

**Date:** Nov. 2, 2023

**To:** Environmental Quality Commission

**From:** Leah Feldon, Director

**Subject:** Agenda item H, Informational item: 2025-27 Agency Request Budget Development  
Nov. 16-17, 2023, EQC meeting

**Why this is important** DEQ will discuss, at a high level, the process and priorities for development of the 2025-2027 Agency Request Budget.

**DEQ budget** DEQ has a total budget of over \$717 million, and approximately 850 Full-Time Employees. The agency's budget is particularly complex relative to other state natural resource agency budgets. This is in large part due to the wide variety of federal and state programs the agency is tasked with implementing. The agency is funded by General Fund, Lottery Funds, Federal Funds, and a variety of permit or activity fees.

The agency's budget is structured around the three primary media divisions: air, land and water quality, and the agency's Central Services Division. The agency also has units that serve and are funded by teams across the department including the Office of Compliance and Enforcement, the Communications Team, and the Laboratory and Environmental Assessment Division.

**State budget process** The State of Oregon's biennial budget process includes three distinct phases:

Agency Request Budget

The Agency Request Budget (ARB) is the first phase in the budget process. In the ARB, agencies describe their core mission, objectives and program priorities and provide budget information on past, current and future biennia. The ARB reflects the agency's policy agenda and the financial plan it would like the Governor to recommend to the Legislature. Prepared under guidelines set by the Governor through the Department of Administrative Services (DAS), the document consists of descriptive narratives, and budget forms. As a part of this process, agencies will review their current service level budget to determine what technical corrections are required. The agency can also propose

adjustments to revenues and expenses through Policy Option Packages. Under ORS 291.208, DAS requires agencies to submit a two-year budget by July 31 or Aug. 31 of each even-numbered year.

#### Governor's Recommended Budget

The Governor and Chief Financial Officer review agency request budgets to compile the Governor's Budget. That budget reflects the Governor's priorities and the policies set in statute as well as any changes proposed by the Governor. ORS 291.222 requires transmission of the Governor Elect's printed budget to each member of the Legislature by Feb. 1, 2023. The Governor's Budget is the starting point for budget negotiations during the legislative session.

#### Legislatively Adopted Budget

The Governor's Budget is presented to the Legislature during the legislative session in odd-numbered years. Committees, typically the Joint Committee on Ways and Means or one of its subcommittees, review agency programs and budget information. These committees hold public hearings to hear from each agency and the public. The committee recommendations for an agency's budget are presented in budget reports for each budget bill; an agency may be impacted by more than one bill. The budget bills set out General Fund appropriations; Lottery Funds allocations and expenditure limitations; and Other Funds and Federal Funds expenditure limitations. DEQ's budget bill often authorizes fee increases to be implemented via rulemaking by DEQ and the Environmental Quality Commission.

#### **2025-2027 process**

Work on the agency's 2025-2027 Agency Request Budget and legislative proposals has started, as the agency evaluates what emerging needs and ongoing gaps exist that may be the basis for work in the 2023 Legislature. With considerable staff, community, business, tribal, local, federal and commission input, DEQ will develop policy option packages to address key environmental and public health concerns. The agency will also develop initial concepts for possible legislation and consider what legislative proposals are likely to be advanced by others.

Key consideration in the early phase of budget development include:

- The financial health and stability of fee-funded programs
- Resource needs associated with implementing long-standing and new Legislative mandates
- Resource and other needs associated with addressing emerging environmental and public health issues

- Alignment with the Governor’s priorities

The Director’s Office is responsible for managing community and stakeholder engagement to inform budget development. Values for this work include:

- Connecting early and often with all interested parties
- Reaching communities most impacted by DEQ decisions and work
- Ensuring broad access and robust participation in the development of the budget

**EQC involvement** DEQ welcomes commission input on the process for Agency Request Budget development and priorities for the agency to consider.

DEQ will brief the commission in Spring 2024 with a preliminary list of concepts under consideration for inclusion in the Agency Request Budget.

The commission is required to certify the final Agency Request Budget upon its submittal to the Governor.

*Report prepared by Matthew Davis, Policy and External Affairs Manager*

#### **Translation or other formats**

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