

DRAFT
ENVIRONMENTAL ADVISORY COUNCIL
Lansing, Michigan
Tuesday, April 17, 2007 1:00 – 4:00 p.m.

Members in attendance: Jon Allan, Sandra Batie, Bill Bobier, Steve Chester, Cathy Brubaker-Clarke, Tim Faas, David Gard, Mary Ann Heidemann, Jeffrey Haynes, Brian Jonckheere, Vincent Nathan, Rick Plewa, Del Rector, Richard Rediske, Doug Roberts, David Rinard, Lee Schwartz, Mike Shriberg, Donna Stine, Andy Such, Guy Williams, Paul Zuger.

DEQ Staff in attendance: Linda Albro Sparks, Dennis Armbruster, Frank Baldwin, Liz Browne, George Bruchmann, Amy Butler, Ken DeBeaussaert, Vince Hellwig, Andy Hogarth, Jim Kasprzak, JoAnn Merrick, Tom Mittner for Milton Scales, Frank Ruswick, Liane Shekter-Smith.

OPENING

Frank Ruswick began the meeting welcoming new members to the EAC. Frank explained that the purpose of the Council is to provide a diverse perspective on issues facing the department. This is the fifth year that the EAC has assisted the DEQ. Frank indicated that the EAC operates informally and on a consensus basis. He asked members to arrive a few minutes before 1:00 pm so that we can start meetings on time. Introductions followed. Frank named other EAC members (Chuck Hersey, Dr. Vincent Nathan, Donna Stine and Lisa Wozniak), that were not yet present or were unable to attend the meeting.

Frank indicated that the meeting would begin with a presentation from Director Chester since he and Ken DeBeaussaert have a 2:00 p.m. meeting Cabinet meeting today with Governor Granholm.

DISCUSSION – OVERVIEW OF DEQ OPERATIONS

Director Chester introduced a presentation that has been developed to give legislators an overview of the DEQ and its operations. See Attachment 1. This is the first time the presentation has been given to a group outside the DEQ and Director Chester asked for the EAC's feedback.

EAC members provided the following comments and questions on Director Chester's presentation:

- The DEQ should include benchmark comparison to the budget of similar environmental agencies in other states. A member indicated that her organization has such data.
- The presentation should not refer to the "Office of Recycling Coordinator" since legislation that would have created that Office was vetoed by the Governor because there was no funding for it.

- How well does the Department of Technology (DIT) assist the DEQ? DEQ staff indicated that the DIT generally provides good support for maintenance of desk top computing, but has been less successful in developing applications to assist DEQ operations. This is primarily because DIT staffs are not familiar with DEQ programs and needs. Jim Kasprzyk, Chief of the Financial and Business Services Division, indicated that the DEQ pays DIT about \$6.8 million annually for information technology services.
- Are there additional opportunities for process improvements such as those developed in the air emission program through Value Stream Mapping (VSM)? Staff indicated that the Land and Water Management Division and administration of the log letter process have also done VSM. In addition, there is an extensive review of the remedial program under Part 201 of the Natural Resources and Environmental Protection Act underway. Staff noted that process improvements do not always result in tangible reduced operating costs.
- Administration of fee program is very expensive and diverts resources from direct program activities. The DEQ should consider whether outsourcing of these activities would result in a net savings.
- The average FTE cost per employee is calculated at approximately \$130,000 per year. This includes all costs necessary to support a staff position, including, for example, salary, fringe benefits, payroll taxes, retirement costs, office space, computer support, travel, equipment, and support for central administration for department.
- Is the DEQ using every opportunity to leverage federal or local dollars? Staff described how federal grants fund a portion of department operations for things such as delegated programs and for pass through to local projects. The ability to use federal funds must be considered in light of the purpose of the funding and conditions imposed by the federal government.

Frank asked EAC members for comments on how to improve the presentation. Members offered the following comments:

- There should be more pictures of the work and accomplishments of the DEQ.
- Do not emphasize the costs of providing detailed cost information (e.g., tracking travel and contract costs) to the legislature. The legislature views these as legitimate expenses associated with oversight of agency operations.
- Focus on the benefits the programs provide and put less emphasis on the lack of resources to provide those services.
- Develop a message of how much environmental protection is directly related to public health, especially for children.
- Focus on additional benefits provided by the DEQ, including quality of life issues. Use the correlation between clean water, clean air and the economics of tourism.

