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**Date:** July 9, 2020

**To:** Environmental Quality Commission

**From:** Richard Whitman, Director

**Subject:** Item I: Policy Option Package and Agency Request Budget for 2021-23  
(Action)  
July 16-17, 2020, EQC meeting

**Purpose of item** DEQ will present proposed policy option packages for the 2021-23 ARB. DEQ will also seek commission approval for Chair George to sign and certify the DEQ ARB for 2021-23.

**DEQ recommendation** DEQ recommends that the Oregon Environmental Quality Commission authorize Chair George to sign the DEQ 2021-23 Agency Request Budget certification form on behalf of the commission as part of the agency's Sept. 1, 2020, budget submittal to Governor Brown.

**Budget and legislative agenda development process** DEQ's development of an agency request budget is the first step in a multi-year budget cycle. Once the commission approves the Agency Request Budget, it is then submitted to Governor Brown and the Department of Administrative Services, for the Governor's preparation and submission of her budget proposals to the Oregon legislature in November prior to each long legislative session (every two years). The legislature will then consider these budget proposals and adopt a two-year budget, covering the period from July 1, 2021, to June 30, 2023. An important note for DEQ's budget in particular is that any fee changes require *both* legislative approval and EQC approval before they become final.

A major component of the ARB as well as the Governor's budget are "policy option packages," which are proposals for spending over and above current service levels. For the past year, DEQ staff have provided updates at each EQC meeting detailing the development of policy option packages for inclusion in the 2021-23 Agency Request Budget. DEQ's recommended policy option packages for 2021-23 are contained in Attachment B to this report.

DEQ's 2021-23 policy option packages were developed with significant input from the Governor's office, key stakeholders, and the commission. Many packages, such as those in the Water Quality Division, reflect a continuation of investments that were made by the 2019 Oregon Legislature.

At this point in time, there is significant uncertainty about the nation's economy, particularly over the next year but even beyond that time. DEQ and other state agencies have asked whether their policy option packages should be adjusted to be more conservative in light of the COVID pandemic and its effects on the economy, but as of this time the direction has been to continue with the packages that have been under development since late last year. DEQ recognizes that if federal support for state governments is not forthcoming, we are likely looking at a very constrained budget for 2021 to 2023, as are the partner organizations and businesses that we work with. In that scenario, we are likely to see the Governor's Recommended Budget include significant proposed reductions, particularly in state General Fund expenditures. As a result of this context, DEQ has scaled back, in part, several of its policy option packages, and we recognize that the Governor and legislature may reduce or eliminate these packages as the economic picture for a year from now begins to become clearer.

**EQC  
involvement**

The commission chair is required to certify the agency request budget. If the policy option packages contained in the ARB are approved by the legislature in 2021, packages that include increased fees will come back to the EQC for final approval in the form of rule changes.

**Attachments**

- A. Budget and Legislative Development Timeline
- B. Recommended Policy Option Packages
- C. Certification page for 2021-23 DEQ Agency Request Budget

Report compiled by Stephanie Caldera  
*Commission assistant*

## DEQ's 2021-23 Legislative Agenda Development Timeline

### January - September 2020: 2021-23 Budget development process begins

- Determine cost of currently approved programs adjusting for 2019-21 costs
- Estimate future revenues (fees and other items paid to DEQ)
- Develop the Trial Budget/affordability for 19-21
  - Shift work between funding sources
  - Establish tentative reductions to balance the 2019-21 Trial Budget
  - Determine which reductions will be made permanent and which DEQ will ask to “restore” through requests for new General Funds, new fees or increases to current fees
- Develop budget reduction options on all funding types (10 and 20 percent reduction levels)
- Refine budget package proposals for new work that DEQ anticipates doing
- Refine legislative concepts

January 2020: Informational opportunities and commission input

- Jan. 13-15, 2020: Legislative Organizing Days, DEQ to present to several committees prior to the Short Legislative Session
- Jan. 23-24, 2020: DEQ presentation on draft working proposals for budget and legislative items for 2021-23, solicitation of EQC feedback and direction

