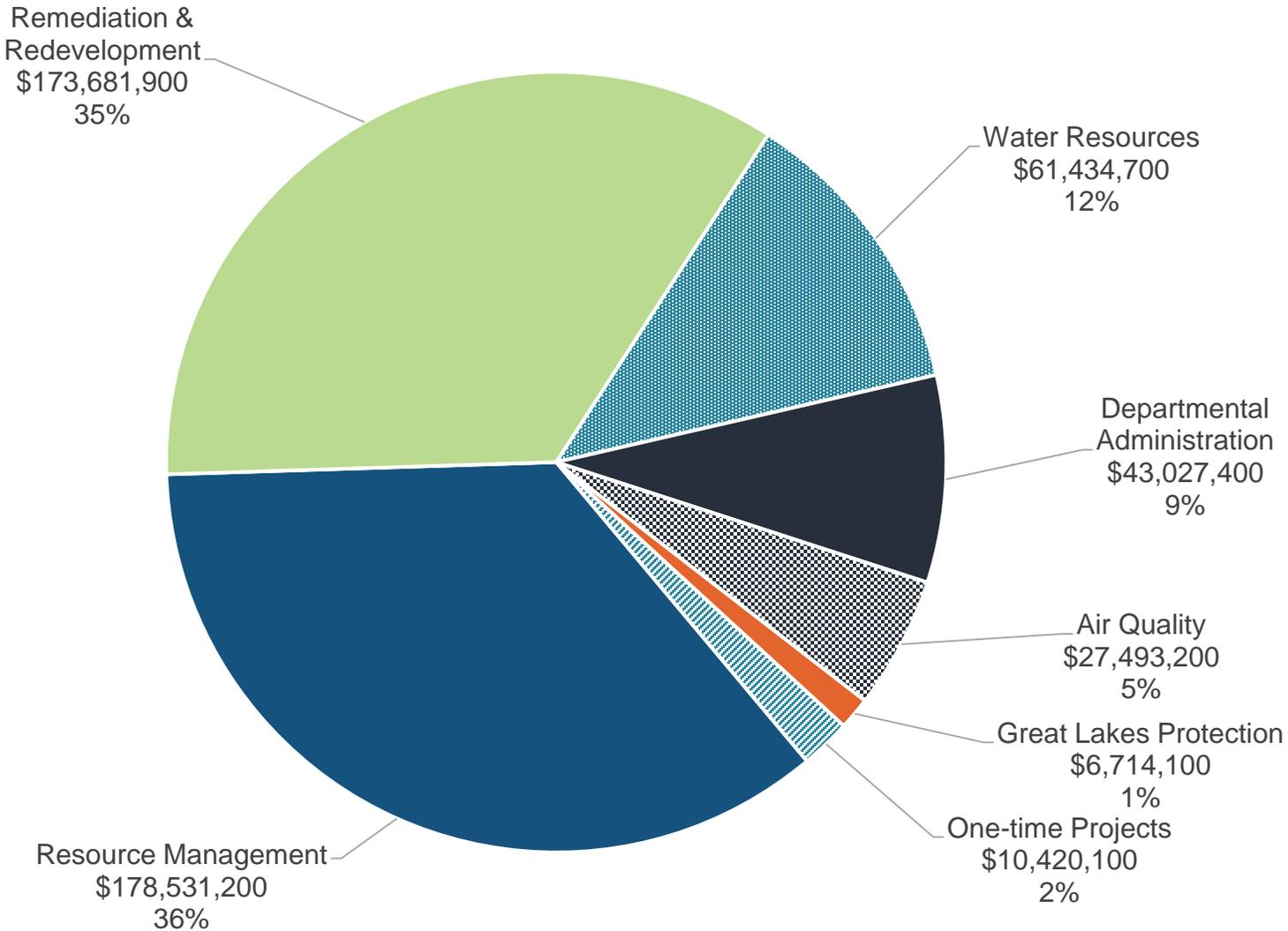
Departmental Administration: Central administration including information technology, Office of Environmental Assistance, and environmental law enforcement

Air Quality: Air emissions inspections, monitoring, and control

One-time projects: Flint declaration of emergency; non-petroleum cleanups; landfill research and design; and Michigan geological survey

