

MMA Written Testimony on DEQ Budget (HB4439)

March 10, 2009

Mr. Chair and Committee Members:

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

MMA represents about 3,000 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 10%. Our job losses have been astonishing. We have lost over 300,000 manufacturing jobs since 2000, with more than 53,000 manufacturing jobs lost just last year.

We appreciate the Administration's recognition of the economic times that we are in, and the Governor's approach of avoiding any fee increases on businesses at this time. As the DEQ has become more of a fee driven agency, the general practice has been to fund the Department on the backs of businesses. MMA believes that in order to fund the Department appropriately more general fund dollars need to be included in the budget and that there not be such a heavy reliance on fees.

The DEQ Renewable Operating Permit (ROP) fee is predicated on generating \$12.4 million; the Department has identified this amount as the EPA presumptive minimum. This number was generated based upon static emission from fee year 2008 (emission from 2007) going forward and 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 in the spring. 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. MMA is committed to working with the DEQ on the ROP fee, but we believe that we should wait for more current data on emissions before calculating what the presumptive minimum should be.

Lastly, MMA would like to comment that at a time when the Department is struggling to fund existing programs, and is returning programs to the federal government, we do 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 will 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 to late.

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

Best Regards,

A handwritten signature in black ink, appearing to read "R. Gross". The signature is fluid and cursive, with the first letter of each word being capitalized and prominent.

Randall Gross, Director of Environmental and Regulatory Policy