



**DEPARTMENT OF ENVIRONMENTAL QUALITY  
POLICY AND PROCEDURES**

**SUBJECT: SETTLEMENT CASES RELATED TO FINES, PENALTIES, AND COST RECOVERY - OTHER THAN PART 201**      **Number: 03-002**  
**Date: November 18, 1997**      **Page 1 of 4**  
**Revised: May 6, 2002**

**ISSUE:**

The Department of Environmental Quality (DEQ) has numerous settlement cases that result in revenues coming to the DEQ. Settlements may result in a company paying fines and penalties, cost reimbursements, or a combination of both. Each year the DEQ is appropriated money in the form of the settlement funds deduct. The DEQ must receive fines and penalties [not including penalties under Part 201, Environmental Remediation, of the Natural Resources and Environmental Protection Act, 1994 PA 451, as amended (NREPA)] equal to the appropriated amount or reduce expenditures equal to the shortfall.

The DEQ must have the ability to accurately monitor the revenue received from settlement cases. It is imperative that the DEQ has an up-to-date, complete, and accurate listing of all settlement money that has been receipted in.

**DEFINITIONS:**

- “Settlement Funds Deduct” means the revenue to be collected from settlement cases (not including Part 201 cases) and credited against the settlement funds deduct in the appropriations bill.
- “Fines and Penalties” means funds assessed for violations of environmental laws (including bond forfeitures).
- “Judgments” mean contested cases in which a legal decision was rendered by the courts.
- “Settlements” mean contested cases in which a legally binding consent agreement is reached among the parties.

**POLICY:**

The DEQ divisions will properly identify where the settlement money from each agreement should be deposited (i.e., settlement funds deduct, cost reimbursement) at the time the agreement is signed.

In cases involving cost reimbursements, the settlement funds deduct will be satisfied prior to cost reimbursements being made. Multiple payments will be receipted in so the settlement funds deduct will receive its portion first. Cost reimbursements will be recorded as revenue to the fund that incurs the costs. Exception requests must be approved by the DEQ, Financial and Business Services Division (FBSD). Deviations from this policy will be approved by the DEQ Deputy Director for Operations.

<b>DEQ POLICY AND PROCEDURES</b>		
<b>SUBJECT:</b>	<b>SETTLEMENT CASES RELATED TO FINES, PENALTIES, AND COST RECOVERY OTHER THAN PART 201</b>	<b>Number: 03-002</b>
<b>DATE:</b>	<b>November 18, 1997</b>	<b>Page 2 of 4</b>
<b>Revised:</b>	<b>May 6, 2002</b>	

In accordance with state law, annually 25 percent of the revenues received from each settlement under either Part 31, Water Resources Protection; Part 111, Hazardous Waste Management; or Part 115, Solid Waste Management, of the NREPA, shall be transferred to the Environmental Education Fund until \$150,000 has been transferred to the Environmental Education Fund. The remaining 75 percent of each settlement is applied to the DEQ's settlement funds deduct.

Given there is no legal basis for the carry forward of excess settlement fund revenues, revenue collected greater than the deduct is recorded as general fund/general purpose.

**PROCEDURE**

**Responsibility**

**Action**

- |                            |  |
|----------------------------|--|
| Appropriate Staff          | <ol style="list-style-type: none"> <li>1. When an agreement is imminent but not yet executed or a judgment has been made (for criminal cases only), complete the Settlement ID Number Request Form: <ol style="list-style-type: none"> <li>A. Open Microsoft Word.</li> <li>B. Open the Settlement ID Number Request Template: <ol style="list-style-type: none"> <li>1) Click on "General Templates."</li> <li>2) Under the FBSD tab, bring up the template "EQ1434E" (Attachment A).</li> <li>3) Fill out Part 1 of the template. If it is a criminal case also fill out Part 2.</li> <li>4) Save the template as a new document.</li> <li>5) Go into GroupWise and send an e-mail to the DEQ, FBSD, Budget Development Office with the document you saved as an attachment).</li> </ol> </li> </ol> </li> </ol> |
| Budget Development Office  | <ol style="list-style-type: none"> <li>2. Assigns identification number according to the coding rules (Attachment B).</li> <li>3. Sends e-mail back to the division/office indicating the assigned Settlement ID Number.</li> </ol>  |
| Program Division Secretary | <ol style="list-style-type: none"> <li>4. For criminal cases, prepares letter to defendant, to be signed by the appropriate Office of Criminal Investigations (OCI) Lieutenant, indicating: <ol style="list-style-type: none"> <li>A. Where to send the payment(s), and</li> <li>B. That all payments are required to include the Settlement ID Number.</li> </ol> </li> </ol>   |