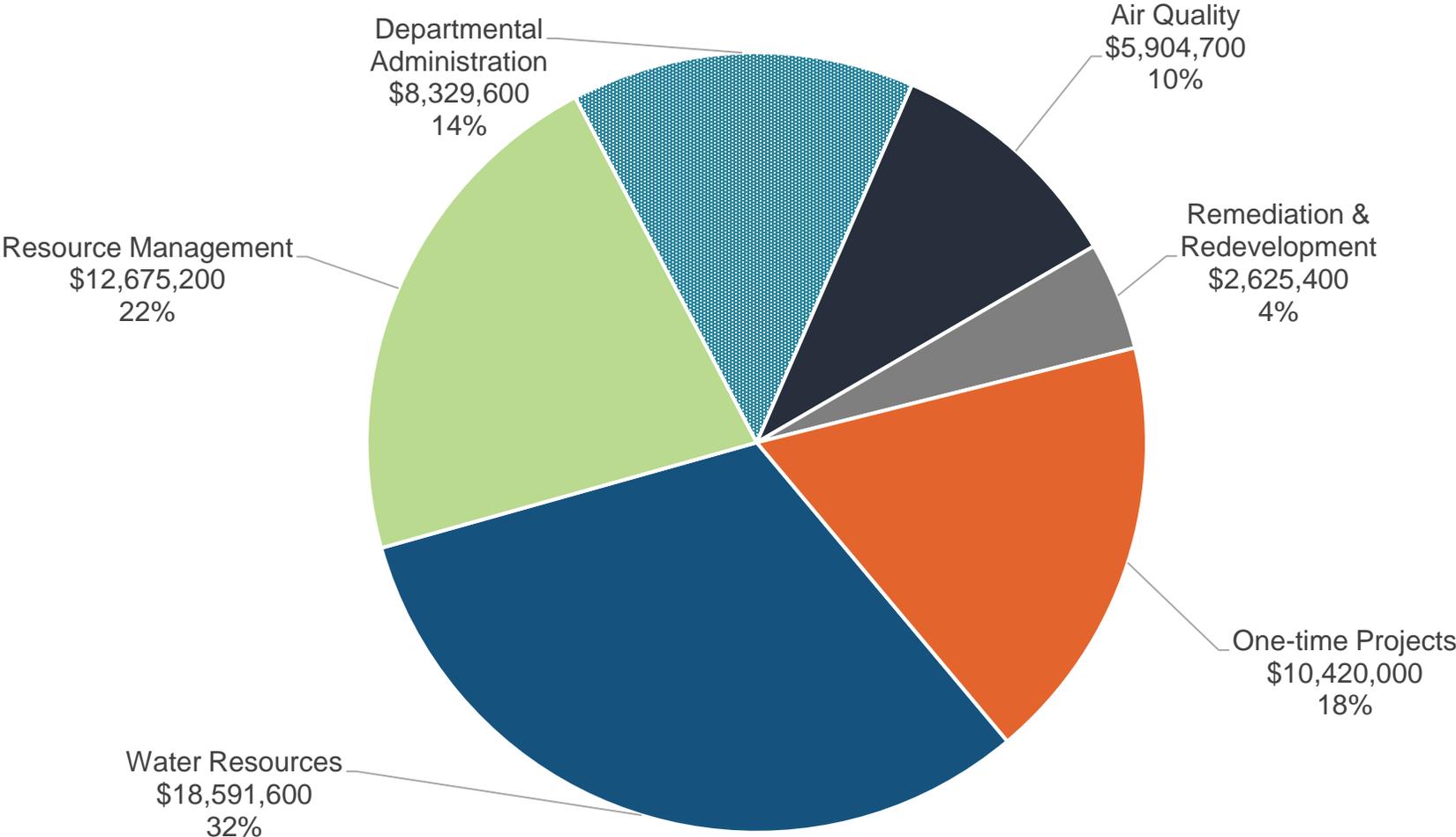
FY 2018-19 Gross Appropriations

More than three quarters of DEQ's **\$501.3 million** budget supports three divisions: resource management, remediation & redevelopment, and water resources.



