

# A Sustainable Watershed Funding Strategy for Michigan

A Proposed Policy Framework

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## Background and Purpose

Water resources are inseparable from Michigan's identity. They are an essential element of the economy, the health of communities, and Michigan's way of life. Despite the significance of water resources to the state, current funding models that support watershed management are insufficient. Groups that work to restore, protect, and enhance watersheds consistently lack funding and are left competing for limited state and federal dollars while important work goes uncompleted. To address this funding gap, partners in West Michigan began working to develop a sustainable funding mechanism to support watershed management in 2014. While organizations in West Michigan initiated efforts to address this issue, Michigan faces these challenges statewide.

From 2014 through 2022, project partners completed a series of studies and conducted significant stakeholder engagement to develop a proposed policy framework that, if implemented, would generate a new source of sustainable funding to support watershed management throughout Michigan. A summary of past activities is included in Appendix A.

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## Statewide Leadership Team

To develop a policy framework that would reflect the conditions of the state as a whole and Michigan's unique regions, project partners formed a leadership team comprising watershed leaders from across the state. This group comprised:

- Fallon Chabala and Erin Kuhn, West Michigan Shoreline Regional Development Commission, Muskegon, Michigan
- Rebecca Esselman, Huron River Watershed Council, Ann Arbor, Michigan
- Kelly Goward, ODC Network, Holland, Michigan
- Marcy Hamilton, Southwest Michigan Planning Commission, Benton Harbor, Michigan
- Heather Huffstutler, Huron Pines, Gaylord, Michigan
- Mike Kelly, The Conservation Fund, Bay City, Michigan
- Carl Lindquist, Superior Watershed Partnership and Land Conservancy, Marquette, Michigan
- Jennifer McKay, Tip of the Mitt Watershed Council, Petoskey, Michigan
- Wendy Ogilvie, Grand Valley Metropolitan Council, Grand Rapids, Michigan

The group held a series of meetings over the course of 2022 to review prior studies, discuss priorities from their respective regions, and develop a consensus policy framework supported by the statewide leadership team. The statewide leadership team discussed the central components of the funding framework to ensure the initiative provides enough flexibility to meet the distinct needs of all of Michigan's regions while also providing consistency to ensure successful implementation statewide. These meetings were intended to continue stakeholder engagement, starting with water resource leaders, recognizing that further engagement with many others will be essential to finalizing the framework.

# Statewide Watershed Funding Initiative Policy Framework

The consensus-building process determined that it would be undesirable, and likely unsuccessful, to pursue additional watershed funding through tax increases. This philosophy drove the decision to advance a novel approach that would create a mechanism for residents to make a voluntary contribution to watershed management through property tax bills. Funding would be collected by counties and administered through regional planning bodies to leverage existing administrative structures and better enable work to be conducted on a watershed basis, as watersheds do not adhere to political boundaries.

This framework would require new, statewide enabling legislation that provides counties the authority to opt in to the initiative and guidelines for its operations. To be successful, the funding model should provide enough flexibility that it can be tailored to meet the needs of the entire state yet also provide enough consistency to ensure successful implementation. A central component of the funding framework is that it operates on a regional scale. This philosophy recognizes that Michigan's regions vary significantly in terms of watershed conditions, land-use features, population, economic well-being, organizational structure and capacity, community priorities, and many other factors. Rather than dictating a one-size-fits-all approach for all of Michigan's regions, the framework retains decision making at the regional level for many critical elements of the program design so that the funding and implementation approach can be tailored to the unique conditions of Michigan's regions. To administer the funding, each region would form one board to guide funding decisions that reflect regional watershed priorities.

## Policy Framework

The proposed policy framework includes many elements to ensure that the initiative provides enough flexibility to meet the individual needs of all of Michigan's regions while also providing consistency to ensure successful implementation. The elements recommended for inclusion in statewide legislation include the following areas of consideration, which are discussed in greater detail below.

