


State of Oregon  
Department of Environmental Quality

Memorandum

**Date:** Jan. 8, 2017  
**To:** Environmental Quality Commission  
**From:** Richard Whitman, Director   
**Subject:** Agenda item F, Informational item: Budget updates  
Jan. 18-19, 2018, EQC meeting

**Purpose of item** DEQ will present updates about the agency's budget to the commission.





















**Background** Once the agency's legislatively-adopted budget is finalized (the LAB), DEQ staff must determine whether the agency can afford the expenditures that the legislature has authorized. Once this is reconciled, the DEQ Leadership Team approves an Operating Budget, which is used for hiring and other expenditure decisions during the biennium.















The 2017-19 DEQ Operating Budget also informs the figures that are used to develop the 2019-21 Agency Request Budget. Program financial analysts for the Air, Land, Agency Management and Water Divisions use the Operating Budget to track program affordability – effectively, how many staff and other expenditures can be supported by revenues over the biennium without overages or shortfalls. That information is used to build subsequent budget baselines, on top of which any additional requests for revenue, through General Fund, Lottery Funds, Federal Funds or fees, would be necessary to continue the agency's work.





















**Attachment** A. 2017-19 DEQ Operating Budget summaries



























**EQC involvement** No commission action is required for this item.

Report compiled by Stephanie Caldera  
*Commission assistant*

Subprogram	Operating budget adequate for 17-19	Financial position heading to 19-21	Notes
			<b>The programs on this page are funded by some combination of General Fund, Lottery Fund, federal grant funds, fees, and revenue transfers from other agencies.</b>
Section 401 Water Quality Certification - Dredge and Fill			The "401 program" evaluates the water quality impacts of projects which require a federal permit or license to conduct any activity that may result in a discharge (including dredge and fill material) in waters of the United States under Section 401 of the Clean Water Act, and imposes conditions when necessary to ensure project operations will not violate water quality standards. A significant increase in fee revenue is predicted due to DEQ's administration of federal "nationwide permits" that became effective March 2017. We will monitor the revenue closely.
Data and Information Management			The water quality program relies on support from Central Services Division to develop and maintain numerous information and business systems. The legislative budget lacks sufficient FTE with reliable revenue to fund WQ's information system development and maintenance needs, which requires the WQ program to reduce expenditures elsewhere to pay for these services.
Nonpoint source			The nonpoint source program works with communities and many local, state and federal agencies around Oregon to reduce nonpoint source pollution. This subprogram has adequate funding to implement its operating budget.
Groundwater			The groundwater program works with communities and other agencies to improve groundwater in three groundwater management areas (Northern Malheur County, Lower Umatilla Basin, and Southern Willamette Valley) in Oregon. DEQ also conducts regional monitoring studies to evaluate groundwater quality and notify well users of potential health risks. This program has been shrinking, most recently losing the remainder of the southern Willamette GWMA position and a (long-term vacant) statewide GW coordinator/policy position, plus some reduction in monitoring.
Standards and Assessments			Developing water quality standards and assessing status of Oregon's waters statewide is the foundation of the water quality program. This subprogram has adequate funding to implement its operating budget.
Total Maximum Daily Loads (TMDLs)			This program develops and works with others to implement TMDLs which are plans to reduce water pollution from all sources in order to meet water quality standards. This subprogram has adequate funding to implement its operating budget but pending litigation could significantly increase workload.
Underground Injection Control (UIC)			The UIC program ensures that groundwater is protected when underground injection systems place fluids (mainly stormwater, but also septic effluent, treated drinking water and other fluids) below the ground. This subprogram has adequate funding to implement its operating budget.
Monitoring			DEQ monitors rivers, streams, lakes, groundwater and beaches all over the state to determine if Oregon's waters are safe for all of our beneficial uses such as drinking water, fish, and irrigation. Structural interprogram FTE misalignment and underfunding for services and supplies creates recurring operating budget shortfalls in this program.
Program Support			This subprogram includes executive, legislative, legal, budget and administrative support for the WQ program, and has adequate funding to implement its operating budget.
Wastewater Permitting			The permitting program issues permits for industrial, municipal and stormwater dischargers, as well as permits for land application, lagoons and large onsite septic systems. The green light for 2017-19 assumes the EQC adopts fee increases effective November 1, 2018. The predicted 2017-19 ending balance might not be sufficient to afford the current service level in 2019-21 without new revenue.