FY 2018-19 GF/GP Appropriations

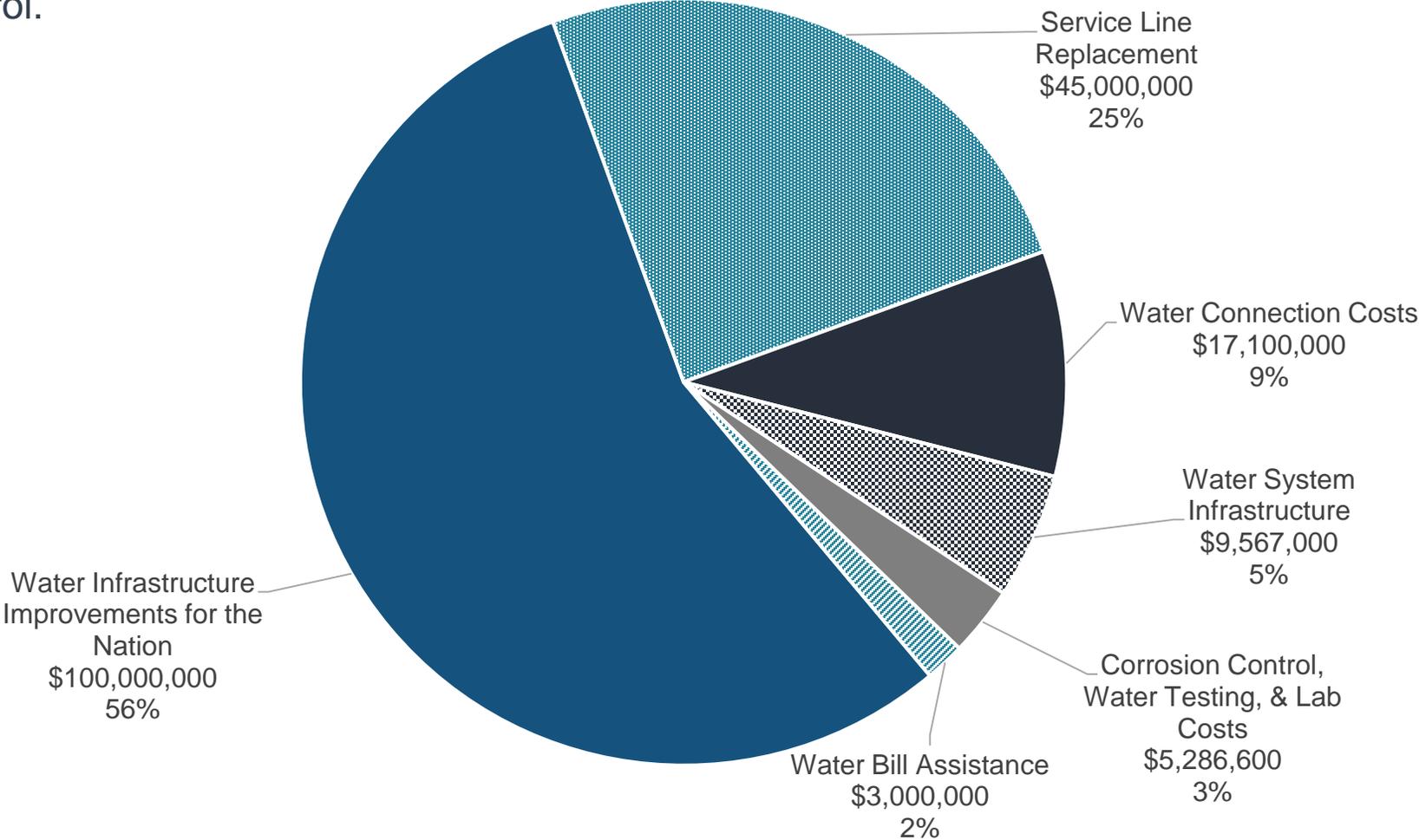
Over half of GF/GP funds, which total **\$58.5 million**, are dedicated to water resources programs and resource management.



