

**ENVIRONMENTAL ADVISORY COUNCIL**  
**Lansing, Michigan**  
**Thursday, February 19, 2009, 1:00 – 4:00 p.m.**

Environmental Advisory Council (EAC) Members in attendance: Sandra Batie, Steve Chester, David Gard, Brad Garmon, Jeff Haynes, Chuck Hersey, Mindy Koch, Larry Merritt, Del Rector, Raymond Scott, Mike Shriberg, Andy Such, Gildo Tori, and Paul Zugger.

Department of Environmental Quality (DEQ) Staff in attendance: Gerry Avery, Frank Baldwin, Jim Bredin, Liz Browne, George Bruchmann, Ken DeBeaussaert, Vince Hellwig, Amy Hicks, Jim Kasprzak, Lynelle Marolf, Frank Ruswick, Liane Shekter Smith, Julie Sims, and Jim Sygo.

Guests: Donna Stine, Governor's office; Don Grimes, University of Michigan.

**OPENING**

Frank Ruswick opened the meeting by welcoming EAC members, DEQ staff, and guests. Frank introduced new members and announced that other new members are in the works. The EAC members and DEQ staff introduced themselves to the new members.

**CURRENT ISSUES**

Director Steve Chester welcomed Donna Stine, a former EAC member and the Governor's new policy advisor on environmental and natural resources policy.

Director Chester discussed the budget by explaining that the DEQ had originally pursuing eight fee increases for the FY 10 budget. All have now been dropped except for the air fee, which is required by federal law. The other programs will move forward without fees. Director Chester explained that the DEQ has lost 67 percent of general funding over recent years. Water Bureau and Waste and Hazardous Materials Divisions will manage through attrition and maintain core programs. However, the Land and Water Management Program has been under funded for years and is not financially sustainable. Therefore, the Governor's proposed FY 10 budget proposes elimination of the wetland program. This would require relinquishing authority to administer the federal Section 404 permit program back to the federal government.

Director Chester received several phone calls from stakeholders after the announcement wanting to preserve the wetlands program. The DEQ

understands that Senator Birkholz has formed a workgroup to try to address these concerns and the Director recommends that EAC members participate, if interested. Representative Warren has expressed interest as well.

Jim Kasprzak, DEQ's budget director added that the DEQ has received an overall \$11.3 million dollar reduction in the budget.

A member inquired about the Governor's Executive Order on coal fired power plants. Director Chester explained the Executive Directive and shared that the DEQ plans to analyze the information and criteria and committed to meeting with the utility companies to run through the criteria. The DEQ will rely heavily on the Public Service Commission's input.

The Michigan Climate Action Council will have its recommendations to the Governor by March 1, 2009.

## **PROJECT OVERVIEW: HOLISTIC ENVIRONMENTAL MANAGEMENT**

Frank Ruswick covered the overview on behalf of Jon Allan, who was unable to attend.

Frank explained that our current regulatory structure and funding shortfalls limits our ability to adequately do the job the programs were meant to do. Additionally, there are questions centering on whether how the program were designed and have incrementally changed over time present the most effective means to address evolving environmental issues. The presents the need to begin to look at the future and consider new tools and possibly different ways to do things.

Frank indicated that an EAC subcommittee has been meeting for months on this project and developed a short framework on how to present the issue to the EAC. This framework consists of framing current issues based on projected economic, environmental, and social trends; identifying strengths and weaknesses of the current environmental management system; examining emerging alternative decision-making structures; and considering deeper policy trends affecting governance models.

This group recognized early on that part of the problem is that environmental management has traveled a media-specific regulatory path. This compartmentalizes problems and results is a very inefficient decision-making process that may not adequately address either higher level policy issues or site-specific environmental/economic considerations. This group also recognized early on the importance of involving the DNR in the discussions.

Frank explained that these discussions are very timely due to the budget situation. We are being asked to look at how we do things. While there may

have been some institutional reluctance to change in the past, he senses a readiness for change because business as usual is not going to cut it.

There is also a wider discussion among many affected interests, as well as by the Governor and in the Legislature, on the reorganization of DEQ, DNR, and the Department of Agriculture, and how functions are performed in these agencies.

A member confirmed that timing is right to have these discussions now.

A member asked about federal structure constraints. Frank admitted that the federal structure will likely present some constraints on what we can do. However, we also have to recognize that federal structure is at the root of many of the limitations we need to address.

Frank anticipates roughly four to five introductory meetings on this project starting with a broader view leading into discussions of alternative decision-making frameworks and governance models.

Director Chester expressed his support of this thoughtful process and provided examples of how programs have changed considerably over the years, both at the state and federal levels.

## **A PERSPECTIVE ON FUTURE TRENDS**

EAC member, Chuck Hersey, presented data which covered trends in federal debt, the state's general fund revenues, state budget allocations, and DEQ funding sources. He also provided unemployment data for Southeast Detroit, including employment baselines; employment by sectors; population trends; poverty rates; changes in the housing market; and foreclosure data. See Attachment 1.

Chuck's presentation created "an appetite for change" as it identified purposes; federal debt; state budget allocations; comparison of DEQ funding sources from 2000 to 2007; and how we are nearly 700 percent more reliable on auto industry in comparison to the remainder of the United States. Given our dependence on the auto industry and the projections of jobs lost in southeast Michigan, including decrease in taxable value & state equalized value, how critical is this area to the environment and the state? What does that mean in terms of the state's ability to provide services?

