



LOSING A LEGACY: WHY MICHIGAN'S MAGNIFICENT PLACES ARE AT RISK

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EXECUTIVE SUMMARY

Michigan is famous for its Great Lakes and magnificent beauty. Tourism is Michigan's second largest industry. Protecting our water, air, and land is more than just environmentally sound—it is vital to our economy and way of life. Michiganders have a strong connection to our state's many lakes and streams and understand the importance of keeping them clean and healthy. Most people assume that state government is in front of the threats facing our natural resources. Unfortunately, this is not reflected in recent actions of the state government. **This report finds that over the last decade, both the Department of Natural Resources (DNR) and the Department of Environmental Quality (DEQ) have suffered from major losses of funding, causing closings of campgrounds and failures to clean up toxic contamination.**

Major report findings include:

- **Conservation Funding Slashed:** Since 2001, the DNR and DEQ departments have suffered a 62 percent decline in funding. This decline is not at all proportionate to overall declines in statewide funds: for the same period, total General Fund spending dropped only 6 percent.
- **DNR and DEQ unfairly targeted:** No other state department has lost as much support as DNR and DEQ.
- **Family vacationers bear consequences of budget cuts:** Cuts in this year's appropriation caused the agency to close 20 of its 138 state forest campgrounds early this summer.
- **Communities abandoned:** By next year, there will be no more funding for the state's contaminated site cleanup program. Without this program, thousands of toxic sites around the country will be left as they are, posing serious public health and environmental risks.

Given these major funding cuts, Michigan League of Conservation Voters Education Fund is calling on the state legislature and Governor Granholm to invest in Michigan's future and place Michigan's water, air, and land as a priority by providing critical funding to DNR and DEQ.

INTRODUCTION

Michigan's abundance of water, air and other natural resources is vital not only to the health of citizens but also the state's current and future economic health. Investing in conservation pays huge dividends both in the short and long term.

The link between protection of our natural resources and a robust Michigan economy is illustrated in many ways:

- Clean water, state fish hatcheries, public access sites and other assets help fuel a billion-dollar-plus sportfishing industry and 2 billion dollar recreational boating industry.
- Our spectacular 3,300 miles of Great Lakes shoreline, nearly 100 state parks and 4 million acres of state forest are a vital part of a tourism industry that contributes thousands of jobs and millions of dollars to the state.
- Protection of drinking water sources and of air quality helps reduce health care costs.
- Cleanup of contaminated urban industrial sites helps support new job-creating projects in some of the state's most economically stressed cities.

Unfortunately, the state's prolonged budget crisis has seriously weakened the state's environmental and natural resources infrastructure. Just as investments in existing highways and bridges are important to public safety and welfare, so are investments in water and air, parks, forests, beaches, and habitat for fish and wildlife.

The state's two environmental and natural resource agencies, the Department of Natural Resources (DNR) and the Department of Environmental Quality (DEQ), have borne disproportionate cuts during the last seven years.

- The two departments have suffered a 62 percent decline in support from the state's General Fund.
- For the same period, total General Fund spending dropped 6 percent.
- As a share of the General Fund budget, DNR and DEQ expenditures dropped to 0.9 percent – less than a penny on the dollar. This is far less than what citizens assume is being spent on these vital resources.

In short, Michigan faces an environmental and conservation funding crisis. Without bold action in coming years, more than a century of state leadership in conservation is at risk.



BUDGET ANALYSIS

WHAT IS THE DNR?

The Michigan Department of Natural Resources was created in 1921 as the Michigan Department of Conservation. In 1968 the name was changed to what it is today.

The DNR, according to their mission statement on their website, "is committed to the conservation, protection, management, use and enjoyment of the State's natural resources for current and future generations."

This agency is charged with managing and promoting Michigan's state parks, state forests, wildlife, and outdoor recreation areas as well as the state's abundant fisheries.

WHAT IS THE DEQ?

Created in 1995 by an executive order transferring environmental regulatory powers from the DNR, the Department of Environmental Quality's motto is "Protecting Michigan's Environment - Ensuring Michigan's Future."

The DEQ is responsible for environmental regulation, environmental health, permitting, and water monitoring, as well as protecting the state from toxic hazards and cleaning up chemical contamination sites.