Major Budget Topics

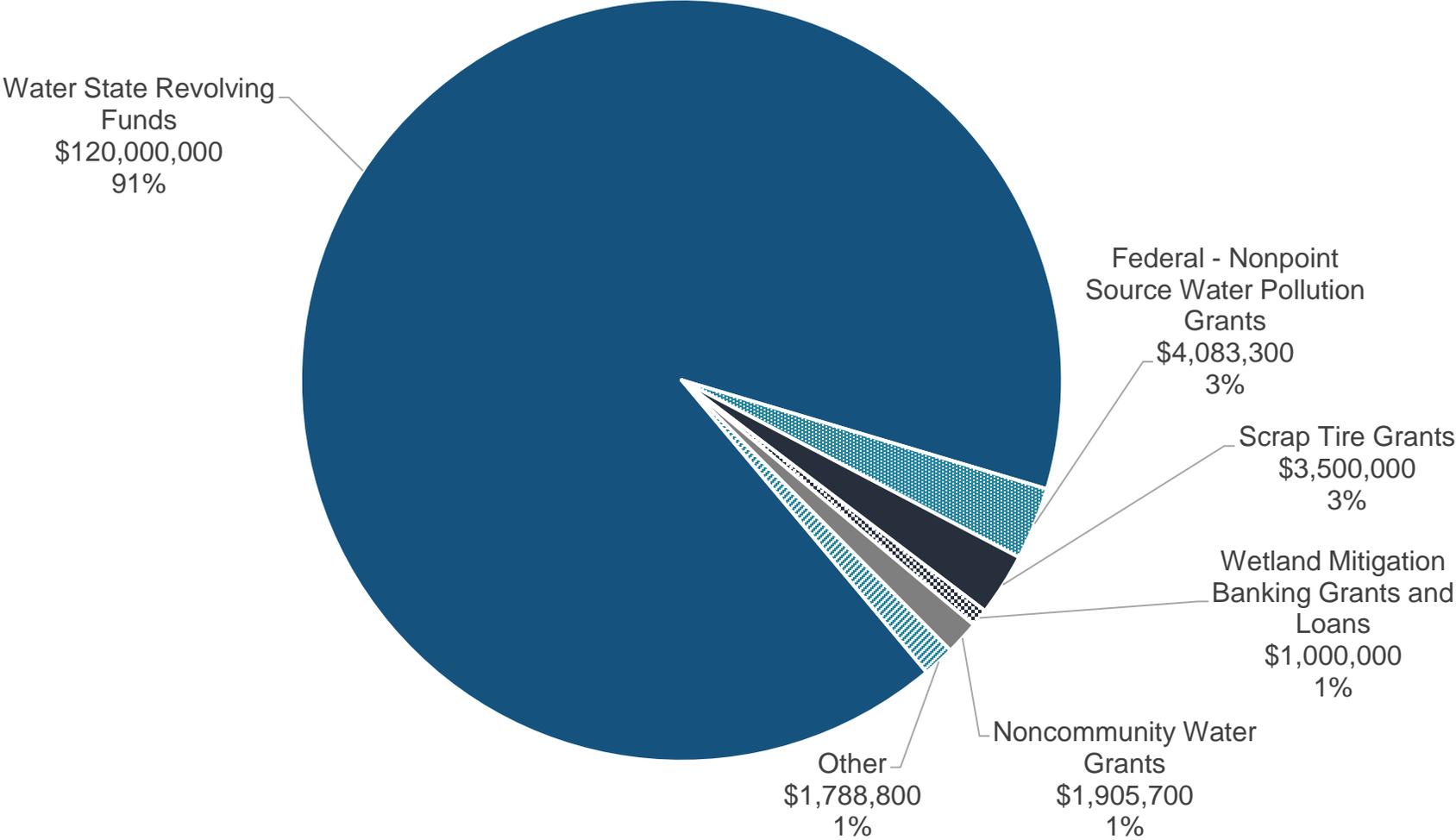
Flint Declaration of Emergency

Appropriations for DEQ totaling **\$180.0 million** have been enacted between FY 2015-16 and FY 2017-18 in response to the Flint declaration of emergency. The Water Infrastructure Improvements for the Nation program provided federal assistance for water meter and service line replacement, water system infrastructure, and corrosion control.



DEQ Grant Programs

The FY 2018-19 DEQ budget includes **\$162.8 million**, over a third of the budget, in grant funding available to public, private, and nonprofit organizations, most of which is dedicated to water resources.