Chuck touched on a variety of issues that need to be addressed including a global economy; protectionist behaviors in both counties and states; predictable and unpredictable changes in technology; increasing value of water, especially at is relates to the Great Lakes; a smaller domestic auto industry; continued demand for environmental improvement; stress/decline in fiscal resources of

federal, state, and local governments; stress on provision of the core services of education, police, and infrastructure; desire for a changed energy infrastructure: “Green” but still cheap; and smaller government.

Chuck provided examples of some of Michigan’s advantages including a large supply of clean water and huge number of lakes providing recreational opportunities, which creates a quality of life that is hard to match. However, we also have disadvantages that need to be addressed, including gaps in infrastructure investment, stagnant economy, and producing, attracting and retaining college graduates.

Chuck presented a list of certainties, including less money from the federal government; less money from state government; ability to pay is down; quality of life demand is up; more rules; higher cost; and public perception that environment and natural resources are the same thing.

The critical questions we are faced with are: how do we make our resources present an opportunity and what is our role in crafting a new, sustainable economy? Additionally, if we accept the proposition that a structural change in the Michigan economy is underway, what flows from that or what do we do to affect that change? Lastly, is the line between private property rights and public good moving, and if not, should it?

In closing, Chuck presented a slide that helped visualize that one can’t always take for granted what you first see because there may be more there or another way to interpret the meaning of something.

## **A PERSPECTIVE ON FUTURE TRENDS**

Don Grimes provided a presentation on the economic outlook for Michigan. See Attachment 2. He started on a positive note by saying this recession will end. He identified three big issues going forward including savings and investments for our future, aging in the population, and how the internet has created a more competitive world market.

In terms of investment, we will need more savings as retained earnings; government savings, and personal savings are all declining. Government savings will remain negative for a long time while foreign borrowing has increased. Additionally, the population in the state is aging. It is projected that by 2035, 23 percent of Michigan’s residents will be 65 or older which is 6 percent greater than current populations in Florida. Lastly, the Internet has changed how consumers shop. The auto industry has been hit hard by this. Consumer price index is down due to the loss of monopoly power and the ability to set prices. Consumers are now able to find lower-priced items on the internet.

Evidence of these issues can be seen by looking at the Detroit Three vehicle sales which peaked in 2001 and have fallen ever since. Additionally, Michigan is 11 percent under the national average for per capita income and ranked 34<sup>th</sup>. Mr. Grimes anticipates Michigan's rank will fall to 38<sup>th</sup> when in 2008 data is available.

Mr. Grimes also described how education level and per capita income are correlated. For example, Michigan is ranked 35<sup>th</sup> for percent of residents holding a bachelors degree or higher and 34<sup>th</sup> for per capita income. By way of comparison, Maryland is ranked second for percent of residents holding a bachelors or higher and fourth for per capita income. This example clearly demonstrated the need to make Michigan more attractive to young people and retaining an educated population.

Mr. Grimes also provided additional data and projections on wage and salary employment growth, unemployment, inflation rate, and growing and declining industries in Michigan.

Mr. Grimes summarized his presentation with opportunities for economic development in Michigan. These are:

- The knowledge-based economy, and the educated workers who fuel it, are the fulcrum of future prosperity in Michigan.
- Bill Gates observed that for knowledge-based enterprises, educational attainment trumps everything when they're deciding where to invest.
- Michigan and its communities need to invest in programs to provide the education and training essential for the economy of the future.
- Among activities with fewer educational requirements, the hospitality industry shows promise for the future, providing services to visitors as well as to a growing number of older people.
- Support personnel for industries with the most favorable growth prospects – health care and professional/technical services – require skills but often not professional degrees.
- Other actions may show promise for the economic well-being of the state, but none is more compelling than investing in workforce development.

## **DISCUSSION**

Mr. Grimes provided his perspective on the economic and demographic outlook including how people will spend money differently as they get older in the state. Seniors want art, recreation, medical care, boating, etc. Michigan needs to retain seniors and provide access to recreation and natural resources. Areas that Mr.

Grimes identified as tourist-oriented and retiree-friendly are the northwestern lower peninsula, particularly the Traverse City area.

Additionally, Mr. Grimes indicated that manufacturing jobs are not critical to our future. Michigan has an attractive skilled work force. However, given circumstances, wages will have to be lowered to remain competitive nationally.

Frank Ruswick perceives a higher demand for governmental services related to environmental protection and resource management. However, the responsible agencies will be provides lower funding levels to provide these services.

Mindy Koch, Deputy Director of the Department of Natural Resources, indicated Michigan has 4.5 million acres of state-owned public land, plus additional federal land. There is a need to expand and reach out and promote the opportunities we have available. She added that focus has been on the users that pay. However, discussion should occur on expanding outreach to others as well.

A member stated if manufacturing declines, we will be affected because those are the ones paying the fees. What does that mean in terms of quality of the environment and what needs to be regulated and managed in the future?

A member agreed that consumption behavior may drop initially, but retirees will still spend. Therefore, it is important to retain people in Michigan that will retire in the near future. Additionally, it is important to attract both younger and older generations to keep the brain power in Michigan and need to create better opportunities to make people stay.

## **CLOSING BUSINESS**

Frank thanked Chuck and Don for their presentations and EAC members for the observations. Further discussions will take place at the March 19, 2009, meeting including, an evaluation of the current regulatory structure.