

Date: Jan. 8, 2018

To: Environmental Quality Commission

From: Richard Whitman, Director



Subject: Agenda item G, Informational item: Process for the Development of 2019-21 Agency Request Budget and Legislative Concepts, and Early Budget and Legislative Concepts
Jan. 18-19, 2018, EQC meeting

Purpose of item The commission has requested greater engagement with the development of the Agency Request Budget and Legislative Concepts, and DEQ has taken several steps to do so.

First, DEQ is presenting a proposed process for developing the 2019-21 Agency Request Budget that includes multiple opportunities for EQC and public engagement.

Second, DEQ's Leadership Team and policy staff also have developed a very preliminary set of concepts for both the budget and new legislation. These concepts are intended to encourage early input from both the EQC and the public at large.

The budget and legislative concepts will be distributed to the EQC later this week, and posted on the EQC website. Stakeholders have been encouraged to attend the January EQC meeting to talk with the commission about their thoughts about the agency's budget, as well as legislation.

Background DEQ must develop an agency budget every two years. The budget development process has three major phases: the Agency Request Budget, ARB, the Governor's Budget, GRB, and the Legislatively Adopted Budget, LAB. Agencies initiate the budget process early in even-numbered years, and submit a proposed two-year budget by September 1 of each even-numbered year. The ARB is the first phase in the budget process. Following the submission of the ARB, the proposed budget is first reviewed by the Department of Administrative Services, which makes recommendations to the Governor. The Governor then prepares her proposed budget to the Oregon legislature in the late fall of 2018 preceding the upcoming long legislative session in 2019. The legislature will approve a final budget in the early summer of 2019.

In the ARB, agencies typically 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 its financial plan. It can include proposals for new programs, program expansions or changes, or for program elimination. The document consists of descriptive narratives, budget forms, and audited reports.

For the 2019-21 Agency Request Budget, DEQ has started gathering initial budgetary and policy information to be used in budget development and for development of legislative concepts.

DEQ's Director and Leadership Team, along with policy staff, have developed an initial list of budget concepts, as well as some very early ideas about possible legislative concepts that might be recommended to Governor Brown. Brief descriptions of these concepts are included in Attachment B to this report.

Attachment

A. 2019-21 Agency Legislative Concepts and Policy Option Package Concepts

**EQC
involvement**

No commission action is required for this item; however, DEQ is seeking input from the commission – particularly on whether there are other budget or legislative items that the commission would like to see developed. This agenda item also is an opportunity for commissioners to provide input on the proposed process and timeline. The commission may direct DEQ to alter the proposed process or timeline, although many of the deadlines for specific action are set by the Department of Administrative Services or the Governor.

Report compiled by Stephanie Caldera
Commission assistant

Preliminary Concepts for 2019-21 Budget and Legislation

Item	Budget (POP) or Legislation (LC), or Both	Program(s)	Summary	Description
			AGENCY INFRASTRUCTURE	
A	POP	Agency-wide	Next Phase of Environmental Data Management System (EDMS) (procurement of next phase)	Funding for ongoing EDMS project.
B	POP	Agency-wide	Other compulsory information technology work above base budget (IT Security, etc.)	Resources for Chief Information Officer-recommended information technology equipment and staffing.
C	POP	Agency-wide	Capital funding for core lab equipment requirements	Capital funding (potentially bonding) to implement an ongoing replacement schedule of DEQ's laboratory equipment.
D	POP	Agency-wide	Civil Rights (Title VI) and Environmental Justice position	Establish a position dedicated to environmental justice concerns and civil rights associated with Title VI of the Civil Rights Act.
E	POP	Agency-wide	Economist position	Establish a position to provide expertise for fiscal impact analysis for rulemakings and advise programs on economic/market factors affecting regulatory programs.
F	POP	Agency-wide	Funding/position authority to support DEQ reorganization	Position authority for Implementation Administrator, overseeing permit and compliance inspection performance.
G	POP/ Possible LC	Agency-wide	Address budget structural issues	Over time, a combination of factors have resulted in DEQ's programs (primarily WQ and AQ) being unable to afford all authorized positions. DEQ has addressed this by holding positions vacant or delaying recruitments to accrue savings. These practices obscure true program costs, and complicate budget implementation. Potential solutions include eliminating existing work, requesting new revenue, or a combination of the two.
H	POP(s)	Agency-wide	Restore unaffordable positions	Restore selected positions determined to be unaffordable due to anticipated shortfalls in Federal Fund or Other Fund revenues.
			EXISTING RESPONSIBILITIES	
I	POP	Agency-wide	Fund pollution complaint response	New staff to respond timely and thoroughly to more than 3,500 annual pollution complaints. Currently, DEQ assigns complaint response work to staff whose primary responsibilities include permit writing and compliance oversight.

