

MMA Written Testimony on DEQ Budget

May 6, 2009

Mr. Chair and Committee Members:

Thank you for the opportunity to comment on the proposed budget for DEQ.

MMA represents about 2,500 members that operate in the full spectrum of manufacturing industries, and which account for 90% of Michigan's industrial workforce. Manufacturing provides about 600,000 direct jobs in Michigan.

Michigan is a manufacturing state. Manufacturing, along with allied industries of mining and utilities, is the largest single sector of the Michigan economy, creating 20% of the gross state product (GSP), or \$76 billion. This contribution is nearly double the contribution of the next largest sector, real estate, with just \$43 billion in GSP.

As we all know, Michigan's economy is struggling significantly in the face of the cost-based global economy. Michigan's unemployment rate continues to rank the highest in the nation, well over 12%. Our job losses have been astonishing. We have lost over 300,000 manufacturing jobs since the year 2000, with more than 53,000 manufacturing jobs lost just last year.

I want to start off with the comment that at a time when the Department is struggling to fund existing programs, and is returning programs to the federal government, MMA does not think it is appropriate to take on new programs that are not necessary. This is the case with the mercury rule (SOAHR 2005-038EQ) that DEQ is in the final stages of promulgating. This rule is a discretionary state-only rule that will increase the cost of doing business without a clearly identified environmental benefit. The EPA is developing a federal rule, and it is almost certain that any state rule promulgated ahead of time will be in conflict with the federal rule. MMA believes that this proposed rule will impose significant costs on Michigan citizens and job providers and we will continue to oppose this rule in hopes that the State will recognize this folly before it is too late.

MMA has historically advocated for more general fund dollars to the DEQ. As the Department has become a more fee driven agency, the business community has been forced to shoulder a disproportionate share in funding the DEQ. We recognize that there is no extra general fund available, but I would caution against making arbitrary across the board cuts to State Departments and especially programs. This is not good policy. There are programs that are economic drivers that should be funded by general fund dollars. This is definitely the case with the New Source Review (NSR) Program.

The DEQ has proposed a fee increase Renewable Operating Permit (ROP), which is predicated on generating \$12.4 million; the Department has identified this amount as what is necessary for

them to meet the EPA presumptive minimum. This number was generated based upon static emission from fee year 2008 (emission from 2007) going forward. We believe this is optimistic at best. It is MMA's opinion that there will be a drastic reduction in the amount of billable emissions as new data becomes available and we believe that it would be appropriate to calculate the EPA presumptive minimum once that new data is available.

For example, if the billable emission were to drop 10% the EPA presumptive minimum would be \$10.3 million. That is \$600,000 less than the current year presumptive minimum. A 10% reduction is not an unreasonable estimate either. From 2005 to 2006 there was a 3% reduction in emissions, and from 2006 to 2007 there was a 7% reduction. This occurred in a much better economic climate than we are currently in. However, the economy is not the only driver in this. Since 1995, emissions have drop 36% resulting in the EPA presumptive minimum dropping from \$12,754,140 in 1996 to \$10,992,974 in 2008. This equals a 13% reduction in EPA presumptive minimum.

We do recognize that the current Michigan formula does not quite raise EPA presumptive minimum, and MMA is committed to working with the DEQ on the ROP fee, but we believe targeting a number that is larger than what EPA presumptive minimum has been in 10 years, is not realistic. We would encourage the Department to compile the 2008 data was quickly as possible in order to target the most accurate number available.

Thank you for your time, and if you have any questions please feel free to contact me.

Best Regards,



Randall Gross
Director of Environmental and Regulatory Policy