- Collection and administration of funds
- Governance
- Eligible use of funds
- Eligible recipients of funds
- Transparency and accountability
- Regional implementation framework

For each area of consideration, this report provides core points of the policy framework and the rationale. In some instances, the statewide leadership team identified areas where further engagement with key stakeholders on specific topics is recommended.

## Collection and Administration of Funds

- Enable counties to collect a voluntary, tax-deductible contribution from residents through property tax bills for the purpose of protecting, enhancing, and/or restoring water resources.
- Require counties to pass these funds through to an existing regional planning body, which would administer funds within their jurisdiction.
- Enable counties and regional planning bodies to recoup their expenses for administering the program. A rate cap should be determined in coordination with representatives of counties and regions based on their feedback.
- Enable regional planning bodies to enter into cooperative agreements with each other to enhance coordination of efforts and fill capacity where needed. Cooperative agreements should be approved by the participating counties of the region.

### Rationale

Rather than establishing a wholly new administrative framework, using the existing property tax collection system would streamline efforts, decrease administrative costs, and may increase participation by residents. By operating through existing regional planning bodies, existing decision-making and administrative frameworks would be leveraged, further decreasing the administrative burden. Regional bodies are accustomed to facilitating conversations among their member jurisdictions regarding contribution levels and allocations of funding. Furthermore, regional planning bodies are generally well equipped to address watershed issues, especially those that span multiple communities. In instances where watersheds cross regional boundaries or when a region may need additional capacity, multiple regions could partner to administer watershed funding through cooperative agreements.

### Recommendations for further evaluation:

- Through various legislation, the State of Michigan has established multiple mechanisms for local units of government to form regional planning bodies to address priorities that extend beyond the boundaries of any one jurisdiction. Because there are multiple legislative mechanisms, the relative authorities and boundaries of regional planning bodies differ throughout the state. The statewide leadership team should coordinate with the Michigan Association of Regions to evaluate which regional planning bodies should be enabled to administer the program, what geographic boundaries should be established, and identify any additional considerations relevant to the funding initiative to succeed at a regional level.
- The statewide leadership team should coordinate with the Michigan Association of Regions, Michigan Association of Counties, Michigan Municipal League, and the Michigan Township Association to evaluate requirements regarding administrative rate structures, including whether a standardized rate should be established statewide or whether it should be determined by each region.

## Governance

- Require each regional planning body to establish a board that would make funding determinations for their respective region. The board should include the following components:
  - The size of the board should be no less than three members or the number of participating counties, whichever is greater. Regions may increase the size of their boards to accommodate their need and must include representation from across their geographic service region of participating counties. Regions should strive to include a diversity of perspectives on the boards.
  - At minimum, representation on the board should include:
    - Local government (village, township, city, or county)
    - Environmental, conservation, or natural resource management organization
    - Regional planning body

Regions may include additional seats on the board that represent the following interests:

- Local government (village, township, city, or county)
- Tribal nations
- Environmental, conservation, or natural resource management organization
- Regional planning body
- Public health institutions
- Educational institutions
- Philanthropy
- Emergency management
- Business
- Other members of the public concerned with or affected by environmental, conservation, or natural resource management

### Rationale

The governance model needs to provide enough structure to ensure consistent and effective implementation and enough flexibility to recognize and accommodate the wide range of circumstances among Michigan's regions, which range in size from three to 14 member counties and approximately 57,000 to 4.8 million residents. The minimum number of representatives on the board is recommended to align with the smallest regions of Michigan. By enabling regions to increase the size of the board, each region will be able to determine the appropriate representation that recognizes a multitude of considerations for their respective regions.

The composition of the board is structured to ensure that core interests are represented in the allocation of public funds while accommodating the varying sizes of boards that regions may establish.

