

2006 MSU Legislative Leadership Program

*Key Assets to Building Michigan's
Economic Future – Natural
Resources*

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Natural Resources

Important Legislative Issues for 2007

- Selection of Issues – One or more of the following apply:
 - Long term economic and environmental implications to the state
 - Regional or statewide importance
 - Potential for legislative action in 2007 or 2008
 - Significance to local government

Regional Issues Important to Michigan

■ Great Lakes Compact

- History
- Factors Leading to Proposed Compact
- Importance to the Region/Michigan
- What is the Compact About?
- Michigan Legislative Involvement

Compact History

1985 Great Lakes Charter

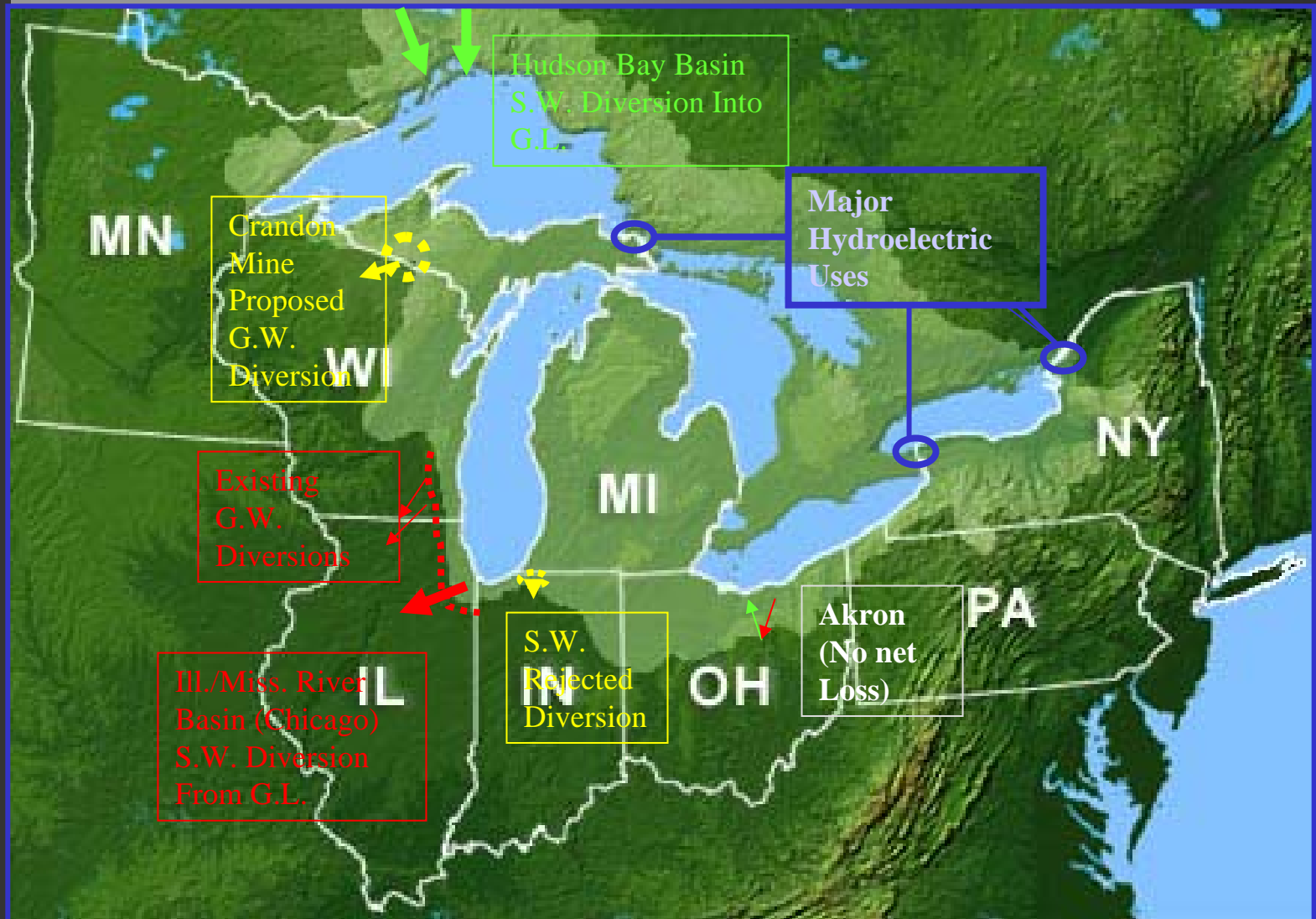
- Good-faith agreement between Great Lakes Governors and Provincial Premiers
- Framework for protecting Great Lakes Basin waters from diversions and establishing water management principles
- Annex 2001 – (update & strengthen water conservation goals of Charter)