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Preliminary Concepts for 2019-21 Budget and Legislation

Item	Budget (POP) or Legislation (LC), or Both	Program(s)	Summary	Description
J	POPs/ Possible LCs	WQ, AQ	Align water quality and air quality permitting programs staff-to-workloads	Additional resources to implement improvements identified in the Secretary of State audit of air permitting program, and independent consultants' evaluation of water quality permitting program. Align incentives for permit renewals so that applications are complete, and so that permittees share incentives for timely issuance. DEQ is defining the right sizes for both air and water permitting programs based on workload analyses. DEQ is also exploring statutory changes that could lead to a more predictable and consistent fee changes.
K	POP	WQ	Increase capacity and balance funding for municipal stormwater permitting	Two additional positions to fulfill regulatory responsibilities.
L	POP	WQ	Increase capacity to match water quality standards workload and collect meaningful water quality data	Additional staff to keep up with water quality standards program workload and the increasing demand for developing variances to water quality standards. Insufficient staffing affects timely issuance of permits and development of Total Maximum Daily Loads (TMDLs). Also increase capacity to conduct continuous monitoring at strategic locations. Currently, most water quality data is a snapshot of conditions at a specific point in time, although conditions at monitoring locations can drastically change daily, seasonally or during changing weather conditions.
M	POP	WQ	Increase capacity to carry out watershed protection and restoration responsibilities	Additional staff to develop and oversee implementation of TMDLs; implement a cross-agency approach to evaluating riparian conditions; and better respond to harmful algae blooms.
N	POP/ Possible LC	WQ	Enhance groundwater protection	Resources to evaluate groundwater quality and work with landowners and communities to identify and address potential contamination sources.
O	POP	WQ	Provide capacity to fulfill onsite septic system regulatory responsibilities	Increase onsite fees to maintain current service level and provide adequate support to counties that implement onsite regulations.
P	LC	LQ	Maintain Heating Oil Tank Program activities	Increase Heating Oil Tank Program fees to support current service levels and respond to time-sensitive real-estate transactions.

Item G 000004

Preliminary Concepts for 2019-21 Budget and Legislation

Item	Budget (POP) or Legislation (LC), or Both	Program(s)	Summary	Description
Q	LC	LQ	Maintain Spill Prevention and Ballast Water Program efforts	Increase fees on commercial vessels and facilities in 2020 to maintain current service levels for spill prevention and invasive species prevention activities.
R	LC	LQ	Eliminate Dry Cleaner Program	Eliminate DEQ Dry Cleaner Program due to persistent revenue shortfalls and inability of participants to reach agreement on a sustainable fee structure.
S	LC	LQ	Revise applicable uses of Solid Waste Orphan Funds	Change statute related to the use of Solid Waste Orphan fees to enhance DEQ's ability to cleanup orphan sites with existing funds.
T	POP	AQ	Vehicle Inspections Program (VIP) Fee Increase	Increase fees for VIP, as current fees are not sufficient to fund the program. DEQ has not raised VIP fees in 20 years.
U	LC/POP	AQ	Improve Greenhouse Gas Reporting	Expand Oregon's greenhouse gas reporting requirements to provide an improved understanding of sources of greenhouse gas emissions in Oregon and require third party verification of greenhouse gas reporting.
V	LC/POP	AQ	Volkswagen Settlement Funds	SB 1008 (2017) limited use of VW settlement funds to school bus related projects, and prohibits other uses of the funds. Diesel emissions are continuing to harm communities in Oregon, and the VW mitigation funds should be spent sooner rather than later to fully mitigate the effects of emissions tampering. Among the uses of these funds is the potential to invest in light-duty electric vehicle charging infrastructure, particularly in underserved communities.
W	POP	AQ	Reduce pollution from wood smoke	Additional resources to expand the types of support and assistance available to Oregon communities who violate, or are at risk of violating, national standards for fine particulate.
X	LC	AQ	Correct Air Pollution Violation Statute	Restore the offense of unlawful air pollution in the 2nd degree as a criminal misdemeanor rather than a "specific fine violation."

Item G 000005

Preliminary Concepts for 2019-21 Budget and Legislation

Item	Budget (POP) or Legislation (LC), or Both	Program(s)	Summary	Description
			EMERGING NEEDS	
Y	POP	WQ/AQ	Improve the Utility of Citizen Science	Staff and capital costs associated with testing low-cost monitoring equipment, advising community groups on environmental sampling and data management techniques, and providing quality assurance for data from non-governmental organizations. Respond to increased requests for DEQ to analyze and use data collected by the public.
Z	POP	WQ	Meet the financial and technical assistance needs of wastewater treatment providers	Additional positions and funding to support the financial and technical capacity needs of wastewater treatment providers. Funding may include, but is not limited to, support from the Clean Water State Revolving Fund.
AA	LC/POP	LQ	Restore and Enhance Capacity for Emergency Response Planning, Preparedness, and Recovery	Restore and enhance resources to plan for, train for, mitigate, respond to, and recover from large spills and catastrophic emergencies beyond current marginal levels. Includes addressing regulatory gaps in preparing for and planning for large spills.
BB	LC/POP	LQ	Establish Pharmaceutical Drug Take-back Program	Propose a new law requiring industry to support and run a product stewardship program that would lead to improved collection of unused prescription drugs.
CC	LC	LQ	Prohibition on sale of elemental mercury	Propose a new law prohibiting the sale of elemental mercury except in a few limited circumstances (e.g. use by dentists) to reduce environmental and human exposure.
DD	LC/POP	AQ	Advance Greenhouse Gas Reductions	Resources to implement strategies for reducing greenhouse gas emissions.
EE	LC/POP	AQ	Reduce diesel emissions	Develop programs to reduce mobile sources of diesel emissions, particularly in heavily-impacted and underrepresented communities.