## Eligible Use of Funds

- Require funding to be used to protect, enhance, and/or restore ground- or surface-water resources to advance ecological outcomes. This may include allocating funding to support staff and operational expenses of eligible funding recipients; developing planning and technical studies, on-the-ground/in-the-water restoration and protection activities, and public education; and coordinating with governmental entities, community groups, and other interests to implement water resource management and policy best practices.
- Funding should not be used to meet permit obligations or other compliance requirements, such as those associated with water quality consent decrees or National Pollution Discharge Elimination System (NPDES) programs, like the Municipal Separate Storm Sewer System (MS4) programs.

### Rationale

The purpose of the initiative is to generate additional funding to supplement rather than supplant existing funding mechanisms that support water resource management. The funding structure is designed to be flexible enough to accommodate the unique circumstances and conditions of each of Michigan's regions by enabling the funding board to determine how to best allocate the funds in their region to protect, enhance, or restore ground- or surface-water resources to advance ecological outcomes.

## Eligible Recipients of Funds

- Eligible recipients of funds would include nonprofit organizations, municipalities, counties, conservation districts, regional planning bodies, educational institutions, and tribal nations. Funding should not be directly awarded to for-profit organizations or state agencies.

### Rationale

Throughout Michigan's regions, there is a wide range of organizations that advance water resource management. This includes representatives from practically every type of entity, including nonprofit organizations, municipalities, counties, conservation districts, regional planning bodies, educational institutions, and tribal nations. However, the organizational capacity and structures of these groups differ within and among regions. By enabling all public-interest organizations to be eligible to receive funds, the program enables the funding board to make the determinations of how to best allocate the funds in their region.

## Transparency and Accountability

- Require the boards to function as public bodies subject to the open meetings requirements, Freedom of Information Act, and rules of order adopted by the respective planning body.
- Require recipients of funding to submit appropriate financial reports and project summaries documenting the purpose and outcomes of how funds were allocated to the regional planning body. These reports would be available to the public upon request.



- Require regional planning bodies to prepare an annual report of their expenses to administer the program as well as funding allocations that documents the recipients, funding amounts, purpose, and outcomes of the allocations. Planning bodies would be required to make the reports available publicly and submit them to participating counties.

## Rationale

Funding raised through the initiative would represent public dollars. Thus, transparency and accountability are critical to the success of the program. By requiring business to be conducted in an open forum and annual reports that disclose funding decisions, the public and policymakers will be able to provide appropriate oversight.

## Regional Implementation Framework

The proposed policy would enable regional planning bodies, in coordination with member counties, to tailor the initiative to suit Michigan's varying regional interests. The following elements would be determined by each region to meet its unique needs.

- How funding is allocated geographically within the region
- Which entities receive funding
- How much funding is provided to:
  - Support staff and operational expenses of eligible funding recipients
  - Develop planning and technical studies
  - Conduct on-the-ground/in-the-water restoration and protection activities
  - Support public education
  - Coordinate with governmental entities, community groups, and other interests to implement water resource management and policy best practices
- The geographic scale at which watershed management should be implemented

Recommendations for further evaluation:

- The statewide leadership team should coordinate with representatives of local government (counties, cities, townships, and villages) to determine the contribution structure and whether it is set as a standardized rate statewide or determined by the regional planning body and their member counties.

## Rationale

Michigan's regions and watersheds are unique and vary significantly in terms of watershed conditions, land-use features, population, economic wellbeing, organizational structure and capacity, community priorities, and many other factors. Enabling regions to tailor the initiative to fit their needs and the scale at which to implement funding will better position the success of the initiative at both a regional and statewide basis. There are simply too many considerations to dictate a one-size-fits-all approach.

## Next Steps

The statewide leadership team will continue to advance this effort through ongoing collaboration and engagement with additional constituencies, recognizing that development of a policy framework is an iterative process that will require additional refinement.