Subprogram	Operating budget adequate for 17-19	Financial position heading to 19-21	Notes
			The programs on page two each have dedicated funding sources that cannot be used for other activities
Section 401 Water Quality Certification - Hydro			This program works on water quality certifications for hydroelectric projects to ensure the operations will not violate water quality standards. The Hydroelectric Application Review Team agencies (DEQ, OWRD, and ODFW) are renegotiating the interagency agreement governing the allocation of annual fee revenue, and DEQ will provide estimates of our projected revenue requirements.
Clean Water State Revolving Fund (CWSRF) Administration			The CWSRF Loan Program provides low-cost loans for the planning, design or construction of various water pollution control activities. The administrative portion of the program is funded by a 0.5% annual fee on the unpaid balance of the loans made (excluding planning loans). The program's fund balance is adequate to implement its operating budget but has been declining. However, we expect program revenue to increase as we issue more loans, but will monitor it closely.
Drinking Water Assessments and Implementation			The Drinking Water protection program works in partnership with the Oregon Health Authority to assist communities with protecting their public drinking water supplies. The budgeted revenue transfer from OHA remained flat from 2015-17 to 2017-19; therefore, we can afford less FTE. We will monitor this trend going into 2019-21.
Laboratory Certification			This subprogram has adequate funding to implement its operating budget.
Onsite Septic Systems Permitting and Licensing			DEQ regulates the siting, installation, maintenance and operations of septic systems in Oregon protect public health and the environment. The predicted 2017-19 ending balance is adequate, but reflects a rate of spending that is faster than bringing in revenue. Onsite fee revenue is influenced by the economy, so we will monitor it closely.
Wastewater Treatment Operator Certification			The operator certification program certifies people in wastewater treatment system operation and is funded fully on fees. This subprogram has adequate funding to implement its operating budget.
Miscellaneous Other Revenues			The water quality program has several positions that are funded by outside sources. Some examples include Beach Monitoring (federal grant funds that come through Oregon Health Authority) and a water quality specialist position supporting the Tillamook Estuary Partnership (federal funds that come from the TEP). This subprogram has adequate funding to implement its operating budget.

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Air Contaminant Discharge Permits			This subprogram funds Oregon's state air quality permitting program. ACDP fees have not increased since 2014 and as a result the program cut 4.0 FTE in the most recent legislatively adopted budget. Actual revenue and expenditures will need to be monitored closely throughout the biennium to determine sub program financial health. A recent audit by the Secretary of State found that the program is under resourced, leading to a backlog in permits.
Title V Permits			This subprogram funds the federal air quality permit program, implemented by the state. Statue allows Title V fees to be increased annually at a rate equivalent to the consumer price index. Those increases do not keep pace with the true costs of operating the program. Title V fees have not been substantially increased since 2011. Actual revenue and expenditures will need to be monitored closely throughout the biennium to determine sub program financial health. A recent audit by the Secretary of State found that the program is under resourced, leading to a backlog in permits.
Area Mobile General Fund and Federal Fund			This subprogram funds much of the agency's planning and policy work and the air quality monitoring work. A large number of vacancies (planned and unplanned) make this subprogram affordable, however the ability to deliver core work has been impacted. Key rulemakings, area source air toxics work, smoke management and Clean Fuels work has either been delayed or operating with minimal staff.
Special Federal Grants			Special Federal Grants are grants that fund diesel engine replacements for school buses. This subprogram currently has adequate funding to meet the demand of school districts wanting to replace their bus diesel engines.
Pass Through			This subprogram includes funds that are passed through to the Lane Regional Air Protection Agency and other partner agencies. This subprogram also includes funds from the Volkswagen settlement. Additional resources may be required to distribute funds from the VW settlement if the scope of eligible projects is expanded.
Area Mobile Other Funds			Area Mobile other funds fund a variety of smaller fee-funded programs including backyard burning, tanker truck certification and low emission vehicles. This subprogram has adequate funding to support its operating budget.
Asbestos			This subprogram funds the agency's asbestos program, including contractor certification, inspections and enforcement. This subprogram has adequate funding to support its operating budget.
Greenhouse Gas Reporting			This subprogram funds the agency's greenhouse gas reporting and inventory work. It has adequate funding to support its operating budget. Any expansion to greenhouse gas reporting requirements will require additional funding.
Revenue Agreements			This subprogram includes monitoring agreements with the Bureau of Land Management and the Department of Forestry for DEQ to provide monitoring data. This subprogram has adequate funding to cover the agency's costs.
Vehicle Inspection Program (VIP)			This subprogram funds the agency's Vehicle Inspection Program, which operates in the Portland metropolitan area and the Rouge Valley. A fee increase is needed to maintain the existing level of service.