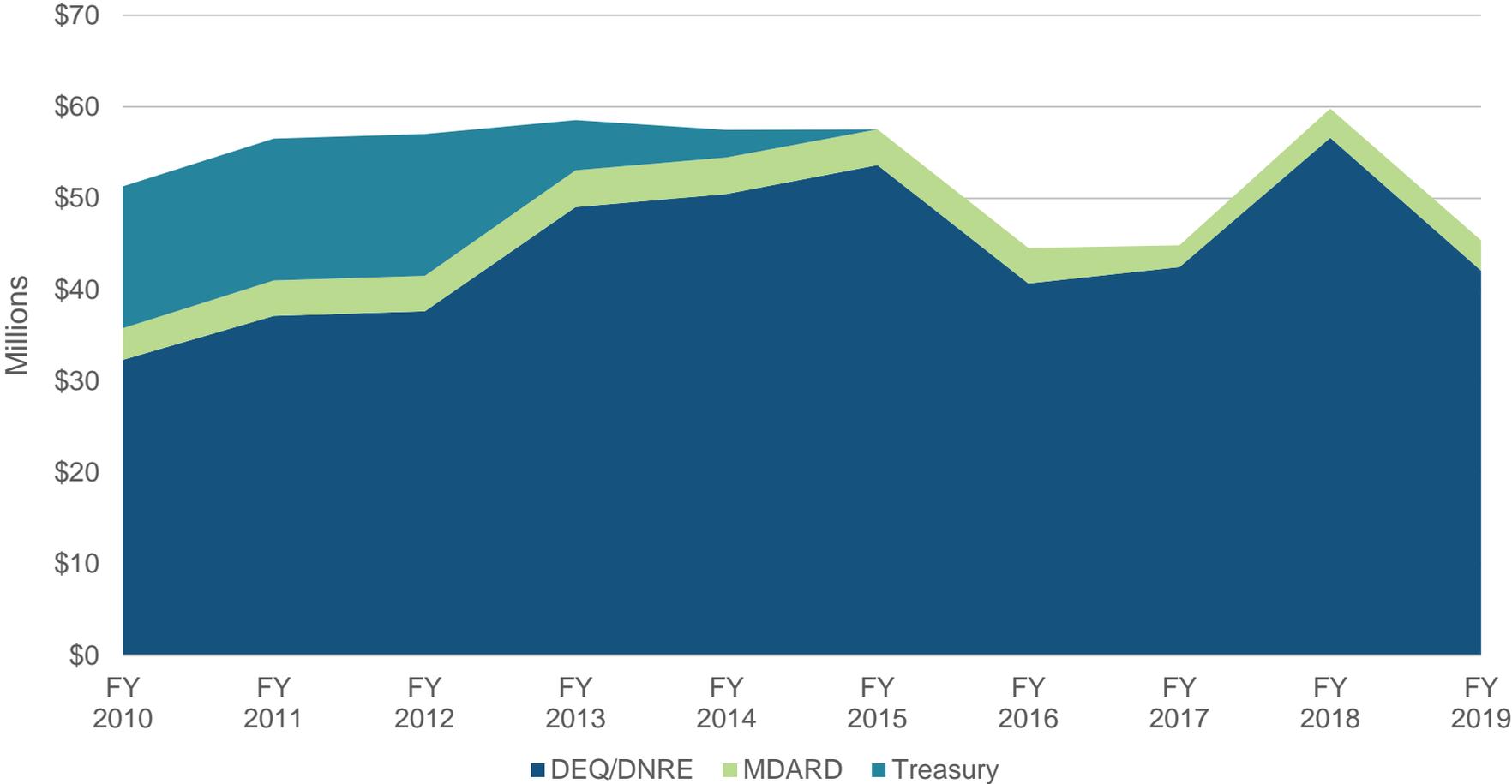
Major Restricted Funds

Restricted funding totals **\$278.3 million** from 54 funds and comprises almost half of the DEQ budget. The Renew Michigan Fund, Refined Petroleum Fund, Underground Storage Tank Cleanup Fund, and Cleanup & Redevelopment Fund together make up over half of the department's restricted funding.

Fund	Revenue Source	Purpose
Renew Michigan Fund \$69.0 million	Income Tax Earmark	Non-petroleum cleanups
Refined Petroleum Fund \$42.1 million	One cent per gallon fee paid for each gallon of refined petroleum sold for resale in Michigan	Petroleum cleanups
Underground Storage Tank Cleanup Fund \$20.0 million	One cent per gallon fee paid for each gallon of refined petroleum sold for resale in Michigan	Reimbursing underground storage tank owners/operators for cleaning up their respective petroleum leaks originating after 2014.
Cleanup & Redevelopment Fund \$20.0 million	Unclaimed bottle deposits	Non-petroleum cleanups

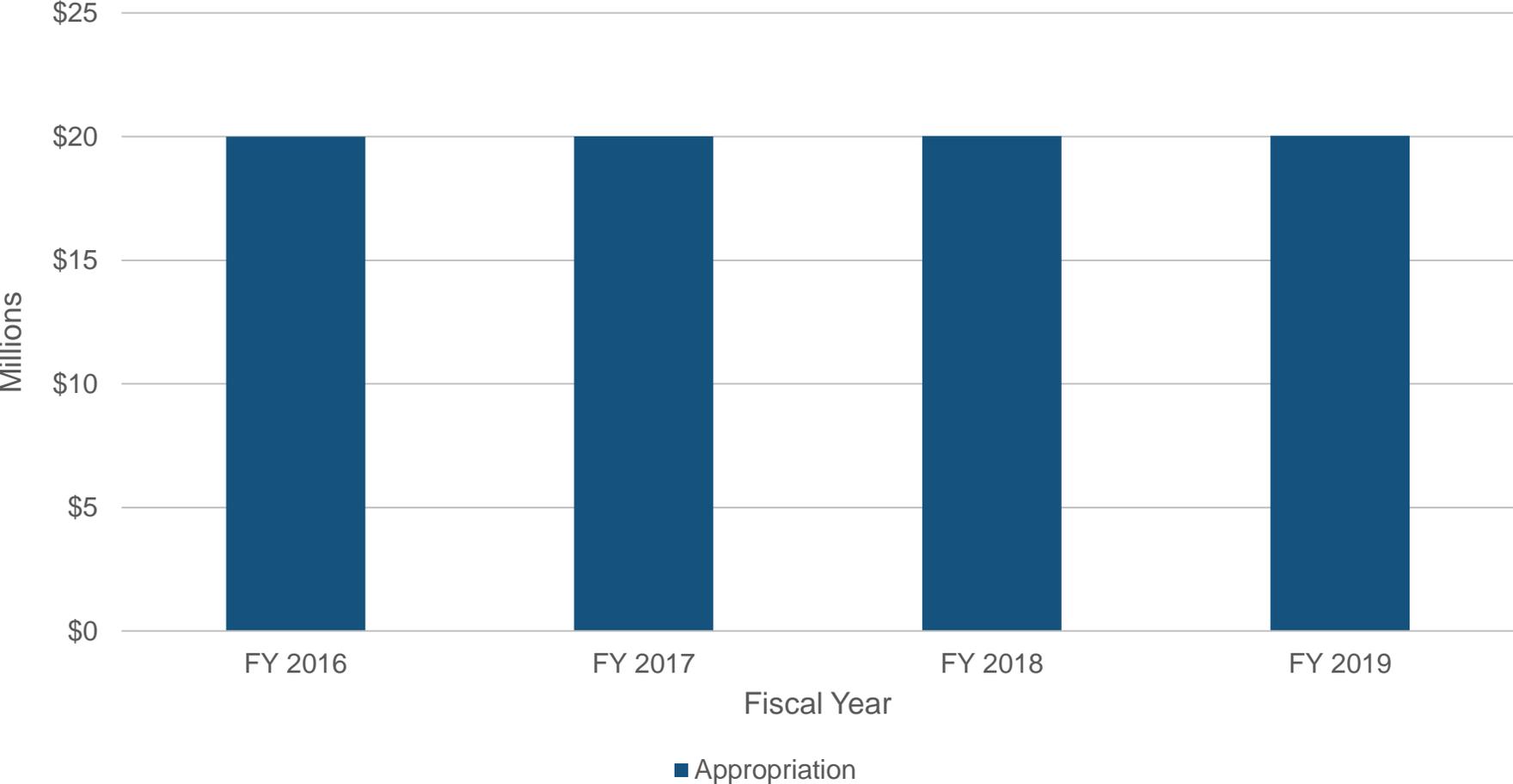
Refined Petroleum Fund (RPF)