- **Continue stakeholder engagement.** The statewide leadership team should continue to engage the next tier of stakeholders that would be directly involved with the administration of the program, such as municipalities, counties, and regional planning organizations. A similar process should be used to seek their input and revise the funding framework to address additional considerations and priorities those organizations may have. This may include a series of one-on-one meetings and potentially facilitated sessions among multiple stakeholders to develop consensus recommendations.
- **Revise funding framework.** Once the statewide leadership team has coordinated with additional stakeholders, the policy framework should be refined to reflect the outcomes of that process.
- **Reengage communications team.** During previous phases of this effort, a communications team was formed to develop strategies and materials to support stakeholder and public engagement. This group should be reengaged and potentially expanded to include statewide partners to continue to guide and support future activities.
- **Evaluate pursuing introduction of legislation.** Based on the outcomes of the previous steps, the statewide leadership team should evaluate seeking the introduction of legislation to implement the proposed policy framework.

## Resources

- Macatawa Area Coordinating Council. 2017. *West Michigan Watershed Summary*. Holland: West Michigan Watershed Collaborative. Accessed November 7, 2022. [https://www.the-macc.org/wp-content/uploads/West\\_Michigan\\_Watershed\\_Summary\\_1.2017.pdf](https://www.the-macc.org/wp-content/uploads/West_Michigan_Watershed_Summary_1.2017.pdf)
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## Appendix A: Summary of Past Activities

Since 2014, partners in West Michigan have led the effort to develop a sustainable funding mechanism to support watershed management, but the challenge remains pervasive throughout the state. In 2014, the Macatawa Area Coordinating Council, in coordination with the West Michigan Shoreline Regional Development Commission and the Grand Valley Metropolitan Council, formed a project team to lead this effort. The group then convened the West Michigan Watershed Collaborative to inform the project. The collaborative includes representatives from more than 25 watershed organizations in the region, with an ongoing goal of encouraging and facilitating greater collaboration at the regional level. Since that time, activities have included:

- In 2016, the project team hired Public Sector Consultants (PSC) to evaluate alternative funding mechanisms with the potential to generate sustainable funding. Through this effort, PSC developed a report, *A New Approach to Fund Watershed Management: An Evaluation of Funding Mechanisms*, which assessed the applicability of four approaches for developing sustainable funding for watershed management. The report included potential revenue projections under a range of scenarios and additional considerations for each funding mechanism (PSC 2016).
- In 2017, the project team reengaged PSC to assist with community engagement to build consensus around a funding approach that partners in the region would support. This effort included a series of roundtable meetings with small groups of watershed leaders from West Michigan to discuss the four alternatives assessed and identify a potential strategy to pursue. Following these sessions, watershed leaders from across West Michigan convened to review the results of the small group sessions and reach consensus on a strategy to pursue. Through this process, watershed leaders identified the approach of a voluntary contribution as the best option to pursue. At that time, project partners recognized that the initiative would need to transition from a West Michigan–led effort to a statewide approach (PSC 2017).
- In 2019, PSC was hired to conduct a telephone survey of Michigan residents to assess their perception of water quality and their willingness to voluntarily contribute funding to support watershed management through their property tax bill. The survey showed that a majority of Michiganders are supportive of the proposed approach, identified contribution levels Michiganders would support and generated preliminary estimates of potential funding that could be generated through the program.

It should be noted that this survey was conducted prior to the COVID-19 pandemic and tumultuous economic conditions that occurred. All surveys represent a specific period of time and thus views and perceptions of the initiative, willingness to participate, and contribution levels may have changed since that time. Despite these potential changes, the survey results demonstrate interest and support from Michiganders (PSC 2019).

- In 2021, PSC supported the project team by facilitating a series of seven virtual roundtable meetings with 50 watershed leaders from across the state. This effort enhanced awareness of the initiative and facilitated valuable input on the proposed funding mechanism. Following these sessions, PSC helped transition the initiative from a West Michigan–led effort to a statewide initiative through the formation of a leadership group comprising representatives of prominent watershed groups across Michigan (PSC 2021).



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