February 2020: Short Legislative session begins (limited to 35 days)

March 2020: Short Session ends

- Mid-March: Budget and Legislative Concept Instructions are released by DAS for the 2021-23 development cycle
- Ongoing legislative concept and budget policy package development

April 2020: Ongoing legislative concept and budget policy package development

- Mid-April: Draft legislative concepts are due to DAS
- Stakeholder outreach

May 2020: Ongoing budget development and stakeholder outreach

- Updates to the commission at regular EQC meeting

June 2020

- Early June: DAS submits approved legislative concepts to Legislative Counsel (must be final by late June)
- DEQ's Agency Request Budget submitted to DAS for audit

July 2020: Budget narrative development, updates to the commission at regular EQC meeting

**July/August 2020**

- EQC Chair signs the Budget Certification Form, following DAS audit results, as part of the agency of budget request document
- Budget narrative development
- DEQ continues work with Legislative Counsel on legislative concepts

**September 2020:** Agency Request Budget document due to DAS and Governor by Sept. 1, 2020

- DEQ continues work with Legislative Counsel on draft bills/legislative concepts

**October 2020 – February 2021: Development of budget and legislative materials continues**

- DEQ continues to work with Legislative Counsel on draft bills/legislative concepts
- DAS and Governor review DEQ budget request
- DAS Analyst prepares Governor's Recommended Budget.

November 2020: Legislative agenda update as part of the regular EQC meeting

December 2020: Governor's Recommended Budget is released in early December

- Governor's Recommended Budget submitted to the Legislature (early December)
- Governor pre-session files approved bills (early December)

January 2021

- Early January: Organizing days (committee meetings and other activities)
- Mid-January: Pre-Session review of legislative agenda and activities as part of the EQC meeting

**February 2021: Regular Legislative Session begins (first week)**

*Last updated: May 2, 2020*



## DEQ 2021-23 Recommended Policy Option Packages

	Goal	Background	Budget Request
<b>AIR QUALITY</b>			
<b>Fully Implement Clean Diesel Legislation</b>	Reduce diesel emissions in Portland metro area, and fully implement existing legislative policy	This package will allow DEQ to fully implement the requirements of HB 2007, a bill to accelerate the clean-up of older diesel trucks in the Portland metro area. DEQ receive partial funding to implement this bill in 2019. To complete the work, DEQ will need staff and IT upgrades to certify compliance with approved retrofits.	\$400,000 General Fund IT system upgrades 2 positions
<b>Asbestos Fee Increase</b>	Maintain asbestos health protection program	The asbestos program protects construction workers and the public from the harmful effects of asbestos exposure. Program fees have not been adjusted for over ten years. The fee increase is proposed to maintain current program service levels and ensure timely processing of asbestos abatement project notifications and continue credential training for providers. The fee increase is twenty percent.	Other Fund No new positions
<b>Greenhouse Gas Reduction</b>	Fully Implement Executive Order 20-04 related to reducing GHG emissions in Oregon.	Governor Brown issued Executive Order 20-04 in March 2020, which directed state agencies to meet GHG reduction targets. Under the order, DEQ is developing new programs to reduce greenhouse gas emissions, including key elements of the Statewide Transportation Strategy and regulatory programs that will require large sources of emissions and fuel suppliers to cap and reduce emissions. The legislature provided funds to pay for the development of the program over the next couple of years, but has not considered what long-term resources may be required to implement the programs in addition to the funds it has already approved. This package will address the resources needed to operate the programs once they are put in place in 2022. One of the two positions included in this placeholder policy option package is	General Fund (amount TBD) 2 positions Contracting costs