Annual appropriations from the RPF hovered around \$57.0 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 one-time fund balance was appropriated for FY 2017-18.



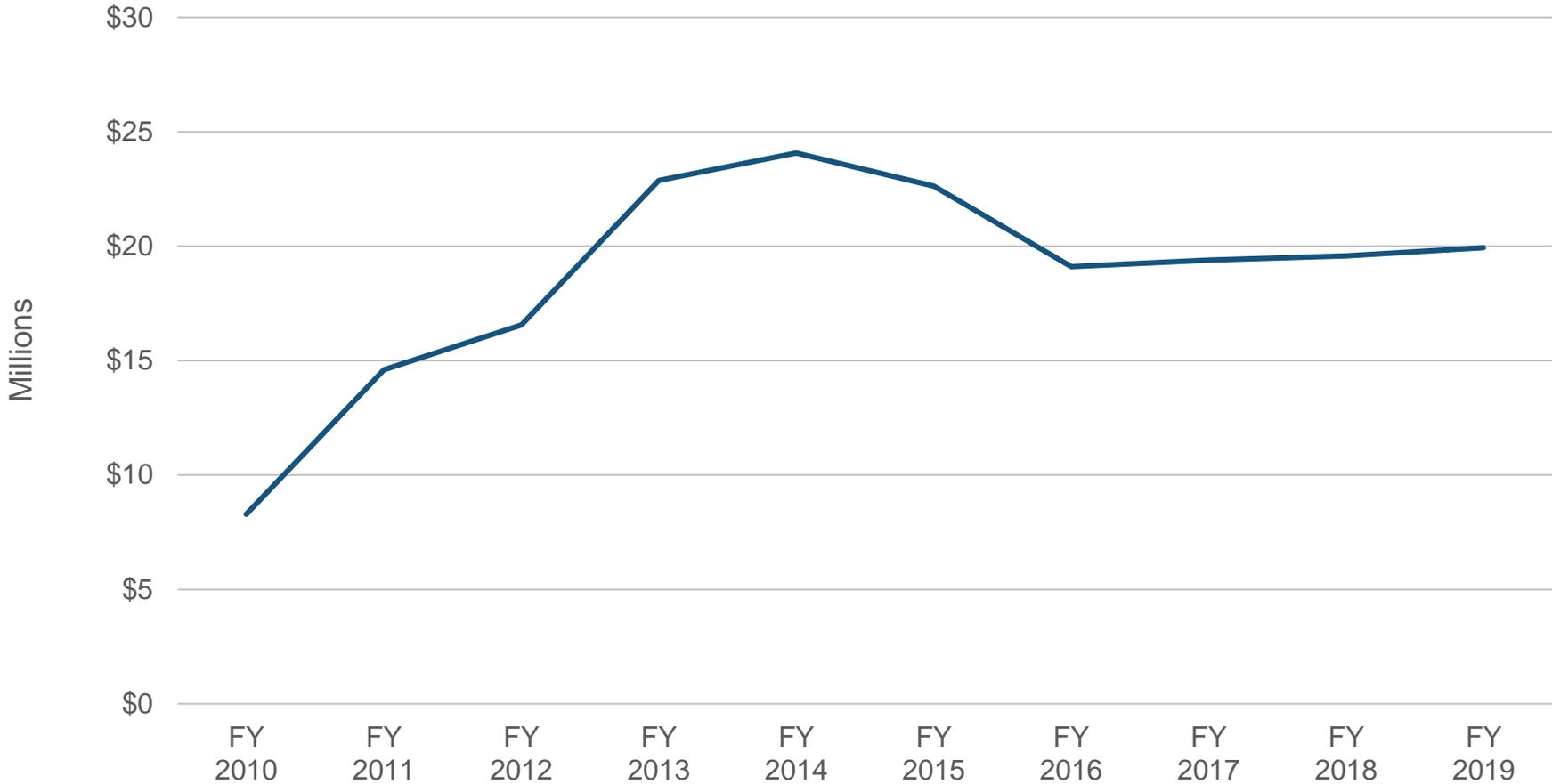
Underground Storage Tank Cleanup Fund (UST)

The UST program provides reimbursements to underground storage tank owners/operators for cleaning up their respective petroleum leaks originating after 2014. The program began in FY 2015-16 with an initial appropriation of \$20.0 million and has been basically flat.