Compact History

1986 Water Resource Development Act

- “No water shall be diverted or exported from any portion of the Great Lakes within the United States, or from any tributary within the United States of any of the Great Lakes, for use outside the Great Lakes basin unless such diversion is approved by the Governor of each of the Great Lakes States”

Great Lakes Basin



Key Factors Leading to Proposed Compact

- Thirsty SW U.S. (Shifting Power)
- Nova proposal-Canadian permit for bulk transport of Great Lakes water to Asia
- Lower G.L. water levels
- Legal analysis of Constitutional and trade issues (NAFTA and others)
- Current patchwork quilt of state laws

Importance to the Region/Michigan

Great Lakes State	Percent of State in Great Lakes Basin
Illinois	0.1
Indiana	9.7
Michigan	99.9
Minnesota	7.4
New York	40.5
Ohio	28.1
Pennsylvania	1.3
Wisconsin	30.7

Importance to the Region/Michigan

- Water Supply (domestic and industrial)
- Commercial Navigation (movement of industrial and agricultural products)
- Recreational and commercial fishing
- Recreational boating
- Support of tourism and recreation for residents
- Quality of life to attract new businesses whose skilled workforce demand environmental amenities where they live

What is the Compact?

Official title: The Great Lakes Sustainable Water Resources Compact (Compact)

- G.L. Gov's proposed process governing the review of new or increased water withdrawals
- Builds upon two previous voluntary agreements, the G.L. Charter of 1985 and the G.L. Charter Annex of 2001 and 1986 federal law

What is Compact About?

- It is about protecting the economic and social future of the Great Lakes region
 - Preserving one of the region's greatest economic assets
 - Establishing sustainable water use principles for future economic well-being and quality of life

Great Lakes Compact Legislative Involvement

- Obligates G.L. States to Monitor and Regulate Water Withdrawals --
 - P.A. 33 of 2006 (and related laws) Michigan's new water withdrawal controls
 - Unfinished business – Legislative action on advisory panel's recommendations on standards
- Each state legislature must act on proposed Compact -- Likely to be before Michigan Legislature in 2007

Michigan Land Use Leadership Council Natural Resource Recommendations

Unfinished Business

- Need statewide sanitary code (legislation) for uniform, scientifically based standards for on-site sewage disposal systems (design, construction, maintenance)
 - Maintenance key issue
 - Failure rates high on existing systems
 - Growing number of septic systems in Michigan
 - Streams and rivers showing bacteria associated with human waste
 - Six counties have inspection-at-time-of-sale in place

Michigan Land Use Leadership Council Natural Resource Recommendations

Unfinished Business (continued)

- Address impacts associated with storm water runoff from impervious surfaces in urban areas
 - Federal/state storm water discharge requirements in place for urbanized areas
 - Local governments challenging requirements in some areas -- in all areas, lack funds to address storm water issues critical
 - Funding sources used in other states not available in Michigan -- namely creation of storm water utilities

Michigan Land Use Leadership Council Natural Resource Recommendations

Unfinished Business (continued)

- Storm Water Utilities
 - One Michigan city has S.W. Utility (Ann Arbor)
 - Lansing's S.W. Utility ruled unconstitutional by Michigan Supreme Court – non adopted since
 - Other states expanding use of storm water utilities to manage storm water – Michigan missing major funding tool
 - Legislation could define standards resolving tax versus fee issue
 - Problems are growing - new legislation helped local governments address issues on watershed basis, but lack funding to implement remedies