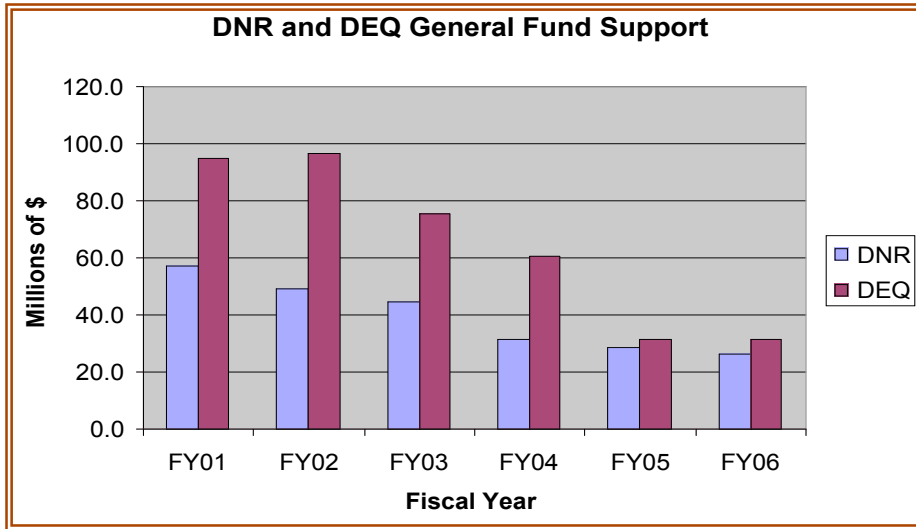
Additionally, the DEQ runs a pollution prevention program that provides information, technical assistance and financial incentives to reduce pollution.

For many decades, the Department of Natural Resources (DNR) operated programs of natural resource conservation and recreation and environmental protection. DNR's share of the total state General Fund budget, while relatively small, increased fairly steadily from 1.3 percent in Fiscal Year (FY) 1980 to 1.8 percent in FY1995, the year before the Engler Administration re-organized, splitting DNR in two and creating the Department of Environmental Quality (DEQ). During that same period, the percentage of General Fund-General Purpose (hereafter General Fund) support for DNR reflected the ups and downs of the State economy but was at the same share at the beginning and end of the period.

In FY1996, DNR environmental protection programs were added to some environmental protection units from the former Department of Public Health to form the Department of Environmental Quality (DEQ), and the focus of DNR narrowed somewhat to recreation and conservation. Analysis of the two departments combined beginning in FY1996 provides some insight into the State's commitment to environment and natural resource programs. In that year, these programs claimed 1.1 percent of the total state budget and 1.6 percent of General Fund resources. Those percentages climbed to 1.4 percent and 2.1 percent respectively by FY2001.

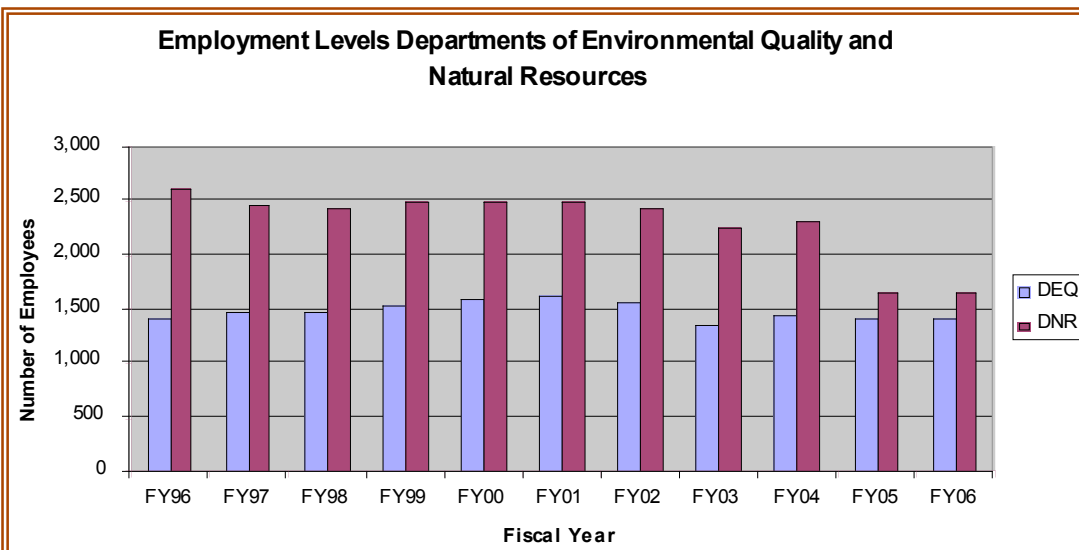
Michigan's fiscal crisis began in FY2001 and has disproportionately affected DNR and DEQ. **The two departments have suffered a 62 percent decline in support from the General Fund. For the same period, total General Fund spending dropped 6 percent.**

No other department has fared worse in terms of lost General Fund support than DNR and DEQ.



The total budgets of the two departments from all financing sources, including federal funds and fees, increased just less than 2 percent while total state spending increased almost 11 percent during the first five years of the fiscal crisis. The agencies' share of the total state budget dropped from 1.4 percent to 1.3 percent. Increased use of user fees to substitute for General Fund mitigated the decline in the share of the total budget.