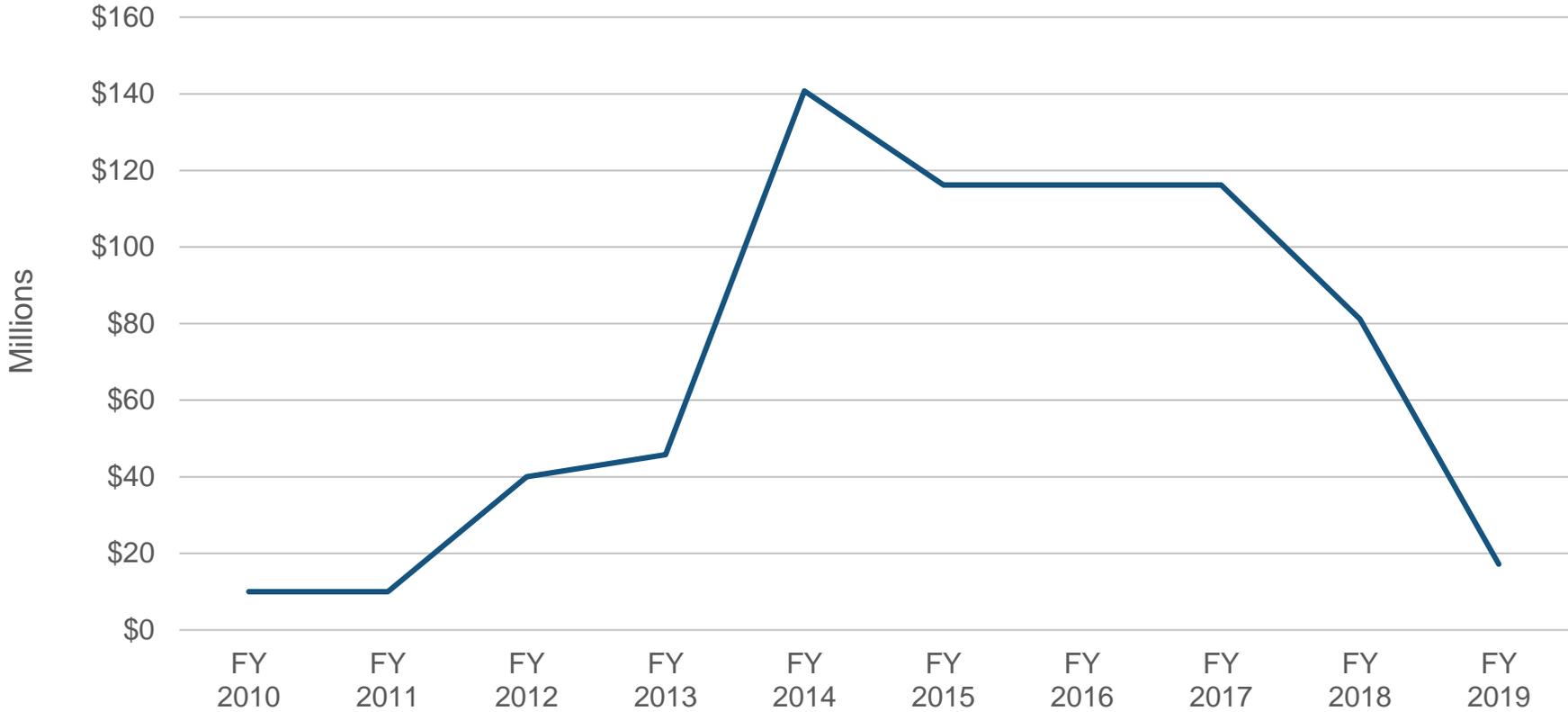
Cleanup and Redevelopment Fund (CRF)

The Cleanup and Redevelopment Fund receives revenue from unclaimed bottle deposits; this revenue supports environmental remediation and redevelopment efforts at sites contaminated by pollutants other than petroleum. Appropriations from the fund are tied to available revenue; program support has fluctuated with increases and decreases in revenue.



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. An ongoing decrease beginning in FY 2017-18 is reflected below as bond authority is depleted.



