
Date: Aug. 17, 2022

To: Environmental Quality Commission

From: Richard Whitman, Director

Subject: Item A: Agency Request Budget for 2023-25 (Action)
Aug. 24, 2022, EQC special meeting

Purpose of item DEQ is requesting commission approval for Chair George to sign and certify the DEQ Agency Request Budget for the 2023-25 biennium, for subsequent submission to the 2023 Oregon Legislature.

DEQ recommendation DEQ recommends that the Oregon Environmental Quality Commission authorize Chair George to sign the DEQ 2023-25 Agency Request Budget certification form on behalf of the commission as part of the agency's Sept. 1, 2022, budget submittal to Governor Brown and the Oregon Legislature.

Budget and legislative agenda development process DEQ's development of an agency request budget is the first step in the regular multi-year budget cycle. Once the commission approves the Agency Request Budget, it is then submitted to the governor and the Department of Administrative Services for review. A new governor will be elected in November 2022 and will immediately get to work on the Governor's Recommended Budget, which will be submitted to the legislature prior to the 2023 session. The legislature will then consider these budget proposals and adopt a two-year budget, covering the period from July 1, 2023, to June 30, 2025. 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 several EQC meetings detailing the development of policy option packages and related stakeholder engagement for inclusion in the 2023-25 Agency Request Budget.

As with every budget cycle there are uncertainties. Two years ago, we were faced with an unprecedented pandemic and a severe recession. But with federal aid and a resilient economy, the state was able to make significant investments, including in DEQ. This coming budget cycle, Oregon will elect a new governor and new leadership at the Legislature. They are certain to have their own spending priorities. What doesn't change, however, is our

process for requesting funding where we believe it is most needed and working to ensure there is broad and clear understanding of those needs.

**EQC
involvement**

The commission chair is required to certify the agency request budget before it is submitted. If the policy option packages contained in the ARB are approved by the legislature in 2023, 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 2023-25 DEQ Agency Request Budget

Report compiled by Stephanie Caldera
Commission assistant

Agency Request Budget and Legislative Concept Development Timeline 2023-2025

Key Milestones and Process Steps

Topic	Notes	Date
Agency Request Budget process consult	Meeting with Leadership Team	Dec. 15, 2021
Draft list of initial policy option packages and legislative concepts	Broad consultation with: Agency staff, managers and division administrators Leadership Team Environmental Quality Commission Governor’s Office Stakeholders General Public	September 2021-February 2022
Stakeholder Outreach on draft ideas	Provide broad opportunities for stakeholder engagement. Include potential “town hall” meetings, program/media specific stakeholder forums, meetings with community-based organizations, surveys and meeting with legislators.	January – July 2022
Update EQC	OPA provide updates/consultation opportunities for the Environmental Quality Commission	February 2022 March/April 2022 July 2022
Submission of legislative concepts to Governor/Department of Administrative Services	Consultation with staff, leadership, and Governor’s office on concepts in concurrence with POP development. Follow instructions set forth from	April 15, 2022

	Governor’s office (Agencies with 10 or more concepts, due April 11)	
Submission of legislative concept placeholder information	(Agencies with 5 or more placeholders, due June 1) DAS has sent tentatively approved language for drafting.	June 3, 2022
Initial approval of positions associated with policy option packages	Positions entered in DAS	June 30, 2022
Approval of budget reduction options and budget shortfalls	Staff develop initial list; leadership team consult on proposed plan and Director and Deputy make final decisions.	Late Spring for initial determination. Due w/final budget book - August 2022
Approval of legislative concepts	Meets with Governor’s office and DAS to provide additional information about LCs as necessary	Approval by July 8, 2022
EQC Certification	EQC Chair required to certify budget	Aug. 24, 2022
Final budget book due	Submit to Governor	Sept. 1, 2022
Budget appeal process	DEQ Leadership meeting with Governor’s staff and DAS Budget and Management (BAM).	Likely October 2022



Agency Request Budget: 2023-25

DEQ Proposed Policy Option Packages

Topic	Draft POPs
AIR QUALITY	
Wildfire Response	<p>The increasing duration and intensity of the wildfire season is posing a significant threat to our air quality. Between 1990 and 2015, the number of days of poor air quality due to wildfire smoke increased 10-fold in southern Oregon and 20-fold in Eastern Oregon.</p> <p>This package proposes to reclassify 7 positions received in 2021 (SB 762) from limited duration to permanent to continue the monitoring work in the lab and community grant program. The package also includes \$1.5 million in community grant funding.</p>
Permitting	<p>Major emissions sources are pollution hot spots in Oregon. They frequently contribute to disproportionate air quality burdens among communities of color. Oregon is required by the Clean Air Act to regulate and permit these emissions.</p> <p>This package would add four new permitting staff in HQ and the regions and add staff for modeling and source test capacity.</p>
Title V Restoration	<p>Title V of the federal Clean Air Act regulates emissions from the largest and most complex sources of air pollution. DEQ permits approximately 100 “Title V” sources in Oregon ranging from power plants to pulp & paper mills. DEQ has not significantly adjusted its fees in over 13 years, despite federal regulations becoming increasingly complex to administer. This package addresses a proposed fee increase (that will require a legislative concept) and restoration of positions that will be lost without additional revenue.</p>
GHG Reduction	<p>DEQ is currently implementing two core climate programs – the Climate Protection Program and the Clean Fuels Program. This package includes three positions to fully implement both programs.</p>
Community Climate Investment Program	<p>DEQ has a significant oversight role with the Community Climate Investment Program, although the agency will not receive or disburse funds directly. DEQ will be required to review and approve applications from third party entities, approve project work plans and review GHG reporting methodology among other oversight responsibilities.</p> <p>DEQ is seeking legislation to provide authorization to establish an administrative fee to be paid by CCI entities in support of this oversight role. This package includes four positions to carry out this work.</p>
Transportation	<p>Transportation sector is the single largest source of GHG emissions – comprising nearly 40% of statewide emissions and rising. DEQ needs to evolve in response with the</p>