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Materials Management			The Materials Management program regulates landfills, oversees the paint product stewardship program and works to reduce waste throughout a product's life cycle. Materials Management has sufficient funding to implement the operating budget. Their biggest challenge is hiring and onboarding 5 new positions and 5 vacant existing positions.
Materials Management - eWaste			The Electronic Waste portion of the Materials Management program oversees recycling of electronic waste in Oregon. The E-waste program costs are paid by the manufacturers of covered electronic equipment. Funding is adequate to support the operating budget.
Hazardous Waste			The Hazardous Waste (HW) program regulates hazardous waste generators, transporters, storage facilities and disposal facilities. HW also works to reduce use of toxics. The program has been on a glide path for several biennia, leaving positions vacant and using fund balances. The fund balance will be exhausted by the end of 17-19. If the program is unable to plan on a 2019 fee increase request, additional positions will need to remain vacant.
Orphans - Industrial Site Cleanup*			The Industrial orphan program cleans up high priority hazardous waste on property where the responsible party is unknown, unwilling or unable to pay for the cleanup. Predicting new orphans and remediation needs can only be done based on history. Due to the uncertainties involved, estimating costs for orphan work is difficult. The orphan bond sale in November and planned bond sale in spring 2019 is anticipated to provide adequate funding through 2021 and possibly longer.
Orphans - Solid Waste			The Solid Waste Orphan cleanup is funded by fees on domestic solid waste. The program has sufficient funding to implement the operating budget and any large, unanticipated projects that may arise.
Cleanup - Dry Cleaners*			The Dry cleaner program regulates use and handling of toxic dry cleaning solvents and dry cleaner stores. It also performs cleanup on on high priority sites that participate in the program. It has sufficient funding for 1719 but is not anticipated to be able to meet ongoing needs with current revenue.
Cleanup - Non-Dedicated*			The cleanup program is funded by payments made by responsible parties for oversight of cleanup projects. This program requires close oversight, but has adequate funding.
Cleanup - Dedicated*			Dedicated funding cleanup projects incur costs only to the amount of prepayments.
Spills - 9 funds*			Most spill funds are sufficiently funded. Fixed costs of 24/7 preparedness and staffing for immediate response are a challenge for the program.
Oil Spill Planning*			Oil Spill Planning has inadequate funding and will need to reduce activities or draw on cleanup funds in 1719.
Tanks - Leaking Underground Storage Tanks (LUST)*			LUST has adequate funding to support the operating budget.
Tanks - Underground Storage Tanks (UST)			UST fees were increased in the 2017 session, but positions were not projected to be affordable until January 2019. Depending on early 2018 fee receipts, may be able to hire in summer 2018.
Tanks - Heating Oil			Program has inadequate funding to do core work. IT security issues are projected to use half the beginning fund balance.

\*HSRAF (Hazardous Substance Remedial Action Fund), partially HSRAF, or can be supported by HSRAF.