		intended to work closely with the NW Oregon Regional Solutions Team on equity issues around implementation of the GHG cap and reduce programs, as well as other environmental justice issues stemming from vehicle and stationary sources.	
<b>Vehicle Inspection Program</b>	Restore positions lost due to revenue shortfall	The Vehicle Inspection Program remains a critical air quality improvement strategy, particularly in addressing ozone in the Portland and Medford areas . Without VIP, DEQ would need to demonstrate pollution reductions in other sectors to meet federal air quality requirements. DEQ will seek ratification of a modest fee increase which is needed to ensure adequate staffing, low wait times and improvements to DEQ Too – a public-private testing partnership.	Restore 8.0 positions. This package will include position authority and ratification of a fee increase.
<b>Lane Regional Air Protection Agency Base Funding</b>	Restore adequate funding for LRAPA	LRAPA experienced significant general fund cuts in 07-09 that have not been restored. As a result, the program is increasingly unable to maintain adequate operations. This package would ensure that the communities and businesses in Lane County receive the same level of funding and services as the rest of Oregon. Specifically, this funding would support air monitoring, home wood heating, and outreach & education.	\$275,000 General Fund
<b>LAND QUALITY</b>			
<b>Stabilize Emergency Response Spill Program</b>	Fill gaps in emergency response capacity	When oil or hazardous waste spills occur, response time is critical. The faster official responders arrive, the better the chances of minimizing environmental damage and potential health impacts. DEQ emergency operations staff have the lead responsibility when there is a spill or other release of oil or hazardous materials to protect long-term public health and the environment. Spills and releases are caused by everything from tanker truck crashes, to train derailments, to structure fires, to pipeline ruptures, to tanker groundings. DEQ assesses potential impacts and takes action to control spills and begin clean-up work. DEQ’s Emergency Response Program provides for a flexible, efficient use of resources in conjunction with public and private sector partners to protect human health and the environment. Current resources are inadequate to respond to significant spills when they require a sustained incident management team, or to provide support for local disaster response coordination. This package adds five positions, using a combination of general fund, other fund and potentially agency indirect to support this work.	General Fund 2 Positions (Eastern Region/Western Region)  1 Position (funded with existing OF resources)

<p><b>Modernizing Oregon's Recycling System</b></p>	<p>Update recycling framework</p>	<p>Oregon's policy framework for recycling was designed decades ago when technology and the economics of recycling were fundamentally different. To respond to changing conditions, DEQ convened a recycling steering committee in 2018 to develop recommendations to modernize Oregon's recycling system. DEQ is proposing a placeholder legislative concept and corresponding policy option that will be informed by this work.</p>	<p>Other Fund 2 positions</p>
<p><b>Hazardous Waste Fee Structure Modernization</b></p>	<p>Restructure hazardous waste fees</p>	<p>DEQ's Hazardous Waste and Environmental Cleanup Programs are operating without sufficient funds to maintain program service levels. DEQ proposes to raise its hazardous waste fees to provide greater stability and predictability to the program and stakeholders. Three fees are to be addressed are:                  Hazardous waste generator annual fee, ORS 466.165,                  Hazardous waste permit renewal application form fee, ORS 466.045 and,                  Hazardous waste monthly operators (disposal tip) fees, ORS 465.375, and Special hazardous waste management (disposal tip) fees, ORS 465.376.</p>	<p>Other Fund No new positions</p>
<p><b>Solid Waste Orphan Fund</b></p>	<p>Position authority for Solid Waste Orphan Site program</p>	<p>This package converts limited duration positions received in the 2019 legislative session to permanent positions in order to support the Solid Waste Orphan Site Clean Up program. This proposal calls for the use of existing funding and only seeks position authority.</p>	<p>Existing Other Fund 2 Positions</p>
<p><b>Industrial Orphan Bond</b></p>	<p>Support Orphan Clean Up program</p>	<p>This package addresses funding for a bond sale that is needed every four years to fund the Industrial Orphan cleanup program.</p>	<p>Other Fund No Positions</p>