	<p>strategies to address mobile sources, deeper engagement in transportation decision making, and expansion of programs that reduce emissions from personal vehicles and the freight industry.</p> <p>This package adds a transportation manager and continues work on our Medium/Heavy Duty vehicle charging pilot project.</p>
LRAPA	<p>Current staffing at LRAPA does not include business assistance or sufficient analytical capacity and more complex regulations have created a need to add permanent staffing to ensure timely permit processing. This package includes \$250,000 for LRAPA.</p>
WATER QUALITY	
Wastewater permitting	<p>Current resources are inadequate to support core permitting functions and responsibilities. DEQ is proposing to add 12 positions for permit coordination and development, compliance assurance, IT and data management, as well as subject matter expertise for hydrology and water reuse related activities. DEQ proposes maintaining 60% general fund 40% fee fund split.</p>
Stormwater Permitting	<p>Current resources are inadequate to support core permitting functions and responsibilities. DEQ proposes adding several positions to address compliance and assurance, and policy.</p> <p>This package includes a policy coordinator and two compliance assurance positions based in regions.</p>
Onsite	<p>Insufficient staff resources to address permit and inspection backlogs; e-permitting oversight; or provide adequate technical assistance, subject matter expertise, training, and natural disaster response.</p> <p>This package includes four positions for onsite direct service and WPCF onsite permitting work.</p>
TMDL	<p>Current resources are inadequate to support increased demands for TMDL implementation and coordination.</p> <p>This package includes three positions that would add capacity for regional implementation, improve the staff/manager ratio and add a program analyst.</p>
Standards and Assessment	<p>Current resources are inadequate to undertake core assessment workload and provide data visualization enhancements to the Integrated Report that are critical for improved public understanding and interpretation. Also, need for resources to analyze and present data to provide further insight to water quality issues, including severity of pollution and incorporation of trends.</p> <p>This package includes a data analyst, assessment specialist and a GIS specialist, as well as a marine water quality specialist.</p>
Grant Program	<p>Water Quality programs lack capacity to manage increased federal grants coming to the agency and grants DEQ is administering and sub granting. This package would also provide increased capacity to pursue and compete for new funding opportunities that may be brought to the state. It includes continuation of one limited-duration position established by the 2021 Legislature and establishment of one new position to support grant development and administration needs.</p>
Source Water Protection	<p>Current resources are inadequate to address groundwater quality management concerns that threaten drinking water supplies in some parts of the state. Moreover, DEQ lacks</p>

	dedicated resources to adequately evaluate the known factors contributing to harmful algae blooms (HABs) in impaired waterways and to develop watershed-specific management plans to reduce HAB occurrences. This package includes a groundwater quality basin coordinator, soil scientist, and harmful algae blooms (HABs) analyst.
Place based planning	The DEQ water quality program lacks resourcing to adequately participate in and contribute to local, regional and statewide planning efforts to prepare for water scarcity and other climate impacts on water quality. This package restores one Integrated Water Resources Strategy (IWRS) regional planning position that was lost to budget reductions in 2019 and establishes one additional new position to support IWRS implementation efforts that includes providing water quality technical assistance for water storage and supply projects.
LAND QUALITY	
Emergency Response	Current resources are inadequate to respond to significant spills, or to provide support for local disaster response coordination. This package includes three regional on-scene coordinators to mitigate, prepare, respond to, and recover from releases of oil and hazardous materials
Recycling Modernization	This package adds several positions anticipated for full implementation of SB 582. Fees to be paid by producers.
Dry Cleaner Sunset	DEQ Dry Cleaner Program is not financially viable (fees do not cover program administration or provide sufficient revenue for future clean ups). DEQ has a legislative concept to sunset the program, prohibit perchloroethylene use in dry cleaning, and create a program to support the transition to less toxic cleaning solvents. The package provides funding for the reimbursement program.
Materials Management	The package provides staff to adequately resource existing work including food waste diversion, solid waste policy coordination, compliance, permitting, technical assistance, information coordination and reporting, and administrative support.
CENTRAL SERVICES DIVISION/CROSS PROGRAM	
Support Staffing	Additional resources are needed to support central functions of the agency. The number of additional positions needed will fluctuate depending on the final number of new positions added to the agency. All positions will be funded through agency indirect rates.
Environmental Justice	DEQ received some resources to further environmental justice work at the agency in 2022, but a permanent coordinator is needed to provide structure and continuity across the agency and with the Environmental Justice Council. This package includes one position that will serve as team lead for environmental justice work at DEQ.
Lab (cross program)	DEQ's ability to continue providing environmental monitoring in a reliable, timely, and cost-effective manner is dependent on our ability to replace and update aging laboratory and analytical equipment. Many critical instruments are at or beyond their recommended replacement age and some are no longer eligible for repairs should they become inoperable. This package includes \$500,000 for capital to replace aging lab equipment and includes two positions to improve functionality at the lab.

**Grants
Support**

DEQ has an increasing role with federal and state grants. The agency needs to dramatically beef up its business support for grants in central services in order to fulfill federal and state reporting requirements and successfully administer sub grants.

This package includes four positions related to finance, accounting and procurement and agency-wide coordination.

Alternate formats

DEQ can provide documents in an alternate format or in a language other than English upon request. Call DEQ at 800-452-4011 or email deqinfo@deq.oregon.gov.

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