

THE 1995 SPLIT OF THE DEPARTMENT OF NATURAL RESOURCES
Analysis of Administrative Cost Changes
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Background

On August 1, 1995, Governor John Engler issued Executive Order 1995-18, which separated the environmental and natural resources functions of the Department of Natural Resources (DNR) into two separate departments.¹ The Governor stated that the combined department was "too large and unmanageable to effectively concentrate on the importance of both conservation and environmental issues". The new Department of Environmental Quality (DEQ) would focus on environmental regulatory programs, and the Department of Natural Resources would focus on natural resources conservation and recreation. The directors of both the DNR and DEQ stressed the efficiencies and advantages of leaner, more streamlined departmental structures.

Historically, the DNR had separate natural resources and environmental protection bureaus, with a common administration. At the time of the split, the Department of Management and Budget testified that additional appropriations would not be needed, and that the new departments would reallocate resources to cover any potential increases in administration.

This article will focus on changes in DNR and DEQ administrative funding for fiscal years (FY) 1994-95, 1995-96, and 1996-97, which represent the years before, during, and after the split, respectively. This article will not address changes in actual program performance since the split; nor will it address the adequacy or content of administrative programs.² Internal transfers to support data processing are not included in this analysis due to a change in cost accounting that does not allow for valid comparisons during this time period.

The Transition

The Governor's Executive Order took effect October 1, 1995, which was the first day of FY

1995-96. During that fiscal year, the DEQ and DNR requested legislative transfers and assessed interdivisional charges to provide for the funding adjustments outlined in Tables 1 and 2.

Table 1

DNR TRANSITION	TO:	FROM:
Unclassified Salaries	\$87,000	
Executive Direction	1,021,000	
Personnel	75,000	
Admin. Services/Audit		\$(34,000)
Field Programs		(45,500)
Office of Litigation		(3,000)
Wildlife Management		(88,600)
Fisheries Management		(120,700)
Parks & Recreation		(427,600)
Mackinac Island		(26,300)
Forest Management		(178,900)
Real Estate		(27,700)
Geological Survey		(2,000)
Land & Water Mgmt.		(10,800)
Law Enforcement		(122,000)
Restricted Contingency		(67,000)
TOTAL	\$1,183,000	(\$1,183,000)

Table 2

DEQ TRANSITION	TO:	FROM:
Unclassified Salaries	\$187,000	
Executive Direction	359,000	
Admin. Services/Audit	551,100	
Private Rent	206,000	
Geological Survey		\$(30,000)
Land & Water Mgmt.		(89,600)
Air Quality		(143,100)
Surface Water Quality		(141,700)
Environ. Response		(586,600)
Environ. Assistance		(36,600)
Undgrd. Storage Tanks		(44,100)
Waste Management		(123,200)
TOTAL	\$1,304,900	(\$1,304,900)

In the previous fiscal year (FY 1994-95), DNR documents show that an estimated \$450,000 had been internally transferred to support similar administrative functions. Therefore, the net change in administrative costs associated with the transition to two departments was approximately \$2 million.

Then vs. Now

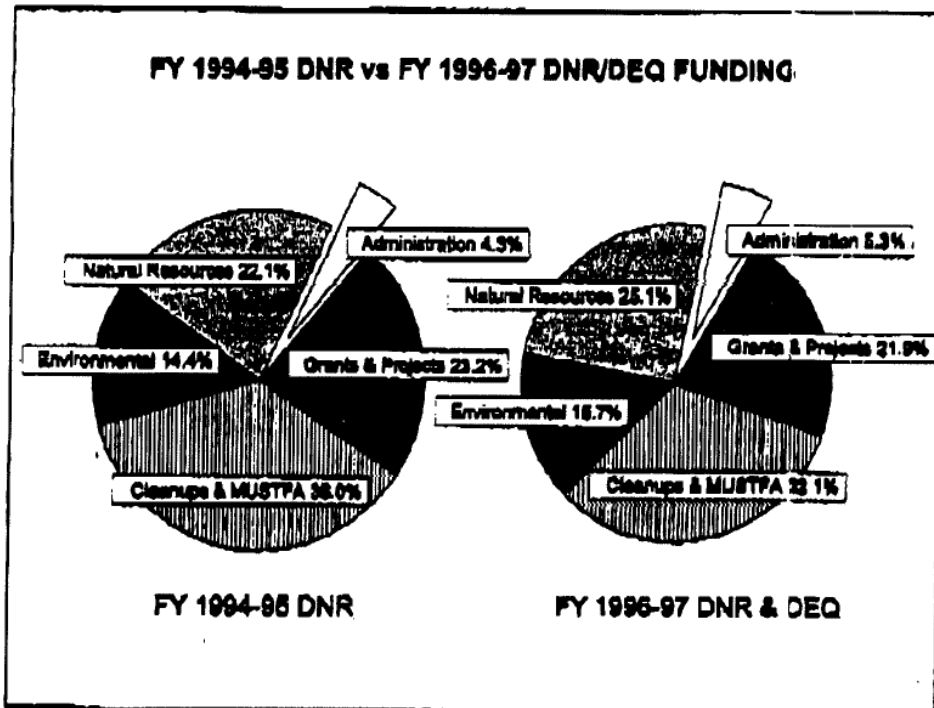
The current FY 1996-97 budget represents the first legislative appropriation for the two separate departments. For purposes of comparison, the current DNR and DEQ budgets were reunited and appropriations, transfers, and cost allocations incorporated into all totals. Transfers and pending supplemental appropriations for FY 1996-97 were included. Data-processing appropriations and programs transferred from other State agencies were not

included. Adjustments were made to maintain similar organizational structures between the years.

Figure 1 below shows the overall funding breakdown for FY 1994-95 (before the split) and FY 1996-97 (the combined departments after the split). From this perspective, funding priorities appear to have stayed fairly stable over the past three years.

(On closer analysis, however, increases in funding appear to have focused on administrative, rather than natural resources or environmental programs during this three-year period.) Table 3 and Table 4 on the following page summarize administrative funding changes by program area and specific line items.

Figure 1



program funding has decreased by 4%. Funding for environmental cleanups, grants, and projects has decreased primarily due to a decline in available revenues.

In particular, funding for Executive Division programs has increased almost 66%, or \$2.1 million; over half of which was due to an 83% increase in the Executive Direction line item. The Administrative Services Division increased by less than 5% or \$891,700; however, the combined Administrative Services and Audit line items increased 33%, or \$2.2 million. Department Operations Support increased by

21%, or \$1.2 million, primarily due to a 60% increase in State Rent costs.

Footnotes

- 1 "Department of Natural Resources Reorganization", Senate Fiscal Agency Notes on the Budget and Economy, September/October 1996.
- 2 "Financial Audit of the Department of Natural Resources 10/1/93 through 9/30/95", Office of the Auditor General.