<b>WATER QUALITY</b>			
<b>Improve Wastewater Permitting</b>	Improve wastewater permitting quality, efficiency and accountability	This package will support continued investments in core programmatic NPDES and WPCF permitting functions necessary to improve the quality and timeliness of permits and permit renewals. The requested positions represent a second phase of investment, consistent with multi-biennium planning initiated by key stakeholders during the 2019 session, to right size the DEQ water quality permitting program. The package will support statewide resources dedicated to permit development (individual and general), compliance strategies, and compliance verification.	\$1.25 Million (60%fee/40% GF) 6 Positions
<b>Onsite Wastewater Treatment</b>	Improve capacity to provide services and support for large onsite wastewater systems	This package will improve capacity to ensure that large onsite septic systems are properly functioning and that water pollution and public health risks are prevented. These resources also will speed permit development, plan review, inspections, and technical assistance. Greater capacity will also improve response time to complaints, surfacing sewage and public health threats.	\$414,000 (60% fee/40% GF) 2 Positions
<b>Clean Watershed Plans</b>	Improve data-driven support for TMDL development and implementation	This package will support TMDL implementation efforts. These services, including data collection, data management and analysis, support the work of sister natural resource agencies (e.g. ODA, OWEB, ODF, ODFW) and other designated management agencies, that are responsible for preparing and executing TMDL implementation plans that are designed to meet water quality standards.	\$828,000 General Fund 4 Positions plus \$350k contract services
<b>Clean Water State Revolving Fund</b>	Modernize CWSRF Loan Management software systems	DEQ administers the CWSRF to make low interest loans to public entities for wastewater treatment infrastructure and water quality improvement projects. This package funds loan management software to replace DEQ's manual and outdated systems with a secure system that will increase efficiency, improve customer service and reduce risk for material errors. The 2019 Legislature provided authorization for the agency to develop plans for this software upgrade, and the agency anticipates being able to go out for procurement during the 2021-23 biennium.	Other Fund (limitation only) 0 positions
<b>401 Water Certification</b>	Increase capacity to process 401 applications and issue WQ certifications	This package will support the 401 hydro program and the 401 dredge and fill program by providing additional capacity for tracking policy and rule changes and developing strategies to maintain regulatory processes that are adequately protective of water resources. In addition to policy development, the new position would also assist with implementation of new rules and policies, support adaptive management for	\$207,000 General Fund 1 position



		hydroelectric projects, and support DEQ's efforts to ensure tribal interests are considered in developing and implementing certifications for hydroelectric and dredge and fill projects.	
<b>LAB</b>			
<b>Lab Infrastructure</b>	Maintain Lab Equipment and Infrastructure capabilities	This package increases base funding for the DEQ laboratory to maintain and replace aging equipment.	\$550,00 General Fund for capital outlay/S&S
<b>AGENCY MANAGEMENT</b>			
<b>Agency Central Services</b>	Support Staffing	The 2019 Legislature approved over 50 new positions at DEQ carrying out core regulatory programs and projects. Six positions -- funded through agency indirect -- are requested to support the Central Services Division work for the rest of the agency in the areas of human resources (including Diversity, Equity and Inclusion), Information Technology, and payroll all of which have been severely stretched by expansions in the rest of the agency.	Other Fund (agency indirect) 6.0 Positions
<b>EDMS Maintenance Funding</b>	EDMS Maintenance Funding	The Environmental Data Management System (EDMS) project is helping DEQ manage workflows, data acquisition, and enterprise reporting related to core agency business processes. EDMS also is designed to make it easier and more efficient for regulated entities to work with DEQ, and for the public to access data collected by DEQ. The 2019 Legislature approved bond funding for the acquisition and customization of the EDMS, but there are additional costs associated with licensing and maintenance. DEQ is proposing a means to charge ongoing costs associated with the hosting and maintenance of the system through a modest surcharge on subprograms using the system.	\$1.6 million Other Fund

## CERTIFICATION

I hereby certify that the accompanying summary and detailed statements are true and correct to the best of my knowledge and belief and that the accuracy of all numerical information has been verified.

Oregon Department of Environmental Quality

**AGENCY NAME**

700 NE Multnomah, Ste 600, Portland, OR 97232

**AGENCY ADDRESS**

**SIGNATURE**

Environmental Quality Commission, Commission Chair

**TITLE**

**Notice:** Requests of agencies headed by a board or commission must be approved by official action of those bodies and signed by the board or commission chairperson. The requests of other agencies must be approved and signed by the agency director or administrator.

Agency Request

Governor's Budget

Legislatively Adopted