Financial Crises – Natural Resources/Environment

Department of Natural Resources

- Reduction in Funding
 - Loss of General Fund support - 23% General Fund support for DNR operations in 1996 versus 4.5% in 2006
 - One third of DNR revenue Game and Fish license revenue
 - License fees have not kept up with inflation – no legislative approval to increase fees since 1996
 - Expected deficit in Game and Fish Protection Fund – 10 million by 2007-8, 46 million by 2009-10

Financial Crises – Natural Resources/Environment

Department of Natural Resources

- Why is this Important?
 - 1 of 6 residents in Michigan hunt or fish
 - Hunting, angling and wildlife viewing contribute estimated \$3 billion dollars to Michigan economy
 - Michigan's tourist industry dependent upon one of the largest state park systems in the country, largest state forest system outside of Alaska, and world class fishing and hunting opportunities
 - Decreasing budget threatens ability to manage, preserve and protect fish/wildlife and state land resources and economic benefits to the state

Financial Crises – Natural Resources/Environment

Department of Natural Resources

- **Stakeholder Work Group Recommendations**
 - Restore cuts of past two years by moderate increase in fees
 - Target increased revenue to meet immediate needs
 - Reduce senior and youth discounts that mirror those provided in other areas of society
 - Increase cost to non-residents
 - Lower fishing license requirement to age 16
 - Commit to long-term planning effort to craft stable funding approach for conservation of natural resources in Michigan

Financial Crises – Natural Resources/Environment

Department of Environmental Protection

- Programs Decreasing
 - Inflation
 - Reduction in General Fund support
 - \$101 million in 2001 to \$33.8 in 2004 (~70%)
 - Reduction in Federal funding
 - \$144 million in 2006 to \$140 million in 2007 and expected 5 to 15% reduction or more in 2008
 - Use of surplus fee revenues to pay off statewide bond programs and to make up general fund support
 - Clean Michigan Initiative (1998), and Strategic Water Quality Initiative (1998) general obligation bonds originally to be paid off with General Fund dollars.

Financial Crises – Natural Resources/Environment

Department of Environmental Protection

- Funding Issues
 - Increased reliance on federal and fee programs
 - Federal funds shrinking
 - Surpluses in fee programs depleted
 - User fee payers resisting further increases in part due to use of fees to support general operations and payment of state debts (55 current fee programs support MDEQ)
 - Inflation costs has forced reduction in programs since 1996
 - Fiscal Year 2008 7-10 current fee programs will expire or will be under-funded – Several additional fee programs will sunset in FY 2009 and 2010
 - To support current program level, \$35-40 million dollars in increased fees would be needed by 2010.

Financial Crises – Natural Resources/Environment

Department of Environmental Protection

- Consequences of reduced programs
 - Environmental cleanups and brownfield redeveloped reduced
 - Slower permitting and attendant economic impacts
 - Potential loss of federal funding (Air Quality and related Federal Highway dollars and matching funds for clean-ups and environmental restoration
 - Decreased environmental quality for citizens
 - Increased cost to local governments due to decrease in grant/loan funding
 - Loss of state management control of delegated federal environmental regulatory programs

Financial Crises – Natural Resources/Environment

- Stakeholders beginning to develop alternatives for long-term stable funding for both Natural Resource Management and Environmental Protection
- Meanwhile expect short-term solutions to be before the legislature in 2007
 - Small increases in Hunting and Fishing fees for non-residents, seniors and youth
 - Targeted increases in selected users fees related to environmental permitting programs
 - Discussion of new bonding programs for such things as environmental clean-ups and capital needs related to recreation and natural resource management
 - Identification of new revenue sources for general program support (e.g. sales tax increase dedicated to natural resources and environmental protection, or dedicated land transfer tax for same purposes)

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**Handouts Provide More
Information and Interested
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