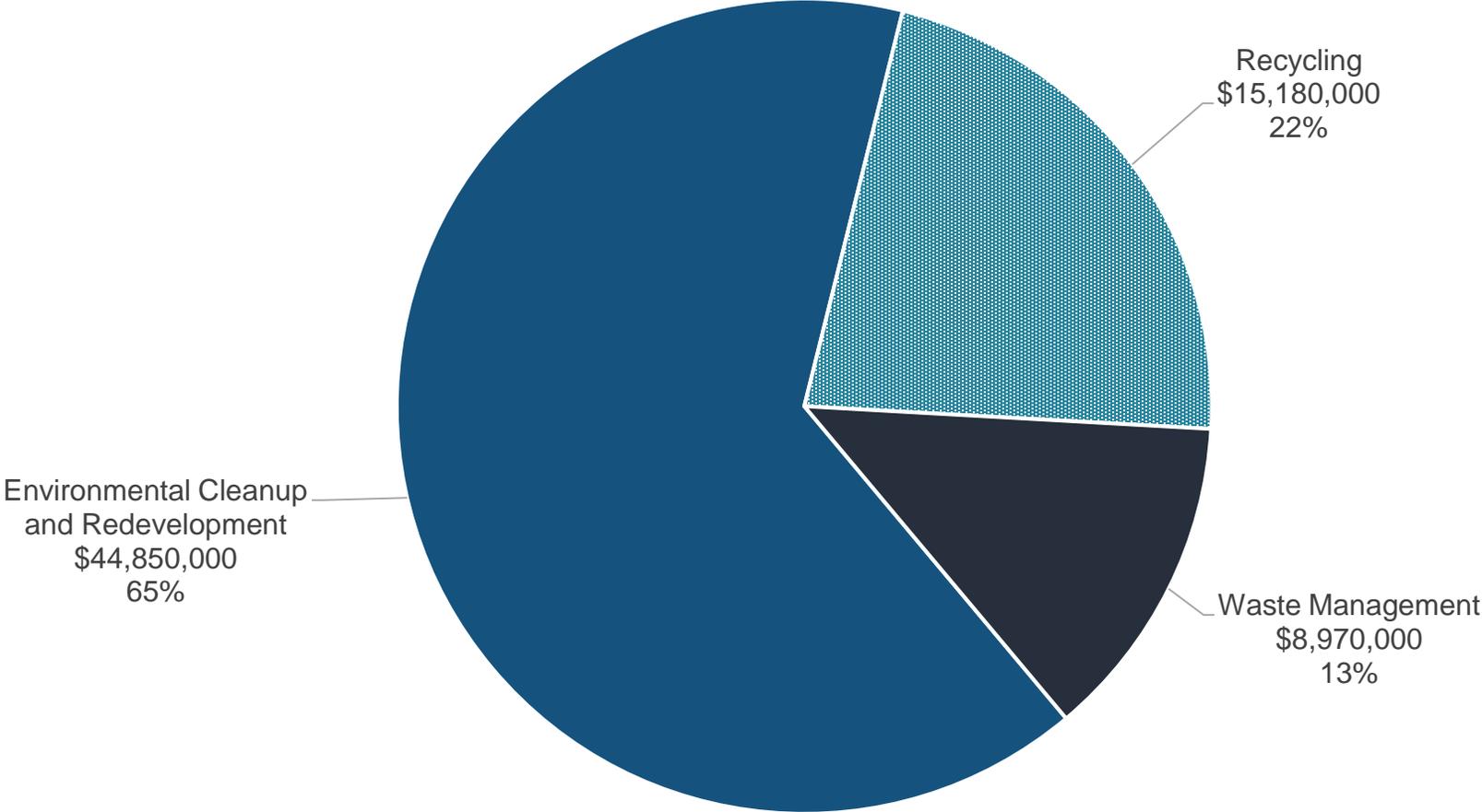
DEQ Funding for PFAS

Appropriations for DEQ totaling **\$23.5 million** (all GF/GP) have been enacted in response to PFAS contamination. The FY 2018-19 DEQ budget includes \$8.7 million for drinking water infrastructure and contamination mapping.

Public Act	Fiscal Year	Gross Appropriation	Purpose
2017 PA 201	2017-18	\$11.8 million	Remediation and response activities at 14 confirmed sites (\$7.8 million) and additional sites (\$4.0 million)
		\$1.6 million	Community water supply and sampling
		\$1.5 million	Laboratory equipment and support
2018 PA 618	2018-19	\$4.7 million	Contamination mapping (\$4.3 million) and firefighting foam containment (\$400,000)
		\$4.0 million	Matching grants to local governments for remediation and system connection costs

Renewing Michigan's Environment

The Renew Michigan Fund was established by 2018 PA 588 as a replacement for the expiring Clean Michigan Initiative. The fund will receive **\$69.0 million** in annual revenue from income tax collections to be used for non-petroleum remediation and response activities. The fund's specific purposes are defined in statute.



For more information about the Environmental Quality budget:

HFA Resources

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

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