- The presentation should more clearly depict how DEQ staffing levels have changed over the years and what has affected them.

The EAC turned to a general discussion about funding of environmental and natural resources programs. The following points were made:

- The Administration and Legislature do not appear to be focused on the need to provide stable, long-term funding for environmental and natural resources programs. They view raising fees as the current fix for budget shortfalls. Some interest groups are working on a more long term funding strategy for these programs.
- While there is broad public support for cleaner air and cleaner water, environmental protection generally ranks low when citizens are asked about their willingness to pay for these benefits.
- The lack of support for DEQ programs may be a partial reflection of unhappiness with federal requirements. The DEQ has generally done a good job in administering such programs, such as stormwater control, so that they are effective yet account for the needs of regulated parties.
- Although there is broad public support for environmental protection, this same level of support is not always reflected in the legislature.
- Recombining the DEQ and Department of Natural Resources, and perhaps parts of the Department of Agriculture, will not result in short term cost savings and may impede environmental protection and natural resources management.

DISCUSSION – DEQ RESPONSE TO BUDGET SHORTFALLS

Frank indicated that the Governor's Office had asked all state departments to begin planning for possible short and long term service reductions in response to budget shortfalls. The DEQ has identified a range of possible service reductions and would like comment from the EAC on how to approach these problems. Frank presented a description of the types of alternative approaches to short and long term service reductions being considered by the DEQ. See Attachment 2.

In response to a question, Frank explained that the analysis being done is somewhat independent of the status of permit fee packages which are proposed by the DEQ as a means of filling DEQ funding shortfalls in FY 08. The issues under discussion are more general in nature. First, there is a connection between all state governmental operations at the cash flow level. This means that the DEQ may need to reduce its operations to some extent in the short term even though its revenue streams are sufficient on a fiscal year basis. Second, even though the DEQ budget is a small percentage of the overall state budget, there still may be a need to reduce DEQ services if revenue shortfalls result in a smaller overall state government.

A member indicated that it would be helpful if the EAC knew what the DEQ's priorities are. Frank indicated that is a question we want to discuss with the EAC. Because of how the contingency planning is being done, the DEQ does not know what its overall savings target is.

Therefore, one way to approach this issue is by establishing priorities among all possible DEQ activities and then comparing them to necessary savings at a later date. While the DEQ would have our own thoughts about how to set priorities, we are really looking for the EAC's perspective.

The EAC discussed different approaches to generating short term cash flow savings, including a complete shut down for a given period of time (e.g., one week), or shutting down periodically (e.g., one day per week) over a longer period. Each approach entails administrative difficulties and creates its own set of problems.

The discussion generally indicated that, with the exception of responding to environmental emergencies, many DEQ activities could be delayed for a day or two without much effect. The impact would be more significant, depending on the activity in question, as the delay starting stretching out to several days and beyond.

The EAC discussed various ways to order activities including:

- Whether the activity is discretionary.
- The magnitude of any affects (on the environment, public health, the economy) that would arise from delay.
- Whether activities could be provided by someone else.
- The effect on federal program delegation.

The EAC then turned to a discussion of longer-term service reductions. The discussion suggested several different ways of approaching this issue:

- Rank functions according to direct impact on the environment and public health. For example, in priority order: complaint response, permitting, compliance and enforcement, monitoring, grants, government affairs, service functions.
- Minimize costs by limiting regulatory programs to requirements imposed by federal programs.
- Create a new model for providing environmental protection and natural resource management services by recognizing interconnection and the power that our technology gives us to make management decisions.
- Use program managers to rank services and the relative cost of providing those services. Compare these priorities to the public's demand for services and choose accordingly.

Frank thanked the EAC for its discussion of these issues. He apologized to new members since these are some of the toughest questions that the DEQ has to face and it was a difficult topic for a first meeting. However, he was impressed with how new members jumped right in and participated with continuing members in the discussion.

Notes by Linda Albro-Sparks; summarized by Frank Ruswick.