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**PROCEDURE**

**Responsibility**

**Action**

- |                                |   |
|--------------------------------|---|
| DEQ Divisions                  | 5. All agreements must require the Settlement ID Number to be included with all payments to the State of Michigan related to that agreement.  |
| DEQ Divisions                  | 6. Executes agreement.  |
| DEQ Divisions                  | 7. Notifies Budget Development Office electronically that the agreement has been signed by completing Part 2 of the Settlement ID Number Request Form and sending it to the Budget Development Office.                |
| DEQ Divisions                  | 8. Forwards copies of the settlement agreement/judgment pages (the cover page, signature page, and the pages that indicate the fines/penalties and cost amounts due) to the Budget Development Office.                |
| Cashier                        | 9. When payments are received, payment is deposited. It is coded with Index No. 90010, PCA No. 99003, and AOBJ No. 9121.  |
| Budget Development Office      | 10. At the monthly Compliance and Enforcement (C&E) Chiefs meetings, distributes the listing of settlement revenues received during the month along with a listing of the settlements with known delinquent payments. |
| C&E Chiefs/OCI Lieutenants     | 11. Review the listing and notify the Budget Development Office of any changes that need to be made.  |
| C&E Chiefs/OCI Lieutenants     | 12. If a settlement case is delinquent in making payments, takes the necessary steps to collect the money.  |
| Budget Development Office      | 13. Forwards to the DEQ, FBSD, Office of Financial Management the listing of settlement revenues received for the month (indicating which fund they should be deposited to).  |
| Office of Financial Management | 14. Prepares accounting entries to transfer the settlement revenues received during the month from PCA No. 99003 to the appropriate fund(s).  |

**PROCEDURE**

**Responsibility**

**Action**

Office of Financial Management  
(continued)

- 15. Annually, establishes short-term and long-term accounts receivable and deferred revenue and writes off amounts not collected in the same year as anticipated.
  
- 16. Annually, if appropriate, distributes cost reimbursement revenue to the fund that incurred the cost.

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Approved: \_\_\_\_\_ Date: \_\_\_\_\_

## ATTACHMENT A



### MICHIGAN DEPARTMENT OF ENVIRONMENTAL QUALITY FINANCIAL & BUSINESS SERVICES DIVISION **SETTLEMENT ID NUMBER REQUEST**

**PART 1 INSTRUCTIONS:** Use this form to notify DEQ FBSD when a settlement is imminent and to obtain a Settlement ID Number. Complete Part 1 and then attach this electronic document to an e-mail message and forward it to Evah Cole (COLEE1@MICHIGAN.GOV), DEQ FBSD, Budget Development Office.

PART 1	
1. NAME OF ENTITY WITH WHOM SETTLEMENT IS LIKELY TO BE REACHED	
2. ALTERNATE ENTITY NAME(S) (if any, such as aliases or d/b/a)	
3. COUNTY (WHERE CAUSE OF ACTION AROSE):	
4. LEAD DIVISION (choose one) Air Quality Division	5. DIVISION CONTACT PERSON & PHONE
6. OTHER DIVISIONS INVOLVED:	
7. HAS AGREEMENT BEEN SIGNED? <input type="checkbox"/> YES <input type="checkbox"/> NO   IF NO, WHAT IS THE ANTICIPATED DATE OF SIGNING?	
8. TYPE OF SETTLEMENT (check one) <input type="checkbox"/> PENALTIES ONLY <input type="checkbox"/> COST RECOVERY ONLY <input type="checkbox"/> BOTH COST RECOVERY & PENALTIES	9. AGREEMENT IDENTIFICATION NUMBER (to be assigned by DEQ Budget Development)

**PART 2 INSTRUCTIONS:** Complete Part 2 of this form when a settlement agreement has been signed, and forward it to Evah Cole electronically as outlined in the Part 1 instructions.

PART 2		
10. TOTAL AMOUNT DUE  \$	11. FINE AND/OR PENALTY AMOUNT  \$	12. COST REIMBURSEMENT AMOUNT  \$
13. FINAL PAYMENT DUE DATE	14. AMOUNT OF EACH INSTALLMENT  \$	15. NUMBER OF INSTALLMENT PAYMENTS
16. PAYMENT DUE DATES (please provide each payment due date, up to 12 payments)		
17. DATE AGREEMENT SIGNED:		
18. COMMENTS/SUMMARY OF CASE:		
19. DOES THE SETTLEMENT FALL UNDER (PLEASE CHECK ONE):		
<input type="checkbox"/> Part 111	<input type="checkbox"/> Part 115	
<input type="checkbox"/> Part 31	<input type="checkbox"/> OTHER	
20. IS THIS CASE A RESULT OF A: <input type="checkbox"/> JUDGMENT <input type="checkbox"/> SETTLEMENT		

## ATTACHMENT B

### CODING RULES FOR SETTLEMENT CASES RELATED TO FINES, PENALTIES, AND COST RECOVERY

1. Each division will be identified with alphabetical characters as the first three characters in the number.

AQD	Air Quality	LWM	Land and Water Management
DWD	Drinking Water	SWQ	Surface Water Quality
EAD	Environmental Assistance	STD	Storage Tank
ERD	Environmental Response	WMD	Waste Management
GSD	Geological Survey	OCI	Office of Criminal Investigations
LLR	Low Level Radioactive	MUL	Multiple Divisions

2. The next character of the identification number will be a one (1) if the money is to be deposited entirely into the deduct accounts, a two (2) if it is entirely for cost reimbursement and in cases where there is a combination of deduct and cost reimbursement it will be a three (3).
3. In cases of multiple division settlements, the lead division is responsible for obtaining the identification number.
4. The three remaining characters in the identification number will be sequence numbers (all numerical). EXAMPLE:

A Waste Management agreement that includes both fines and penalties and cost reimbursement would have an agreement identification number like this: **WMD3001**.

If this agreement had been entirely cost reimbursement, the number would be: **WMD2001**.

If this agreement had been entirely fines and penalties, the number would be: **WMD1001**.