During Michigan's fiscal crisis, the size of the state workforce has mirrored the stress on funding. The total workforce has declined by nearly 10,000 (15.8 percent) since FY2000 and employment levels are lower than at any time since FY1972. During the same period, the two departments lost just over 1000 employees (25.2 percent), with DNR losing 34.0 percent of its employees and DEQ dropping 11.6 percent. **The agencies' share of the total state government workforce declined from 6.6 percent in FY2001 to 5.9 percent in FY2006.**



The decline in the share of the state's financial and human resources experienced by DNR and DEQ is part of the resource reallocations in the state budget from most programs to corrections and health care. In FY2006, the Departments of Corrections and Community Health claimed 51 percent of the General Fund budget, up from 43 percent in FY2000. The ability of state policy-makers to shift the costs increasingly to users was a temptation taken in DNR's and DEQ's cases, as well as other areas like higher education, the Department of Agriculture, and revenue sharing to local units of government.



The shifts of program costs to users in some cases may have negative effects on the state's budget exceeding the direct savings to the General Fund. Recreation and tourism may be adversely affected and the reduction in state tax revenues resulting from people shifting their travel and recreation to other venues may exceed the direct budget-balancing benefits.

IMPACTS ON RECREATION AND ENVIRONMENTAL HEALTH

The state's continued underfunding of the DNR and DEQ has impacts that are large in both symbolism and substance. Without a new source of funding, the wear and tear on Michigan's Great Outdoors will only worsen.

Although General Fund support for DNR had already been dramatically pared, a \$75,000 cut in this year's appropriation caused the agency to close 20 of its 138 state forest campgrounds early this summer. The closures took effect in early July and continue through the remainder of the 2007 fiscal year, which ends Sept. 30. Whether the campgrounds will reopen next year will depend on funding.

"To be forced to limit any outdoor experience has been a very difficult decision for the department," DNR Director Rebecca Humphries said in a news release. The message of campground closures just as summer tourist season began was exactly the wrong one to send.

The DNR shoulders the expense of collecting trash, cleaning the toilets and other maintenance at the campgrounds, plus transportation costs. Fire officers visit the campgrounds daily for chores such as replenishing supplies, mowing grass and replacing road gravel.

Many of the closed campgrounds tend more off the beaten path, which tends to add to operating expenses. They are ideal for campers who like a quieter, more wildlife friendly camping experience. According to DNR's website, in counties like Oscoda and Marquette, the loss of two campgrounds means a third fewer available in the county. In counties like Alpena and Antrim, campground sites have been cut by a half. Cheboygan, Luce and Schoolcraft counties each have three of the targeted campgrounds. Oscoda and counties have two apiece. The others are in Crawford, Grand Traverse, Otsego and Wexford counties.

When the proposed executive budget for 2008 was released, DEQ Director Steve Chester noted the agency needed \$22 million in additional fees "just to maintain the level of service we currently provide. This does not include program expansion or increased compliance assistance." Fees targeted for hikes – so far not enacted by the legislature – include the air fee, consolidated land and water management division fee, groundwater fee, waste reduction fee, hazardous user fee, solid waste fee, and the onsite sewage fee.

Director Chester also said that there would be no funding for the state's contaminated site cleanup program at the end of FY2008 (October 30, 2008) and estimated about \$100 million per year is needed for this program.

According to DEQ, contamination sites continue to pose a major threat to the state. The state already knows about thousands of toxic sites that need more work and more are being discovered:

- More than 500 current projects need additional funding to complete, including long term operation and maintenance of treatment systems. Each year, several dozen new contamination sites are created and/or discovered that pose threats to drinking water supplies, lakes and streams, and human health.
- At least 1,600 abandoned landfills require assessment/control to address potential methane explosion/fire and groundwater problems.
- 4,200 orphan underground tank releases require action.
- Thousands of derelict buildings pose public safety hazards and blighting influences in urban communities.

These are just a few examples of the many impacts cuts in conservation and environmental protection funding are having on Michigan's health and economy.



COMMITTING TO CONSERVATION

In a recent statewide poll of 600 registered voters conducted for Heart of the Lakes Center for Land Conservation Policy, 72 percent of voters were surprised to learn that natural resource and environmental protection programs (including the DNR and DEQ) receive less than 1 percent of state's General Fund combined. **Before learning the facts, the average respondent estimated natural resources protection to be getting between 10 and 11 percent of the state General Fund, ten-times more than current funding levels.**

The expectations of citizens are not out of whack; the state's investment in natural resources and environmental health is.

It is past time for Michigan's elected officials to propose a solution to the continuing, ever-growing conservation budget crisis. Increased General Fund support, or a major new dedicated source of funding, such as a \$1 billion-plus bond program or an earmarked conservation tax, are the only alternatives to the unraveling of Michigan's 100-year investment in conservation for the good of the people and of our economy.



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