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BILL ANALYSIS

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Senate Bill 305 (as introduced 5-15-25)
Sponsor: Senator Stephanie Chang
Committee: Energy and Environment

Date Completed: 10-29-25

CONTENT

The bill would add Section 5534 to Part 55 (Air Pollution Control) of the Natural Resources and Environmental Protection Act (NREPA) to do the following:

-- **Create the Air Quality Enforcement and Mitigation (AQEM) Fund within the State Treasury and require all civil and administrative fines collected for violations of Part 55 to be deposited into it.**
-- **Prescribe the purposes and limitations for the Department of Environment, Great Lakes, and Energy's (EGLE) usage of AQEM funds.**
-- **Define "environmental justice community" and require EGLE to develop a process for identifying environmental justice communities.**
-- **Require EGLE to establish an Air Quality Community Impact Grant Program and to provide grants to entities like nonprofits, school districts, and local governments to assess, mitigate, and educate on air pollution in communities affected by air pollution violations.**
-- **Require EGLE to develop program guidelines in consultation with an advisory committee made up of specific members prescribed by the bill.**
-- **Specify that an air quality facility supplemental environmental project would not be a fine.**

The bill would take effect 90 days after its enactment.

Among other things, Part 55 of NREPA establishes rules relating to air pollution and to the issuance of permits for a new, modified, or existing emissions source, process, or process equipment. Part 55 also prescribes fines for fee-subject facilities, such as an electric provider regulated by the Michigan Public Service Commission, that violate Part 55's permitted tonnage of fee-subject emissions. (Fee-subject emissions include pollutants such as nitrous oxide and ozone which are regulated under the Federal Clean Air Act.)

The bill would add Section 5534 to Part 55 to create the AQEM Fund within the State Treasury. The State Treasurer could receive money or other assets from any source for deposit into the Fund. The State Treasurer also would direct the investment of the Fund and would have to credit to the Fund interest and earnings from its investments. Money in the Fund at the close of the fiscal year would remain in the Fund and not lapse to the General Fund. All civil and administrative fines collected under Part 55 would have to be deposited into the AQEM Fund.

The bill specifies that, if the person responsible for an alleged violation agreed to a settlement of an enforcement action under Section 5528, 5529, or 5530 of NREPA, money that person spent on an air quality facility supplemental environmental project would not be a fine that could be deposited into the AQEM Fund. The bill would define "air quality facility supplemental environmental project" as an environmentally beneficial project for air pollution prevention, air pollution reduction, or air monitoring or evaluation that an alleged violator agrees to undertake at the facility where an air quality violation occurred as part of a settlement of an enforcement action, but that the alleged violator is not otherwise legally required to perform.

(Section 5528 of NREPA allows an alleged violator of Part 55 to enter into an agreement with EGLE to correct the alleged violation. Section 5530 allows the Attorney General to commence a civil action against a person for relief for generally failing to comply with Part 55.)

The bill would require EGLE to spend money from the Fund, upon appropriation, only for specific purposes. The Department would have to spend 20% of the money on staffing and other EGLE functions that were related to one or both of the following:

-- Increased air monitoring that would benefit environmental justice communities.
-- Administration of the Air Quality Community Impact Grant Program (described below).

The other 80% of the money would have to be spent on air quality impact grants for one or more of the following purposes in the communities where Part 55 violations occurred or nearby communities, giving priority to environmental justice communities:

-- Mitigation of air pollution, such as by buffers or vegetation, air filtration systems in homes or schools, and diesel engine retrofit or diesel equipment replacement programs.
-- Assessments of the health impacts of air pollution.
-- Education and training programs for community residents and local environmental regulators to increase effectiveness of enforcement programs for rules promulgated or orders issued under Part 55 and in deterring violations of the Act.

The bill would define "environmental justice community" as a geographic area that EGLE has identified as a community facing a disproportionate environmental burden, using tools such as the U.S. Environmental Protection Agency's EJSCREEN and indicators such as sensitive populations, socioeconomic factors, exposures, and environmental effects. The Department, in collaboration with environmental justice and environmental interest groups, would have to develop a process to identify environmental justice communities and use community engagement to obtain information and feedback.

To fund these education and mitigation programs, the bill would require EGLE to establish an Air Quality Community Impact Grant Program. The Program would have to provide grants to nonprofit entities, school districts, institutions of higher education, and local units of government, including local health or environmental departments. The Department would have to develop guidelines for the allocation of grants, the procedures for grant applications, the criteria for awarding grants, and administrative and fiscal requirements governing the receipt and expenditure of grants, at a minimum.

The Department would have to develop these guidelines in consultation with an advisory committee that included at least one of each of the following:

-- A public health expert.
-- A representative of an environmental justice organization.
-- A representative of the Department of Health and Human Services (DHHS).
-- A representative of a local health department or local environmental department.
-- Two residents of environmental justice communities.
-- An industry representative who had a background in environmental compliance or mitigation of the effects of pollution.

The Department would have to post on its website and otherwise make publicly available an annual report on the purposes for which grants were awarded, including the communities affected.

Proposed MCL 324.5534

PREVIOUS LEGISLATION

(This section does not provide a comprehensive account of previous legislative efforts on this subject matter.)

The bill is similar to Senate Bill 26 from the 2023-2024 Legislative Session. Senate Bill 26 passed the Senate and was reported by the House Committee on Natural Resources, Environment, Tourism and Outdoor Recreation but received no further action.

Legislative Analyst: Nathan Leaman

FISCAL IMPACT

The bill would have no fiscal impact on the State through the collection of civil and administrative fines as these fines are already being collected. It would have a positive fiscal impact on EGLE. Any costs, administrative or otherwise, would be offset by 20% of the revenue deposited into the AQEM Fund created by the bill. The bill would have a significant positive fiscal impact on local units of government that received grant funding from the remaining 80% of the Fund revenue.

The bill would not have a significant fiscal impact on the Department of Treasury. Depending on the average daily balance of the newly created AQEM Fund, Treasury could incur minor administrative costs related to the investment of the Fund. The average balance of the Fund would depend on the amount of fines deposited. This amount is unknown currently. It is likely that existing appropriations would be adequate for most expenses associated with the creation and investment of the Fund.

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